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As filed with the Securities and Exchange Commission on January 24, 2003

Registration No. 333-85848

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 2 TO

FORM S-11

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

WELLS REAL ESTATE INVESTMENT TRUST, INC.

(Exact name of registrant as specified in governing instruments)

6200 The Corners Parkway, Suite 250
Atlanta, 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.

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

SUPPLEMENTAL INFORMATION — The prospectus of Wells Real Estate Investment Trust, Inc. consists of this sticker, the prospectus dated July 26, 2002, Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 15, 2002, Supplement No. 4 dated December 10, 2002 and Supplement No. 5 dated January 15, 2003. Supplement No. 1 includes descriptions of acquisitions of buildings in San Antonio, Texas; Houston, Texas; Duncan, South Carolina; and Suwanee, Georgia, updated unaudited financial statements and certain other revisions to the prospectus. Supplement No. 2 includes descriptions of acquisitions of buildings in Irving, Texas; and Austin, Texas, description of a lease of a build-to-suit office building in Chandler, Arizona, declaration of fourth quarter dividends and certain other revisions to the prospectus. Supplement No. 3 includes descriptions of acquisitions of buildings in Holtsville, New York; Parsippany, New Jersey; Indianapolis, Indiana; Colorado Springs, Colorado; Des Moines, Iowa; Plano Texas; and Westlake, Texas, description of a build-to-suit office building in Chandler, Arizona, audited financial statements relating to acquisitions of buildings in Austin, Texas; Holtsville, New York; and Parsippany, New Jersey, and certain other revisions to the prospectus. Supplement No. 4 includes descriptions of acquisitions of buildings in Washington, D.C.; Glen Allen, Virginia; and Nashville, Tennessee, audited financial statements relating to acquisitions of buildings in Washington, D.C.; and Nashville, Tennessee, updated unaudited financial statements, declaration of first quarter dividends for 2003 and certain other revisions to the prospectus. Supplement No. 5 includes descriptions of acquisitions of buildings in Fishers, Indiana; Glendale, California; and Mayfield Heights, Ohio, description of the second transaction under the Section 1031 Exchange Program, audited financial statements relating to the acquisition of the building in Glendale, California, updated unaudited financial statements, and certain other revisions to the prospectus.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

Up to 300,000,000 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 and industrial buildings leased to large corporate tenants. As of July 1, 2002, we owned interests in 53 real estate properties located in 19 states.

We are offering and selling to the public up to 300,000,000 shares for $10 per share and up to 30,000,000 shares to be issued pursuant to our dividend reinvestment plan at a purchase price of $10 per share. We are registering an additional 6,600,000 shares 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.

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; and
- conflicts of interest facing the advisor and its affiliates.

You should see the complete discussion of the risk factors beginning on page 17.

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 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.
- This offering will terminate on or before July 25, 2004.

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.

July 26, 2002

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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.

Q: What is a REIT?

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

- combines the capital of many investors to acquire or provide financing for real estate properties;
- pays dividends to investors of at least 90% of its taxable income;
- avoids the "double taxation" treatment of income that would normally result 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; and
- allows individual investors to invest in a large-scale diversified real estate portfolio through the purchase of interests, typically shares, in the REIT.

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

A: Wells Real Estate Investment Trust, Inc. is a non-traded REIT formed with the intent to provide investors the potential for income and growth through the acquisition and operation of high-grade commercial office and industrial buildings leased long-term to high net worth companies (typically having a minimum net worth of $100,000,000). The Wells REIT was incorporated in the State of Maryland in 1997.

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

A: Wells Capital, Inc. (Wells Capital) is the advisor to the Wells REIT and, as such, manages our daily affairs and makes recommendations on all property acquisitions to our board of directors. Our board of directors must approve all of our property acquisitions.

Q: Who is Wells Capital?

A: Wells Capital, as our advisor, provides investment advisory and management, marketing, sales and client services on our behalf. Wells Capital was incorporated in the State of Georgia in 1984. As of June 30, 2002, Wells Capital had sponsored public real estate programs which have raised in excess of $1,795,000,000 from approximately 65,000 investors and which own and operate a total of 78 commercial real estate properties.

Q: What are the specific criteria Wells Capital uses when selecting a potential property acquisition?

A: Wells Capital generally seeks to acquire high quality office and industrial buildings located in densely populated metropolitan markets on an economically "triple-net" basis leased to large companies having a net worth in excess of $100,000,000. Current tenants of public real estate programs sponsored by Wells Capital include The Coca-Cola Company, State Street Bank, AT&T, Siemens Automotive, PricewaterhouseCoopers, Novartis and SYSCO Corporation.

To find properties that best meet our selection criteria for investment, Wells Capital's property acquisition team studies regional demographics and market conditions and interviews local brokers to gain the practical knowledge that these studies sometimes lack. An experienced commercial construction engineer inspects the structural soundness and the operating systems of each building, and an environmental firm investigates all environmental issues to ensure each property meets our quality specifications.

Q. How many real estate properties do you currently own?

A. As of July 1, 2002, we had acquired and owned interests in 53 real estate properties, all of which were 100% leased to tenants. We own the following properties directly:

Property Name	Tenant	Building Type	Location
ISS Atlanta	Internet Security Systems, Inc.	Office Buildings	Atlanta, GA
MFS Phoenix	Massachusetts Financial Services Company	Office Building	Phoenix, AZ
TRW Denver	TRW, Inc.	Office Building	Aurora, CO
Agilent Boston	Agilent Technologies, Inc.	Office Building	Boxborough, MA
Experian/TRW	Experian Information Solutions, Inc.	Office Buildings	Allen, TX
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Office Building	Ft. Lauderdale, FL
Agilent Atlanta	Agilent Technologies, Inc. and Koninklijke Philips Electronics N.V.	Office Building	Alpharetta, GA
Travelers Express Denver	Travelers Express Company, Inc.	Office Buildings	Lakewood, CO
Dana Kalamazoo	Dana Corporation	Office and Industrial Building	Kalamazoo, MI
Dana Detroit	Dana Corporation	Office and Research and Development Building	Farmington Hills, MI
Novartis Atlanta	Novartis Opthalmics, Inc.	Office Building	Duluth, GA
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc. and Newpark Drilling Fluids, Inc.	Office Building	Houston, TX
Arthur Andersen	Arthur Andersen LLP	Office Building	Sarasota, FL
Windy Point I	TCI Great Lakes, Inc., The Apollo Group, Inc., and Global Knowledge Network, Inc.	Office Building	Schaumburg, IL
Windy Point II	Zurich American Insurance Company, Inc.	Office Building	Schaumburg, IL
Convergys	Convergys Customer Management Group, Inc.	Office Building	Tamarac, FL
Lucent	Lucent Technologies, Inc.	Office Building	Cary, NC
Ingram Micro	Ingram Micro L.P.	Distribution Facility	Millington, TN
Nissan	Nissan Motor Acceptance Corporation	Office Building	Irving, TX

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Property Name	Tenant	Building Type	Location
IKON	IKON Office Solutions, Inc.	Office Buildings	Houston, TX
State Street	SSB Realty LLC	Office Building	Quincy, MA
Metris Minnesota	Metris Direct, Inc.	Office Building	Minnetonka, MN
Stone & Webster	Stone & Webster, Inc. and SYSCO Corporation	Office Building	Houston, TX
Motorola Plainfield	Motorola, Inc.	Office Building	S. Plainfield, NJ
Delphi	Delphi Automotive Systems, Inc.	Office Building	Troy, MI
Avnet	Avnet, Inc.	Office Building	Tempe, AZ
Motorola Tempe	Motorola, Inc.	Office Building	Tempe, AZ
ASML	ASM Lithography, Inc.	Office and Warehouse Building	Tempe, AZ
Dial	Dial Corporation	Office Building	Scottsdale, AZ
Metris Tulsa	Metris Direct, Inc.	Office Building	Tulsa, OK
Cinemark	Cinemark USA, Inc. and The Coca-Cola Company	Office Building	Plano, TX
Videojet Technologies Chicago	Videojet Technologies, Inc.	Office, Assembly and Manufacturing Building	Wood Dale, IL
Alstom Power Richmond	Alstom Power, Inc.	Office Building	Midlothian, VA
Matsushita	Matsushita Avionics Systems Corporation	Office Building	Lake Forest, CA
PwC	PricewaterhouseCoopers	Office Building	Tampa, FL

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

Property Name	Tenant	Building Type	Location
ADIC	Advanced Digital Information Corporation	Office Buildings	Parker, CO [1]/8
AmeriCredit	AmeriCredit Financial Services Corporation	Office Building	Orange Park, FL
Comdata	Comdata Network, Inc.	Office Building	Brentwood, TN
AT&T Oklahoma	AT&T Corp. and Jordan Associates	Office Buildings	Oklahoma City, OK
Quest	Quest Software, Inc.	Office Building	Irvine, CA
Siemens	Siemens Automotive Corporation	Office Building	Troy, MI
Gartner	Gartner Group, Inc.	Office Building	Fort Myers, FL
Johnson Matthey	Johnson Matthey, Inc.	Research and Development, Office and Warehouse Building	Wayne, PA
Sprint	Sprint Communications Company L.P.	Office Building	Leawood, KS
EYBL CarTex	EYBL CarTex, Inc.	Manufacturing and Office Building	Fountain Inn, SC
Cort Furniture	Cort Furniture Rental Corporation	Office and Warehouse Building	Fountain Valley, CA
Fairchild	Fairchild Technologies U.S.A., Inc.	Manufacturing and Office Building	Fremont, CA
Avaya	Avaya, Inc.	Office Building	Oklahoma City, OK
Iomega	Iomega Corporation	Office and Warehouse Building	Ogden, UT
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Office Building	Broomfield, CO
Ohmeda	Ohmeda, Inc.	Office Building	Louisville, CO
Alstom Power Knoxville	Alstom Power, Inc.	Office Building	Knoxville, TN

If you want to read more detailed information about each of these properties, see the “Description of Real Estate Investments” section of this prospectus.

Q: Why do you acquire properties in joint ventures?

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

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.

Q: What are the terms of your leases?

A: We seek to secure leases with creditworthy tenants prior to or at the time of the acquisition of a property. Our leases are generally economically "triple-net" leases, which means that the tenant is responsible for the cost of repairs, maintenance, property taxes, utilities, insurance and other operating costs. In most of our leases, we are responsible for replacement of specific structural components of a property such as the roof of the building or the parking lot. Our leases generally have terms of eight to 10 years, many of which have renewal options for additional five-year terms.

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. The Wells REIT is the sole general partner of Wells OP.

Q: What is an "UPREIT"?

A: UPREIT stands for "Umbrella Partnership Real Estate Investment Trust." The UPREIT structure is used because a sale of property directly to the REIT is generally a taxable transaction to the selling property owner. In an UPREIT structure, a 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 may not otherwise sell their properties because of unfavorable tax results.

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 stockholders. The amount of each dividend distribution is determined by our 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 90% of our REIT taxable income.

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

A: We calculate our quarterly dividends on a daily basis to stockholders of record so your dividend benefits will begin to accrue immediately upon becoming a stockholder.

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	Approximate Amount (Rounded)	Annualized Percentage Return on an Investment of $10 per Share
3rd Qtr. 1998	$0.150 per share	6.00%
4th Qtr. 1998	$0.163 per share	6.50%
1st Qtr. 1999	$0.175 per share	7.00%
2nd Qtr. 1999	$0.175 per share	7.00%
3rd Qtr. 1999	$0.175 per share	7.00%
4th Qtr. 1999	$0.175 per share	7.00%
1st Qtr. 2000	$0.175 per share	7.00%
2nd Qtr. 2000	$0.181 per share	7.25%
3rd Qtr. 2000	$0.188 per share	7.50%
4th Qtr. 2000	$0.188 per share	7.50%
1st Qtr. 2001	$0.188 per share	7.50%
2nd Qtr. 2001	$0.188 per share	7.50%
3rd Qtr. 2001	$0.188 per share	7.50%
4th Qtr. 2001	$0.194 per share	7.75%
1st Qtr. 2002	$0.194 per share	7.75%
2nd Qtr. 2002	$0.194 per share	7.75%
3rd Qtr. 2002	$0.194 per share	7.75%

Q: May I reinvest my dividends 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.

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 in which they are received because depreciation expenses reduce the amount of taxable income but do not reduce cash available for distribution. The portion of your distribution which is not subject to tax immediately is considered a return of capital for tax purposes and 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."

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

A: We will use your investment proceeds to purchase high-grade commercial office and industrial buildings. We intend to invest a minimum of 84% of the proceeds from this offering to acquire real estate properties, and the 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 may invest in short-term, highly liquid or other authorized investments. Such 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 19, 1999. Of the $132,181,919 raised in the initial offering, we invested a total of $111,032,812 in real estate properties. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,920 shares of common stock in our second public offering, which commenced on December 20, 1999 and was terminated on December 19, 2000. Of the $175,229,193 raised in the second offering, we invested a total of $147,192,522 in real estate properties. As of June 30, 2002, we had received approximately $1,148,480,414 in gross offering proceeds from the sale of 114,895,413 shares of common stock in our third offering, which commenced on December 20, 2000. Of this additional $1,148,480,414 raised in the third offering, we have invested $627,067,589 in real estate properties and, as of June 30, 2002, we have $344,269,118 available for investment in properties.

Q: What kind of offering is this?

A: We are offering the public up to 300,000,000 shares of common stock on a "best efforts" basis.

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.

Q: How long will this offering last?

A: The offering will not last beyond July 25, 2004.

Q: Who can buy shares?

A: You can buy shares pursuant to this prospectus provided that you 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 or 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, Nebraska 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.

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 our 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 Wells REIT pursuant to our share redemption 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 begin selling our properties and other assets and return the net proceeds from these sales to our stockholders 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 34 of this prospectus for a more detailed description of the background and experience of each of our directors.

- Leo F. Wells, III—President of the Wells REIT and founder of Wells Real Estate Funds and has been involved in real estate sales, management and brokerage services for over 30 years
- Douglas P. Williams—Executive Vice President, Secretary and Treasurer of the 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
- Michael R. Buchanan—Former Managing Director of the Real Estate Banking Group of Bank of America
- Richard W. Carpenter—Former President and Chairman of the Board of Southmark Properties, an Atlanta-based REIT investing in commercial properties
- 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.
- Neil H. Strickland—Founder of Strickland General Agency, Inc., a property and casualty general insurance agency concentrating on commercial customers

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

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

- Four detailed quarterly dividend reports;
- An annual report;
- An annual IRS Form 1099;
- Supplements to the prospectus;
- A quarterly investor newsletter; and
- Regular acquisition reports detailing our latest property acquisitions.

Q: When will I get my detailed tax information?

A: Your Form 1099 tax information will be placed in the mail 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:

Client Services Department
Wells Real Estate Funds, Inc.
Suite 250
6200 The Corners Parkway
Atlanta, Georgia 30092
(800) 557-4830 or (770) 243-8282
www.wellsref.com

PROSPECTUS SUMMARY

This prospectus 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. As of July 1, 2002, we owned interests in 53 commercial real estate properties located in 19 states. Our office is located at 6200 The Corners Parkway, Suite 250, Atlanta, Georgia 30092. Our telephone number outside the State of Georgia is 800-557-4830 (770-243-8282 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

Our 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 ten members on our board of directors. Eight of our directors are independent of Wells Capital and have responsibility for reviewing its performance. Our directors are elected annually by the stockholders.

Our REIT Status

As a REIT, we generally are not subject to federal income tax on income that we distribute to our stockholders. Under the Internal Revenue Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute at least 90% of their taxable income to their stockholders. 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 stockholder 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 stockholders.
- You will not have preemptive rights as a stockholder, 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 that 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 plans, specifications and timetables.
- The vote of stockholders owning at least a majority of our shares will bind all of the stockholders as to certain matters such as the election of our 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 begin to sell all of our properties and distribute the net proceeds to our stockholders.
- 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 17 of this prospectus.

Description of Real Estate Investments

Please refer to the "Description of Real Estate Investments" 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. As we acquire new properties, we will provide supplements to this prospectus to describe these properties.

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 the 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 by a vote of our stockholders holding a majority of our outstanding shares. 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 properties the Wells REIT or another Wells program or joint venture should acquire and 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
- Wells Capital and its affiliates will receive fees 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 54 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.

[INSERT GRAPHIC HERE]

Prior Offering Summary

Wells Capital and its affiliates have previously sponsored 14 publicly offered real estate limited partnerships and the Wells REIT on an unspecified property or "blind pool" basis. As of June 30, 2002, they have raised approximately $1,795,000,000 from approximately 65,000 investors in these 15 public real estate programs. The "Prior Performance Summary" on page 108 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 300,000,000 shares to the public at $10 per share and up to 30,000,000 shares pursuant to our dividend reinvestment plan at $10 per share. We reserve the right in the future to reallocate additional dividend reinvestment shares out of the shares we are offering to the public, if necessary. We are also offering up to 6,600,000 shares to broker-dealers pursuant to warrants whereby participating broker-dealers will have the right to purchase one share for every 50 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 this offering will terminate on or before July 25, 2004. 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 stockholders 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 (330,000,000 shares)
	Offering Stage	
Selling Commissions	7.0% of gross offering proceeds	$231,000,000
Dealer Manager Fee	2.5% of gross offering proceeds	$82,500,000
Organization and Offering Expenses	3.0% of gross offering proceeds	$49,500,000 (estimated)
	Acquisition and Development Stage	
Acquisition and Advisory Fees	3.0% of gross offering proceeds	$99,000,000
Acquisition Expenses	0.5% of gross offering proceeds	$16,500,000
	Operational Stage	
Property Management	4.5% 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 Commissions	3.0% of contract price for properties sold after investors receive a return of capital plus an 8.0% return on capital	N/A
Subordinated Participation In Net Sale Proceeds (Payable only if the Wells REIT is not listed on an exchange)	10.0% of remaining amounts of net sale proceeds after return of capital plus payment to investors of an 8.0% 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)	10.0% of the amount by which the adjusted market value of the Wells REIT exceeds the aggregate capital contributions contributed by investors	N/A

There are many additional conditions and restrictions on the amount of compensation Wells Capital and its affiliates 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 49.

Dividend Policy

In order to remain qualified as a REIT, we are required to distribute 90% of our annual taxable income to our stockholders. We have paid dividends to our stockholders 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 our shares. We expect to pay dividends to you on a quarterly basis.

Listing

Our articles of incorporation allow us to list 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 selling our properties and liquidating 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 at 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 $10 per share or the price you actually paid for your shares. Our board of directors reserves the right to amend or terminate the share redemption program at any time. Our board of directors has delegated to our officers the right to (1) waive the one-year holding period in the event of the death or bankruptcy of a stockholder or other exigent circumstances, or (2) reject any request for redemption at any time and for any reason. You will have no right to request redemption of your shares should our shares become 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

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

Stockholder Voting Rights and Limitations

We hold annual meetings of our stockholders 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 stockholders 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

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

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 137.

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, you should purchase the shares only as a long-term investment. 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 quality and timeliness of our acquisitions 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 our board of directors.

We depend on key personnel.

Our success depends to a significant degree upon the continued contributions of certain key personnel, including Leo F. Wells, III, Douglas P. Williams, M. Scott Meadows, David H. Steinwedell, and John G. Oliver, each of whom would be difficult to replace. None of our key personnel are currently subject to employment agreements, nor do we maintain any key person life insurance on our key personnel. If any of our key personnel were to cease employment with us, 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, our advisor, 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.") If Wells Capital, for any reason, is not able to provide investment opportunities to us consistent with our investment objectives in a timely manner, we may have lower returns on our investments.

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.")

Certain of our officers and directors face conflicts of interest relating to the positions they hold with other entities.

Certain of our executive officers and directors are also officers and directors of Wells Capital, our advisor and the general partner of various other Wells programs, Wells Management Company, Inc., our Property Manager, and Wells Investment Securities, Inc., our Dealer Manager, and, as such, owe fiduciary duties to these various entities and their stockholders and limited partners. Such fiduciary duties may from time to time conflict with the fiduciary duties owed to the Wells REIT and its stockholders. (See "Conflicts of Interest.")

We will be subject to additional risks as a result of our joint ventures with affiliates.

We have entered 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. We may also purchase and develop properties in joint ventures or in partnerships, co-tenancies or other co-ownership arrangements with sellers of properties, affiliates of 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.

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

Wells Capital, our advisor, is currently sponsoring a public offering on behalf of Wells Real Estate Fund XIII, L.P. (Wells Fund XIII), which is an unspecified property real estate program. (See "Prior Performance Summary.") In the event that we enter into a joint venture with Wells Fund XIII or any other Wells program or joint venture, we may face certain additional risks and potential conflicts of interest. For example, securities issued by Wells Fund XIII and the other Wells public limited partnerships will never have an active trading market. Therefore, if we were to 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. Our joint venture partners 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 any such program would have sufficient funds to exercise its right of first refusal under these circumstances.

Agreements and transactions between the parties with respect to joint ventures between the Wells REIT and other Wells programs will not have the benefit of arm's length negotiation of the type normally conducted between unrelated co-venturers. Under these joint venture agreements, none of the co-venturers 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 impact 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

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 stockholders or which may cause a change in the management of the Wells REIT. (See "Description of Shares—Restriction on Ownership of Shares.")

We will not be afforded the protection of Maryland Corporation Law relating to business combinations.

Provisions of Maryland Corporation Law prohibit business combinations, unless prior approval of the board of directors is obtained before the person became an interested stockholder, with:

- any person who beneficially owns 10% or more of the voting power of our 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 stockholder); or
- an affiliate of an interested stockholder.

These prohibitions are intended to prevent a change of control by interested stockholders who do not have the support of our board of directors. Since our articles of incorporation contain limitations on ownership of 9.8% or more of our common stock, we opted out of the business combinations statute in our articles of incorporation. Therefore, we will not be afforded the protections of this statute and, accordingly, there is no guarantee that the ownership limitations in our articles of incorporation would provide the same measure of protection as the business combinations statute and prevent an undesired change of control by an interested stockholder. (See "Description of Shares—Restriction on Ownership of Shares" and "Description of Shares—Business Combinations.")

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 our stockholders, including the election of our directors or amendments to our articles of incorporation. However, you will be bound by the majority vote on matters requiring approval of a majority of our stockholders 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 our 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, three percent (3%) 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. Our board of directors reserves the right to amend or terminate the share redemption program at any time. In addition, the board of directors has delegated authority to our officers to reject any request for redemption for any reason 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.

Our 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 stockholders and potential investors in this offering do not have preemptive rights to any shares issued by the Wells REIT in the future. Therefore, existing stockholders and investors purchasing shares in this offering may experience dilution of their equity investment in the Wells REIT in the event that we:

- sell shares in this offering or sell additional shares in the future, including those issued pursuant to the dividend reinvestment plan;
- sell securities that are convertible into shares;
- issue shares in a private offering of securities to institutional investors;
- issue shares of common stock upon the exercise of the options granted to our independent directors or employees of Wells Capital and Wells Management Company, Inc. (Wells Management) or the warrants issued and to be issued to participating broker-dealers or our independent directors; or
- issue shares to sellers of properties acquired by us in connection with an exchange of limited partnership units from Wells OP.

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 our stockholders. (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 our stockholders. 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.

You will not have the benefit of independent due diligence review in connection with this offering.

Since Wells Investment Securities, our Dealer Manager, is an affiliate of Wells Capital, you will not have the benefit of independent due diligence review and investigation of the type normally performed by unaffiliated, independent underwriters in connection with securities offerings.

The conviction of Arthur Andersen LLP and recent events related thereto may adversely affect your ability to recover potential claims against Arthur Andersen in connection with their audits of our financials statements.

In June 2002, our former independent auditor, Arthur Andersen LLP (Andersen), was tried and convicted on federal obstruction of justice charges arising from its involvement as auditors for Enron Corporation. Events arising out of the conviction or other events relating to the financial condition of Andersen may adversely affect the ability of Andersen to satisfy any potential claims that may arise out of Andersen's audits of the financial statements contained in this prospectus. In addition, Andersen has notified us that it will no longer be able to provide us with the necessary consents related to previously audited financial statements in our prospectus. Our inability to obtain such consents may also adversely affect your ability to pursue potential claims against Andersen.

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. A number of our properties may be 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 stockholders. 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 dependent on the financial stability of our tenants. Lease payment defaults by tenants would most likely cause us to reduce the amount of distributions to stockholders. 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 one or more additional tenants. If there are a substantial number of tenants that are in default at any one time, we could have difficulty making mortgage payments that could result in foreclosures of properties 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 re-letting our property. If a lease is terminated, we cannot assure you that we will be able to lease the property for the rent previously received or sell the property without incurring a loss.

We rely on certain tenants.

As of July 1, 2002, our most substantial tenants based on rental income are SSB Realty, LLC (approximately 6.3%), Metris Direct, Inc. (approximately 5.6%), Motorola, Inc. (approximately 4.7%), and Zurich American Insurance Company, Inc. (approximately 4.6%). The revenues generated by the properties these tenants occupy are substantially reliant upon the financial condition of these tenants and, accordingly, any event of bankruptcy, insolvency or a general downturn in the business of any of these tenants may result in the failure or delay of such tenant’s rental payments which may have a substantial

adverse effect on our financial performance. (See "Description of Real Estate Investments" and "Management's Discussion and Analysis of Financial Condition and Results of Operations.")

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.

In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by any such uninsured loss. In addition, we have no current source of funding to repair or reconstruct the damaged property and cannot assure you that any such source 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.

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 an adverse effect on your investment.

Delays we encounter in the selection, acquisition and development of properties could adversely affect your returns. Where we acquire properties 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 those

particular properties. In addition, if we are unable to invest our offering proceeds in income producing real properties in a timely manner, we may not be able to continue to pay the dividend rates we are currently paying to our stockholders.

We may not be able to immediately invest proceeds in real estate.

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

Uncertain market conditions and Wells Capital's broad discretion 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 the approval of our board of directors, 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 that will exist at any particular time in the future. Due to the uncertainty of market conditions that 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 properties 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. We may be potentially liable for such costs in connection with the acquisition and ownership of our properties. 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.

We generally secure the loans we obtain to fund property acquisitions with first priority 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 a reduction in the value of the shares and the dividends payable to our stockholders. (See "Description of Real Estate Investments —Real Estate Loans.")

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 that would 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. A refinancing or sale under these circumstances could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

Section 1031 Exchange Program Risks

We may have increased exposure to liabilities from litigation as a result of our participation in the Section 1031 Exchange Program.

Wells Development Corporation, an affiliate of Wells Capital, our advisor, is forming a series of single member limited liability companies (each of which is referred to in this prospectus as Wells Exchange) for the purpose of facilitating the acquisition of real estate properties to be owned in co-tenancy arrangements with persons (1031 Participants) who are looking to invest proceeds from a sale of real estate to qualify for like-kind exchange treatment under Section 1031 of the Internal Revenue Code (Section 1031 Exchange Program). There will be significant tax and securities disclosure risks associated with the private placement offerings of co-tenancy interests by Wells Exchange to 1031 Participants. For example, in the event that the Internal Revenue Service conducts an audit of the purchasers of co-tenancy interests and successfully challenges the qualification of the transaction as a like-kind exchange under Section 1031 of the Internal Revenue Code, even though it is anticipated that this tax risk will be fully disclosed to investors, purchasers of co-tenancy interests may file a lawsuit against Wells Exchange and its sponsors. In such event, even though Wells OP is not acting as a sponsor of the offering, is not commonly controlled with Wells Exchange, and is not recommending that 1031 Participants buy co-tenancy interests from Wells Exchange, as a result of our participation in the Section 1031 Exchange Program, and since Wells OP will be receiving fees in connection with the Section 1031 Exchange Program, we may be named in or otherwise required to defend against lawsuits brought by 1031 Participants. Any amounts we are required to expend for any such litigation claims may reduce the amount of funds available for distribution to stockholders of the Wells REIT. In addition, disclosure of any such litigation may adversely affect our ability to raise additional capital in the future through the sale of stock. (See "Investment Objectives and Criteria—Section 1031 Exchange Program.")

We will be subject to risks associated with co-tenancy arrangements that are not otherwise present in a real estate investment.

At the closing of each property Wells Exchange acquires pursuant to the Section 1031 Exchange Program, we anticipate that Wells OP will enter into a contractual arrangement providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property by the completion of its private placement offering, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold. Accordingly, in the event that Wells Exchange is unable to sell all co-tenancy interests in one or more of its properties, Wells OP will be required to purchase the unsold co-tenancy interests in such property or properties and, thus, will be subject to the risks of ownership of properties in a co-tenancy arrangement with unrelated third parties. (See "Investment Objectives and Criteria—Section 1031 Exchange Program. ")

Ownership of co-tenancy interests involves risks not otherwise present with an investment in real estate such as the following:

- the risk that a co-tenant may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals;
- the risk that a co-tenant may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives; or
- the possibility that a co-tenant might become insolvent or bankrupt, which may be an event of default under mortgage loan financing documents or allow the bankruptcy court to reject the tenants in common agreement or management agreement entered into by the co-tenants owning interests in the property.

Actions by a co-tenant may subject the property to liabilities in excess of those contemplated and may have the effect of reducing your returns.

In the event that our interests become adverse to those of the other co-tenants, we will not have the contractual right to purchase the co-tenancy interests from the other co-tenants. Even if we are given the opportunity to purchase such co-tenancy interests in the future, we cannot guarantee that we will have sufficient funds available at the time to purchase co-tenancy interests from the 1031 Participants.

We might want to sell our co-tenancy interests in a given property at a time when the other co-tenants in such property do not desire to sell their interests. Therefore, we may not be able to sell our interest in a property at the time we would like to sell. In addition, we anticipate that it will be much more difficult to find a willing buyer for our co-tenancy interests in a property than it would be to find a buyer for a property we owned outright.

Our participation in the Section 1031 Exchange Program may limit our ability to borrow funds in the future.

Institutional lenders may view our obligations under agreements to acquire unsold co-tenancy interests in properties as a contingent liability against our cash or other assets, which may limit our ability to borrow funds in the future. Further, such obligations may be viewed by our lenders in such a manner as to limit our ability to borrow funds based on regulatory restrictions on lenders limiting the amount of loans they can make to any one borrower. (See "Investment Objectives and Criteria—Section 1031 Exchange Program.")

Federal Income Tax Risks

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

In order for us to qualify as a REIT, we must satisfy certain requirements set forth in the Internal Revenue Code and Treasury Regulations and various factual matters and circumstances which are not entirely within our control. We have and will continue to structure our activities in a manner designed to satisfy all of these requirements, however, if certain of our operations were to be recharacterized by the Internal Revenue Service, such recharacterization could jeopardize our ability to satisfy all of the requirements for qualification as a REIT. In addition, new legislation, regulations, administrative interpretations or court decisions could change the tax laws relating to our qualification as a REIT or the federal income tax consequences of our being a REIT.

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 with no offsetting deductions for distributions made to stockholders. Further, in such event, we would generally be disqualified from treatment as a REIT for the four taxable years following the year in which we lose our REIT status. Accordingly, the loss of our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the substantial tax liabilities that would be imposed on us. We might also be required to borrow funds or liquidate some investments in order to pay the applicable tax.

Certain fees paid to Wells OP may affect our REIT status.

In connection with the Section 1031 Exchange Program, Wells OP will enter into a number of contractual arrangements with Wells Exchange that will, in effect, guarantee the sale of the co-tenancy interests being offered by Wells Exchange. (See “Investment Objectives and Criteria—Section 1031 Exchange Program.”) In consideration for entering into these agreements, Wells OP will be paid fees which could be characterized by the IRS as non-qualifying income for purposes of satisfying the “income tests” required for REIT qualification. (See “Federal Income Tax Consequences—Operational Requirements—Gross Income Tests.”) If this fee income were, in fact, treated as non-qualifying, and if the aggregate of such fee income and any other non-qualifying income in any taxable year ever exceeded 5.0% of our gross revenues for such year, we could lose our REIT status for that taxable year and the four ensuing taxable years. As set forth above, we will use all reasonable efforts to structure our activities in a manner intended to satisfy the requirements for our continued qualification as a REIT.

Recharacterization of the Section 1031 Exchange Program may result in taxation of income from a prohibited transaction.

In the event that the Internal Revenue Service were to recharacterize the Section 1031 Exchange Program such that Wells OP, rather than Wells Exchange, is treated as the bona fide owner, for tax purposes, of properties acquired and resold by Wells Exchange in connection with the Section 1031 Exchange Program, such characterization could result in the fees paid to Wells OP by Wells Exchange as being deemed income from a prohibited transaction, in which event all such fee income paid to us in connection with the Section 1031 Exchange Program would be subject to a 100% tax. (See “Investment Objectives and Criteria—Section 1031 Exchange Program.”)

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 tax laws 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 our stockholders. 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 132.

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 you may have difficulty selling 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 stockholders and subsequent transferees. These suitability standards require that a purchaser of shares have either:

- a net worth of at least $150,000; or
- gross annual income of at least $45,000 and a net worth of at least $45,000.

The minimum purchase is 100 shares ($1,000), except in certain states as described below. You may not transfer fewer 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.

Iowa, Massachusetts, Michigan, Missouri and Tennessee—Investors must have either (1) a net worth of at least $225,000, or (2) gross annual income of at least $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 at least $50,000 and a net worth of at least $50,000.

Iowa, Missouri, Ohio and Pennsylvania—In addition to our suitability requirements, investors must have a net worth of at least 10 times their investment in the Wells REIT.

For purposes of determining suitability of an investor, net worth in all cases should be calculated excluding the value of an investor's home, furnishings and automobiles.

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 our shares, our investment objectives and the relative illiquidity of our shares, shares of the Wells REIT are an appropriate investment for those of you desiring to become stockholders. Each participating broker-dealer must make every reasonable effort to determine that the purchase of shares is a suitable and appropriate investment for each stockholder based on information provided by the stockholder in the Subscription Agreement or otherwise. Each participating broker-dealer is required to maintain records of the information used to determine that an investment in shares is suitable and appropriate for each stockholder for a period of six years.

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 165,000,000 shares and 330,000,000 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 84.0% of the money you invest will be used to buy real estate, while the remaining up to 16.0% 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.

	165,000,000 Shares		330,000,000 Shares	
	Amount(1)	Percent	Amount(2)	Percent
Gross Offering Proceeds	$ 1,650,000,000	100%	$ 3,300,000,000	100.0%
Less Public Offering Expenses:				
Selling Commissions and Dealer Manager Fee(3)	156,750,000	9.5%	313,500,000	9.5%
Organization and Offering Expenses(4)	49,500,000	3.0%	49,500,000	1.5%
Amount Available for Investment(5)	$ 1,443,750,000	87.5%	$ 2,937,000,000	89.0%
Acquisition and Development:				
Acquisition and Advisory Fees(6)	49,500,000	3.0%	99,000,000	3.0%
Acquisition Expenses(7)	8,250,000	0.5%	16,500,000	0.5%
Initial Working Capital Reserve(8)	(8)	—	(8)	—
Amount Invested in Properties(5)(9)	$ 1,386,000,000	84.0%	$ 2,821,500,000	85.5%

(Footnotes to "Estimated Use of Proceeds")

1. Assumes that an aggregate of $1,650,000,000 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 300,000,000 shares offered to the public at $10 per share and 30,000,000 shares offered pursuant to our dividend reinvestment plan at $10 per share. Excludes 6,600,000 shares to be issued upon exercise of the soliciting dealer warrants.
3. Includes *selling commissions* equal to 7.0% 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 our advisor. The Dealer Manager, in its sole discretion, may reallow selling commissions of up to 7.0% of gross offering proceeds to other broker-dealers participating in this offering (Participating Dealers) attributable to the amount of shares sold by them. In addition, the Dealer Manager may reallow a portion of its dealer manager fee to Participating Dealers in the aggregate amount of up to 1.5% of gross offering proceeds to be paid to such Participating Dealers as marketing fees, or to reimburse representatives of such Participating Dealers the costs and expenses of attending our educational conferences and seminars. 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, other than selling commissions and the dealer manager fee, including amounts to reimburse Wells Capital, our advisor, for all marketing related costs and expenses, including, but not limited to, salaries and direct expenses of our advisor's employees while engaged in registering and marketing the shares and other marketing and organization costs, technology costs and expenses attributable to the offering, costs and expenses of conducting our

educational conferences and seminars, payment or reimbursement of bona fide due diligence expenses, and costs and expenses we incur for attending retail seminars conducted by broker-dealers. 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 3.0% of aggregate gross offering proceeds from all of our offerings without recourse against or reimbursement by the Wells REIT. We currently estimate that approximately $49,500,000 of organization and offering costs will be incurred if the maximum offering of 330,000,000 shares is sold. Notwithstanding the above, in no event shall organization and offering expenses, including selling commissions, the dealer manager fee and all other underwriting compensation, exceed 15% of gross offering proceeds.

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 or other authorized investments as determined by our board of directors.
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 3.0% 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. We will pay Wells Capital, our advisor, acquisition expenses up to a maximum of 0.5% of gross offering proceeds as reimbursement for the payment of such expenses.
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 we have insufficient funds for such purposes, we may apply an amount of up to 1.0% 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 at least 84.0% 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 stockholders 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 were reviewed and ratified by our board of directors, including the independent directors, at their initial meeting. This ratification by our board of directors was required by the NASAA Guidelines.

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 15. We currently have a total of ten directors. Our 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 ten current directors, eight 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 stockholders 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 stockholders 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.

Unless filled by a vote of the stockholders 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 stockholders. Each director will be bound by our articles of incorporation and bylaws.

Our 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 may require. Our directors will meet quarterly or more frequently if necessary in order to discharge their duties as directors. We do not expect that our directors will be required to devote a substantial portion of their time in discharging such duties. Consequently, in the exercise of their fiduciary responsibilities, our directors will be relying heavily on Wells Capital. Our 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. Our 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 stockholders. We will follow the policies on investments and borrowings set forth in this prospectus unless and until they are modified by our directors.

Our board is 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 stockholders. 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 Wells Management and determining that the compensation to be paid to Wells Capital and Wells Management is reasonable in relation to the nature and quality of services to be performed and that the provisions of the advisory agreement and the property management agreement are being carried out. Specifically, the independent directors will consider factors such as:

- the amount of the fee paid to Wells Capital and Wells Management 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 Wells Management 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 Wells Management and the performance of our investment portfolio; and
- the quality of our portfolio relative to the investments generated by Wells Capital and managed by Wells Management for their other clients.

Neither our directors nor their affiliates will vote or consent to the voting of shares they now own or hereafter acquire on matters submitted to the stockholders 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.

Committees of the Board of Directors

Our entire board of directors considers all major decisions concerning our business, including all property acquisitions. However, our board has established an Audit Committee, a Compensation Committee and various advisory committees so that important items within the purview of these committees can be addressed in more depth than may be possible at a full board meeting.

Audit Committee

Under our Audit Committee Charter, our Audit Committee's primary function is to assist the board of directors in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the stockholders and others, the system of internal controls which management has established, and the audit and financial reporting process. The members of our Audit Committee are Messrs. Bell, Carpenter, Carter, Keogler, Moss, Sessoms and Strickland.

Compensation Committee

Our board of directors has established a Compensation Committee to administer the 2000 Employee Stock Option Plan, as described below, which was approved by the stockholders at our annual stockholders meeting held June 28, 2000. The Compensation Committee is comprised of Messrs. Bell, Carpenter, Carter, Keogler, Moss, Sessoms and Strickland. The primary function of the Compensation Committee is to administer the granting of stock options to selected employees of Wells Capital and

Wells Management based upon recommendations from Wells Capital, and to set the terms and conditions of such options in accordance with the 2000 Employee Stock Option Plan. To date, we have not issued any stock options under our 2000 Employee Stock Option Plan.

Advisory Committees

The board of directors has established various advisory committees in which certain members of the board sit on these advisory committees to assist Wells Capital and its affiliates in the following areas which have a direct impact on the operations of the Wells REIT: asset management; new business development; personnel supervision; and budgeting.

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	58
Douglas P. Williams	Executive Vice President, Secretary, Treasurer and Director	51
John L. Bell	Director	62
Michael R. Buchanan	Director	55
Richard W. Carpenter	Director	65
Bud Carter	Director	63
William H. Keogler, Jr.	Director	57
Donald S. Moss	Director	66
Walter W. Sessoms	Director	68
Neil H. Strickland	Director	66

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 stockholder 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. (See “Conflicts of Interest.”)

Mr. Wells was a real estate salesman and property manager from 1970 to 1973 for Roy D. Warren & Company, an Atlanta-based 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 30 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 27 real estate limited partnerships formed for the purpose of acquiring, developing and operating office buildings and other commercial properties. As of June 30, 2002, these 27 real estate limited partnerships represented investments totaling approximately $347,154,000 from approximately 28,000 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. (See "Conflicts of Interest.")

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 and is licensed with the NASD as a financial and operations principal. 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 Board of Directors of Electronic Commerce Systems, Inc. and the Cullasaja Club of Highlands, North Carolina. 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.

Michael R. Buchanan was employed by Bank of America, N.A. and its predecessor banks, NationsBank and C&S National Bank, from 1972 until his retirement in March 2002. Mr. Buchanan has over 30 years of real estate banking and financial experience and, while at Bank of America, he held several key positions including Managing Director of the Real Estate Banking Group from 1998 until his retirement where he managed approximately 1,100 associates in 90 offices. This group was responsible for providing real estate loans including construction, acquisition, development and bridge financing for the commercial and residential real estate industry, as well as providing structured financing for REITs.

Mr. Buchanan is a graduate of the University of Kentucky where he earned a Bachelor of Economics degree and a Masters of Business Administration degree. He also attended Harvard University in the graduate program for management development.

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 a managing partner of Carpenter Properties, L.P., a real estate limited partnership. He is also President and director of Commonwealth Oil Refining Company, Inc., a position he has held since 1984.

Mr. Carpenter previously served 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 formerly served as President and Chairman of the Board of Southmark Properties, an Atlanta-based REIT which invested 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, an international organization established to aid presidents and CEOs to 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 7,000 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 16 noncompeting CEOs and presidents. Mr. Carter serves on the board of directors of Creative Storage Systems, Inc., DiversiTech Coporation and Wavebase9. He 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, 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 Southern Bell and its successor company, BellSouth, from 1956 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 member of the Wofford College Board of Trustees. He is a member of the Governor's Education Reform Commission. In addition, Mr. Sessoms is a member of the Board of Trustees of the Southern Center for International Studies and is currently President of the Atlanta Rotary Club.

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 each of our independent directors $3,000 per regularly scheduled quarterly board meeting attended, $1,000 per regularly scheduled advisory committee meeting attended and $250 per special board meeting attended whether held in person or by telephone conference. 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

Our Independent Director Stock Option Plan (Director Option Plan) was approved by our stockholders at the annual stockholders meeting held June 16, 1999. We issued non-qualified stock options to purchase 2,500 shares (Initial Options) to each independent director pursuant to our Director Option Plan. In addition, we issued options to purchase 1,000 shares to each independent director then in office in connection with the 2000, 2001 and 2002 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 stockholders' 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 the date of this prospectus, each independent director (except for Michael R. Buchanan, who was recently appointed as an independent director and will be awarded 2,500 Initial Options) had been granted options to purchase a total of 5,500 shares under the Director Option Plan, of which 3,000 of those options 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, one-fifth of the Initial Options became exercisable beginning in July 2001, one fifth of the Initial Options became exercisable beginning in July 2002 and the remaining one-fifth of the Initial Options will become exercisable beginning in July 2003. The Subsequent Options granted in connection with the 2000 annual stockholders' meeting became exercisable in June 2002. The remaining Subsequent Options granted under the Director Option 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 Director 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. Director 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

Our Independent Director Warrant Plan (Director Warrant Plan) was approved by our stockholders at the annual stockholders meeting held June 28, 2000. Our Director 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. The purpose of the Director Warrant Plan is to encourage our independent directors to purchase shares of our common stock. Beginning on the effective date of the Director Warrant Plan and continuing until the earlier to occur of (1) the termination of the Director 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. 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 Director 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 Director 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, our 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 Director Warrant Plan by such successor corporation in which event the Director 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 Director Warrant Plan will nullify and render void the Warrant. Notwithstanding any other provisions of the Director Warrant Plan, Warrants granted under the Director 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.

Employee Stock Option Plan

Our 2000 Employee Stock Option Plan (Employee Option Plan) was approved by our stockholders at the annual stockholders meeting held June 28, 2000. Our 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.

Our Employee Option Plan provides for the formation of a Compensation Committee consisting of two or more of our independent directors. (See "Committees of the Board of 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 our Employee Option Plan. To date, we have not issued any stock options under our 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 (1) the date our shares become listed on a national securities exchange, or (2) the date the Employee Option is granted. The employee receiving Employee Options shall agree to remain in employment with his 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 stockholders, 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 our stockholders. Indemnification could reduce the legal remedies available to us and our stockholders against the indemnified individuals, however.

This provision does not reduce the exposure of our directors and officers to liability under federal or state securities laws, nor does it limit our stockholder'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 stockholders, 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 our 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:

- our 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;
- our 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 stockholders.

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 stockholders 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 stockholders 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 our 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. Wells Capital has contractual responsibilities to the Wells REIT and its stockholders pursuant to the advisory agreement. Some of our officers and directors are also officers and directors of Wells Capital. (See "Conflicts of Interest.")

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

Name	Age	Positions
Leo F. Wells, III	58	President, Treasurer and sole director
Douglas P. Williams	51	Senior Vice President and Assistant Secretary
Stephen G. Franklin	54	Senior Vice President
Kim R. Comer	48	Vice President
Claire C. Janssen	39	Vice President
David H. Steinwedell	42	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. Mr. Franklin is responsible for marketing, sales and coordination of broker-dealer relations. Mr. Franklin also serves as Vice President of Wells Real Estate Funds, Inc. Prior to joining Wells Capital in 1999, 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 stockholder of Financial Service Corporation (FSC), an independent financial planning broker-dealer. Mr. Franklin and the other stockholders of FSC later sold their interests in FSC to Mutual of New York Life Insurance Company.

Kim R. Comer is a Vice President of Wells Capital. He is primarily responsible for developing, implementing and monitoring initiatives to further the strategic objectives of Wells Capital. He 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. In prior positions with Wells Capital, he served as both Vice President and Director of Customer Care Services and Vice President of Marketing for the southeast and northeast regions. Mr. Comer has over 10 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.

Claire C. Janssen is a Vice President of Wells Capital. She is primarily responsible for managing the corporate, real estate, investment and investor accounting areas of the company. Ms. Janssen also serves as a Vice President of Wells Management Company, Inc., our Property Manager. Prior to joining Wells Capital in 2001, Ms. Janssen served as a Vice President of Lend Lease Real Estate (formerly, Equitable Real Estate). From 1990 to 2000, she held various management positions, including Vice President of Institutional Accounting, Vice President of Business/Credit Analysis and Director of Tax/Corporate Accounting. From 1985 to 1990, Ms. Janssen served in management positions for Beers and Cutler, a Washington, D.C. based accounting firm, where she provided both audit and tax services for clients.

Ms. Janssen received a B.S. in business administration with a major in accounting from George Mason University. She is a Certified Public Accountant and a member of American Institute of Certified Public Accountants, Georgia Society of Certified Public Accountants and National Association of Real Estate Companies.

David H. Steinwedell is a Vice President of Wells Capital. He is primarily responsible for the acquisition of real estate properties. Prior to joining Wells Capital in 2001, Mr. Steinwedell served as a principal in Steinwedell and Associates, a capital markets advisory firm specializing in transactions and strategic planning for commercial real estate firms. His background also includes experience as the Executive Vice President of Investment Banking at Jones Lang LaSalle and as Managing Director for Real Estate Investments at Aetna Life and Casualty. He graduated from Hamilton College with a B.S. in Economics. Mr. Steinwedell is a licensed real estate broker in Georgia and is a member of the Urban Land Institute and NAIOP.

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.

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 Wells Capital or 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 our 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, 2003 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 board of 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 3.0% 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 reimbursements 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.

Wells Capital must reimburse us at least annually for amounts paid to Wells Capital in any year to the extent that such payments cause our operating expenses to exceed the greater of (1) 2% of our average invested assets, which consists of the average book value of our real estate properties, both equity interests in and loans secured by real estate, before reserves for depreciation or bad debts or other similar non-cash reserves, or (2) 25% of our net income, which is defined as our total revenues less total operating expenses for any given period. Operating expenses includes all expenses paid or incurred by the Wells REIT as determined by generally accepted accounting principles, such as (1) real estate operating costs, net of reimbursements, (2) management and leasing fees, (3) general and administrative expenses, and (4) legal and accounting expenses, but excludes (A) expenses of raising capital such as organizational and offering expenses, (B) interest payments, (C) taxes, (D) non-cash expenditures such as depreciation, amortization and bad debt reserves, and (E) amounts payable out of capital contributions which are not treated as operating expenses under generally accepted accounting principles 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 stockholders 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, for which it contributed $200,000 and which constitutes 100% of the limited partner units outstanding at this time. Wells Capital may not sell any of these units during the period it serves as our advisor. Any resale of shares that Wells Capital or its affiliates may acquire in the future will be 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 shares of the Wells REIT, Wells Capital currently has no

options or warrants to acquire any shares and has no current plans to acquire shares. Wells Capital has agreed to abstain from voting any shares it 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 Management is a wholly owned subsidiary of Wells Real Estate Funds, Inc., and Mr. Wells is the sole director of Wells Management. (See "Conflicts of Interest.") The principal officers of Wells Management are as follows:

Name	Age	Positions
Leo F. Wells, III	58	President and Treasurer
M. Scott Meadows	38	Senior Vice President and Secretary
John G. Oliver	53	Vice President
Michael L. Watson	59	Vice President

The background of Mr. Wells is described in the "Management—Executive Officers and Directors" section of this prospectus. Below is a brief description of the other executive officers of Wells Management.

M. Scott Meadows is a Senior Vice President and Secretary of Wells Management. He is primarily responsible for the acquisition, operation, management and disposition of real estate investments. Prior to joining Wells Management in 1996, Mr. Meadows served as Senior Property Manager for The Griffin Company, a full-service commercial real estate firm in Atlanta, where he was responsible for managing a 500,000 square foot office and retail portfolio. Mr. Meadows previously managed real estate as a Property Manager for Sea Pines Plantation Company. He graduated from University of Georgia with a B.B.A. in management. Mr. Meadows is a Georgia real estate broker and holds a Real Property Administrator (RPA) designation from the Building Owners and Managers Institute International and a Certified Property Manager (CPM) designation from the Institute of Real Estate Management.

John G. Oliver is a Vice President of Wells Management. He is primarily responsible for operation and management of real estate properties. Prior to joining Wells Management in July 2000, Mr. Oliver served as Vice President with C.B. Richard Ellis where he was responsible for the management of properties occupied by Delta Airlines. Mr. Oliver previously was the Vice President of Property Management for Grubb and Ellis for their southeast region and served on their Executive Property Management Council. He graduated from Georgia State University with a B.S. in real estate. Mr. Oliver is a past President of the Atlanta chapter of BOMA (Building Owners and Managers Association) and holds a Certified Property Manager (CPM) designation from the Institute of Real Estate Management.

Michael L. Watson is a Vice President of Wells Management. He is primarily responsible for performing due diligence investigations on our properties and overseeing construction and tenant improvement projects including design, engineering, and progress-monitoring functions. Prior to joining Wells Management in 1995, Mr. Watson was Senior Project Manager with Abrams Construction in Atlanta from 1982 to 1995. His primary responsibilities included supervising a variety of projects consisting of high-rise office buildings, military bases, state projects and neighborhood shopping centers. He graduated from the University of Miami with a B.S. in civil engineering.

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 that Wells Capital and its affiliates operate or in which they own an interest. As of June 30, 2002, Wells Management was managing in excess of 8,800,000 square feet of office and industrial 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). Wells Management will also retain third-party property managers or subcontract manager services to third-party property managers as it deems appropriate for certain of our properties.

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 5.0% of the cost of the tenant improvements.

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 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, Atlanta, Georgia 30092.

Dealer Manager

Wells Investment Securities, Inc. (Wells Investment Securities), our Dealer Manager, is a member firm of the NASD, 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 shares at the retail level. (See "Plan of Distribution" and "Management Compensation.")

Wells Real Estate Funds, Inc. is the sole stockholder 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 June 30, 2002, Wells Advisors was acting as the IRA custodian for in excess of $373,442,000 in Wells real estate program investments.

Management Decisions

The primary responsibility for the management decisions of Wells Capital and its affiliates, including the selection of investment properties to be recommended to our board of directors, the negotiation for these investments, and the property management and leasing of these investment properties, will reside in Leo F. Wells, III, Douglas P. Williams, M. Scott Meadows, David H. Steinwedell and John G. Oliver. Wells Capital seeks to invest in commercial properties that satisfy our investment objectives, typically office and industrial buildings located in densely populated metropolitan markets in which the major tenant is a company with a net worth of in excess of $100,000,000. Our 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 Entity Receiving	Determination of Amount		Estimated Maximum Dollar Amount(1)
	Organizational and Offering Stage		
Selling Commissions —Wells Investment Securities	Up to 7.0% 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 for those transactions that involve participating broker-dealers.	$	231,000,000
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.	$	82,500,000

Form of Compensation and Entity Receiving	Determination of Amount		Estimated Maximum Dollar Amount(1)
Reimbursement of Organization and Offering Expenses—Wells Capital or its Affiliates(2)	Up to 3.0% 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 3.0% of aggregate gross offering proceeds. We currently estimate that approximately $49,500,000 of organization and offering costs will be incurred if the maximum offering of 330,000,000 shares is sold.	$	49,500,000 (estimated)
	Acquisition and Development Stage		
Acquisition and Advisory Fees —Wells Capital or its Affiliates(3)	Up to 3.0% of gross offering proceeds for the review and evaluation of potential real property acquisitions.	$	99,000,000
Reimbursement of Acquisition Expenses—Wells Capital or its Affiliates(3)	Up to 0.5% 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.	$	16,500,000
	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 and leasing fees of up to 4.5% of gross revenues; provided, however, that aggregate property management and leasing fees payable to Wells Management may 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 agents in 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.

Form of Compensation and Entity Receiving	Determination of Amount	Estimated Maximum Dollar Amount(1)
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) 3.0% of the contract price of each property sold, 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 8.0% annual cumulative, noncompounded return on their net capital contributions; provided however, in no event will the amounts paid under (A) or (B) exceed an amount equal to 6.0% of the contract sales price when combined with real estate commissions paid to unaffiliated third parties.	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(4)	After investors have received a return of their net capital contributions and an 8.0% per year cumulative, noncompounded return, then Wells Capital is entitled to receive 10.0% of remaining net sale proceeds.	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.
Subordinated Incentive Listing Fee— Wells Capital(5)(6)	Upon listing, a fee equal to 10.0% 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 of cash flow necessary to generate an 8.0% per year cumulative, noncompounded return to investors.	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.
	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.	

(Footnotes to “Management Compensation”)

(1) The estimated maximum dollar amounts are based on the sale of a maximum of 300,000,000 shares to the public at $10 per share and the sale of 30,000,000 shares at $10 per share pursuant to our dividend reinvestment plan.

(2) These reimbursements will include organization and offering expenses previously advanced by Wells Capital with regards to prior offerings of our shares, to the extent not reimbursed out of proceeds from prior offerings, and subject for the 3.0% of gross offering proceeds overall limitation.

(3) 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 6.0% of the contract price of all of the properties which we will purchase, as required by the NASAA Guidelines.

(4) 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.

(5) 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.

Our board of directors, 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.

(6) 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 sale 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 not be for services for which it is entitled to compensation by way of a separate fee.

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, Wells Capital 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 June 30, 2002, 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 our common stock, (2) our directors, (3) our executive officers, and (4) all of our directors and executive officers as a group.

	Shares Beneficially Owned	
Name and Address of Beneficial Owner	Shares	Percentage
Leo F. Wells, III 6200 The Corners Parkway, Suite 250 Atlanta, GA 30092	698	*
Douglas P. Williams 6200 The Corners Parkway, Suite 250 Atlanta, GA 30092	None	N/A
John L. Bell(1) 800 Mt. Vernon Highway, Suite 230 Atlanta, GA 30328	3,000	*
Michael R. Buchanan 1630 Misty Oaks Drive Atlanta, GA 30350	None	N/A
Richard W. Carpenter(1) Realmark Holdings Corporation P.O. Box 421669 (30342) 5570 Glenridge Drive Atlanta, GA 30342	3,000	*
Bud Carter(1) The Executive Committee 100 Mount Shasta Lane Alpharetta, GA 30022-5440	8,373	*
William H. Keogler, Jr.(1) 469 Atlanta Country Club Drive Marietta, GA 30067	3,000	*
Donald S. Moss(1) 114 Summerour Vale Duluth, GA 30097	80,717	*
Walter W. Sessoms(1) 5995 River Chase Circle NW Atlanta, GA 30328	40,243	*
Neil H. Strickland(1) Strickland General Agency, Inc. 3109 Crossing Park P.O. Box 129 Norcross, GA 30091	3,285	*
All directors and executive officers as a group(2)	142,316	*

* Less than 1% of the outstanding common stock.

(1) Includes options to purchase up to 3,000 shares of common stock, which are exercisable within 60 days of June 30, 2002.

(2) Includes options to purchase an aggregate of up to 21,000 shares of common stock, which are exercisable within 60 days of June 30, 2002.

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 have a statutory obligation to act in the best interest of the stockholders. (See "Management—Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents.") These conflicts include, but are not limited to, the following:

Interests in Other 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 and programs in the future. Wells Capital and such affiliates have legal and financial obligations with respect to these partnerships that 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 that, 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 XIII, L.P. (Wells Fund XIII). The registration statement of Wells Fund XIII was declared effective by the Securities and Exchange Commission (SEC) on March 29, 2001 for the offer and sale to the public of up to 4,500,000 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 14 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),
13. Wells Real Estate Fund XII, L.P. (Wells Fund XII), and
14. Wells Real Estate Fund XIII, L.P. (Wells Fund XIII).

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 or one of its affiliates 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.

In addition, certain of our executive officers and directors are also officers and directors of Wells Capital, our advisor and the general partner of the various real estate programs sponsored by Wells Capital and its affiliates described above, Wells Management, our Property Manager, and Wells Investment Securities, our Dealer Manager, and as such, owe fiduciary duties to these various entities and their stockholders and limited partners. Such fiduciary duties may from time to time conflict with the fiduciary duties owed to the Wells REIT and its stockholders. (See "Risk Factors—Investment Risks.")

In addition to the real estate programs sponsored by Wells Capital and its affiliates described above, Wells Capital and its affiliates are also sponsoring an index mutual fund that invests in various REIT stocks known as the Wells S&P REIT Index Fund (REIT Index Fund). The REIT Index 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.

We may purchase or lease a property from Wells Capital or its affiliates upon a finding by a majority of our board of directors, including a majority of the independent directors, not otherwise interested in the transaction, that such transaction is competitive and commercially reasonable to the Wells REIT and at a price no greater than the cost of the property; provided, however, if the price is in excess of the cost of such property, that substantial justification for such excess exists and such excess is reasonable and the acquisition is disclosed. 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 other Wells programs own properties. 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. (See "Risk Factors—Investment Risks"). 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 various 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 affiliated co-venturer and, to a certain extent, the Wells REIT, 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 stockholders of their capital contributions plus cumulative returns on such capital. Subject to oversight by our 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:

- Except as otherwise described in this prospectus, we will not accept goods or services from Wells Capital or its affiliates unless a majority of our 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 our 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 our 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 our directors for other purposes must be approved by a majority of our 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 our 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 event or 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 that 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;
- 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, our articles of incorporation require us to begin the process of 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 stockholders holding a majority of our outstanding shares. (See “Description of Shares.”)

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

Acquisition and Investment Policies

We will seek to invest substantially all of the offering proceeds available for investment after the payment of fees and expenses in the acquisition of high-grade commercial office and industrial buildings located in densely populated metropolitan markets, 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 real estate investments, including, but not limited to, warehouse and distribution facilities, shopping centers, business and industrial parks, manufacturing facilities and other types of real estate properties. To date, we have invested primarily in office and industrial buildings located in densely populated suburban markets. (See “Description of Real Estate Investments” and “Prior Performance Summary.”) We will primarily attempt to acquire commercial properties that 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.”)

We will seek to invest in properties that will satisfy the primary objective of providing cash dividends to our stockholders. 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 cash dividends to our stockholders. 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 payment of 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 anticipate purchasing land for the purpose of developing the types of commercial buildings described above. 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: (1) not acquired for the purpose of producing rental or other operating income, or (2) with no development or construction in process or planned in good faith to commence within one year will be considered unimproved property for purposes of this limitation.

Although we are not limited as to the form our investments may take, our investments in real estate will generally take the form of holding fee title or a long-term leasehold estate in the properties we acquire. We will acquire such interests either directly in Wells OP (See “The Operating Partnership Agreement”) or indirectly by acquiring membership interests in or acquisitions of property through limited liability companies or through investments in joint ventures, partnerships, co-tenancies or other co-ownership arrangements with developers of properties, affiliates of Wells Capital or other persons. (See “Joint Venture Investments” below.) We may invest in or make mortgage loans, junior debt or subordinated mortgage loans or combinations of debt and equity, subject to the limitations contained in

our articles of incorporation. 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 currently 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 that 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 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 creditworthiness of major tenants, 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;
- title and liability insurance policies; and
- 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.

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 with respect to which construction is not planned in good faith to commence within one year from the date of their acquisition. To help ensure performance by the builders of properties that are under construction, completion of properties under construction may be guaranteed at the price contracted either by an adequate completion bond or performance bond. We may rely, however, 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 that we may acquire. In such event, such persons would be compensated directly by the Wells REIT.

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 economically what is generally referred to as "triple net" leases. A "triple net" lease provides that in addition to making its lease payments, 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.

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 June 30, 2002, approximately 95% of the aggregate gross rental income of the Wells REIT was derived from tenants which are corporations, each of which at the time of lease execution had a net worth of at least $100,000,000 or whose lease obligations were 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 our acquisitions of 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 to enter into joint ventures in the future, with affiliated entities for the acquisition, development or improvement of properties for the purpose of diversifying our portfolio of assets. (See "Description of Real Estate Investments—Joint Ventures with Affiliates.") In this connection, we will likely enter into joint ventures with Wells Fund XIII or other Wells programs. We may also enter into joint ventures, partnerships, co-tenancies and other co-ownership arrangements or participations with real estate developers, owners and other affiliated third-parties 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 that 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 enters 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 investment transaction. We may only enter into joint ventures with other Wells programs for the acquisition of properties if:

- 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. Our 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.")

Section 1031 Exchange Program

Wells Development Corporation (Wells Development), an affiliate of Wells Management, our Property Manager, and Wells Capital, our advisor, intends to form a series of single member limited liability companies (each of which is referred to in this prospectus as Wells Exchange) for the purpose of facilitating the acquisition of real estate properties to be owned in co-tenancy arrangements with persons (1031 Participants) who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Code. We anticipate that Wells Development will sponsor a series of private placement offerings of interests in limited liability companies owning co-tenancy interests in various properties to 1031 Participants.

Wells Development anticipates that properties acquired in connection with the Section 1031 Exchange Program will be financed by obtaining a new first mortgage secured by the property acquired. In order to finance the remainder of the purchase price for properties to be acquired by Wells Exchange, it is anticipated that Wells Exchange will obtain a short-term loan from an institutional lender for each property. Following its acquisition of a property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the short-term loan. At the closing of each property to be acquired by Wells Exchange, we anticipate that Wells OP, our operating partnership, will enter into a contractual arrangement providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold. (See "Risk Factors—Section 1031 Exchange Program.") In addition, Wells OP may enter into one or more additional contractual arrangements obligating it to purchase co-tenancy interests in a particular property directly from the 1031 Participants. In consideration for such obligations, Wells Exchange will pay Wells OP a fee (Take Out Fee) in an amount currently anticipated to range between 1.0% and 1.5% of the amount of the short-term loan being obtained by Wells Exchange. (See "Risk Factors—Federal Income Tax Risks.")

Our board of directors, including a majority of our independent directors, will be required to approve each property acquired pursuant to the Section 1031 Exchange Program in the event that Wells OP has any obligation to potentially acquire any interest in the property. Accordingly, Wells Exchange intends to purchase only real estate properties which otherwise meet the investment objectives of the Wells REIT. Wells OP may execute an agreement providing for the potential purchase of the unsold co-tenancy interests from Wells Exchange only after a majority of our directors, including a majority of our independent directors, not otherwise interested in the transaction, approve of the transaction as being fair, competitive and commercially reasonable to Wells OP and at a price to Wells OP no greater than the cost of the co-tenancy interests to Wells Exchange. If the price to Wells OP is in excess of such cost, our directors must find substantial justification for such excess and that such excess is reasonable. In addition, a fair market value appraisal for each property must be obtained from an independent expert selected by our independent directors, and in no event may Wells OP purchase co-tenancy interests at a price that exceeds the current appraised value for the property interests.

As set forth above, pursuant to the terms of these contractual arrangements, Wells OP may be obligated to purchase co-tenancy interests in certain properties offered to 1031 Participants to the extent co-tenancy interests remain unsold at the end of the offering. All purchasers of co-tenancy interests, including Wells OP in the event that it is required to purchase co-tenancy interests, will be required to execute a tenants in common agreement with the other purchasers of co-tenancy interests in that particular property and a property management agreement providing for the property management and leasing of the

property by Wells Management and the payment of property management and leasing fees to Wells Management equal to 4.5% of gross revenues. Accordingly, in the event that Wells OP is required to purchase co-tenancy interests pursuant to one or more of these contractual arrangements, we will be subject to various risks associated with co-tenancy arrangements which are not otherwise present in real estate investments such as the risk that the interests of the 1031 Participants will become adverse to our interests. (See "Risk Factors—Section 1031 Exchange Program.")

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 Real Estate Investments—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 stockholders 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 June 30, 2002, we had an aggregate debt leverage ratio of 1.76% 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 our behalf on the most favorable terms available. 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 our 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. We may sell a property before the end of the expected holding period if, among other reasons:

- 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 the best interests of our stockholders.

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 that 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 Tax 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 process of selling our properties and distributing the net sale proceeds to you in liquidation of the Wells REIT. In making the decision to apply for listing of our shares, our directors will try to determine whether listing our shares or liquidating our assets will result in greater value for the stockholders. We cannot determine at this time the circumstances, if any, under which our 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 time 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 stockholders which may be applicable 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. In addition, we may consider other business strategies such as reorganizations or mergers with other entities if our board of directors determines such strategies would be in the best interests of our stockholders. Any change in the investment objectives set forth in our articles of incorporation would require the vote of stockholders holding a majority of our outstanding shares.

Investment Limitations

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

- 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;

- invest in equity securities unless a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction, approve such investment as being fair, competitive and commercially reasonable;
- 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 our 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, 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 for exceeding such limit because of the presence of other underwriting criteria;
- 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;
- 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;
- 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, except pursuant to our share redemption program;
- grant warrants or options to purchase shares to Wells Capital or its affiliates or to officers or directors affiliated with Wells Capital 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 our directors or 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 attempt 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 interests of our stockholders. Each determination and the basis therefore is required to 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 our directors, including a majority of the independent directors, without the approval of the stockholders. Our investment objectives themselves, however, may only be amended by a vote of the stockholders holding a majority of our outstanding shares.

DESCRIPTION OF REAL ESTATE INVESTMENTS

General

As of July 1, 2002, we had purchased interests in 53 real estate properties located in 19 states, most of which are leased to tenants on an economicly triple-net basis. As of July 1, 2002, all of these properties were 100% leased to tenants. 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.

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Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
ISS Atlanta	Internet Security Systems, Inc.	Atlanta, GA	100%	$ 40,500,000	238,600	$ 4,623,445
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	$ 25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	$ 21,060,000	108,240	$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	$ 35,150,000	292,700	$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	$ 6,850,000	47,400	$ 747,033
Agilent Atlanta	Agilent Technologies, Inc. Koninklijke Philips Electronics N.V.	Alpharetta, GA	100%	$ 15,100,000	66,811 34,396	$ 1,344,905 $ 692,391
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	$ 10,395,845	68,165	$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	$ 41,950,000(1)	147,004	$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above) (1)	112,480	$ 2,330,600
Novartis Atlanta	Novartis Opthalmics, Inc.	Duluth, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc. Newpark Drilling Fluids, Inc.	Houston, TX	100%	$ 22,000,000	103,260 52,731	$ 2,110,035 $ 1,153,227
Arthur Andersen	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,700	$ 1,988,454
Windy Point I	TCI Great Lakes, Inc. The Apollo Group, Inc. Global Knowledge Network Various other tenants	Schaumburg, IL	100%	$32,225,000(2)	129,157 28,322 22,028 8,884	$ 2,067,204 $ 477,226 $ 393,776 $ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	$ 57,050,000(2)	300,034	$ 5,091,577
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,204	$ 1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$ 2,035,275
Nissan (3)	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 42,259,000(4)	268,290	$4,225,860(5)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	$ 24,950,000	201,237	$ 2,458,638
AT&T Oklahoma	AT&T Corp. Jordan Associates, Inc.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500 25,000	$ 1,242,000 $ 294,500
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc. SYSCO Corporation	Houston, TX	100%	$ 44,970,000	206,048 106,516	$ 4,533,056 $ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$ 1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 1,843,834
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$ 1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$ 1,187,925
Cinemark	Cinemark USA, Inc.				65,521	$ 1,366,491
	The Coca-Cola Company	Plano, TX	100%	$ 21,800,000	52,587	$ 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	$ 8,000,000	130,000	$ 854,748
Alstom Power Richmond (3)	Alstom Power, Inc.	Midlothian, VA	100%	$ 11,400,000	99,057	$ 1,213,324
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	$ 5,085,000	169,510	$ 550,908
Matsushita (3)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$ 18,431,206	144,906	$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$ 12,291,200	81,859	$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$ 21,127,854	130,091	$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$ 6,400,000	52,000	$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 920,144
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	57,186	$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	$ 5,025,000	108,250	$ 659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,975	$ 1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	$ 10,325,000	106,750	$ 1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	84,404	$ 1,106,520
TOTALS				**$1,053,500,964**	**7,951,248**	**$110,025,835**(5)

(1) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.

(2) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

(3) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.

(4) Purchase price includes estimated costs for the planning, design, development, construction and completion of the Nissan Property.

(5) Total annual rent does not include $4,225,860 annual rent for Nissan Property, which does not take effect until construction of the building is completed and the tenant is occupying the building.

As of July 1, 2002, no tenant leasing our properties accounted for more than 10% of our aggregate annual rental income. As of July 1, 2002, our most substantial tenants, based on annual rental income, were SSB Realty, LLC (approximately 6.3%), Metris Direct, Inc. (approximately 5.6%), Motorola, Inc. (approximately 4.7%), and Zurich American Insurance Company, Inc. (approximately 4.6%).

Geographic Diversification Table

The following table shows a list of 53 real estate investments we owned as of July 1, 2002, grouped by the state where each of our investments is located.

State	No. of Properties	Aggregate Purchase Price	Approx. %	Aggregate Square Feet	Approx. %	Aggregate Annual Rent	Approx. %
Arizona	5	$ 86,655,000	8.2%	638,722	8.0%	$ 9,023,417	8.2%
California	4	$ 40,924,206	3.9%	320,336	4.0%	$ 5,047,615	4.6%
Colorado	5	$ 63,010,058	6.0%	483,334	6.1%	$ 7,180,677	6.5%
Florida	6	$ 83,452,854	7.9%	582,591	7.3%	$ 8,243,917	7.5%
Georgia	3	$ 70,600,000	6.7%	439,894	5.5%	$ 8,086,981	7.4%
Illinois	3	$121,905,940	11.6%	738,779	9.3%	$11,566,529	10.5%
Kansas	1	$ 9,500,000	0.9%	68,900	0.9%	$ 1,102,404	1.0%
Massachusetts	2	$ 81,305,274	7.7%	409,253	5.1%	$ 10,501,699	9.5%
Michigan	4	$ 76,015,000	7.2%	443,731	5.6%	$ 7,503,567	6.8%
Minnesota	1	$ 52,800,000	5.0%	300,633	3.8%	$ 4,960,445	4.5%
New Jersey	1	$ 33,648,156	3.0%	236,710	3.0%	$ 3,324,428	3.0%
North Carolina	1	$ 17,650,000	1.7%	120,000	1.5%	$ 1,800,000	1.6%
Oklahoma	3	$ 33,504,276	3.2%	286,786	3.6%	$ 3,261,402	3.0%
Pennsylvania	2	$ 20,291,200	1.9%	211,859	2.7%	$ 2,296,864	2.1%
South Carolina	1	$ 5,085,000	0.5%	169,510	2.1%	$ 550,908	0.5%
Tennessee	3	$ 53,900,000	5.1%	987,460	12.4%	$ 5,600,433	5.1%
Texas	6	$186,829,000	17.7%	1,305,443	16.4%	$ 18,101,357*	16.5%
Utah	1	$ 5,025,000	0.5%	108,250	1.4%	$ 659,868	0.6%
Virginia	1	$ 11,400,000	1.1%	99,057	1.2%	$ 1,213,324	1.1%
Total	**53**	**$1,053,500,964**	**100%**	**7,951,248**	**100%**	**$ 110,025,835***	**100%**

* Does not include $4,225,860 annual rent from the Nissan Project, located in Irving, Texas, which is not yet completed.

Lease Expiration Table

The following table shows lease expirations during each of the next ten years for all our leases as of July 1, 2002, assuming no exercise of renewal options or termination rights:

Year of Lease Expiration	Square Feet Expiring	Percentage of Total Square Feet Expiring	Annualized Base Base Rent Expiring(1)	Percentage of Total Annualized Base Rent	Wells REIT Share of Annualized Base Rent Expiring(1)	Percentage of Wells REIT Share of Total Annualized Base Rent
2002	8,074	0.10%	$ 104,408	$ 0.09%	$ 3,874	0.00%
2003	64,223	0.81%	1,040,723	0.95%	372,232	0.37%
2004	123,430	1.55%	2,207,263	2.01%	916,348	0.92%
2005	280,537	3.53%	3,768,626	3.43%	2,069,308	2.08%
2006	52,587	0.66%	1,354,184	1.23%	1,354,184	1.36%
2007	742,700	9.34%	11,108,693	10.10%	9,197,835	9.26%
2008	837,973	10.54%	10,490,790	9.53%	9,244,256	9.30%
2009	513,359	6.46%	7,235,244	6.58%	6,599,857	6.64%
2010	1,329,000	16.71%	19,026,036	17.29%	17,847,500	17.96%
2011	2,868,456	36.08%	39,494,347	35.90%	38,680,622	38.92%
2012-2021	1,130,909	14.22%	14,195,521	12.89%	13,088,150	13.17%
Total	7,951,248	100%	$110,025,835	100%	$99,374,066	100%

(1) Average monthly gross rent over the life of the lease, annualized.

Joint Ventures with Affiliates

Wells OP owns some of its properties through ownership interests in the seven joint ventures listed below. Wells OP does not have control over the operations of the joint ventures; however, it does exercise significant influence. Accordingly, investments in joint ventures are recorded for accounting purposes using the equity method.

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	AmeriCredit Building ADIC Buildings
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	Siemens Building AT&T Oklahoma Buildings Comdata Building
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	EYBL CarTex Building Sprint Building Johnson Matthey Building Gartner Building
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	Alstom Power Knoxville Building Ohmeda Building Interlocken Building Avaya Building Iomega Building
Wells/Freemont Associates Joint Venture (Freemont Joint Venture)	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Fairchild Building
Wells/Orange County Associates Joint Venture (Orange County Joint Venture)	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Cort Furniture Building
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest Building

The Wells Fund XIII—REIT Joint Venture

Wells OP and Wells Fund XIII entered into a joint venture partnership known as the Wells Fund XIII-REIT Joint Venture Partnership (XIII-REIT Joint Venture). The investment objectives of Wells Fund XIII are substantially identical to our investment objectives. As of December 31, 2001, the joint venture partners of the XIII-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 17,359,875	68.2%
Wells Fund XIII	$ 8,491,069	31.8%

The Wells Fund XII-REIT Joint Venture

Wells OP and Wells Fund XII entered into a joint venture partnership 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. As of December 31, 2001, 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 Contributions	Equity Interest
Wells OP	$ 29,950,668	55.0%
Wells Fund XII	$ 24,613,401	45.0%

The Wells Fund XI-Fund XII-REIT Joint Venture

Wells OP entered into a joint venture partnership with Wells Fund XI and Wells Fund XII known as The Wells Fund XI-Fund 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. As of December 31, 2001, 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 Contributions	Equity Interest
Wells OP	$ 17,641,211	56.8%
Wells Fund XI	$ 8,131,351	26.1%
Wells Fund XII	$ 5,300,000	17.1%

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

Wells OP entered into a joint venture partnership 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). The IX-X-XI-REIT Joint Venture 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. As of December 31, 2001, 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 Contributions	Equity Interest
Wells OP	$ 1,421,466	3.7%
Wells Fund IX	$ 14,982,435	39.1%
Wells Fund X	$ 18,501,185	48.4%
Wells Fund XI	$ 3,357,436	8.8%

The Fremont Joint Venture

Wells OP entered into a joint venture partnership known as Wells/Fremont Associates (Fremont Joint Venture) with Fund X and Fund XI Associates (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 the Fairchild Building. As of December 31, 2001, the joint venture partners of the Fremont Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 6,983,111	77.5%
X-XI Joint Venture	$ 2,000,000	22.5%

The Cort Joint Venture

Wells OP entered into a joint venture partnership with the 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 the Cort Furniture Building. As of December 31, 2001, the joint venture partners of the Cort Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 2,871,430	43.7%
X-XI Joint Venture	$ 3,695,000	56.3%

The Wells Fund VIII-Fund IX-REIT Joint Venture

Wells OP entered into a joint venture partnership 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 Quest Building. The investment objectives of Wells Fund VIII and Wells Fund IX are substantially identical to our investment objectives. As of December 31, 2001, 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 Contributions	Equity Interest
Wells OP	$ 1,282,111	15.8%
Wells Fund VIII	$ 3,608,109	46.1%
Wells Fund IX	$ 3,620,316	38.1%

General Provisions of Joint Venture Agreements

Wells OP is acting as the initial Administrative Venturer of each of the joint ventures described above 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 that materially affects these joint ventures or their real property investments.

The XIII-REIT Joint Venture Agreement, 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.

Description of Properties

ISS Atlanta Buildings

Wells OP acquired the ISS Atlanta Buildings on July 1, 2002 for a purchase price of $40,500,000. The ISS Atlanta Buildings, which were built in 2001, consist of two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia and were acquired by assigning to Wells OP an existing ground lease with the Development Authority of Fulton County (Development Authority). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds (Bonds) totaling $32,500,000 in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment of the outstanding balance on the Bonds, either upon a prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation (ISS). The ISS Atlanta lease is guaranteed by the parent of ISS, Internet Security Systems, Inc., a Delaware corporation (ISS, Inc.), whose shares are traded on NASDAQ. ISS, Inc. has operations throughout America, Asia, Australia, Europe and the Middle East. ISS, Inc. provides computer security solutions to networks, servers and desktop computers for organizational customers, including corporate customers and governmental units. ISS, Inc. reported a net worth, as of March 31, 2002, of approximately $435 million.

The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is $4,623,445. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate. In addition, ISS has obtained an $8,000,000 letter of credit from First Union National Bank to guarantee payments under the lease.

MFS Phoenix Building

Wells OP purchased the MFS Phoenix Building on June 5, 2002 for a purchase price of $25,800,000. The MFS Phoenix Building, which was built in 2000, is a three-story office building containing 148,605 rentable square feet located in Phoenix, Arizona.

The entire MFS Phoenix Building is leased to Massachusetts Financial Services Company (MFS). MFS is a Massachusetts corporation having its corporate headquarters in Boston, Massachusetts with offices in London, Tokyo and Singapore. MFS is an investment management firm which offers annuities, institutional products, insurance services, mutual funds and retirement products. MFS reported a net worth, as of December 31, 2001, of approximately $440 million.

The MFS Phoenix lease is a net lease that commenced in April 2001 and expires in July 2011. The current annual base rent payable under the MFS Phoenix lease is $2,347,959. MFS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate.

TRW Denver Building

Wells OP purchased the TRW Denver Building on May 29, 2002 for a purchase price of $21,060,000. The TRW Denver Building, which was built in 1997, is a three-story office building containing 108,240 rentable square feet located in Aurora, Colorado.

The entire TRW Denver Building is leased to TRW, Inc. (TRW), a global technology, manufacturing and service company that provides advanced technology, systems and services to customers worldwide. TRW reported a net worth, as of March 31, 2002, of approximately $2.24 billion.

The TRW Denver lease is a net lease that commenced in October 1997 and expires in September 2007. The current annual base rent payable under the TRW Denver lease is $2,870,709. TRW, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate.

Agilent Boston Building

Wells OP purchased the Agilent Boston Building on May 3, 2002 for a purchase price of $31,742,274. The Agilent Boston Building, which was built in 2002, is a three-story office building containing 174,585 rentable square feet located in Boxborough, Massachusetts. Wells OP assumed the obligation, as the landlord under the Agilent Boston lease described below, to provide Agilent $3,407,496 for tenant improvements.

The entire Agilent Boston Building is leased to Agilent Technologies, Inc. (Agilent). Agilent is a major producer of measuring and monitoring devices, semiconductor products and chemical analysis tools for communications and life sciences companies, such as Internet service providers and biopharmaceutical companies. Agilent reported a net worth, as of January 31, 2002, of approximately $5.4 billion.

The Agilent Boston lease is a net lease that commenced in September 2001 and expires in September 2011. The current annual base rent payable under the Agilent Boston lease is $3,578,993. Agilent, at its option, has the right to extend the initial term of its lease for one additional five-year period at a rate equal to the greater of (1) the then-current market rental rate, or (2) 75% of the annual base rent in the final year of the initial term of the Agilent Boston lease. In addition, Agilent may terminate the lease at the end of the seventh lease year by paying a $4,190,000 termination fee.

Experian/TRW Buildings

Wells OP purchased the Experian/TRW Buildings on May 1, 2002 for a purchase price of $35,150,000. The Experian/TRW Buildings, which were built in 1982 and 1993, respectively, are two two-story office buildings containing a total of 292,700 rentable square feet located in Allen, Texas.

The Experian/TRW Buildings are both leased to Experian Information Solutions, Inc. (Experian). Experian is an information services company that uses decision-making software and comprehensive databases of information on consumers, businesses, motor vehicles and property to provide companies with information about their customers. TRW, the original tenant on the Experian/TRW lease, assigned its interest in the Experian/TRW lease to Experian in 1996 but remains as an obligor of the Experian/TRW lease. TRW is a global technology, manufacturing and service company that provides advanced technology, systems, and services to customers worldwide. TRW reported a net worth, as of March 31, 2002, of approximately $2.24 billion.

The Experian/TRW lease is a net lease that commenced in April 1993 and expires in October 2010. The current annual base rent payable under the Experian lease is $3,438,277. Experian, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 95% of the then-current market rental rate.

BellSouth Ft. Lauderdale Building

Wells OP purchased the BellSouth Ft. Lauderdale Building on April 18, 2002 for a purchase price of $6,850,000. The BellSouth Ft. Lauderdale Building, which was built in 2001, is a one-story office building containing 47,400 rentable square feet located in Ft. Lauderdale, Florida.

The entire BellSouth Ft. Lauderdale Building is leased to BellSouth Advertising and Publishing Corporation (BellSouth Advertising). BellSouth Advertising is a major provider of print directories throughout the southeastern states and markets served by BellSouth Corporation, which is the parent company of BellSouth Advertising.

The BellSouth Advertising lease is a net lease that commenced in July 2001 and expires in July 2008. The current annual base rent payable under the BellSouth Advertising lease is $747,033. BellSouth Advertising, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

Agilent Atlanta Building

Wells OP purchased the Agilent Atlanta Building on April 18, 2002 for a purchase price of $15,100,000. The Agilent Atlanta Building, which was built in 2001, is a two-story office building containing 101,207 rentable square feet located in Alpharetta, Georgia.

Agilent leases 66,811 rentable square feet of the Agilent Atlanta Building (66%). The Agilent Atlanta lease commenced in September 2001 and expires in September 2011. The initial annual base rent payable under the Agilent Atlanta lease is $1,344,905. Agilent, at its option, has the right to extend the initial term of its lease for either (1) one additional three-year period, or (2) one additional five-year period, at the then-current market rental rate. In addition, Agilent may terminate the lease at the end of the seventh lease year by paying a $763,650 termination fee.

Koninklijke Philips Electronics N.V. (Philips) leases the remaining 34,396 rentable square feet of the Agilent Atlanta Building (34%). Philips is one of the world's largest electronics companies and is a global leader in color television sets, lighting, electric shavers, medical diagnostic imaging, patient monitoring and one-chip TV products. Philips reported a net worth, as of March 31, 2002, of approximately $16.47 billion.

The Philips lease commenced in September 2001 and expires in September 2011. The current annual base rent payable under the Philips lease is $692,391. Philips, at its option, has the right to extend the initial term of its lease for either (1) one additional three-year period, or (2) one additional five-year period, at the then-current market rental rate. In addition, Philips may terminate the lease at the end of the seventh lease year by paying a $393,146 termination fee.

Travelers Express Denver Buildings

Wells OP purchased the Travelers Express Denver Buildings on April 10, 2002 for a purchase price of $10,395,845. The Travelers Express Denver Buildings, which were built in 2002, are two connected one-story office buildings containing 68,165 rentable square feet located in Lakewood, Colorado.

The Travelers Express Denver Buildings are leased to Travelers Express Company, Inc. (Travelers). Travelers is the largest money order processor and second largest money-wire transfer company in the nation, processing more than 775 million transactions per year, including official checks and share drafts for financial institutions. Travelers is a wholly owned subsidiary of Viad Corporation, a public company whose shares are traded on the NYSE.

The Travelers lease commenced in April 2002 and expires in March 2012. The current annual base rent payable under the Travelers lease is $1,012,250. Travelers, at its option, has the right to extend the initial term of its lease for two additional five-year periods. The annual base rent for the first three years of the first renewal term shall be $19 per rentable square foot and the annual base rent for the last two years shall be $20.50 per rentable square foot. The annual base rent for the second renewal term shall be at the then-current market rental rate for each year of the renewal term. In addition, Travelers may terminate the Travelers lease at the end of the seventh lease year by paying a termination fee of $1,040,880. Travelers also has the right to expand the Travelers Express Denver Buildings between 10% and 20% by providing notice on or before May 1, 2004, subject to certain limitations and potential acceleration.

Dana Corporation Buildings

Wells OP purchased the Dana Corporation Buildings on March 29, 2001 for a purchase price of $41,950,000. The Dana Kalamazoo Building, which was built in 1999, is a two-story office and industrial building containing 147,004 rentable square feet located in Kalamazoo, Michigan. The Dana Detroit Building, which was built in 1999, is a three-story office and research and development building containing 112,480 rentable square feet located in Farmington Hills, Michigan. Wells OP purchased the Dana Corporation Buildings by purchasing all of the membership interests in two Delaware limited liability companies each of which owned title to one of the buildings.

The Dana Corporation Buildings are leased to Dana Corporation (Dana). Dana is one of the world's largest suppliers of components, modules and complete systems to global vehicle manufacturers and their related aftermarkets. Dana operates approximately 300 major facilities in 34 countries and employs approximately 70,000 people. Dana reported a net worth, as of December 31, 2001, of approximately $1.9 billion.

The Dana Kalamazoo lease commenced in October 2001 and expires in October 2021. The current annual base rent payable under the Dana Kalamazoo lease is $1,842,800. Dana, at its option, has the right to extend the initial term of its lease for six additional five-year periods at the then-current market rental rate. Dana may terminate the lease at any time during the initial lease term after the sixth lease year and before the 19th lease year, subject to certain conditions.

The Dana Detroit lease commenced in October 2001 and expires in October 2021. The current annual base rent payable under the Dana Detroit lease is $2,330,600. Dana, at its option, has the right to extend the initial term of its lease for six additional five-year periods at the then-current market rental rate. Dana may terminate the lease at any time during the initial lease term after the 11th lease year, subject to certain conditions.

Novartis Atlanta Building

Wells OP purchased the Novartis Atlanta Building on March 28, 2002 for a purchase price of $15,000,000. The Novartis Atlanta Building, which was built in 2001, is a four-story office building containing 100,087 rentable square feet located in Duluth, Georgia.

The Novartis Atlanta Building is leased to Novartis Opthalmics, Inc. (Novartis). The Novartis lease is guaranteed by Novartis' parent company, Novartis Corporation. Novartis Corporation, a public company whose shares are traded on the NYSE, is a world leader in healthcare with core businesses in pharmaceuticals, consumer health, generics, eye-care and animal health. Novartis Corporation reported a net worth, as of December 31, 2001, of approximately $28.1 billion.

The Novartis lease commenced in August 2001 and expires in July 2011. The current annual base rent payable under the Novartis lease is $1,426,240. Novartis, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate. In addition, Novartis may terminate the lease at the end of the fifth lease year by paying a $1,500,000 termination fee.

Transocean Houston Building

Wells OP purchased the Transocean Houston Building on March 15, 2002 for a purchase price of $22,000,000. The Transocean Houston Building, which was built in 1999, is a six-story office building containing 155,991 rentable square feet located in Houston, Texas.

Transocean Deepwater Offshore Drilling, Inc. (Transocean) leases 103,260 rentable square feet (67%) of the Transocean Houston Building. Transocean is an offshore drilling company specializing in technically demanding segments of the offshore drilling industry. The Transocean lease is guaranteed by Transocean Sedco Forex, Inc., one of the world's largest offshore drilling companies whose shares are traded on the NASDAQ. Transocean Sedco Forex, Inc. reported a net worth, as of September 30, 2001, of approximately $10.86 billion.

The Transocean lease commenced in December 2001 and expires in March 2011. Transocean, at its option, has the right to extend the initial term of its lease for either (1) two additional five-year periods, or (2) one additional ten-year period, at the then-current market rental rate. In addition, Transocean has an expansion option and a right of first refusal for up to an additional 52,731 rentable square feet. The current annual base rent payable under the Transocean lease is $2,110,035.

Newpark Drilling Fluids, Inc. (Newpark) leases the remaining 52,731 rentable square feet (33%) of the Transocean Houston Building. Newpark is a full service drilling fluids processing, management and waste disposal company. The Newpark lease is guaranteed by Newpark Resources, Inc., which provides drilling fluids services to the oil and gas production industry, primarily in North America. Newpark Resources, Inc. reported a net worth, as of December 31, 2001, of approximately $294 million.

The Newpark lease commenced in August 1999 and expires in October 2009. The current annual base rent payable for the Newpark lease is $1,153,227.

Arthur Andersen Building

Wells OP purchased the Arthur Andersen Building on January 11, 2002 for a purchase price of $21,400,000. The Arthur Andersen Building, which was built in 1999, is a three-story office building containing 157,700 rentable square feet located in Sarasota, Florida. Wells OP purchased the Arthur Andersen Building from Sarasota Haskell, LLC, which is not in any way affiliated with the Wells REIT, our advisor, Wells Capital, or Arthur Andersen, LLP, the tenant at the property.

The Arthur Andersen Building is leased to Arthur Andersen LLP (Andersen). In June 2002, Andersen was tried and convicted of federal obstruction of justice charges arising from its involvement as auditors for Enron Corporation. There may be a substantial risk that events arising out of this conviction or other events relating to the financial condition of Andersen could adversely affect the ability of Andersen to fulfill its obligations as tenant under the Andersen lease. The Andersen lease commenced in November 1998 and expires in October 2009. Andersen has the right to extend the initial 10-year term of this lease for two additional five-year periods at 90% of the then-current market rental rate. The current annual base rent payable under the Andersen lease is $1,988,454.

Andersen has the option to purchase the Arthur Andersen Building for a purchase price of $23,250,000 prior to the end of the fifth lease year. In addition, Andersen has the option to purchase the Arthur Andersen Building for a purchase price of $25,148,000 after the fifth lease year and prior to the expiration of the current lease term.

Windy Point Buildings

Wells OP purchased the Windy Point Buildings on December 31, 2001 for a purchase price of $89,275,000. The Windy Point Buildings, which were built in 1999 and 2001, respectively, consist of a seven-story office building containing 188,391 rentable square feet (Windy Point I) and an eleven-story office building containing 300,034 rentable square feet (Windy Point II) located in Schaumburg, Illinois.

The Windy Point Buildings are subject to a 20-year annexation agreement originally executed on December 12, 1995 with the Village of Schaumburg, Illinois (Annexation Agreement). The Annexation Agreement covers a 235-acre tract of land that includes a portion of the site of the Windy Point Buildings' parking facilities relating to the potential construction of a new eastbound on-ramp interchange for I-90. Wells OP issued a $382,556 letter of credit pursuant to the request of the Village of Schaumburg, Illinois, representing the estimated costs of demolition and restoration of constructed parking and landscaped areas and protecting pipelines in connection with the potential construction. The obligation to maintain the letter of credit will continue until the costs of demolition and restoration are paid if the project proceeds or until the Annexation Agreement expires in December 2015. If Wells OP is unable to restore the parking spaces due to structural issues related to the utilities underground, Wells OP would then be required to construct a new parking garage on the site to accommodate the parking needs of its tenants. The cost for this construction is currently estimated at approximately $3,581,000. In addition, if the interchange is constructed, Wells OP will be required to pay for its share of the costs for widening Meacham Road as part of the project, which potential obligation is currently estimated to be approximately $288,300.

Windy Point I building

The Windy Point I building is currently leased as follows:

Tenant	Rentable Sq. Ft.	Percentage of Building
TCI Great Lakes, Inc.	129,157	69%
The Apollo Group, Inc.	28,322	15%
Global Knowledge Network, Inc.	22,028	12%
Multiple Tenants	8,884	4%

TCI Great Lakes, Inc. (TCI) occupies 129,157 rentable square feet (69%) of the Windy Point I building. The TCI lease commenced in December 1999 and expires in November 2009. TCI has the right to extend the initial 10-year term of its lease for two additional five-year periods at 95% of the then-current market rental rate. TCI may terminate certain portions of the TCI lease on the last day of the seventh lease year by providing 12 months prior written notice and paying Wells OP a termination fee of approximately $4,119,500. The current annual base rent payable under the TCI lease is $2,067,204.

TCI is a wholly-owned subsidiary of AT&T Broadband. AT&T Broadband provides basic cable and digital television services, as well as high-speed Internet access and cable telephony, with video-on-demand and other advanced services.

The Apollo Group, Inc. (Apollo) leases28,322 rentable square feet (15%) of the Windy Point I building. The Apollo lease commenced in April 2002 and expires in June 2008. Apollo has the right to extend the initial term of its lease for one additional five-year period at 95% of the then-current market rental rate. The current annual base rent payable under the Apollo lease is $477,226.

Apollo is an Arizona corporation having its corporate headquarters in Phoenix, Arizona. Apollo provides higher education programs to working adults through its subsidiaries, the University of Phoenix, Inc., the Institute for Professional Development, the College for Financial Planning Institutes Corporation and Western International University, Inc. Apollo offers educational programs and services at 58 campuses and 102 learning centers in 36 states, Puerto Rico, and Vancouver, British Columbia. Apollo reported a net worth, as of February 28, 2002, of approximately $559 million.

Global Knowledge Network, Inc. (Global) leases 22,028 rentable square feet (12%) of the Windy Point I building. The Global lease commenced in May 2000 and expires in April 2010. Global has the right to extend the initial 10-year term of its lease for one additional five-year period at the then-current market rental rate. Wells OP has the right to terminate the Global lease on December 31, 2005 by giving Global written notice on or before April 30, 2005. The current annual base rent payable under the Global lease is $393,776.

Global is a privately held corporation with its corporate headquarters in Cary, North Carolina and international offices in Tokyo, London and Singapore. Global is owned by New York-based investment firm Welsh, Carson, Anderson and Stowe, a New York limited partnership which acts as a private equity investor in information services, telecommunications and healthcare. Global provides information technology education solutions and certification programs, offering more than 700 courses in more than 60 international locations and in 15 languages. Global has posted a $100,000 letter of credit as security for the Global lease.

Windy Point II building

Zurich American Insurance Company, Inc. (Zurich) leases the entire 300,034 rentable square feet of the Windy Point II building. The Zurich lease commenced in September 2001 and expires in August 2011. Zurich has the right to extend the initial 10-year term of its lease for two additional five-year

periods at 95% of the then-current market rental rate. The current annual base rent payable under the Zurich lease is $5,091,577.

Zurich is headquartered in Schaumburg, Illinois and is a wholly-owned subsidiary of Zurich Financial Services Group (ZFSG). ZFSG, which has its corporate headquarters in Zurich, Switzerland, is a leading provider of financial protection and wealth accumulation solutions for some 35 million customers in over 60 countries. Zurich provides commercial property-casualty insurance and serves the multinational, middle market and small business sectors in the United States and Canada.

Zurich has the right to terminate the Zurich lease for up to 25% of the rentable square feet leased by Zurich at the end of the fifth lease year. If Zurich terminates a portion of the Zurich lease, it will be required to pay a termination fee to Wells OP equal to three months of the current monthly rent for the terminated space plus additional costs related to the space leased by Zurich. In addition, Zurich may terminate the entire Zurich lease at the end of the seventh lease year by providing Wells OP 18 months prior written notice and paying Wells OP a termination fee of approximately $8,625,000.

Convergys Building

Wells OP purchased the Convergys Building on December 21, 2001 for a purchase price of $13,255,000. The Convergys Building, which was built in 2001, is a two-story office building containing 100,000 rentable square feet located in Tamarac, Florida.

The Convergys Building is leased to Convergys Customer Management Group, Inc. (Convergys). The Convergys lease is guaranteed by Convergys' parent company, Convergys Corporation, which is an Ohio corporation whose shares are traded on the NYSE having its corporate headquarters in Cincinnati, Ohio. Convergys Corporation provides outsourced billing and customer care services in the United States, Canada, Latin America, Israel and Europe. Convergys Corporation reported a net worth, as of December 31, 2001, of approximately $1.23 billion.

The Convergys lease commenced in September 2001 and expires in September 2011. Convergys has the right to extend the initial 10-year term of this lease for three additional five-year periods at 95% of the then-current market rental rate. Convergys may terminate the Convergys lease at the end of the seventh lease year (September 30, 2008) by providing 12 months prior written notice and paying Wells OP a termination fee of approximately $1,341,000. The current annual base rent payable under the Convergys lease is $1,248,192.

ADIC Buildings

Wells Fund XIII-REIT Joint Venture purchased the ADIC Buildings and an undeveloped 3.43 acre tract of land adjacent to the ADIC Buildings (Additional ADIC Land) on December 21, 2001 for a purchase price of $12,954,213. The ADIC Buildings, which were built in 2001, consist of two connected one-story office and assembly buildings containing a total of 148,204 rentable square feet located in Parker, Colorado.

The ADIC Buildings are currently leased to Advanced Digital Information Corporation (ADIC), which lease does not include the Additional ADIC Land. ADIC is a Washington corporation whose shares are traded on NASDAQ having its corporate headquarters in Redmond, Washington and regional management centers in Englewood, Colorado; Böhmenkirch, Germany; and Paris, France. ADIC manufactures data storage systems and specialized storage management software and distributes these products through its relationships with original equipment manufacturers such as IBM, Sony, Fujitsu,

Siemens and Hewlett-Packard. ADIC reported a net worth, as of January 31, 2002, of approximately $335 million.

The ADIC lease commenced in December 2001 and expires in December 2011. ADIC has the right to extend the term of its lease for two additional five-year periods at the then-current fair market rental rate for the first year of each five-year extension. The annual base rent will increase 2.5% for each subsequent year of each five-year extension. The current annual base rent payable under the ADIC lease is $1,222,683.

Lucent Building

Wells OP purchased the Lucent Building from Lucent Technologies, Inc. (Lucent Technologies) in a sale-lease back transaction on September 28, 2001 for a purchase price of $17,650,000. The Lucent Building, which was built in 1999, is a four-story office building with 120,000 rentable square feet, which includes a 17.34 acre undeveloped tract of land, located in Cary, North Carolina.

The Lucent Building is leased to Lucent Technologies, whose shares are traded on the NYSE and has its corporate headquarters in Murray Hill, New Jersey. Lucent Technologies designs, develops and manufactures communications systems, software and other products. Lucent Technologies reported a net worth, as of December 31, 2001, of approximately $10.6 billion.

The Lucent lease commenced in September 2001 and expires in September 2011. Lucent Technologies has the right to extend the term of this lease for three additional five-year periods at the then-current fair market rental rate. The current annual base rent payable under the Lucent lease is $1,800,000.

Ingram Micro Building

On September 27, 2001, Wells OP acquired a ground leasehold interest in a 701,819 square foot distribution facility located in Millington, Tennessee, pursuant to a Bond Real Property Lease dated as of December 20, 1995 (Bond Lease). The ground leasehold interest under the Bond Lease, along with the Bond and the Bond Deed of Trust, were purchased from Ingram Micro L.P. (Ingram) in a sale-lease back transaction for a purchase price of $21,050,000. The Bond Lease expires in December 2026. Construction of the Ingram Micro Building was completed in 1997.

Fee simple title to the land upon which the Ingram Micro Building is located is held by the Industrial Development Board of the City of Millington, Tennessee (Industrial Development Board), which originally entered into the Bond Lease with Lease Plan North America, Inc. (Lease Plan). The Industrial Development Board issued an Industrial Development Revenue Note Ingram Micro L.P. Series 1995 (Bond) in a principal amount of $22,000,000 to Lease Plan in order to finance the construction of the Ingram Micro Building. The Bond is secured by a Fee Construction Mortgage Deed of Trust and Assignment of Rents and Leases (Bond Deed of Trust) executed by the Industrial Development Board for the benefit of Lease Plan. Lease Plan assigned to Ingram its ground leasehold interest in the Ingram Micro Building under the Bond Lease. Lease Plan also assigned all of its rights and interest in the Bond and the Bond Deed of Trust to Ingram.

Wells OP also acquired the Bond and the Bond Deed of Trust from Ingram at closing. Beginning in 2006, Wells OP has the option under the Bond Lease to purchase the land underlying the Ingram Micro Building from the Industrial Development Board for $100 plus satisfaction of the indebtedness evidenced by the Bond which, as set forth above, was acquired and is currently held by Wells OP.

Ingram Micro, Inc. (Micro) is the general partner of Ingram and a guarantor on the Ingram lease. Micro, whose shares are traded on the NYSE, has its corporate headquarters in Santa Ana, California.

Micro provides technology products and supply chain management services through wholesale distribution. It targets three different market segments, including corporate resellers, direct and consumer marketers, and value-added resellers. Micro's worldwide business consists of approximately 14,000 associates and operations in 36 countries. Micro reported a net worth, as of December 29, 2001, of approximately $1.87 billion.

The Ingram lease has a current term of 10 years with two successive options to extend for 10 years each at an annual rate equal to the greater of (1) 95% of the then-current fair market rental rate, or (2) the annual rental payment effective for the final year of the term immediately prior to such extension. Annual rent, as determined for each extended term, is also increased by 15% beginning in the 61 st month of each extended term. The current annual base rent payable for the Ingram lease is $2,035,275.

Nissan Property

Purchase of the Nissan Property. The Nissan Property is a build-to-suit property located in Irving, Texas which we purchased on September 19, 2001 for a purchase price of $5,545,700. We commenced construction on a three-story office building containing approximately 268,000 rentable square feet (Nissan Project) in January 2002. Wells OP obtained a construction loan in the amount of $32,400,000 from Bank of America, N.A. (BOA), which is more particularly described in the "Real Estate Loans" section of the prospectus, to fund the construction of a building on the Nissan Project.

Wells OP entered into a development agreement, an architect agreement and a design and build agreement to construct the Nissan Project on the Nissan Property.

Development Agreement. Wells OP entered into a development agreement (Development Agreement) with Champion Partners, Ltd., a Texas limited partnership (Developer), as the exclusive development manager to supervise, manage and coordinate the planning, design, construction and completion of the Nissan Project. As compensation for the services to be rendered by the Developer under the Development Agreement, Wells OP is paying a development fee of $1,250,000. The fee is due and payable ratably as the construction and development of the Nissan Project is completed.

We anticipate that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Nissan Property and the planning, design, development, construction and completion of the Nissan Project will total approximately $42,259,000. Under the terms of the Development Agreement, the Developer has agreed that in the event that the total of all such costs and expenses exceeds $42,258,600, subject to certain adjustments, the amount of fees payable to the Developer shall be reduced by the amount of any such excess.

Construction Agreement. Wells OP entered into a design and build construction agreement (Construction Agreement) with Thos. S. Byrne, Inc. (Contractor) for the construction of the Nissan Project. The Contractor is based in Ft. Worth, Texas and specializes in commercial, industrial and high-end residential buildings. The Contractor commenced operations in 1923 and has completed over 200 projects for a total of approximately 60 clients. The Contractor is presently engaged in the construction of over 20 projects with a total construction value of in excess of $235 million.

The Construction Agreement provides that Wells OP will pay the Contractor a maximum of $25,326,017 for the construction of the Nissan Project that includes all estimated fees and costs including the architect fees. The Contractor will be responsible for all costs of labor, materials, construction equipment and machinery necessary for completion of the Nissan Project. In addition, the Contractor will be required to secure and pay for any additional business licenses, tap fees and building permits which may be necessary for construction of the Nissan Project.

Nissan Lease. The Nissan Property is leased to Nissan Motor Acceptance Corporation (Nissan), a California corporation with its corporate headquarters in Torrance, California. Nissan is a wholly-owned subsidiary of Nissan North America, Inc. (NNA), a guarantor of Nissan's lease. NNA is a California corporation, with headquarters in Gardenia, California. NNA handles the North American business sector of its Japanese parent, Nissan Motor Company, Ltd. NNA's business activities include design, development, manufacturing and marketing of Nissan vehicles in North America. As a subsidiary of NNA, Nissan purchases retail and lease contracts from, and provides wholesale inventory and mortgage loan financing to, Nissan and Infiniti retailers.

The Nissan lease will extend 10 years beyond the rent commencement date. Construction on the building began in January 2002 and is expected to be completed by December 2003. The rent commencement date will occur shortly after completion. Nissan has the right to extend the initial 10-year term of this lease for an additional two years, upon written notice. Nissan also has the right to extend the lease for two additional five-year periods at 95% of the then-current market rental rate, upon written notice. The annual base rent payable for the Nissan lease beginning on the rent commencement date is expected to be $4,225,860.

IKON Buildings

Wells OP purchased the IKON Buildings on September 7, 2001 for a purchase price of $20,650,000. The IKON Buildings, which were built in 2000, consist of two one-story office buildings aggregating 157,790 rentable square feet located in Houston, Texas.

The IKON Buildings are leased to IKON Office Solutions, Inc. (IKON). IKON provides business communication products such as copiers and printers, as well as services such as distributed printing, facilities management, network design, e-business development and technology training. IKON's customers include various sized businesses, professional firms and government agencies. IKON distributes products manufactured by companies such as Microsoft, IBM, Canon, Novell and Hewlett-Packard. IKON reported a net worth, as of December 31, 2001, of approximately $1.43 billion.

The IKON lease commenced in May 2000 and expires in April 2010. IKON has the right to extend the term of this lease for two additional five-year periods at the then-current fair market rental rate. The current annual base rent payable for the IKON lease is $2,015,767.

State Street Building

Wells OP purchased the State Street Building on July 30, 2001 for a purchase price of $49,563,000. The State Street Building, which was built in 1990, is a seven-story office building with 234,668 rentable square feet located in Quincy, Massachusetts.

The State Street Building is leased to SSB Realty, LLC (SSB Realty). SSB Realty is a wholly-owned subsidiary of State Street Corporation, a Massachusetts corporation (State Street). State Street, a guarantor of the SSB Realty lease, is a world leader in providing financial services to investment managers, corporations, public pension funds, unions, not-for-profit organizations and individuals. State Street's services range from investment research and professional investment management to trading and brokerage services to fund accounting and administration. State Street reported a net worth, as of December 31, 2001, of approximately $3.8 billion.

The SSB Realty lease commenced in February 2001 and expires in March 2011. SSB has the right to extend the term of this lease for one additional five-year period at the then-current fair market rental rate. Pursuant to the SSB Realty lease, Wells OP is obligated to provide SSB Realty an allowance of up to

approximately $2,112,000 for tenant, building and architectural improvements. The current annual base rent payable for the SSB Realty lease is $6,922,706.

AmeriCredit Building

The XIII-REIT Joint Venture purchased the AmeriCredit Building on July 16, 2001 for a purchase price of $12,500,000. The AmeriCredit Building, which was built in 2001, is a two-story office building containing 85,000 rentable square feet located in Orange Park, Florida.

The AmeriCredit Building is leased to AmeriCredit Financial Services Corporation (AmeriCredit). AmeriCredit is wholly-owned by, and serves as the primary operating subsidiary for, AmeriCredit Corp., a Texas corporation whose common stock is publicly traded on the NYSE. AmeriCredit Corp. is the guarantor of the lease. AmeriCredit is the world's largest independent middle-market automobile finance company. AmeriCredit purchases loans made by franchised and select independent dealers to consumers buying late model used and, to a lesser extent, new automobiles. AmeriCredit Corp. reported a net worth, as of December 31, 2001, of approximately $1.2 billion.

The AmeriCredit lease commenced in June 2001 and expires in May 2011. AmeriCredit has the right to extend the AmeriCredit lease for two additional five-year periods of time. 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 monthly base rent payable for each extended term of the AmeriCredit lease will be equal to 95% of the then-current market rate. The AmeriCredit lease contains a termination option that may be exercised by AmeriCredit effective as of the end of the seventh lease year and requires AmeriCredit to pay the joint venture a termination payment estimated at approximately $1.9 million. AmeriCredit also has an expansion option for an additional 15,000 square feet of office space and 120 parking spaces. AmeriCredit may exercise this expansion option at any time during the first seven lease years. The current annual base rent payable under the AmeriCredit lease is $1,336,200.

Comdata Building

The XII-REIT Joint Venture purchased the Comdata Building on May 15, 2001 for a purchase price of $24,950,000. The Comdata Building, which was built in 1989 and expanded in 1997, is a three-story office building containing 201,237 rentable square feet located in Brentwood, Tennessee.

The Comdata Building is leased to Comdata Network, Inc. (Comdata). Comdata is a leading provider of transaction processing and information services to the transportation and other industries. Comdata provides trucking companies with fuel cards, electronic cash access, permit and licensing services, routing software, driver relationship services and vehicle escorts, among other services. Comdata provides these services to over 400,000 drivers, 7,000 truck stop service centers and 500 terminal fueling locations. Ceridian Corporation, the lease guarantor, is one of North America's leading information services companies that serves the human resources and transportation markets. Ceridian and its subsidiaries generate, process and distribute data for customers and help customers develop systems plans and software to perform these functions internally. Ceridian Corporation reported a net worth, as of September 30, 2001, of approximately $1.1 billion.

The Comdata lease commenced in April 1997 and expires in May 2016. Comdata has the right to extend the Comdata lease for one additional five-year period of time at a rate equal to the greater of the base rent of the final year of the initial term or 90% of the then-current fair market rental rate. The current annual base rent payable for the Comdata lease is $2,458,638.

AT&T Oklahoma Buildings

The XII-REIT Joint Venture purchased the AT&T Oklahoma Buildings on December 28, 2000 for a purchase price of $15,300,000. The AT&T Oklahoma Buildings, which were built in 1998 and 2000, respectively, consist of a one-story office building and a two-story office building, connected by a mutual hallway, containing an aggregate of 128,500 rentable square feet located in Oklahoma City, Oklahoma.

AT&T Corp. (AT&T) leases the entire 78,500 rentable square feet of the two-story office building and 25,000 rentable square feet of the one-story office building. AT&T is among the world's leading voice and data communications companies, serving consumers, businesses and governments worldwide. AT&T has one of the largest digital wireless networks in North America and is one of the leading suppliers of data and Internet services for businesses. In addition, AT&T offers outsourcing, consulting and networking-integration to large businesses and is one of the largest direct internet access service providers for consumers in the United States. AT&T reported a net worth, as of December 31, 2001, of approximately $51.7 billion.

The AT&T lease commenced in April 2000 and expires in August 2010. AT&T has the right to extend the AT&T lease for two additional five-year periods of time at the then-current fair market rental rate. AT&T has a right of first offer to lease the remainder of the space in the one-story office building currently occupied by Jordan Associates, Inc. (Jordan), if Jordan vacates the premises. The current annual base rent payable for the AT&T lease is $1,242,000.

Jordan leases the remaining 25,000 rentable square feet contained in the one-story office building. Jordan provides businesses with advertising and related services including public relations, research, direct marketing and sales promotion. Through this corporate office and other offices in Tulsa, St. Louis, Indianapolis and Wausau, Wisconsin, Jordan provides services to major clients such as Bank One, Oklahoma, N.A., BlueCross & BlueShield of Oklahoma, Kraft Food Services, Inc., Logix Communications and the American Dental Association.

The Jordan lease commenced in December 1998 and expires in December 2008. Jordan has the right to extend the Jordan lease for one additional five-year period of time at the then-current fair market rental rate. The current annual base rent payable for the Jordan lease is $294,500.

Metris Minnesota Building

Wells OP purchased the Metris Minnesota Building on December 21, 2000 for a purchase price of $52,800,000. The Metris Minnesota Building, which was built in 2000, is a nine-story office building containing 300,633 rentable square feet located in Minnetonka, Minnesota.

The Metris Minnesota Building is Phase II of a two-phase office complex known as Crescent Ridge Corporate Center in Minnetonka, Minnesota, which is a western suburb of Minneapolis. Phase I of Crescent Ridge Corporate Center is an eight-story multi-tenant building which is connected to the Metris Minnesota Building by a single-story restaurant link building. Neither Phase I of Crescent Ridge Corporate Center nor the connecting restaurant are owned by Wells OP.

The Metris Minnesota Building is leased to Metris Direct, Inc. (Metris) as its corporate headquarters. Metris is a principal subsidiary of Metris Companies, Inc. (Metris Companies), a publicly traded company whose shares are listed on the NYSE (symbol MXT) which has guaranteed 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. Metris Companies reported a net worth, as of December 31, 2001, of approximately $1.14 billion.

The Metris Minnesota lease commenced in September 2000 and expires in December 2011. Metris has the right to renew the Metris Minnesota lease for an additional five-year term at fair market rent, but in no event less than the basic rent payable in the immediately preceding period. In addition, Metris is required to pay annual parking and storage fees of $87,948 through December 2006 and $114,062 payable on a monthly basis for the remainder of the lease term. The current annual base rent payable for the Metris Minnesota lease is $4,960,445.

Stone & Webster Building

Wells OP purchased the Stone & Webster Building on December 21, 2000 for a purchase price of $44,970,000. The Stone & Webster Building, which was built in 1994, is a six-story office building with 312,564 rentable square feet located in Houston, Texas. In addition, the site includes 4.34 acres of unencumbered land available for expansion.

Stone & Webster is a full-service global engineering and construction company offering managerial and technical resources for solving complex energy, environmental, infrastructure and industrial challenges. The Stone & Webster lease is guaranteed by The Shaw Group, Inc., the parent company of Stone & Webster. Shaw Group is the largest supplier of fabricated piping systems and services in the world. The Shaw Group reported a net worth, as of February 28, 2002, of approximately $612 million.

The Stone & Webster lease commenced in December 2000 and expires in December 2010. Stone & Webster has the right to extend the Stone & Webster lease for two additional five-year periods of time for a base rent equal to the greater of (1) the last year's rent, or (2) the then-current market rental rate. The current annual base rent payable for the Stone & Webster lease is $4,533,056.

SYSCO is the largest marketer and distributor of foodservice products in North America. SYSCO operates from approximately 100 distribution facilities and provides its products and services to about 356,000 restaurants and other users across the United States and portions of Canada. SYSCO reported a net worth, as of December 29, 2001, of approximately $2.2 billion.

The SYSCO lease commenced in October 1998 and expires in September 2008. The current annual base rent payable for the SYSCO lease is $2,130,320.

Motorola Plainfield Building

Wells OP purchased the Motorola Plainfield Building on November 1, 2000 for a purchase price of $33,648,156. The Motorola Plainfield Building, which was built in 1976, is a three-story office building containing 236,710 rentable square feet located in South Plainfield, New Jersey.

The Motorola Plainfield Building is leased to Motorola, Inc. (Motorola). Motorola is a global leader in providing integrated communications solutions and embedded electronic solutions, including software-enhanced wireless telephones, two-way radios and digital and analog systems and set-top terminals for broadband cable television operators. Motorola reported a net worth, as of December 31, 2001 , of approximately $13.7 billion.

The Motorola Plainfield lease commenced in November 2000 and expires in October 2010. Motorola has the right to extend the Motorola Plainfield lease for two additional five-year periods of time for a base rent equal to the greater of (1) base rent for the immediately preceding lease year, or (2) 95%

of the then-current fair market rental rate. The current annual base rent payable for the Motorola Plainfield lease is $3,324,428.

The Motorola Plainfield lease grants Motorola a right of first refusal to purchase the Motorola Plainfield Building if Wells OP attempts to sell the property during the term of the lease. Additionally, Motorola has an expansion right for an additional 143,000 rentable square feet. If Motorola exercises its expansion option, upon completion of the expansion, the term of the Motorola Plainfield lease shall be extended an additional 10 years after Motorola occupies the expansion space. The base rent for the expansion space shall be determined by the construction costs and fees for the expansion. The base rent for the original building for the extended 10-year period shall be the greater of (1) the then-current base rent, or (2) 95% of the then-current fair market rental rate.

Quest Building

The VIII-IX Joint Venture purchased the Quest Building on January 10, 1997 for a purchase price of $7,193,000. On July 1, 2000, the VIII-IX Joint Venture contributed the Quest Building to the VIII-IX-REIT Joint Venture. The Quest Building, which was built in 1984 and refurbished in 1996, is a two-story office building containing 65,006 rentable square feet located in Irvine, California.

The Quest Building is currently leased to Quest Software, Inc. (Quest). Quest, whose shares are publicly traded, is a 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 reported a net worth, as of December 31, 2001, of approximately $441 million.

The Quest lease commenced in June 2000 and expires in January 2004. 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.

Delphi Building

Wells OP purchased the Delphi Building on June 29, 2000 for a purchase price of $19,800,000. The Delphi Building, which was built in 2000, is a three-story office building containing 107,193 rentable square feet located in Troy, Michigan.

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), formerly the Automotive Components Group of General Motors, which was spun off 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. Delphi reported a net worth, as of December 31, 2001, of approximately $2.22 billion.

The Delphi lease commenced in May 2000 and expires in April 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 current annual base rent payable for the Delphi lease is $1,955,524.

Avnet Building

Wells OP purchased the Avnet Building on June 12, 2000 for a purchase price of $13,250,000. The Avnet Building, which was built in 2000, is a two-story office building containing 132,070 rentable square feet located in Tempe, Arizona. The Avnet Building is subject to a first priority mortgage in favor of

SouthTrust Bank, N.A. (SouthTrust) securing a SouthTrust Line of Credit, which is more particularly described in the "Real Estate Loans" section of this prospectus.

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 60 countries. Additionally, Avnet sells products of more than 100 of the world's leading component manufacturers to customers around the world. Avnet reported a net worth, as of December 28, 2001, of approximately $1.77 billion.

The Avnet lease commenced in May 2000 and expires in April 2010. Avnet has the right to extend the Avnet lease for two additional five-year periods of time. The annual 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 annual rent payable for the fourth and fifth years of each extension period will be the then-current fair market rental rate at the end of the preceding term multiplied by a factor of 1.093. The current annual base rent payable for the Avnet lease is $1,516,164.

Avnet has a right of first refusal to purchase the Avnet Building if Wells OP attempts to sell the Avnet Building. Avnet also has an expansion option. 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 in April 1999 and expires in September 2083. Wells OP has the right to terminate the Avnet ground lease prior to the expiration of the 30th year. The current annual ground lease payment pursuant to the Avnet ground lease is $230,777.

Siemens Building

The XII-REIT Joint Venture purchased the Siemens Building on May 10, 2000 for a purchase price of $14,265,000. The Siemens Building, which was built in 2000, is a three-story office building containing 77,054 rentable square feet located in Troy, Michigan.

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 Siemens lease commenced in January 2000 and expires in August 2010. Siemens has the right to extend the Siemens lease for two additional five-year periods at 95% of the then-current fair market rental rate. The current annual base rent payable for the Siemens lease is $1,374,643.

Siemens has a one-time right to cancel the Siemens lease effective after the 90 th month of the lease term if Siemens pays a cancellation fee to the XII-REIT Joint Venture currently calculated to be approximately $1,234,160.

Motorola Tempe Building

Wells OP purchased the Motorola Tempe Building on March 29, 2000 for a purchase price of $16,000,000. The Motorola Tempe Building, which was built in 1998, is a two-story office building containing 133,225 rentable square feet in Tempe, Arizona. The Motorola Tempe Building is subject to a

first priority mortgage in favor of SouthTrust securing a SouthTrust line of credit, which is more particularly described in the "Real Estate Loans" section of this prospectus.

The Motorola Tempe Building is leased to Motorola, Inc. (Motorola) and 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 Motorola Tempe lease commenced in August 1998 and expires in August 2005. Motorola has the right to extend the Motorola Tempe lease for four additional five-year periods of time at the then-prevailing market rental rate. The current annual rent payable under the Motorola Tempe lease is $1,843,834.

The Motorola Tempe Building is subject to a ground lease that commenced in November 1997 and expires in December 2082. Wells OP has the right to terminate the Motorola Tempe ground lease prior to the expiration of the 30th year and prior to the expiration of each subsequent 10-year period thereafter. The current annual ground lease payment pursuant to the Motorola Tempe ground lease is $243,825.

ASML Building

Wells OP purchased the ASML Building on March 29, 2000 for a purchase price of $17,355,000. The ASML Building, which was built in 2000, is a two-story office and warehouse building containing 95,133 rentable square feet located in Tempe, Arizona. The ASML Building is subject to a first priority mortgage in favor of SouthTrust securing a SouthTrust line of credit, which is more particularly described in the "Real Estate Loans" section of this prospectus.

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, a guarantor of the ASML lease, reported a net worth, as of December 31, 2001, of approximately $1.1 billion.

The ASML lease commenced in June 1998 and expires in June 2013. The current annual base rent payable under the ASML lease is $1,927,788. 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 Building is subject to a ground lease that commenced in August 1997 and expires in December 2082. Wells OP has the right to terminate the ASML ground lease prior to the expiration of the 30th year, and prior to the expiration of each subsequent 10-year period thereafter. The current annual ground lease payment pursuant to the ASML ground lease is $186,368.

Dial Building

Wells OP purchased the Dial Building on March 29, 2000 for a purchase price of $14,250,000. The Dial Building, which was built in 1997, is a two-story office building containing 129,689 rentable square feet located in Scottsdale, Arizona. The Dial Building is subject to a first priority mortgage in favor of SouthTrust securing a SouthTrust line of credit, which is more particularly described in the "Real Estate Loans" section of this prospectus.

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. Dial reported a net worth, as of December 31, 2001, of approximately $81.8 million.

The Dial lease commenced in August 1997 and expires in August 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.

Metris Tulsa Building

Wells OP purchased the Metris Tulsa Building on February 11, 2000 for a purchase price of $12,700,000. The Metris Tulsa Building, which was built in 2000, is a three-story office building containing 101,100 rentable square feet located in Tulsa, Oklahoma.

The Metris Tulsa Building is leased to Metris Direct, Inc. (Metris). Metris Companies, Inc., the parent company of Metris, has guaranteed the Metris Tulsa lease. The Metris Tulsa lease commenced in February 2000 and expires in January 2010. Metris has the right to extend the Metris Tulsa lease for two additional five-year periods of time. The monthly base rent payable for the renewal terms of the Metris Tulsa lease shall be equal to the then-current market rate. The current annual base rent payable for the Metris Tulsa lease is $1,187,925.

Cinemark Building

Wells OP purchased the Cinemark Building on December 21, 1999 for a purchase price of $21,800,000. The Cinemark Building, which was built in 1999, is a five-story office building containing 118,108 rentable square feet located in Plano, Texas. The Cinemark Building is subject to a first priority mortgage in favor of SouthTrust securing a SouthTrust line of credit, which is more particularly described in the "Real Estate Loans" section of this prospectus.

The entire 118,108 rentable square feet of the Cinemark Building is currently leased to two tenants. Cinemark USA, Inc. (Cinemark) occupies 65,521 rentable square feet (56%) of the Cinemark Building, and The Coca-Cola Company (Coca-Cola) occupies the remaining 52,587 (44%) 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. Cinemark reported a net worth, as of December 31, 2001, of approximately $25.3 million.

The Cinemark lease commenced in December 1999 and expires in December 2009. Cinemark has the right to extend the Cinemark lease for one additional five-year period of time and a subsequent additional 10-year period of time. 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. Cinemark has a right of first refusal to lease any of the remaining rentable area of the Cinemark Building that subsequently becomes vacant. The current annual base rent payable for the Cinemark lease is $1,366,491.

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. Coca-Cola reported a net worth, as of December 31, 2001, of approximately $11.4 billion.

The Coca-Cola lease commenced in December 1999 and expires in November 2006. Coca-Cola has the right to extend the lease for two additional five-year periods of time. The current annual base rent payable for the Coca-Cola lease is $1,354,184.

Gartner Building

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

The Gartner Building is currently leased to The Gartner Group, Inc. (Gartner). The Gartner Building is occupied by Gartner's Financial Services Division. Gartner is one of the world's leading independent providers of research and analysis related to information and technology solutions. Gartner has over 80 locations worldwide and over 12,000 clients.

The Gartner lease commenced in February 1998 and expires in January 2008. Gartner has the right to extend the lease for two additional five-year periods of time at a rate equal to the lesser of (1) the prior rate increased by 2.5%, or (2) 95% of the then-current market rate. The current annual base rent payable for the Gartner lease is $830,656.

Videojet Technologies Chicago Building

Wells OP purchased the Videojet Technologies Chicago Building on September 10, 1999 for a purchase price of $32,630,940. The Videojet Technologies Chicago Building, which was built in 1991, is a two-story office, assembly and manufacturing building containing 250,354 rentable square located in Wood Dale, Illinois. The Videojet Technologies Chicago Building is subject to a first priority mortgage in favor of Bank of America, N.A. (BOA) securing the BOA loan, which is more particularly described in the "Real Estate Loans" section of this prospectus.

The Videojet Technologies Chicago Building is leased to Videojet Technologies, Inc. (Videojet). Videojet is one of the largest manufacturers of digital imaging, process control, and asset management systems worldwide. In February 2002, Videojet was acquired by Danaher Corporation (Danaher), a company whose shares are traded on the NYSE. Danaher is a leading manufacturer of process and environmental controls and tools and components.

The Videojet lease commenced in November 1991 and expires in November 2011. Videojet has the right to extend the Videojet lease for one additional five-year period of time. The current annual base rent payable for the Videojet lease is $3,376,746.

Johnson Matthey 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, which was built in 1973 and refurbished in 1998, is a 130,000 square foot research and development, office and warehouse building located in Wayne, Pennsylvania.

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, a company whose shares are publicly traded, is over 175 years old, has operations in 38 countries and employs 12,000 people. Johnson Matthey reported a net worth, as of September 30, 2001, of approximately $1.16 billion.

The Johnson Matthey lease 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 at the then-current fair market rent. 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 current annual base rent payable under the Johnson Matthey lease is $854,748.

Alstom Power Richmond Building

Wells OP purchased a 7.49 acre tract of land on July 22, 1999 for a purchase price of $936,250 and completed construction of the Alstom Power Richmond Building at an aggregate cost of approximately $11,400,000, including the cost of the land. The Alstom Power Richmond Building, which was built in 2000, is a four-story brick office building containing 99,057 gross square feet located in Midlothian, Virginia.

Wells OP originally obtained a construction loan from SouthTrust in the maximum principal amount of $9,280,000 to fund the development and construction of the Alstom Power Richmond Building. This loan, which is more specifically detailed in the “Real Estate Loans” section of this prospectus, was converted to a line of credit and is secured by a first priority mortgage against the Alstom Power Richmond Building, an assignment of the landlord’s interest in the Alstom Power Richmond lease and a $4,000,000 letter of credit issued by Unibank.

The Alstom Power Richmond Building is leased to Alstom Power, Inc. (Alstom Power). Alstom Power is the result of the December 30, 1999 merger between ABB Power Generation, Inc. and ABB Alstom Power, Inc. Alstom Power reported a net worth, as of September 30, 2001, of approximately $1.8 billion.

The Alstom Power Richmond lease commenced in July 2000 and expires in July 2007. Alstom Power has the right to extend the lease for two additional five-year periods of time at the then-current market rental rate. The current annual base rent payable for the Alstom Power lease is $1,213,324.

Alstom Power has a one-time option to terminate the Alstom Power 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 and Alstom Power will be 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 an annual rate of 10%.

Sprint Building

The XI-XII-REIT Joint Venture purchased the Sprint Building on July 2, 1999 for a purchase price of $9,500,000. The Sprint Building, which was built in 1992, is a three-story office building containing 68,900 rentable square feet located in Leawood, Kansas.

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 reported a net worth, as of December 31, 2001, of approximately $12.6 billion.

The Sprint lease commenced in May 1997 and expires in May 2007, subject to Sprint's right to extend the lease for two additional five-year periods of time. The annual base rent payable under the Sprint lease is $1,102,404 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 rental rate.

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. If Sprint exercises an 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.

EYBL CarTex Building

The XI-XII-REIT Joint Venture purchased the EYBL CarTex Building on May 18, 1999 for a purchase price of $5,085,000. The EYBL CarTex Building, which was built in 1989, is a manufacturing and office building consisting of a total of 169,510 square feet located in Fountain Inn, 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. EYBL International reported a net worth, as of September 30, 2001, of approximately $41.5 billion.

The EYBL CarTex lease commenced in March 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 monthly base rent payable for each extended term of the lease will be equal to the fair market rent. In addition, 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. The current annual base rent payable under the EYBL CarTex lease is $550,908.

Matsushita Building

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 in 2000 at an aggregate cost of $18,431,206, including the cost of the land. The Matsushita Building is a two-story office building containing 144,906 rentable square feet located in Lake Forest, California.

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 Electric, a guarantor of the Matsushita lease, 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.

The Matsushita lease commenced in January 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 at a rate of 95% of the stated rental rate. The monthly base rent during the option term shall be adjusted upward at the beginning of the 24th and 48th month of each option term by an amount equal to 6% of the monthly base rent payable immediately preceding such period. The current annual base rent payable for the Matsushita lease is $2,005,464.

AT&T Pennsylvania Building

Wells OP purchased the AT&T Pennsylvania Building on February 4, 1999 for a purchase price of $12,291,200. The AT&T Pennsylvania Building, which was built in 1998, is a four-story office building containing 81,859 rentable square feet located in Harrisburg, Pennsylvania.

The AT&T Pennsylvania Building is leased to Pennsylvania Cellular Telephone Corp. (Pennsylvania Telephone), a subsidiary of AT&T Corp. (AT&T), and the obligations of Pennsylvania Telephone under the Pennsylvania Telephone lease are guaranteed by AT&T.

The Pennsylvania Telephone lease commenced in November 1998 and expires in November 2008. Pennsylvania Telephone has the option to extend the initial term of the Pennsylvania Telephone lease for three additional five-year periods and one additional four year and 11-month period. The annual base rent for each extended term under the lease will be equal to 93% of the fair market rent. 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. The current annual base rent payable for the Pennsylvania Telephone lease is $1,442,116.

In addition, the Pennsylvania Telephone 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 Pennsylvania Telephone lease.

PwC Building

Wells OP purchased the PwC Building on December 31, 1998 for a purchase price of $21,127,854. The PwC Building, which was built in 1998, is a four-story office building containing 130,091 rentable square feet located in Tampa, Florida. Wells OP purchased the PwC Building subject to a loan from SouthTrust. The SouthTrust loan, which is more particularly described in the “Real Estate Loans” section of this prospectus, is secured by a first priority mortgage against the PwC Building.

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.

The PwC lease commenced in December 1998 and expires in December 2008, subject to PwC’s right to extend the lease for two additional five-year periods of time. The current annual base rent payable under the PwC lease is $2,093,382. The base rent escalates at the rate of 3% per year throughout the 10-year lease term. In addition, PwC is required to pay a “reserve” of $13,009 ($0.10 per square foot) as additional rent.

The annual base rent for each renewal term under the lease will be equal to the greater of (1) 90% of the then-current market rent rate for such space multiplied by the rentable area of the leased premises, or (2) 100% of the base rent paid during the last lease year of the initial term, or the then-current renewal term.

In addition, the PwC lease contains an option to expand the premises to include an additional 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 at any time prior to the expiration of the initial term of the PwC lease.

If PwC elects to exercise its expansion option, 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. 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.

Cort Furniture Building

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

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, the largest and only national provider of high-quality office and residential rental furniture and related accessories. The obligations of Cort under the Cort Furniture lease are guaranteed by Cort Business Services Corporation.

The Cort lease commenced in November 1988 and expires in October 2003. Cort has an option to extend the Cort lease for an additional five-year period of time at 90% of the then-fair market rental value, but will be no less than the rent in the 15th year of the Cort lease. The current annual base rent payable under the Cort lease is $834,888 for the remainder of the lease term.

Fairchild Building

The Fremont Joint Venture purchased the Fairchild Building on July 21, 1998 for a purchase price of $8,900,000. The Fairchild Building, which was built in 1985, is a two-story manufacturing and office building containing 58,424 rentable square feet located in Fremont, Alameda County, 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. Fairchild is a wholly-owned subsidiary of the Fairchild Corporation (Fairchild Corp), the largest aerospace fastener and fastening system manufacturer and one of the largest independent aerospace parts distributors in the world. The obligations of Fairchild under the Fairchild lease are guaranteed by Fairchild Corp. Fairchild Corp. reported a net worth, as of December 30, 2001, of approximately $403 million.

The Fairchild lease commenced in December 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 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. The current annual base rent payable under the Fairchild lease is $920,144.

Avaya Building

The Avaya Building was purchased by the IX-X-XI-REIT Joint Venture on June 24, 1998 for a purchase price of $5,504,276. The Avaya Building, which was built in 1998, is a one-story office building containing 57,186 rentable square feet located in Oklahoma City, Oklahoma.

The Avaya Building is leased to Avaya, Inc. (Avaya), the former Enterprise Networks Group of Lucent Technologies Inc. (Lucent Technologies). Lucent Technologies, the former tenant, assigned the lease to Avaya on September 30, 2000. Lucent Technologies, which has not been released from its obligations as tenant to pay rent under the lease, is a telecommunications company which was spun off by AT&T in April 1996. Avaya reported a net worth, as of December 31, 2001, of approximately $452 million. Lucent Technologies reported a net worth, as of December 31, 2001, of approximately $10.63 billion.

The Avaya lease commenced in January 1998 and expires in January 2008. The current annual base rent payable under the Avaya lease is $536,977. Under the Avaya lease, Avaya also has an option to terminate the Avaya lease on the seventh anniversary of the rental commencement date. If Avaya elects to exercise its option to terminate the Avaya lease, Avaya would be required to pay a termination payment anticipated to be approximately $1,339,000.

Iomega Building

Wells Fund X originally purchased the Iomega Building on April 1, 1998 for a purchase price of $5,025,000 and, on July 1, 1998, contributed the Iomega Building to the IX-X-XI-REIT Joint Venture. The Iomega Building is a warehouse and office building with 108,250 rentable square feet located in Ogden, Utah.

The Iomega Building is leased to Iomega Corporation (Iomega). Iomega, a company whose shares are traded on the NYSE, is a manufacturer of computer storage devices used by individuals, businesses, government and educational institutions, including "Zip" drives and disks, "Jaz" one gigabyte drives and disks, and tape backup drives and cartridges. Iomega reported a net worth, as of December 31, 2001, of approximately $378.9 million.

The Iomega lease commenced in August 1996 and expires in April 2009. 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 current annual base rent payable under the Iomega lease is $659,868.

Interlocken Building

The IX-X-XI-REIT Joint Venture purchased the Interlocken Building on March 20, 1998 for a purchase price of $8,275,000. The Interlocken Building, which was built in 1996, is a three-story multi-tenant office building containing 51,975 rentable square feet located in Broomfield, Colorado. The aggregate current annual base rent payable for all tenants of the Interlocken Building is $1,070,515.

Ohmeda Building

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

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. On April 13, 1998, Instrumentarium Corporation (Instrumentarium), a Finnish company, acquired the division of Ohmeda that occupies the Ohmeda Building. Instrumentarium, a guarantor on the Ohmeda lease, is an international health care company concentrating on selected fields of medical technology manufacturing, marketing and distribution. Instrumentarium reported a net worth, as of December 31, 2001, of approximately $480 million.

The Ohmeda lease expires in January 2005, subject to Ohmeda's right to extend the Ohmeda lease for two additional five-year periods of time. The current annual base rent payable under the Ohmeda lease is $1,004,520.

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.

Alstom Power Knoxville Building

Wells Fund IX purchased the land and constructed the Alstom Power Knoxville Building. The Alstom Power Knoxville Building, which was built in 1997, is a three-story multi-tenant steel-framed office building containing 84,404 square feet located in Knoxville, Tennessee. Wells Fund IX contributed the Alstom Power 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 to the IX-X-XI-REIT Joint Venture.

The Alstom Power Knoxville Building is currently leased to Alstom Power, Inc. (Alstom Power). Alstom Power is the result of the December 30, 1999 merger between ABB Power Generation, Inc. and ABB Alstom Power, Inc. Alstom Power reported a net worth, as of September 30, 2001, of approximately $1.8 billion.

As security for Alstom Power's obligations under its lease, Alstom Power 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 Alstom Power Knoxville lease. The letter of credit maintained by Alstom Power is required to be in the amount of $4,000,000 until the seventh anniversary of the rental commencement date (January 2005), at which time it will be reduced by $1,000,000 each year until the end of the lease term.

The Alstom Power Knoxville lease commenced in January 1998 and expires in November 2007. The current annual base rent for the Alstom Power Knoxville lease is $1,106,520.

Alstom Power has an option to terminate the Alstom Power Knoxville lease as of the seventh anniversary of the rental commencement date. If Alstom Power elects to exercise this termination option, Alstom Power is required to pay to the IX-X-XI-REIT Joint Venture a termination payment currently estimated to be approximately $1,800,000 based upon certain assumptions.

Property Management Fees

Wells Management, our Property Manager, has been retained to manage and lease substantially all of our properties. Except as set forth below, we pay management and leasing fees to Wells Management in an amount equal to 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 has also 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 both Wells Fund XI and the Wells REIT are authorized to pay 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 of the joint venture partners in each of these two joint ventures.

Wells Management also received or will receive a one-time initial lease-up fee equal to the first month's rent for the leasing of the Alstom Power Knoxville Building, the Avaya Building, the Matsushita Building, the Alstom Power Richmond Building and the Nissan Project.

Real Estate Loans

SouthTrust Loans

Wells OP has established various secured lines of credit with SouthTrust Bank, N.A. (SouthTrust) whereby SouthTrust has agreed to lend an aggregate amount of up to $72,140,000 in connection with its purchase of real properties. The interest rate on each of these separate lines of credit is an annual variable rate equal to the London InterBank Offered Rate (LIBOR) for a 30-day period plus 175 basis points. Wells OP will be charged an advance fee of 0.125% of the amount of each advance. As of June 30, 2002, the interest rate on each of the SouthTrust lines of credit was 3.625% per annum.

The $32,393,000 SouthTrust Line of Credit

The $32,393,000 SouthTrust line of credit requires monthly payments of interest only and matures on September 10, 2002. This SouthTrust line of credit is secured by first priority mortgages against the Cinemark Building, the Dial Building and the ASML Building. As of June 30, 2002, there was no outstanding principal balance due on the $32,393,000 SouthTrust line of credit.

The $12,844,000 SouthTrust Line of Credit

The $12,844,000 SouthTrust line of credit requires monthly payments of interest only and matures on September 10, 2002. This SouthTrust line of credit is secured by a first priority mortgage against the PwC Building. As of June 30, 2002, there was no outstanding principal balance due on the $12,844,000 SouthTrust line of credit.

The $19,003,000 SouthTrust Line of Credit

The $19,003,000 SouthTrust line of credit requires monthly payments of interest only and matures on September 10, 2002. This SouthTrust line of credit is secured by first priority mortgages against the Avnet Building and the Motorola Tempe Building. As of June 30, 2002, there was no outstanding principal balance due on the $19,003,000 SouthTrust line of credit.

The $7,900,000 SouthTrust Line of Credit

Wells OP originally obtained a loan from SouthTrust Bank, N.A. in connection with the acquisition, development and construction of the Alstom Power Richmond Building. After completion of construction, SouthTrust converted the construction loan into a separate line of credit in the maximum principal amount of up to $7,900,000. This SouthTrust line of credit requires payments of interest only and matures on September 10, 2002. The $7,900,000 SouthTrust line of credit is secured by a first priority mortgage against the Alstom Power Richmond Building, the Alstom Power Richmond lease and a $4,000,000 letter of credit issued by Unibank. As of June 30, 2002, the outstanding principal balance on the $7,900,000 SouthTrust line of credit was $7,655,600.

BOA Line of Credit

Wells OP established a secured line of credit in the amount of $85,000,000 with Bank of America, N.A. (BOA Line of Credit) in connection with its purchase of real properties. In addition, Wells OP may increase the BOA Line of Credit up to an amount of $110,000,000 with the lender's approval. The interest rate on the BOA Line of Credit is an annual variable rate equal to LIBOR for a 30-day period plus 180 basis points. The BOA Line of Credit requires monthly payments of interest only and matures on May 11, 2004. As of June 30, 2002, the interest rate on the BOA Line of Credit was 3.63% per annum. The BOA Line of Credit is secured by first priority mortgages against the Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Motorola Tempe Building, the Matsushita Building, the Metris Tulsa Building and the Delphi Building. As of June 30, 2002, there was no outstanding principal balance due on the BOA Line of Credit.

BOA Construction Loan

Wells OP obtained a construction loan in the amount of $34,200,000 from Bank of America, N.A. (BOA Loan), to fund the construction of a building on the Nissan Property located in Irving, Texas. The loan requires monthly payments of interest only and matures on July 30, 2003. The interest rate on the loan is fixed at 5.91%. As of June 30, 2002, the outstanding principal balance on the BOA Loan was $8,002,541. The BOA Loan is secured by a first priority mortgage on the Nissan Property.

SELECTED FINANCIAL DATA

The Wells REIT commenced active operations when it received and accepted subscriptions for a minimum of 125,000 shares on June 5, 1998. The following sets forth a summary of the selected financial data for the fiscal year ended December 31, 2001, 2000 and 1999:

	2001	2000	1999
Total assets	$ 753,224,519	$ 398,550,346	$ 143,852,290
Total revenues	49,308,802	23,373,206	6,495,395
Net income	21,723,967	8,552,967	3,884,649
Net income allocated to Stockholders	21,723,967	8,552,967	3,884,649
Earning per share:			
Basic and diluted	$0.43	$0.40	$0.50
Cash distributions	0.76	0.73	0.70

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.

General

Forward Looking Statements

This section and other sections in 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 anticipated cash distributions to stockholders 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 statements 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, and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow. (See generally "Risk Factors.")

REIT Qualification

We have made an election under Section 856 (c) of the Internal Revenue Code to be taxed as a REIT under the Internal Revenue Code beginning with its taxable year ended December 31, 1999. As a REIT for federal income tax purposes, we generally will not be subject to Federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our 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 in which our qualification is lost. Such an event could materially, adversely affect our net income. However, we believe that we are organized and operate in a manner, which has enabled us to qualify for treatment as a REIT for federal income tax purposes during the year ended December 31, 2001. In addition, we intend to continue to operate the Wells REIT so as to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the fiscal year ended December 31, 2001, we received aggregate gross offering proceeds of $522,516,620 from the sale of 52,251,662 shares of our common stock. After payment of $18,143,307 in acquisition and advisory fees and acquisition expenses, payment of $58,387,809 in selling commissions and organization and offering expenses, and common stock redemptions of $4,137,427 pursuant to our share redemption program, we raised net offering proceeds available for investment in properties of $441,848,077 during the fiscal year ended December 31, 2001.

During the three months ended March 31, 2002, we received aggregate gross offering proceeds of $255,702,943 from the sale of 25,570,294 shares of our common stock. After payment of $8,843,134 in acquisition and advisory fees and acquisition expenses, payment of $27,106,265 in selling commissions and organization and offering expenses, and common stock redemptions of $3,041,981 pursuant to our share redemption program, we raised net offering proceeds of $216,711,563 during the first quarter of 2002, of which $185,290,197 remained available for investment in properties at quarter end.

During the three months ended March 31, 2001, we received aggregate gross offering proceeds of $66,174,704 from the sale of 6,617,470 shares of our common stock. After payment of $2,288,933 in acquisition and advisory fees and acquisition expenses, payment of $8,175,768 in selling commissions and organizational and offering expenses, and common stock redemptions of $776,555 pursuant to our share redemption program, we raised net offering proceeds of $54,933,448, of which $5,952,930 was available for investment in properties at quarter end.

The net increase in cash and cash equivalents during the fiscal year ended December 31, 2001, as compared to the fiscal year ended December 31, 2000, and for the three months ended March 31, 2002, as compared to the three months ended March 31, 2001, is primarily the result of raising increased amounts of capital from the sale of shares of common stock, offset by the acquisition of properties during 2001 and the first quarter of 2002, and the payment of acquisition and advisory fees and acquisition expenses, commissions and, organization and offering costs.

As of March 31, 2002, we owned interests in 44 real estate properties either directly or through interests in joint ventures. These properties are generating operating cash flow sufficient to cover our operating expenses and pay dividends to our stockholders. We pay dividends on a quarterly basis regardless of the frequency with which such distributions are declared. Dividends will be paid to investors who are stockholders as of the record dates selected by our board of directors. We currently calculate quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares. Dividends declared during 2001 and 2000 totaled $0.76 per share and $0.73 per share, respectively. Dividends declared for the first quarter of 2002 and the first quarter of 2001 were approximately $0.194 and $0.188 per share, respectively.

Dividends to be distributed to the stockholders are determined by our board of directors and are dependent on a number of factors, 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. Operating cash flows are expected to increase as additional properties are added to our investment portfolio.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $42,349,342 for the fiscal year ended December 31, 2001, $7,319,639 for the fiscal year ended December 31, 2000 and $4,008,275 for the fiscal year ended December 31, 1999. The increase in net cash provided by operating activities was due primarily to the net income generated by properties acquired during 2000 and 2001.

Our net cash provided by operating activities was $13,117,549 and $8,235,314 for the three months ended March 31, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows From Investing Activities

Our net cash used in investing activities was $274,605,735 for the fiscal year ended December 31, 2001, $249,316,460 for the fiscal year ended December 31, 2000 and $105,394,956 for the fiscal year ended December 31, 1999. The increase in net cash used in investing activities was due primarily to investments in properties, directly and through contributions to joint ventures, and the payment of related deferred project costs.

Our net cash used in investing activities was $111,821,692 and $4,264,257 for the three months ended March 31, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $303,544,260 for the fiscal year ended December 31, 2001, $243,365,318 for the fiscal year ended December 31, 2000, and $96,337,082 for the fiscal year ended December 31, 1999. The increase in net cash provided by financing activities was due primarily to the raising of additional capital offset by the repayment of notes payable. We raised $522,516,620 in offering proceeds for fiscal year ended December 31, 2001, as compared to $180,387,220 for fiscal year ended December 31, 2000, and $103,169,490 for fiscal year ended December 31, 1999. In addition, we received loan proceeds from financing secured by properties of $110,243,145 and repaid notes payable in the amount of $229,781,888 for fiscal year ended December 31, 2001.

Our net cash provided by financing activities was $210,144,548 for the three months ended March 31, 2002 and net cash used in financing activities for the three months ended March 31, 2001 was $113,042. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the related repayment of notes payable. We raised $255,702,943 in offering proceeds for the three months ended March 31, 2002, as compared to $66,174,705 for the same period in 2001.

Results of Operations

Comparison of Fiscal Years Ended December 31, 2001, 2000 and 1999

Gross revenues were $49,308,802 for the fiscal year ended December 31, 2001, $23,373,206 for fiscal year ended December 31, 2000 and $6,495,395 for fiscal year ended December 31, 1999. Gross revenues for the year ended December 31, 2001, 2000 and 1999 were attributable to rental income, interest income earned on funds we held prior to the investment in properties, and income earned from joint ventures. The increase in revenues for the fiscal year ended December 31, 2001 was primarily attributable to the purchase of additional properties during 2000 and 2001. The purchase of additional properties also resulted in an increase in expenses which totaled $27,584,835 for the fiscal year ended December 31, 2001, $14,820,239 for the fiscal year ended December 31, 2000 and $2,610,746 for the fiscal year ended December 31, 1999. Expenses in 2001, 2000 and 1999 consisted primarily of depreciation, interest expense and management and leasing fees. Our net income also increased from

$3,884,649 for fiscal year ended December 31, 1999 to $8,552,967 for fiscal year ended December 31, 2000 to $21,723,967 for the year ended December 31, 2001.

Comparison of First Quarter 2002 and 2001

As of March 31, 2002, our real estate properties were 100% leased to tenants. Gross revenues were $19,192,803 and $10,669,713 for the three months ended March 31, 2002 and 2001, respectively. Gross revenues for the three months ended March 31, 2002 and 2001 were attributable to rental income, interest income earned on funds we held prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of additional properties for $104,051,998 during 2002 and the purchase of additional properties for $227,933,858 in the last three quarters of 2001. The purchase of additional properties also resulted in an increase in expenses which totaled $8,413,139 for the three months ended March 31, 2002, as compared to $7,394,368 for the three months ended March 31, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also increased from $3,275,345 for the three months ended March 31, 2001 to $10,779,664 for the three months ended March 31, 2002.

Property Operations

The following table summarizes the operations of the joint ventures in which we owned an interest as of December 31, 2001, 2000 and 1999:

	Total Revenue For Years Ended December 31			Net Income For Years Ended December 31			Well REIT's Share of Net Income For Years Ended December 31		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Fund IX-X-XI-REIT Joint Venture	$ 4,344,209	$ 4,388,193	$ 4,053,042	$ 2,684,837	$ 2,669,143	$ 2,172,244	$ 99,649	$ 99,177	$ 81,501
Orange County Joint Venture	797,937	795,545	795,545	546,171	568,961	550,952	238,542	248,449	240,585
Fremont Joint Venture	907,673	902,946	902,946	562,893	563,133	559,174	436,265	436,452	433,383
Fund XI-XII-REIT Joint Venture	3,371,067	3,349,186	1,443,503	2,064,911	2,078,556	853,073	1,172,103	1,179,848	488,500
Fund XII-REIT Joint Venture	4,708,467	976,865	N/A	2,611,522	614,250	N/A	1,386,877	305,060	N/A
Fund VIII-IX-REIT Joint Venture	1,208,724	563,049	N/A	566,840	309,893	N/A	89,779	24,887	N/A
Fund XIII-REIT Joint Venture	706,373	N/A	N/A	356,355	N/A	N/A	297,745	N/A	N/A
	$ 16,044,450	$ 10,975,784	$ 7,195,036	$ 8,977,529	$ 6,803,936	$ 4,135,443	$ 3,720,960	$ 2,293,873	$ 1,243,969

Funds From Operations

Funds From Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations (AFFO) is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions.

The following table reflects the calculation of FFO and AFFO for the three years ended December 31, 2001, 2000, and 1999, respectively:

	December 31, 2001	December 31, 2000	December 31, 1999
FUNDS FROM OPERATIONS:			
Net income	$ 21,723,967	$ 8,552,967	$ 3,884,649
Add:			
Depreciation of real assets	15,344,801	7,743,550	1,726,103
Amortization of deferred leasing costs	303,347	350,991	0
Depreciation and amortization—unconsolidated partnerships	3,211,828	852,968	652,167
Funds from operations (FFO)	40,583,943	17,500,476	6,262,919
Adjustments:			
Loan cost amortization	770,192	232,559	8,921
Straight line rent	(2,754,877)	(1,650,791)	(847,814)
Straight line rent—unconsolidated partnerships	(543,039)	(245,288)	(140,076)
Lease acquisition fees paid	0	(152,500)	0
Lease acquisition fees paid—Unconsolidated partnerships	0	(8,002)	(512)
Adjusted funds from operations	$ 38,056,219	$ 15,676,454	$ 5,283,438
WEIGHTED AVERAGE SHARES:			
BASIC AND DILUTED	51,081,867	21,616,051	7,769,298

The following table reflects the calculation of FFO and AFFO for the three months ended March 31, 2002 and 2001, respectively:

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
FUNDS FROM OPERATIONS:		
Net income	$ 10,779,664	$ 3,275,345
Add:		
Depreciation of real assets	5,744,452	3,187,179
Amortization of deferred leasing costs	72,749	75,837
Depreciation and amortization—unconsolidated partnerships	706,176	299,116
Funds from operations (FFO)	17,303,041	6,837,477
Adjustments:		
Loan cost amortization	175,462	214,757
Straight line rent	(1,038,378)	(616,465)
Straight line rent—unconsolidated partnerships	(99,315)	(39,739)
Lease acquisition fees paid—unconsolidated partnerships	0	(2,356)
Adjusted funds from operations (AFFO)	$ 16,340,810	$ 6,393,674
WEIGHTED AVERAGE SHARES:		
BASIC AND DILUTED	95,130,210	34,359,444

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases which would protect us from the impact of inflation. These provisions include reimbursement billings for common area maintenance charges (CAM), 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.

Critical Accounting Policies

Our accounting policies have been established and conform with generally accepted accounting principles in the United States (GAAP). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Straight-Lined Rental Revenues

We recognize rental income generated from all leases on real estate assets in which we have an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

We generally bill tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

We continually monitor events and changes in circumstances indicating that the carrying amounts of the real estate assets in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, we assess the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, we would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Wells REIT nor our joint ventures have recognized impairment losses on real estate assets in 2001, 2000 or 1999.

Deferred Project Costs

We record acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc., our advisor, by capitalizing deferred project costs and reimbursing our advisor in an amount equal to 3.5% of cumulative capital raised to date. As we invest our capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, at an amount equal to 3.5% of each investment and depreciated over the useful lives of the respective real estate assets.

Deferred Offering Costs

Our advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on our behalf. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. We record offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to our advisor. As the actual equity is raised, we reverse the deferred offering costs accrual and recognize a charge to stockholders' equity upon reimbursing our advisor.

PRIOR PERFORMANCE SUMMARY

The information presented in this section represents the historical experience of real estate programs managed by Wells Capital, our 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 Wells real estate programs.

Of the 14 publicly offered real estate limited partnerships in which Leo F. Wells, III has served as a general partner, 13 of such limited partnerships have completed their respective offerings. These 13 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), and
13. Wells Real Estate Fund XII, L.P. (2001).

In addition to the foregoing real estate limited partnerships, Wells Capital and its affiliates have sponsored three prior public offerings of shares of common stock of the Wells REIT. The initial public offering of the Wells REIT 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 in our initial public offering. We commenced our second public offering of shares of common stock of the Wells REIT on December 20, 1999 and terminated the second offering on December 19, 2000. We received gross proceeds of approximately $175,229,193 from the sale of approximately 17,522,919 shares in our second public offering. We commenced our third public offering of shares of common stock of the Wells REIT on December 20, 2000. As of June 30, 2002, we had received gross proceeds of approximately $1,148,480,414 from the sale of approximately 114,848,041 shares in our third public offering. Accordingly, as of June 30, 2002, we had received aggregate gross offering proceeds of approximately $1,455,891,526 from the sale of approximately 145,589,153 shares in our three prior public offerings. After payment of $50,528,371 in acquisition and advisory fees and acquisition expenses, payment of $163,576,134 in selling commissions and organization and offering expenses, and common stock redemptions of $12,223,808 pursuant to our share redemption program, as of June 30, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,229,563,213, out of which $885,294,095 had been invested in real estate properties, and $344,269,118 remained available for investment in real estate properties.

Wells Capital and its affiliates are also currently sponsoring a public offering of 4,500,000 units on behalf of Wells Real Estate Fund XIII, L.P. (Wells Fund XIII), a public limited partnership. Wells Fund XIII began its offering on March 29, 2001 and, as of June 30, 2002, Wells Fund XIII had raised gross offering proceeds of $18,634,296 from 926 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); (3) annual operating results of prior programs (Table III); and (4) sales or disposals of properties (Table V).

In addition to the real estate programs sponsored by Wells Capital and its affiliates discussed above, they are also sponsoring an index mutual fund that invests in various REIT stocks known as the Wells S&P REIT Index Fund (REIT Index Fund). The REIT Index Fund is a mutual fund that 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 Index Fund began its offering on January 12, 1998 and, as of June 30, 2002, had raised offering proceeds net of redemptions of $136,709,717 from 6,719 investors.

Publicly Offered Unspecified Real Estate Programs

Wells Capital and its affiliates have previously sponsored the above listed 13 publicly offered real estate limited partnerships and are currently sponsoring Wells Fund XIII offered on an unspecified property or "blind pool" basis. The total amount of funds raised from investors in the offerings of these 14 publicly offered limited partnerships, as of December 31, 2001, was $331,193,410, and the total number of investors in such programs was 27,103.

The investment objectives of each of the other Wells programs are substantially identical to the investment objectives of the Wells REIT. Substantially 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, Wells Fund XI and Wells Fund XII available for investment in real properties have been invested in properties.

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. No assurance can be made that the 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 14 publicly offered limited partnerships, as of December 31, 2001, was $275,358,446. Of this amount, approximately 90.2% was spent on acquiring or developing office buildings, and approximately 9.8% was spent on acquiring or developing shopping centers. Of this amount, approximately 22.6% was or will be spent on new properties, 57.1% on existing or used properties and 20.3% 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, Wells Fund XIII and the 13 Wells programs listed above as of December 31, 2001:

Type of Property	New	Used	Construction
Office and Industrial Buildings	22.59%	53.88%	13.74%
Shopping Centers	0%	3.21%	6.58%

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 condominium interest in a three-story medical office building in Atlanta, Georgia;
- a commercial office building in Atlanta, Georgia;
- a shopping center in Knoxville, Tennessee; 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 on 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 has sold the following properties from its portfolio:

Date of Sale	Property Name	% Ownership	Net Sale Proceeds	Taxable Gain
Aug. 31, 2000	One of two buildings at Peachtree Place	90%	$ 633,694	$ 205,019
Jan. 11, 2001	Crowe's Crossing	100%	$ 6,569,000	$ 11,496
Oct. 1, 2001	Cherokee Commons	24%	$ 2,037,315	$ 52,461

Wells Fund I is in the process of marketing its remaining properties for sale.

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 project consisting of seven office buildings and a shopping center in Tucker, Georgia;
- a two-story office building in Charlotte, North Carolina which is currently unoccupied;
- a four-story office building in Houston, Texas, three floors of which are leased to Boeing;
- a restaurant property in Roswell, Georgia leased to Brookwood Grill of Roswell, Inc.; and
- a combined retail center 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 sold the following property from its portfolio in 2001:

Date of Sale	Property Name	% Ownership	Net Sale Proceeds	Taxable Gain
Oct. 1, 2001	Cherokee Commons	54%	$ 4,601,723	$ 111,419

Wells Fund II and Wells Fund II-OW are in the process of marketing their remaining properties for sale.

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, three floors of which are leased to Boeing;
- a restaurant property in Roswell, Georgia leased to Brookwood Grill of Roswell, Inc.;
- a combined retail center and office development in Roswell, Georgia;
- a two-story office building in Greenville, North Carolina;
- a shopping center in Stockbridge, Georgia having Kroger as the anchor tenant; and
- a two-story office building in Richmond, Virginia leased to Reciprocal Group.

The prospectus of Wells Fund III provided that the properties purchased by Wells Fund III 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 III and that they were under no obligation to sell the properties at any particular time. The general partners of Wells Fund III have decided to begin the process of positioning the properties for sale over the next several years.

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 Reciprocal Group; and
- two substantially identical two-story office buildings in Stockbridge, Georgia.

Wells Fund V terminated its offering on March 3, 1993, and received gross proceeds of $17,006,020 representing subscriptions from 1,667 limited partners ($15,209,666 of the gross proceeds were attributable to sales of Class A Units, and $1,796,354 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund V who purchased Class B Units are entitled to change the status of their units to Class A, but limited partners who purchased Class A Units are not entitled to change the status of their units to Class B. After taking into effect conversion elections made by limited partners subsequent to their subscription for units, as of December 31, 2001, $15,664,160 of units of Wells Fund V were treated as Class A Units, and $1,341,860 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 substantially identical two-story office buildings in Stockbridge, Georgia;

- a four-story office building in Hartford, Connecticut leased to Hartford Fire Insurance Company;
- restaurant properties in Stockbridge, Georgia leased to Apple Restaurants, Inc., Taco Mac, Dependable Ins and Tokyo Japanese Steak; 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, 2001, $22,363,610 of units of Wells Fund VI were treated as Class A Units, and $2,636,390 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;
- restaurant properties in Stockbridge, Georgia leased to Apple Restaurants, Inc., Taco Mac, Dependable Insurance and Tokyo Japanese Steak;
- 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 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 VI sold its interest in the following property in 2001:

Date of Sale	Property Name	% Ownership	Net Sale Proceeds	Taxable Gain
Oct. 1, 2001	Cherokee Commons	11%	$ 903,122	$ 21,867

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, 2001, $20,670,201 of units in Wells Fund VII were treated as Class A Units, and $3,509,973 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 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.

Wells Fund VII sold its interest in the following property in 2001:

Date of Sale	Property Name	% Ownership	Net Sale Proceeds	Taxable Gain
Oct. 1, 2001	Cherokee Commons	11%	$ 903,122	$ 21,867

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, 2001, $28,065,187 of units in Wells Fund VIII were treated as Class A Units, and $3,967,502 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 leased to Quest Software, Inc.; and
- a two-story office building in Boulder County, Colorado leased to Cirrus Logic, Inc.

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, 2001, $31,364,290 of units in Wells Fund IX were treated as Class A Units, and $3,635,710 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 leased to Quest Software, Inc.;
- 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 Alstom Power, Inc.;
- a one-story office and warehouse building in Weber County, Utah leased to Iomega Corporation;
- a three-story office multi-tenant building in Boulder County, Colorado; and
- a one-story office building in Oklahoma City, Oklahoma leased to Avaya, Inc.

Certain financial information for Wells Fund IX is summarized below:

	2001	2000	1999	1998	1997
Gross Revenues	$ 1,874,290	$ 1,836,768	$ 1,593,734	$ 1,561,456	$ 1,199,300
Net Income	$ 1,768,474	$ 1,758,676	$ 1,490,331	$ 1,449,955	$ 1,091,766

Wells Fund X terminated its offering on December 30, 1997, and received gross proceeds of $27,128,912 representing subscriptions from 1,812 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, 2001, $23,166,181 of units in Wells Fund X were treated as Class A Units and $3,962,731 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 Alstom Power, Inc.;
- 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 multi-tenant office building in Boulder County, Colorado;
- a one-story office building in Oklahoma City, Oklahoma leased to Avaya, 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:

	2001	2000	1999	1998	1997
Gross Revenues	$ 1,559,026	$ 1,557,518	$ 1,309,281	$ 1,204,597	$ 372,507
Net Income	$ 1,449,849	$ 1,476,180	$ 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). After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 2001, $13,462,560 of units in Wells Fund XI were treated as Class A Units and $3,070,242 of units were treated as Class B Units. Wells Fund XI owns interests in the following properties:

- a three-story office building in Knox County, Tennessee leased to Alstom Power, Inc.;
- a one-story office building in Oklahoma City, Oklahoma leased to Avaya, Inc.;
- a two-story office building in Boulder County, Colorado leased to Ohmeda, Inc.;
- a three-story multi-tenant 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:

	2001	2000	1999	1998
Gross Revenues	$ 960,676	$ 975,850	$ 766,586	$ 262,729
Net Income	$ 870,350	$ 895,989	$ 630,528	$ 143,295

Wells Fund XII terminated its offering on March 21, 2001, and received gross proceeds of $35,611,192 representing subscriptions from 1,333 limited partners ($26,888,609 of the gross proceeds were attributable to sales of cash preferred units and $8,722,583 were attributable to sales of tax preferred units). After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 2001, $27,786,067 of units in Wells Fund XII were treated as cash preferred units and $7,825,125 of units were treated as 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.;
- a three-story office building in Troy, Michigan leased to Siemens Automotive Corporation;
- a one-story office building and a connecting two-story office building in Oklahoma City, Oklahoma leased to AT&T Corp. and Jordan Associates, Inc.; and
- a three-story office building in Brentwood, Tennessee leased to Comdata Network, Inc.

Certain financial information for Wells Fund XII is summarized below:

	2001	2000	1999
Gross Revenues	$ 1,661,194	$ 929,868	$ 160,379
Net Income	$ 1,555,418	$ 856,228	$ 122,817

Wells Fund XIII began its offering on March 29, 2001. As of June 30, 2002, Wells Fund XIII had received gross proceeds of $18,634,296 representing subscriptions from 926 limited partners ($15,743,298 of the gross proceeds were attributable to sales of cash preferred units and $2,890,998 were attributable to sales of tax preferred units). Wells Fund XIII owns interests in the following properties:

- a two-story office building in Orange Park, Florida leased to AmeriCredit Financial Services Corporation; and
- two connected one-story office and assembly buildings in Parker, Colorado leased to Advanced Digital Information Corporation.

The information set forth above should not be considered indicative of results to be expected from the Wells REIT.

The foregoing properties in which the above 14 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, Wells Fund III and Wells Fund XIII.

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 Wells Capital and its affiliates. 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 stockholder, in light of your personal circumstances; nor does it deal with particular types of stockholders that are subject to special treatment under the Internal Revenue 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-U.S. stockholders). 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 (Holland & Knight) 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 stockholders. It is also the opinion of our counsel that it is more likely than not that we qualified to be taxed as a REIT under the Internal Revenue Code for our taxable year ended December 31, 2001, 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. We must emphasize that all opinions issued by Holland & Knight are based on various assumptions and are 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. 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 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 our 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 stockholders, because the REIT provisions of the Internal Revenue Code generally allow a REIT to deduct distributions paid to its stockholders. This substantially eliminates the federal "double taxation" on earnings (taxation at both the corporate level and stockholder 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 (1) 85% of our REIT ordinary income for the year, (2) 95% of our REIT capital gain net income for such year, and (3) 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 10-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 (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 stockholders.

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 stockholders 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 stockholders. 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 stockholders may be required to treat all or a portion of their distributions from us as “unrelated business taxable income” if tax-exempt stockholders, in the aggregate, exceed certain ownership thresholds set forth in the Internal Revenue Code. (See “Taxation of Tax-Exempt Stockholders.”)

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.

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 approved by our board of directors such as mortgage-backed securities or shares in other REITs. We intend to trace offering proceeds received 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 derived from sources that will allow us to satisfy the income tests described above; however, we can make no assurance 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 the following three tests (Asset 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; and
- 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, or securities having a value of more than 10% of the total value of the outstanding securities of any one issuer.

These tests 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 stockholders each year in the amount of at least 90% of our REIT taxable income (computed without regard to the dividends paid deduction and our capital gain and subject to certain other potential adjustments).

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 stockholders.

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, we may possibly experience timing differences between (1) the actual receipt of income and payment of

deductible expenses, and (2) the inclusion of that income. We may also possibly 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 make 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;
- stockholders, 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 stockholder'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 stockholder'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 successfully challenge our characterization of a transaction or determination of our REIT taxable income, we could be found to have failed to satisfy a requirement for qualification as a REIT. If, as a result of a challenge, we are determined to have failed to satisfy 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 stockholders 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 stockholders 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. We expect 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. Stockholders

Definition

In this section, the phrase "U.S. stockholder" 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. stockholders will be taxed as described below.

Distributions Generally

Distributions to U.S. stockholders, 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 stockholders 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. stockholder's shares, and the amount of each distribution in excess of a U.S. stockholder'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 stockholder of record on a specified date in any of these months will be treated as both paid by us and received by the stockholder on December 31 of the year, provided that we actually pay the distribution no later than January 31 of the following calendar year. U.S. stockholders 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, stockholders may be required to treat as taxable some distributions that would otherwise result in a tax-free return of capital.

Capital Gain Distributions

Distributions to U.S. stockholders 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. stockholder 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 stockholders may not be able to utilize any of their "passive losses" to offset this income on 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. stockholder 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. stockholder 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. stockholder 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. Stockholders

Under some circumstances, U.S. stockholders 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 stockholder:

- 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 stockholders, 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. stockholder will be allowed as a credit against the U.S. stockholder's U.S. federal income tax liability and may entitle the U.S. stockholder to a refund, provided that the required information is furnished to the Internal Revenue Service. U.S. stockholders 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 Stockholders

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" (UBTI), as defined in the Internal Revenue Code. Our payment of dividends to a tax-exempt employee pension benefit trust or other domestic tax-exempt stockholder generally will not constitute UBTI to such stockholder unless such stockholder has borrowed to acquire or carry its shares.

In the event that we are deemed to be "predominately held" by qualified employee pension benefit trusts that each hold more than 10% (in value) of our shares, such trusts would be required to treat a percentage of the dividend distributions paid to them as UBTI. We would be deemed to be "predominately held" by such trusts if either (1) one employee pension benefit trust owns more than 25% in value of our shares, or (2) 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 ever 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 UBTI if we, ourselves, 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 UBTI 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 UBTI unless the stockholder in question is able to deduct amounts "set aside" or placed in reserve for certain purposes so as to offset the UBTI generated. Any such organization that is a prospective investor in our shares should consult its own tax advisor concerning these "set aside" and reserve requirements.

Special Tax Considerations for Non-U.S. Stockholders

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. stockholders) are complex. The following discussion is intended only as a summary of these rules. Non-U.S. stockholders 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. stockholders 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. stockholder's conduct of a trade or business in the United States. A corporate Non-U.S. stockholder 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. stockholders 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. stockholder 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. stockholder'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. stockholder 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. stockholder 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. stockholder as if the distributions were gains

"effectively connected" with a U.S. trade or business. Accordingly, a Non-U.S. stockholder will be taxed at the normal capital gain rates applicable to a U.S. stockholder (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. stockholder that is not entitled to a treaty exemption.

Withholding Obligations With Respect to Distributions to Non-U.S. Stockholders

Although tax treaties may reduce our withholding obligations, based on current law, we will generally be required to withhold from distributions to Non-U.S. stockholders, 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.*, dividends 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. stockholder exceeds the stockholder's U.S. tax liability with respect to that distribution, the Non-U.S. stockholder may file a claim with the Internal Revenue Service for a refund of the excess.

Sale of Our Shares by a Non-U.S. Stockholder

A sale of our shares by a Non-U.S. stockholder 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. stockholders. 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. stockholder'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 stockholder'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. stockholder would be subject to the same treatment as a U.S. stockholder 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. stockholder 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. stockholder if the Non-U.S. stockholder 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. stockholders 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. Stockholders

Additional issues may arise for information reporting and backup withholding for Non-U.S. stockholders. Non-U.S. stockholders 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 stockholder 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 or her shares in his or her 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 we may form 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, Wells OP, any operating subsidiaries we may form and the holders of our shares in local jurisdictions may differ from the federal income tax treatment described above.

Tax Aspects of Our 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 (Check-the-Box-Regulations), an unincorporated U.S. 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 be treated as a partnership for federal income tax purposes, since it will not elect to be taxable as a corporation under the Check-the-Box Regulations, it could still be taxed

as a corporation if it were 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% 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 (1) 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 (2) 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. Further, even if Wells OP were to be considered a publicly traded partnership under the PTP Regulations because it is deemed to have more than 100 partners, 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 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 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 stockholders 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 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 partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. 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. We may possibly be allocated (1) 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) 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 the indebtedness of Wells OP, and (3) reduced, but not below zero, by (A) our allocable share of Wells OP's losses and (B) the amount of cash distributed to us, including constructive cash distributions resulting from a reduction in our share of the indebtedness of Wells OP.

If the allocation of our distributive share of Wells OP's losses would reduce the adjusted tax basis of our partnership interest in Wells OP below zero, the recognition of such losses will be deferred until such time as the recognition of such losses 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 cause us to recognize taxable income equal to the amount of such distribution in excess of our adjusted tax basis. 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. 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 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 of such properties.

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 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 individual retirement account (IRA). This summary is based on provisions of the Employee Retirement Income Security Act of 1974, as amended (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 there will not be adverse tax decisions or legislative, regulatory or administrative changes which would significantly modify the statements expressed herein. 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 appertaining to the Benefit Plan in question, the fiduciary's responsibility to the plan has been satisfied;
- whether the investment will produce UBTI to the Benefit Plan (see "Federal Income Tax Considerations—Treatment of Tax-Exempt Stockholders"); 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.

Prohibited Transactions

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, and the lending of money or the extension of credit, between a Benefit Plan and a party in interest or disqualified person. 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 is also prohibited. 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 a commingling of assets as 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 (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 under the criteria set forth 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, as amended, 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 well in excess of 100 independent stockholders. 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. For example, 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 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 stockholder, and an investment in our shares might constitute an ineffective delegation of fiduciary responsibility to Wells Capital, our advisor, 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 Wells Capital, our advisor, or its affiliates were treated as fiduciaries with respect to Benefit Plan stockholders, 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 stockholders 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% of the amount involved and authorizes the IRS to impose an additional 100% excise tax if the prohibited transaction is not "corrected" in a timely manner. 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 stockholders 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 that it is more likely than not that our shares will be deemed to constitute "publicly-offered securities" and, accordingly, that 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 were 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, Wells Capital, 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 have our advisor prepare annual reports of the estimated value of our shares. The methodology to be utilized for determining such estimated share values will be for our advisor to estimate the amount a stockholder would receive if our properties were sold at their estimated fair market values at the end of the fiscal year and the proceeds therefrom (without reduction for selling expenses) were distributed to the stockholders in liquidation. Due to the expense involved in obtaining annual appraisals for all of our properties, we do not currently anticipate that actual appraisals will be obtained; however, in connection with the advisor's estimated valuations, the advisor will obtain a third party opinion that its estimates of value are reasonable. We will provide our reports to plan fiduciaries and IRA trustees and custodians who identify themselves to us and request this information.

Until December 31, 2002, we intend to use the offering price of shares as the per share net asset value. Beginning at the end of year 2003, we will have our advisor prepare estimated valuations utilizing the methodology described above. You should be cautioned, however, that such valuations will be estimates only and will be based upon a number of assumptions that may not be accurate or complete. As set forth above, we do not currently anticipate obtaining appraisals for our properties and, accordingly, the advisor's estimates should not be viewed as an accurate reflection of the fair market value of our properties, nor will they represent the amount of net proceeds that would result from an immediate sale of our properties. In addition, property values are subject to change and can always decline in the future. For these reasons, our estimated valuations should not be utilized for any purpose other than to assist plan fiduciaries in fulfilling their valuation and annual reporting responsibilities. Further, we cannot assure you:

- that the estimated values we obtain could or will actually be realized by us or by our stockholders upon liquidation (in part because 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 our stockholders could realize these values if they were to attempt to sell their shares; or
- that the estimated values, or the method used to establish values, 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 our articles of incorporation.

Under our articles of incorporation, we have authority to issue a total of 1,000,000,000 shares of capital stock. Of the total shares authorized, 750,000,000 shares are designated as common stock with a par value of $0.01 per share, 100,000,000 shares are designated as preferred stock and 150,000,000 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. In addition, our board of directors may amend our articles of incorporation to increase or decrease the amount of our authorized shares.

As of June 30, 2002, approximately 144,366,772 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 stockholders, including election of our directors. Our articles of incorporation do not provide for cumulative voting in the election of our 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 our stockholders. 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. Our 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 stockholder approval.

Meetings and Special Voting Requirements

An annual meeting of the stockholders will be held each year, at least 30 days after delivery of our annual report. Special meetings of stockholders may be called only upon the request of a majority of our directors, a majority of the independent directors, the chairman, the president or upon the written request of stockholders holding at least 10% of the shares. 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 cast is necessary to take stockholder 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, stockholders are entitled to vote at a duly held meeting at which a quorum is present on (1) amendments to our articles of incorporation, (2) a liquidation or dissolution of the Wells REIT, (3) a reorganization of the Wells REIT, (4) a merger, consolidation or sale or other disposition of substantially all of our assets, and (5) a termination of our status as a REIT. The vote of stockholders holding a majority of our outstanding shares is required to approve any such action, and no such action can be taken by our board of directors without such majority vote of our stockholders. Accordingly, any provision in our articles of incorporation, including our investment objectives, can be amended by the vote of stockholders holding a majority of our outstanding shares. Stockholders 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 stockholder 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 stockholder and decides whether to award interest from the date of the merger or sale of assets and costs of the proceeding to the dissenting stockholders.

Wells Capital, as our advisor, is selected and approved annually by our directors. While the stockholders do not have the ability to vote to replace Wells Capital or to select a new advisor, stockholders do have the ability, by the affirmative vote of a majority of the shares entitled to vote on such matter, to elect to remove a director from our board.

Stockholders are entitled to receive a copy of our stockholder list upon request. The list provided by us will include each stockholder's name, address and telephone number, if available, and number of shares owned by each stockholder and will be sent within 10 days of the receipt by us of the request. A stockholder requesting a list will be required to pay reasonable costs of postage and duplication. We have the right to request that a requesting stockholder represent to us that the list will not be used to pursue commercial interests.

In addition to the foregoing, stockholders 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 stockholders in the context of the solicitation of proxies for voting on matters presented to stockholders or, at our option, provide requesting stockholders with a copy of the list of stockholders so that the requesting stockholders 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 that 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 our 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.

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 (1) the price per share in the transaction that created such shares-in-trust, or (2) 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) our board of directors determines it is no longer in our best interest 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 our stockholders.

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 or to a person or persons so exempted from the ownership limit by our board of directors based 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 dividends are declared. Dividends will be paid to investors who are stockholders as of the record dates selected by our board of 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 90% of our taxable income. (See "Federal Income Tax Considerations—Requirements for Qualification as a REIT.")

Dividends will be declared at the discretion of our board of directors, in accordance with our earnings, cash flow and general financial condition. Our 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 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 stockholders, provided that the securities so distributed to stockholders are readily marketable. Stockholders 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 our dividend reinvestment plan for $10 per share until all of the 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. A copy of our Amended and Restated Dividend Reinvestment Plan as currently in effect is included as Exhibit B to this prospectus.

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 dividends in our shares would cause the percentage ownership limitation contained in our articles of incorporation to be exceeded. In addition, you may terminate your participation in the dividend reinvestment plan at any time by providing us with written notice.

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 withheld and reinvested 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, stockholders 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 our board of directors. In addition, for purposes of the one-year holding period, limited partners of Wells OP who exchange their limited partnership units for shares in the Wells REIT shall be deemed to have owned their shares as of the date they were issued their limited partnership units in Wells OP. Our board of directors reserves the right in its sole discretion at any time and from time to time to (1) change the purchase price for redemptions, or (2) otherwise amend the terms of our share redemption program. In addition, our board of directors has delegated to our officers the right to (1) waive the one-year holding period in the event of the death or bankruptcy of a stockholder or other exigent circumstances, or (2) reject any request for redemption at any time and for any reason.

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 3.0% 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—Investment Risks.”)

We cannot guarantee that the funds set aside for our 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.

Our share redemption program is only intended to provide interim liquidity for stockholders 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 redeem under our share redemption program will be cancelled, and will be held as treasury stock. We will not resell such shares to the public unless they are first registered with the

Securities and Exchange Commission (Commission) under the Securities Act of 1933 and under appropriate state securities laws or otherwise sold in compliance with such laws.

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 stockholders. A summary of the appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to stockholders 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: stockholder 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 stockholders 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 stockholders 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 stockholder's pro rata share of the appraised value of our net assets.

We are prohibited from participating in any proposed Roll-up Transaction:

- that would result in the stockholders 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;
- that 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 stockholders.

Business Combinations

Maryland Corporation Law prohibits certain business combinations between a Maryland corporation and an interested stockholder or the interested stockholder's affiliate for five years after the most recent date on which the stockholder becomes an interested stockholder. These provisions of the Maryland Corporation Law will not apply, however, to business combinations that are approved or exempted by the board of directors of the corporation prior to the time that the interested stockholder becomes an interested stockholder. As permitted by Maryland Corporation Law, we have provided in our articles of incorporation that the business combination provisions of Maryland Corporation Law will not apply to transactions involving the Wells REIT.

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 articles of incorporation that the control share provisions of Maryland Corporation Law will not apply to transactions involving the Wells REIT.

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 is a structure generally utilized to provide for the acquisition of real property from owners who desire to defer taxable gain otherwise required to be recognized by them upon the disposition of their properties. Such owners may also desire to achieve diversity in their investment and other benefits afforded to stockholders 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-deferred basis. Further, Wells OP is structured to make distributions with respect to limited partnership units which will be equivalent to the dividend distributions made to stockholders of the Wells REIT. Finally, a limited partner in Wells OP may later exchange his limited partnership units in Wells OP for shares of 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 June 30, 2002, owned an approximately 99.72% equity percentage interest in Wells OP. Wells Capital, our advisor, contributed $200,000 to Wells OP and is currently the only limited partner owning the other approximately 0.28% 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 of Wells OP provides that Wells OP is to be operated in a manner that will (1) enable the Wells REIT to 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 Our 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 stockholders.

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 of 1933.

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 the 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

General

We are offering a maximum of 300,000,000 shares to the public through Wells Investment Securities, our Dealer Manager, a registered broker-dealer affiliated with Wells Capital, our 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 30,000,000 shares for sale pursuant to our dividend reinvestment plan at a price of $10.00 per share. We reserve the right in the future to reallocate additional shares to our dividend reinvestment plan out of our public offering shares. An additional 6,600,000 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 336,600,000 shares are being registered in this offering.

The offering of shares will terminate on or before July 25, 2004. However, we reserve the right to terminate this offering at any time prior to such termination date.

Underwriting Compensation and Terms

Except as provided below, the Dealer Manager will receive selling commissions of 7.0% 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 marketing our shares and paying the employment costs of the Dealer Manager's wholesalers. Out of its dealer manager fee, the Dealer Manager may pay salaries and commissions to its wholesalers in the aggregate amount of up to 1.0% of gross offering proceeds. We will not pay referral or similar fees to any accountants, attorneys or other persons in connection with the distribution of the shares. Stockholders 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 stockholders purchasing shares other than pursuant to the dividend reinvestment plan.

The Dealer Manager may authorize certain other broker-dealers who are members of the NASD (Participating Dealers) to sell our shares. In the event of the sale of shares by such Participating Dealers, the Dealer Manager may reallow its commissions in the amount of up to 7.0% of the gross offering proceeds to such Participating Dealers. In addition, the Dealer Manager may reallow a portion of its dealer manager fee to Participating Dealers in the aggregate amount of up to 1.5% of gross offering proceeds to be paid to such Participating Dealers as marketing fees, or to reimburse representatives of such Participating Dealers the costs and expenses of attending our educational conferences and seminars.

In addition, unless otherwise agreed with the Dealer Manager, Participating Dealers will be reimbursed for bona fide due diligence expenses, not to exceed 0.5% of gross offering proceeds in the aggregate.

We will also award to the Dealer Manager one soliciting dealer warrant for every 50 shares sold to the public or issued to stockholders pursuant to our dividend reinvestment plan during the offering period, except for sales of shares made net of commissions, as described below, in which case no warrants will be issued. The Dealer Manager intends to reallow these warrants to Participating Dealers by awarding one soliciting dealer warrant for every 50 shares sold during the offering period, 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. Participating Dealers are restricted from transferring, assigning, pledging or hypothecating the soliciting dealer warrants (except to certain officers or partners of such Participating Dealers in accordance with applicable NASD Rules) 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 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 stockholders 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.

In no event shall the total aggregate underwriting compensation, including sales commissions, the dealer manager fee and underwriting expense reimbursements, exceed 9.5% of gross offering proceeds in the aggregate, except for the soliciting dealer warrants described above and bona fide due diligence expenses not to exceed 0.5% of gross offering proceeds in the aggregate.

We have agreed to indemnify the Participating Dealers, including the Dealer Manager, against certain liabilities arising under the Securities Act of 1933, as amended.

The Participating Dealers 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 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 (from $0.30 per share to $0.15 per share), and that 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 stockholders 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 stockholders for a vote.

We may sell shares to retirement plans of Participating Dealers, to Participating 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 made net of commissions will be identical to net proceeds we receive from other sales of shares.

In connection with sales of certain minimum numbers of shares to a "purchaser," as defined below, certain volume discounts resulting in reductions in selling commissions payable with respect to such sales are available to investors. In such event, any such reduction will be credited to the investor by reducing the purchase price per share payable by the investor. The following table illustrates the various discount levels available:

		Commissions on Sales per Incremental Share in Volume Discount Range	
Number of Shares Purchased	Purchase Price per Incremental Share in Volume Discount Range	Percentage (based on $10 per share)	Amount
1 to 50,000	$10.00	7.0%	$0.70
50,001 to 100,000	$ 9.80	5.0%	$0.50
100,001 and Over	$ 9.60	3.0%	$0.30

For example, if an investor purchases 200,000 shares he would pay (1) $500,000 for the first 50,000 shares ($10.00 per share), (2) $490,000 for the next 50,000 shares ($9.80 per share), and (3) $960,000 for the remaining 100,000 shares ($9.60 per share). Accordingly, he could pay as little as $1,950,000 ($9.75 per share) rather than $2,000,000 for the shares, in which event the commission on the sale of such shares would be $90,000 ($0.45 per share) and, after payment of the dealer manager fee of $50,000 ($0.25 per share), we would receive net proceeds of $1,810,000 ($9.05 per share). The net proceeds to the Wells REIT will not be affected by volume discounts. Requests to apply the volume discount provisions must be made in writing and submitted simultaneously with your subscription for shares.

Because all investors will be paid the same dividends per share as other investors, an investor qualifying for a volume discount will receive a higher percentage 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 submitted simultaneously with your subscription for shares, and must set forth the basis for such request. Any such request will be subject to verification by the Dealer Manager 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, investors may request in writing to aggregate subscriptions, including subscriptions to public real estate programs previously sponsored by our 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 Participating Dealer, including the Dealer Manager. Any such reduction in selling commission will be prorated among the separate subscribers. An investor may reduce the amount of his purchase price to the net amount shown in the foregoing table, if applicable. As set forth above, all requests to aggregate subscriptions as a single "purchaser" or other application of the foregoing volume discount provisions must be made in writing, and except as provided in this paragraph, separate subscriptions will not be cumulated, combined or aggregated.

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 may agree with their broker-dealer to reduce the amount of selling commissions payable with respect to the sale of their shares down to zero (1) in the event that the investor has engaged the services of a registered investment advisor or other financial advisor with whom the investor has agreed to pay compensation for investment advisory services or other financial or investment advice, or (2) in the event that the investor is investing in a bank trust account with respect to which the investor has delegated the decision-making authority for investments made in the account to a bank trust department. The net proceeds to the Wells REIT will not be affected by reducing the commissions payable in connection with such transactions.

Neither the Dealer Manager nor its affiliates will compensate any person engaged as an investment advisor by a potential investor as an inducement for such investment advisor to advise favorably for an investment in the Wells REIT.

In addition, subscribers for shares may agree with their Participating 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. Stockholders 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 stockholders 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 stockholder 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, or longer if required to satisfy outstanding deferred commission obligations, will be deducted from dividends or other cash distributions otherwise payable to such stockholder 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.

Stockholders 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 stockholders 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 stockholder 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 stockholders may be pledged by the Wells REIT, the Dealer Manager, Wells Capital 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, at any time prior to the satisfaction of our remaining deferred commission obligations, listing of the shares occurs or is reasonably anticipated to occur, or we begin a liquidation of our properties, the remaining commissions due under the deferred commission option may be accelerated by the Wells REIT. In either such event, we shall provide notice of any such acceleration to stockholders who have elected the deferred commission option. In the event of listing, 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 stockholders during the time period prior to listing. 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 stockholders to make any further payments of deferred commissions under the deferred commission option shall terminate, and Participating Dealers will not be entitled to receive any further portion of their deferred commissions following listing of our shares. In the event of a liquidation of our properties, the amount of remaining commissions due shall be deducted and paid by the Wells REIT out of dividends or net sale proceeds otherwise payable to stockholders who are subject to any such acceleration of their deferred commission obligations. In no event may the Wells REIT withhold in excess of $0.60 per share in the aggregate for the payment of deferred commissions.

Subscription Procedures

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. We will initially deposit the subscription proceeds in an interest-bearing account with Bank of America, N.A., Atlanta, Georgia. Subscribers may not withdraw funds from the account. We will withdraw funds from the account periodically for the acquisition of real estate properties, the payment of fees and expenses or other investments approved by our board of directors. We generally admit stockholders to the Wells REIT on a daily basis.

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.

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 our 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 proceeds of this offering will 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 10 business days.

The Dealer Manager and each Participating Dealer who sells shares on behalf of the Wells REIT have the responsibility to make every reasonable effort to determine that the purchase of shares is appropriate for the investor and that the requisite suitability standards are met. (See "Suitability Standards.") In making this determination, the Participating Dealer will rely on relevant information provided by the investor, including information as to the investor's age, investment objectives, investment experience, income, net worth, financial situation, other investments, and other pertinent information. Each investor should be aware that the Participating Dealer will be responsible for determining suitability.

The Dealer Manager or each Participating Dealer shall maintain records of the information used to determine that an investment in shares is suitable and appropriate for an investor. These records are required to be maintained for a period of at least six years.

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 Wells Capital, our 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 (Holland & Knight). The statements under the caption "Federal Income Tax Consequences" as they relate to federal income tax matters have been reviewed by Holland & Knight, and Holland & Knight has opined as to certain income tax matters relating to an investment in shares of the Wells REIT. Holland & Knight has also represented Wells Capital, our advisor, as well as various other affiliates of Wells Capital, in other matters and may continue to do so in the future. (See "Conflicts of Interest.")

EXPERTS

Changes in Principal Accountant

On May 8, 2002, the audit committee of our board of directors recommended to the board of directors the dismissal of Arthur Andersen LLP (Andersen) as our independent public accountants, and our board of directors approved the dismissal of Andersen as our independent public accountants; effective immediately.

Andersen's reports on the consolidated financial statements of the Wells REIT for the years ended December 31, 2001 and December 31, 2000 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended December 31, 2001 and December 31, 2000, and through the date of Andersen's dismissal, there were no disagreements with Andersen on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen's satisfaction, would have caused Andersen to make reference to the subject matter in connection with its report on the consolidated financial statements of the Wells REIT for such years and there were no reportable events as set forth in Item 304(a)(1)(v) of Regulation S-K.

On June 26, 2002, our board of directors approved the recommendation of the audit committee to engage Ernst & Young LLP (Ernst & Young) to audit the financial statements of the Wells REIT, effective immediately. During the fiscal years ended December 31, 2001 and December 31, 2000, and through the date hereof, the Wells REIT did not consult Ernst & Young with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the consolidated financial statements of the Wells REIT, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

Audited Financial Statements

The financial statements of the Wells REIT, as of December 31, 2001 and 2000, and for each of the years in the three-year period ended December 31, 2001, included in this prospectus and elsewhere in the registration statement, have been audited by Andersen, 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.

In June 2002, Andersen was tried and convicted of federal obstruction of justice charges. Events arising out of the conviction or other events relating to the financial condition of Andersen may adversely affect the ability of Andersen to satisfy any potential claims that may arise out of Andersen's audits of the financial statements contained in this prospectus. In addition, Andersen has notified us that it will no longer be able to provide us with the necessary consents related to previously audited financial statements

contained in our prospectus. Our inability to obtain such consents may also adversely affect your ability to pursue potential claims against Andersen. (See "Risk Factors.")

Unaudited Financial Statements

The Schedule III—Real Estate Investments and Accumulated Depreciation as of December 31, 2001, which is included in this prospectus, has not been audited.

The financial statements of the Wells REIT, as of March 31, 2002, and for the three month periods ended March 31, 2002 and March 31, 2001, 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 facility in Washington, D.C. at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, the Commission maintains a Web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

GLOSSARY

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

"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.

"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, 2001 and 2000 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 and schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wells Real Estate Investment Trust, Inc. and subsidiary as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule III—Real Estate Investments and Accumulated Depreciation as of December 31, 2001 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 25, 2002

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000

	2001	2000
ASSETS		
REAL ESTATE ASSETS, at cost:		
Land	**$ 86,246,985**	$ 46,237,812
Building, less accumulated depreciation of $24,814,454 and $9,469,653 at December 31, 2001 and 2000, respectively	**472,383,102**	287,862,655
Construction in progress	**5,738,573**	3,357,720
Total real estate assets	**564,368,660**	337,458,187
INVESTMENT IN JOINT VENTURES	**77,409,980**	44,236,597
CASH AND CASH EQUIVALENTS	**75,586,168**	4,298,301
INVESTMENT IN BONDS	**22,000,000**	0
ACCOUNTS RECEIVABLE	**6,003,179**	3,781,034
DEFERRED PROJECT COSTS	**2,977,110**	550,256
DUE FROM AFFILIATES	**1,692,727**	309,680
DEFERRED LEASE ACQUISITION COSTS	**1,525,199**	1,890,332
DEFERRED OFFERING COSTS	**0**	1,291,376
PREPAID EXPENSES AND OTHER ASSETS, net	**718,389**	4,734,583
Total assets	**$ 752,281,412**	$ 398,550,346
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	**$ 8,124,444**	**$ 127,663,187**
Obligation under capital lease	**22,000,000**	**0**
Accounts payable and accrued expenses	**8,727,473**	**2,166,387**
Due to affiliate	**2,166,161**	**1,772,956**
Dividends payable	**1,059,026**	**1,025,010**
Deferred rental income	**661,657**	**381,194**
Total liabilities	**$ 42,738,761**	**$ 133,008,734**
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	**200,000**	**200,000**
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 125,000,000 shares authorized, 83,761,469 shares issued and 83,206,429 shares outstanding at December 31, 2001; 125,000,000 shares authorized, 31,509,807 shares issued, and 31,368,510 shares outstanding at December 31, 2000	**837,614**	**315,097**
Additional paid–in capital	**738,236,525**	**275,573,339**
Cumulative distributions in excess of earnings	**(24,181,092)**	**(9,133,855)**
Treasury stock, at cost, 555,040 shares at December 31, 2001 and 141,297 shares at December 31, 2000	**(5,550,396)**	**(1,412,969)**
Total shareholders' equity	**709,342,651**	**265,341,612**
Total liabilities and shareholders' equity	**$ 752,281,412**	**$ 398,550,346**

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, 2001, 2000, and 1999

	2001	2000	1999
REVENUES:			
Rental income	**$ 44,204,279**	$ 20,505,000	$ 4,735,184
Equity in income of joint ventures	**3,720,959**	2,293,873	1,243,969
Take out fee (Note 9)	**137,500**	0	0
Interest and other income	**1,246,064**	574,333	516,242
	49,308,802	23,373,206	6,495,395
EXPENSES:			
Depreciation	**15,344,801**	7,743,551	1,726,103
Interest expense	**3,411,210**	3,966,902	442,029
Amortization of deferred financing costs	**770,192**	232,559	8,921
Operating costs, net of reimbursements	**4,128,883**	888,091	(74,666)
Management and leasing fees	**2,507,188**	1,309,974	257,744
General and administrative	**973,785**	438,953	135,144
Legal and accounting	**448,776**	240,209	115,471
	27,584,835	14,820,239	2,610,746
NET INCOME	**$ 21,723,967**	$ 8,552,967	$ 3,884,649
EARNINGS PER SHARE:			
Basic and diluted	**$ 0.43**	$ 0.40	$ 0.50

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, 2001, 2000, and 1999

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
BALANCE, December 31, 1998	3,154,136	$ 31,541	$ 27,567,275	$ (511,163)	$ 334,034	0	$ 0	$ 27,421,687
Issuance of common stock	10,316,949	103,169	103,066,321	0	0	0	0	103,169,490
Net income	0	0	0	0	3,884,649	0	0	3,884,649
Dividends ($.70 per share)	0	0	0	(1,346,240)	(4,218,683)	0	0	(5,564,923)
Sales commissions and discounts	0	0	(9,801,197)	0	0	0	0	(9,801,197)
Other offering expenses	0	0	(3,094,111)	0	0	0	0	(3,094,111)
BALANCE, December 31, 1999	13,471,085	134,710	117,738,288	(1,857,403)	0	0	0	116,015,595
Issuance of common stock	18,038,722	180,387	180,206,833	0	0	0	0	180,387,220
Treasury stock purchased	0	0	0	0	0	(141,297)	(1,412,969)	(1,412,969)
Net income	0	0	0	0	8,552,967	0	0	8,552,967
Dividends ($.73 per share)	0	0	0	(7,276,452)	(8,552,967)	0	0	(15,829,419)
Sales commissions and discounts	0	0	(17,002,554)	0	0	0	0	(17,002,554)
Other offering expenses	0	0	(5,369,228)	0	0	0	0	(5,369,228)
BALANCE, December 31, 2000	31,509,807	315,097	275,573,339	(9,133,855)	0	(141,297)	(1,412,969)	265,341,612
Issuance of common stock	**52,251,662**	**522,517**	**521,994,103**	**0**	**0**	**0**	**0**	**522,516,620**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(413,743)**	**(4,137,427)**	**(4,137,427)**
Net income	**0**	**0**	**0**	**0**	**21,723,967**	**0**	**0**	**21,723,967**
Dvidends ($.76 per share)	**0**	**0**	**0**	**(15,047,237)**	**(21,723,967)**	**0**	**0**	**(36,771,204)**
Sales commissions and discounts	**0**	**0**	**(49,246,118)**	**0**	**0**	**0**	**0**	**(49,246,118)**
Other offering expenses	**0**	**0**	**(10,084,799)**		**0**	**0**	**0**	**(10,084,799)**
BALANCE, December 31, 2001	**83,761,469**	**$837,614**	**$ 738,236,525**	**$ (24,181,092)**	**$ 0**	**(555,040)**	**$(5,550,396)**	**$ 709,342,651**

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

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WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 21,723,967**	$ 8,552,967	$ 3,884,649
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in income of joint ventures	**(3,720,959)**	(2,293,873)	(1,243,969)
Depreciation	**15,344,801**	7,743,551	1,726,103
Amortization of deferred financing costs	**770,192**	232,559	8,921
Amortization of deferred leasing costs	**303,347**	350,991	0
Write-off of deferred lease acquisition fees	**61,786**	0	0
Changes in assets and liabilities:			
Accounts receivable	**(2,222,145)**	(2,457,724)	(898,704)
Due from affiliates	**10,995**	(435,600)	0
Prepaid expenses and other assets, net	**3,246,002**	(6,826,568)	149,501
Accounts payable and accrued expenses	**6,561,086**	1,941,666	36,894
Deferred rental income	**280,463**	144,615	236,579
Due to affiliates	**(10,193)**	367,055	108,301
Total adjustments	**20,625,375**	(1,233,328)	123,626
Net cash provided by operating activities	**42,349,342**	7,319,639	4,008,275
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in real estate	**(227,933,858)**	(231,518,138)	(85,514,506)
Investment in joint ventures	**(33,690,862)**	(15,063,625)	(17,641,211)
Deferred project costs paid	**(17,220,446)**	(6,264,098)	(3,610,967)
Distributions received from joint ventures	**4,239,431**	3,529,401	1,371,728
Net cash used in investing activities	**(274,605,735)**	(249,316,460)	(105,394,956)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable	**110,243,145**	187,633,130	40,594,463
Repayments of notes payable	**(229,781,888)**	(83,899,171)	(30,725,165)
Dividends paid to shareholders	**(36,737,188)**	(16,971,110)	(3,806,398)
Issuance of common stock	**522,516,620**	180,387,220	103,169,490
Treasury stock purchased	**(4,137,427)**	(1,412,969)	0
Sales commissions paid	**(49,246,118)**	(17,002,554)	(9,801,197)
Offering costs paid	**(9,312,884)**	(5,369,228)	(3,094,111)
Net cash provided by financing activities	**303,544,260**	243,365,318	96,337,082
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**71,287,867**	1,368,497	(5,049,599)
CASH AND CASH EQUIVALENTS, beginning of year	**4,298,301**	2,929,804	7,979,403
CASH AND CASH EQUIVALENTS, end of year	**$ 75,586,168**	$ 4,298,301	$ 2,929,804
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITI ES:			
Deferred project costs applied to real estate assets	**$ 14,321,416**	$ 5,114,279	$ 3,183,239
Deferred project costs contributed to joint ventures	**$ 1,395,035**	$ 627,656	$ 735,056
Deferred project costs due to affiliate	**$ 1,114,140**	$ 191,281	$ 191,783
Deferred offering costs due to affiliate	**$ 0**	$ 1,291,376	$ 964,941
Reversal of deferred offering costs due to affiliate	**$ 964,941**	$ 0	$ 0
Other offering expenses due to affiliate	**$ 943,107**	$ 0	$ 0

Assumption of obligation under capital lease	**$ 22,000,000**	$ 0	$ 0
Investment in bonds	**$ 22,000,000**	$ 0	$ 0

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001, 2000, and 1999

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 125,000,000 (exclusive of 10,000,000 shares available pursuant to the Company's dividend reinvestment program) 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 therewith, 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 accounts of the Operating Partnership. All significant intercompany balances have been eliminated in consolidation.

The Company owns interests in the following properties directly through its ownership in the Operating Partnership: (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, assembly, and manufacturing building located in Wood Dale, Illinois; (iv) the Cinemark Property (the "Cinemark Building"), a five-story office building located in Plano, Texas; (v) the Matsushita Property (the "Matsushita Building"), a two-story office building located in Lake Forest, California; (vi) the ASML Property (the "ASML Building"), a two-story office and warehouse building located in Tempe, Arizona; (vii) the Motorola Property (the "Motorola Tempe Building"), a two-story office building located in Tempe, Arizona; (viii) the Dial Property (the "Dial Building"), a two-story office building located in Scottsdale, Arizona; (ix) the Delphi Building, a three-story office building located in Troy, Michigan; (x) the Avnet Property (the "Avnet Building"), a two-story office building located in Tempe, Arizona; (xi) the Metris Oklahoma Building, a three-story office building located in Tulsa, Oklahoma; (xii) the Alstom Power-Richmond Building, a four-story office building located in Richmond, Virginia; (xiii) the Motorola Plainfield Building, a three-story office building located in South Plainfield, New Jersey; (xiv) the Stone & Webster Building, a six-story office building located in Houston, Texas; (xv) the Metris Minnetonka Building, a nine-story office building located in Minnetonka, Minnesota; (xvi) the State Street Bank Building, a seven-story office building located in Quincy, Massachusetts; (xvii) the IKON Buildings, two one-story office buildings located in Houston, Texas; (xviii) the Ingram Micro Distribution Facility, a one-story office and warehouse building located in Millington, Tennessee; (xix) the Lucent Building, a four-story office building located in Cary, North Carolina; (xx) the Nissan land (the "Nissan Property"), a 14.873 acre tract of undeveloped land located in Irving, Texas; (xxi) the Convergys Building, a two-story office building located in Tamarac, Florida; and (xxii) the Windy Point Buildings, a seven-story office building and an eleven-story office building located in Schaumburg, Illinois.

The Company owns an interest in one property through a joint venture between the Operating Partnership, Wells Real Estate Fund VIII, L.P. ("Wells Fund VIII"), and Wells Real Estate Fund IX, L.P. ("Wells Fund IX"), which is referred

to as the Fund VIII, IX, and REIT Joint Venture. The Company also owns interests in five properties through a joint venture between the Operating Partnership, Wells Fund IX, Wells Real Estate Fund X, L.P. ("Wells Fund X"), and Wells Real Estate Fund XI, L.P. ("Wells Fund XI"), which is referred to as the Fund IX, Fund X, Fund XI, and REIT Joint Venture. The Company owns an interest in one property through each of two unique joint ventures between the Operating Partnership and Fund X and XI Associates, a joint venture between Wells Fund X and Wells Fund XI. In addition, the Company owns interests in four properties through a joint venture between the Operating Partnership, Wells Fund XI, and Wells Real Estate Fund XII, L.P. ("Wells Fund XII"), which is referred to as the Fund XI, XII, and REIT Joint Venture. The Company owns interests in three properties through a joint venture between the Operating Partnership and Wells Fund XII, which is referred to as the Fund XII and REIT Joint Venture. The Company also owns interests in two properties through a joint venture between the Operating Partnership and Wells Fund XIII, which is referred to as the Fund XIII and REIT Joint Venture.

Through its investment in the Fund VIII, IX, and REIT Joint Venture, the Company owns an interest in a two-story office building in Irvine, California (the "Quest Building").

The following properties are owned by the Company through its investment in the Fund IX, X, XI, and REIT Joint Venture: (i) a three-story office building in Knoxville, Tennessee (the "Alstom Power 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 and warehouse building in Ogden, Utah (the "Iomega Building"), and (v) a one-story office building in Oklahoma City, Oklahoma (the "Avaya Building").

Through its investment in two joint ventures with Fund X and XI Associates, the Company owns interests in the following properties: (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 two-story manufacturing and office building in Fremont, California (the "Fairchild Building"), owned by Wells/Fremont Associates.

The following properties are owned by the Company through its investment in the Fund XI, XII, and REIT Joint Venture: (i) a two-story manufacturing and office building in Fountain Inn, 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").

Through its investment in the Fund XII and REIT Joint Venture, the Company owns interests in the following properties: (i) a three-story office building in Troy, Michigan (the "Siemens Building"), (ii) a one-story office building and a two-story office building in Oklahoma City, Oklahoma (collectively referred to as the "AT&T Call Center Buildings"), and (iii) a three-story office building in Brentwood, Tennessee (the "Comdata Building").

The following properties are owned by the Company through its investment in the Fund XIII and REIT Joint Venture: (i) a one-story office building in Orange Park, Florida (the "AmeriCredit Building"), and (ii) two connected one-story office and assembly buildings in Parker, Colorado (the "ADIC Buildings").

Use of Estimates and Factors Affecting the Company

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to currently distribute at least 90% of the REIT's ordinary taxable income to shareholders. It is management's current intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to federal income tax on distributed taxable income. Even if the Company qualifies as a REIT, it may be subject to certain state and local taxes on its income and real estate assets, and to federal income and excise taxes on its undistributed taxable income. No provision for federal income taxes has been made in the accompanying consolidated financial statements, as the Company made distributions equal to or in excess of its taxable income in each of the three years in the period ended December 31, 2001.

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 expenditures 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, 2001 and 2000.

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.

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-ine 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.

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.

Earnings Per Share

Earnings per share are 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.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year financial statement presentation.

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 investments in joint ventures are 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. Deferred lease acquisition costs are included in prepaid expenses and other assets, net, in the balance sheets presented in Note 5.

2. DEFERRED PROJECT COSTS

The Company paid a percentage of shareholder contributions to the Advisor for acquisition and advisory services and acquisition expenses. 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, 2001 were $29,122,286 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, 2001 and 2000 represent fees not yet applied to properties.

3. DEFERRED OFFERING COSTS

Offering expenses, to the extent they exceed 3% of gross offering proceeds, will be paid by the Advisor and not by the Company. Offering expenses include such costs as legal and accounting fees, printing costs, and other offering expenses and specifically exclude sales costs and underwriting commissions.

As of December 31, 2001, the Advisor paid offering expenses on behalf of the Company in the aggregate amount of $20,459,289, of which the Advisor had been reimbursed $18,551,241, which did not exceed the 3% limitation.

4. RELATED-PARTY TRANSACTIONS

Due from affiliates at December 31, 2001 and 2000 represents the Operating Partnership's share of the cash to be distributed from its joint venture investments for the fourth quarter of 2001 and 2000 and advances due from the Advisor as of December 31, 2000:

	2001	2000
Fund VIII, IX, and REIT Joint Venture	**$ 46,875**	$ 21,605
Fund IX, X, XI, and REIT Joint Venture	**36,073**	12,781
Wells/Orange County Associates	**83,847**	24,583
Wells/Fremont Associates	**164,196**	53,974
Fund XI, XII, and REIT Joint Venture	**429,980**	136,648
Fund XII and REIT Joint Venture	**680,542**	49,094
Fund XIII and REIT	**251,214**	0
Advisor	**0**	10,995
	$ 1,692,727	$ 309,680

The Operating Partnership entered into a property management and leasing 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 management and leasing fees equal to the lesser of (a) 4.5% of the gross revenues generally paid over the life of the lease or (b) .6% of the net asset value of the properties (excluding vacant properties) owned by the Company to Wells Management. These management and leasing fees are calculated on an annual basis 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.

The Operating Partnership's portion of the management and leasing fees and lease acquisition costs paid to Wells Management, both directly and at the joint venture level, were $2,468,294, $1,111,748, and $336,517 for the years ended December 31, 2001, 2000, and 1999, respectively.

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, 2001 and 2000 are summarized as follows:

	2001		2000	
	Amount	Percent	Amount	Percent
Fund VIII, IX, and REIT Joint Venture	**$ 1,189,067**	**16%**	$ 1,276,551	16%
Fund IX, X, XI, and REIT Joint Venture	**1,290,360**	**4**	1,339,636	4
Wells/Orange County Associates	**2,740,000**	**44**	2,827,607	44
Wells/Fremont Associates	**6,575,358**	**78**	6,791,287	78
Fund XI, XII, and REIT Joint Venture	**17,187,985**	**57**	17,688,615	57
Fund XII and REIT Joint Venture	**30,299,872**	**55**	14,312,901	47
Fund XIII and REIT Joint Venture	**18,127,338**	**68**	0	0
	$ 77,409,980		$ 44,236,597	

The following is a roll forward of the Operating Partnership's investment in joint ventures for the years ended December 31, 2001 and 2000:

	2001	2000
Investment in joint ventures, beginning of year	**$ 44,236,597**	$ 29,431,176
Equity in income of joint ventures	**3,720,959**	2,293,873
Contributions to joint ventures	**35,085,897**	15,691,281
Distributions from joint ventures	**(5,633,473)**	(3,179,733)
Investment in joint ventures, end of year	**$ 77,409,980**	$ 44,236,597

Fund VIII, IX, and REIT Joint Venture

On June 15, 2000, Fund VIII and IX Associates, a joint venture between Wells Real Estate Fund VIII, L.P. ("Fund VIII") and Wells Real Estate Fund IX, L.P. ("Fund IX"), entered into a joint venture with the Operating Partnership to form Fund VIII, IX, and REIT Joint Venture, for the purpose of acquiring, developing, operating, and selling real properties.

On July 1, 2000, Fund VIII and IX Associates contributed the Quest Building (formerly the Bake Parkway Building) to the joint venture. Fund VIII, IX, and REIT Joint Venture recorded the net assets of the Quest Building at an amount equal to the respective historical net book values. The Quest 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. During 2000, the Operating Partnership contributed $1,282,111 to the Fund VIII, IX, and REIT Joint Venture. Ownership percentage interests were recomputed accordingly.

Following are the financial statements for Fund VIII, IX, and REIT Joint Venture:

Fund VIII, IX, and REIT Joint Venture
(A Georgia Joint Venture)

Balance Sheets
December 31, 2001 and 2000

	2001	2000
Assets		
Real estate assets, at cost:		
Land	**$ 2,220,993**	$ 2,220,993
Building and improvements, less accumulated depreciation of $649,436 in 2001 and $187,891 in 2000	**4,952,724**	5,408,892
Total real estate assets	**7,173,717**	7,629,885
Cash and cash equivalents	**297,533**	170,664
Accounts receivable	**164,835**	197,802
Prepaid expenses and other assets, net	**191,799**	283,864
Total assets	**$ 7,827,884**	$ 8,282,215
Liabilities and Partners' Capital		
Liabilities:		
Accounts payable	**$ 676**	$ 0
Partership distributions payable	**296,856**	170,664
Total liabilities	**297,532**	170,664
Partners' capital:		
Fund VIII and IX Associates	**6,341,285**	6,835,000
Wells Operating Partnership, L.P.	**1,189,067**	1,276,551
Total partners' capital	**7,530,352**	8,111,551
Total liabilities and partners' capital	**$ 7,827,884**	$ 8,282,215

Fund VIII, IX, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Income
for the Year Ended December 31, 2001 and
the Period from June 15, 2000 (Inception) Through
December 31, 2000

	2001	2000
Revenues:		
Rental income	**$ 1,207,995**	$ 563,049
Interest income	**729**	0
	1,208,724	563,049
Expenses:		
Depreciation	**461,545**	187,891
Management and leasing fees	**142,735**	54,395
Property administration expenses	**22,278**	5,692
Operating costs, net of reimbursements	**15,326**	5,178
	641,884	253,156
Net income	**$ 566,840**	$ 309,893
Net income allocated to Fund VIII and IX Associates	**$ 477,061**	$ 285,006
Net income allocated to Wells Operating Partnership, L.P.	**$ 89,779**	$ 24,887

Fund VIII, IX, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Partners' Capital
for the Year Ended December 31, 2001 and
the Period from June 15, 2000 (Inception) Through
December 31, 2000

	Fund VIII and IX Associates	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, June 15, 2000 (inception)	$ 0	$ 0	$ 0
Net income	285,006	24,887	309,893
Partnership contributions	6,857,889	1,282,111	8,140,000
Partnership distributions	(307,895)	(30,447)	(338,342)
Balance, December 31, 2000	6,835,000	1,276,551	8,111,551
Net income	**477,061**	**89,779**	**566,840**
Partnership contributions	**0**	**5,377**	**5,377**
Partnership distributions	**(970,776)**	**(182,640)**	**(1,153,416)**
Balance, December 31, 2001	**$ 6,341,285**	**$ 1,189,067**	**$ 7,530,352**

Fund VIII, IX, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Cash Flows
for the Year Ended December 31, 2001 and
the Period from June 15, 2000 (Inception) Through
December 31, 2000

	2001	2000
Cash flows from operating activities:		
Net income	**$ 566,840**	$ 309,893
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**461,545**	187,891
Changes in assets and liabilities:		
Accounts receivable	**32,967**	(197,802)
Prepaid expenses and other assets, net	**92,065**	(283,864)
Accounts payable	**676**	0
Total adjustments	**587,253**	(293,775)
Net cash provided by operating activities	**1,154,093**	16,118
Cash flows from investing activities:		
Investment in real estate	**(5,377)**	(959,887)
Cash flows from financing activities:		
Contributions from joint venture partners	**5,377**	1,282,111
Distributions to joint venture partners	**(1,027,224)**	(167,678)
Net cash (used in) provided by financing activities	**(1,021,847)**	1,114,433
Net increase in cash and cash equivalents	**126,869**	170,664
Cash and cash equivalents, beginning of period	**170,664**	0
Cash and cash equivalents, end of year	**$ 297,533**	$ 170,664
Supplemental disclosure of noncash activities:		
Real estate contribution received from joint venture partner	**$ 0**	$ 6,857,889

Fund IX, X, XI, and REIT Joint Venture

On March 20, 1997, Fund IX and Wells Real Estate Fund X, L.P. (“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 Alstom Power Building, to the Fund IX and X Associates joint venture. An 84,404-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 Real Estate Fund XI, L.P. (“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 Avaya 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.

During 1999, Fund IX and Fund XI made contributions to the Fund IX, X, XI, and REIT Joint Venture; during 2000, Fund IX and Fund X made contributions 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, 2001 and 2000

	2001	2000
Assets		
Real estate assets, at cost:		
Land	**$ 6,698,020**	$ 6,698,020
Building and improvements, less accumulated depreciation of $5,619,744 in 2001 and $4,203,502 in 2000	**27,178,526**	28,594,768
Total real estate assets, net	**33,876,546**	35,292,788
Cash and cash equivalents	**1,555,917**	1,500,044
Accounts receivable	**596,050**	422,243
Prepaid expenses and other assets, net	**439,002**	487,276
Total assets	**$ 36,467,515**	$ 37,702,351
Liabilities and Partners' Capital		
Liabilities:		
Accounts payable and accrued liabilities	**$ 620,907**	$ 568,517
Refundable security deposits	**100,336**	99,279
Due to affiliates	**13,238**	9,595
Partnership distributions payable	**966,912**	931,151
Total liabilities	**1,701,393**	1,608,542
Partners' capital:		
Wells Real Estate Fund IX	**13,598,505**	14,117,803
Wells Real Estate Fund X	**16,803,586**	17,445,277
Wells Real Estate Fund XI	**3,073,671**	3,191,093
Wells Operating Partnership, L.P.	**1,290,360**	1,339,636
Total partners' capital	**34,766,122**	36,093,809
Total liabilities and partners' capital	**$ 36,467,515**	$ 37,702,351

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Income
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Revenues:			
Rental income	**$ 4,174,379**	$ 4,198,388	$ 3,932,962
Other income	**119,828**	116,129	61,312
Interest income	**50,002**	73,676	58,768
	4,344,209	4,388,193	4,053,042
Expenses:			
Depreciation	**1,416,242**	1,411,434	1,538,912
Management and leasing fees	**357,761**	362,774	286,139
Operating costs, net of reimbursements	**(232,601)**	(133,505)	(34,684)
Property administration expense	**91,747**	57,924	59,886
Legal and accounting	**26,223**	20,423	30,545
	1,659,372	1,719,050	1,880,798
Net income	**$ 2,684,837**	$ 2,669,143	$ 2,172,244
Net income allocated to Wells Real Estate Fund IX	**$ 1,050,156**	$ 1,045,094	$ 850,072
Net income allocated to Wells Real Estate Fund X	**$ 1,297,665**	$ 1,288,629	$ 1,056,316
Net income allocated to Wells Real Estate Fund XI	**$ 237,367**	$ 236,243	$ 184,355
Net income allocated to Wells Operating Partnership, L.P.	**$ 99,649**	$ 99,177	$ 81,501

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Partners' Capital
for the Years Ended December 31, 2001, 2000, and 1999

	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, 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
Net income	1,045,094	1,288,629	236,243	99,177	2,669,143
Partnership contributions	46,122	84,317	0	0	130,439
Partnership distributions	(1,564,039)	(1,928,538)	(353,553)	(148,425)	(3,994,555)
Balance, December 31, 2000	14,117,803	17,445,277	3,191,093	1,339,636	36,093,809
Net income	**1,050,156**	**1,297,665**	**237,367**	**99,649**	**2,684,837**
Partnership distributions	**(1,569,454)**	**(1,939,356)**	**(354,789)**	**(148,925)**	**(4,012,524)**
Balance, December 31, 2001	**$ 13,598,505**	**$ 16,803,586**	**$ 3,073,671**	**$ 1,290,360**	**$ 34,766,122**

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Cash Flows
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Cash flows from operating activities:			
Net income	**$ 2,684,837**	$ 2,669,143	$ 2,172,244
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**1,416,242**	1,411,434	1,538,912
Changes in assets and liabilities:			
Accounts receivable	**(173,807)**	132,722	(421,708)
Prepaid expenses and other assets, net	**48,274**	39,133	(85,281)
Accounts payable and accrued liabilities, and refundable security deposits	**53,447**	(37,118)	295,177
Due to affiliates	**3,643**	3,216	1,973
Total adjustments	**1,347,799**	1,549,387	1,329,073
Net cash provided by operating activities	**4,032,636**	4,218,530	3,501,317
Cash flows from investing activities:			
Investment in real estate	**0**	(127,661)	(930,401)
Cash flows from financing activities:			
Distributions to joint venture partners	**(3,976,763)**	(3,868,138)	(3,820,491)
Contributions received from partners	**0**	130,439	1,066,992
Net cash used in financing activities	**(3,976,763)**	(3,737,699)	(2,753,499)
Net increase (decrease) in cash and cash equivalents	**55,873**	353,170	(182,583)
Cash and cash equivalents, beginning of year	**1,500,044**	1,146,874	1,329,457
Cash and cash equivalents, end of year	**$ 1,555,917**	$ 1,500,044	$ 1,146,874
Supplemental disclosure of noncash activities:			
Deferred project costs contributed to joint venture	**$ 0**	$ 0	$ 43,024

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, 2001 and 2000

Assets

	2001	2000
Real estate assets, at cost:		
Land	**$ 2,187,501**	$ 2,187,501
Building, less accumulated depreciation of $651,780 in 2001 and $465,216 in 2000	**4,012,335**	4,198,899
Total real estate assets	**6,199,836**	6,386,400
Cash and cash equivalents	**188,407**	119,038
Accounts receivable	**80,803**	99,154
Prepaid expenses and other assets	**9,426**	0
Total assets	**$ 6,478,472**	$ 6,604,592

Liabilities and Partners' Capital

Liabilities:		
Accounts payable	**$ 11,792**	$ 1,000
Partnership distributions payable	**192,042**	128,227
Total liabilities	**203,834**	129,227
Partners' capital:		
Wells Operating Partnership, L.P.	**2,740,000**	2,827,607
Fund X and XI Associates	**3,534,638**	3,647,758
Total partners' capital	**6,274,638**	6,475,365
Total liabilities and partners' capital	**$ 6,478,472**	$ 6,604,592

Wells/Orange County Associates
(A Georgia Joint Venture)

Statements of Income
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Revenues:			
Rental income	**$ 795,528**	$ 795,545	$ 795,545
Interest income	**2,409**	0	0
	797,937	795,545	795,545
Expenses:			
Depreciation	**186,564**	186,564	186,565
Management and leasing fees	**33,547**	30,915	30,360
Operating costs, net of reimbursements	**21,855**	5,005	22,229
Legal and accounting	**9,800**	4,100	5,439
	251,766	226,584	244,593
Net income	**$ 546,171**	$ 568,961	$ 550,952
Net income allocated to Wells Operating Partnership, L.P.	**$ 238,542**	$ 248,449	$ 240,585
Net income allocated to Fund X and XI Associates	**$ 307,629**	$ 320,512	$ 310,367

Wells/Orange County Associates
(A Georgia Joint Venture)

Statements of Partners' Capital
for the Years Ended December 31, 2001, 2000, and 1999

	Wells Operating Partnership, L.P.	Fund X and XI Associates	Total Partners' Capital
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
Net income	248,449	320,512	568,961
Partnership distributions	(313,954)	(405,016)	(718,970)
Balance, December 31, 2000	2,827,607	3,647,758	6,475,365
Net income	**238,542**	**307,629**	**546,171**
Partnership distributions	**(326,149)**	**(420,749)**	**(746,898)**
Balance, December 31, 2001	**$ 2,740,000**	**$ 3,534,638**	**$ 6,274,638**

Wells/Orange County Associates
(A Georgia Joint Venture)

Statements of Cash Flows
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Cash flows from operating activities:			
Net income	**$ 546,171**	$ 568,961	$ 550,952
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**186,564**	186,564	186,565
Changes in assets and liabilities:			
Accounts receivable	**18,351**	(49,475)	(36,556)
Accounts payable	**10,792**	1,000	(1,550)
Prepaid and other expenses	**(9,426)**	0	0
Total adjustments	**206,281**	138,089	148,459
Net cash provided by operating activities	**752,452**	707,050	699,411
Cash flows from financing activities:			
Distributions to partners	**(683,083)**	(764,678)	(703,640)
Net increase (decrease) in cash and cash equivalents	**69,369**	(57,628)	(4,229)
Cash and cash equivalents, beginning of year	**119,038**	176,666	180,895
Cash and cash equivalents, end of year	**$ 188,407**	$ 119,038	$ 176,666

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 two-story manufacturing 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, 2001 and 2000

Assets

	2001	2000
Real estate assets, at cost:		
Land	**$ 2,219,251**	$ 2,219,251
Building, less accumulated depreciation of $999,301 in 2001 and $713,773 in 2000	**6,138,857**	6,424,385
Total real estate assets	**8,358,108**	8,643,636
Cash and cash equivalents	**203,750**	92,564
Accounts receivable	**133,801**	126,433
Total assets	**$ 8,695,659**	$ 8,862,633

Liabilities and Partners' Capital

Liabilities:		
Accounts payable	**$ 1,896**	$ 3,016
Due to affiliate	**8,030**	7,586
Partnership distributions payable	**201,854**	89,549
Total liabilities	**211,780**	100,151
Partners' capital:		
Wells Operating Partnership, L.P.	**6,575,358**	6,791,287
Fund X and XI Associates	**1,908,521**	1,971,195
Total partners' capital	**8,483,879**	8,762,482
Total liabilities and partners' capital	**$ 8,695,659**	$ 8,862,633

Wells/Fremont Associates
(A Georgia Joint Venture)

Statements of Income
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Revenues:			
Rental income	**$ 902,945**	$ 902,946	$ 902,946
Interest income	**2,713**	0	0
Other income	**2,015**	0	0
	907,673	902,946	902,946
Expenses:			
Depreciation	**285,528**	285,527	285,526
Management and leasing fees	**36,267**	36,787	37,355
Operating costs, net of reimbursements	**16,585**	13,199	16,006
Legal and accounting	**6,400**	4,300	4,885
	344,780	339,813	343,772
Net income	**$ 562,893**	$ 563,133	$ 559,174
Net income allocated to Wells Operating Partnership, L.P.	**$ 436,265**	$ 436,452	$ 433,383
Net income allocated to Fund X and XI Associates	**$ 126,628**	$ 126,681	$ 125,791

Wells/Fremont Associates
(A Georgia Joint Venture)

Statements of Partners' Capital
for the Years Ended December 31, 2001, 2000, and 1999

	Wells Operating Partnership, L.P.	Fund X and XI Associates	Total Partners' Capital
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
Net income	436,452	126,681	563,133
Partnership distributions	(633,375)	(183,839)	(817,214)
Balance, December 31, 2000	6,791,287	1,971,195	8,762,482
Net income	**436,265**	**126,628**	**562,893**
Partnership distributions	**(652,194)**	**(189,302)**	**(841,496)**
Balance, December 31, 2001	**$ 6,575,358**	**$ 1,908,521**	**$ 8,483,879**

Wells/Fremont Associates
(A Georgia Joint Venture)

Statements of Cash Flows
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Cash flows from operating activities:			
Net income	**$ 562,893**	$ 563,133	$ 559,174
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**285,528**	285,527	285,526
Changes in assets and liabilities:			
Accounts receivable	**(7,368)**	(33,454)	(58,237)
Accounts payable	**(1,120)**	1,001	(1,550)
Due to affiliate	**444**	2,007	3,527
Total adjustments	**277,484**	255,081	229,266
Net cash provided by operating activities	**840,377**	818,214	788,440
Cash flows from financing activities:			
Distributions to partners	**(729,191)**	(914,662)	(791,940)
Net increase (decrease) in cash and cash equivalents	**111,186**	(96,448)	(3,500)
Cash and cash equivalents, beginning of year	**92,564**	189,012	192,512
Cash and cash equivalents, end of year	**$ 203,750**	$ 92,564	$ 189,012

Fund XI, XII, and REIT Joint Venture

On May 1, 1999, the Operating Partnership entered into a joint venture with Fund XI and Wells Real Estate Fund XII, L.P. (“Fund XII”). On May 18, 1999, the joint venture purchased a 169,510-square foot, two-story manufacturing and office building, known as EYBL CarTex Building, 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 Sheets
December 31, 2001 and 2000

	2001	2000
Assets		
Real estate assets, at cost:		
Land	**$ 5,048,797**	$ 5,048,797
Building and improvements, less accumulated depreciation of $2,692,116 in 2001 and $1,599,263 in 2000	**24,626,336**	25,719,189
Total real estate assets	**29,675,133**	30,767,986
Cash and cash equivalents	**775,805**	541,089
Accounts receivable	**675,022**	394,314
Prepaid assets and other expenses	**26,486**	26,486
Total assets	**$ 31,152,446**	$ 31,729,875
Liabilities and Partners' Capital		
Liabilities:		
Accounts payable	**$ 114,612**	$ 114,180
Partnership distributions payable	**757,500**	453,395
Total liabilities	**872,112**	567,575
Partners' capital:		
Wells Real Estate Fund XI	**7,917,646**	8,148,261
Wells Real Estate Fund XII	**5,174,703**	5,325,424
Wells Operating Partnership, L.P.	**17,187,985**	17,688,615
Total partners' capital	**30,280,334**	31,162,300
Total liabilities and partners' capital	**$ 31,152,446**	$ 31,729,875

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Income
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Revenues:			
Rental income	**$ 3,346,227**	$ 3,345,932	$ 1,443,446
Interest income	**24,480**	2,814	0
Other income	**360**	440	57
	3,371,067	3,349,186	1,443,503
Expenses:			
Depreciation	**1,092,853**	1,092,680	506,582
Management and leasing fees	**156,987**	157,236	59,230
Operating costs, net of reimbursements	**(27,449)**	(30,718)	4,639
Property administration	**65,765**	36,707	15,979
Legal and accounting	**18,000**	14,725	4,000
	1,306,156	1,270,630	590,430
Net income	**$ 2,064,911**	$ 2,078,556	$ 853,073
Net income allocated to Wells Real Estate Fund XI	**$ 539,930**	$ 543,497	$ 240,031
Net income allocated to Wells Real Estate Fund XII	**$ 352,878**	$ 355,211	$ 124,542
Net income allocated to Wells Operating Partnership, L.P.	**$ 1,172,103**	$ 1,179,848	$ 488,500

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Partners' Capital
for the Years Ended December 31, 2001, 2000, and 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
Net income	543,497	355,211	1,179,848	2,078,556
Partnership distributions	(761,088)	(497,421)	(1,652,203)	(2,910,712)
Balance, December 31, 2000	8,148,261	5,325,424	17,688,615	31,162,300
Net income	**539,930**	**352,878**	**1,172,103**	**2,064,911**
Partnership distributions	**(770,545)**	**(503,599)**	**(1,672,733)**	**(2,946,877)**
Balance, December 31, 2001	**$ 7,917,646**	**$ 5,174,703**	**$ 17,187,985**	**$ 30,280,334**

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Cash Flows
for the Years Ended December 31, 2001, 2000, and 1999

	2001	2000	1999
Cash flows from operating activities:			
Net income	**$ 2,064,911**	$ 2,078,556	$ 853,073
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**1,092,853**	1,092,680	506,582
Changes in assets and liabilities:			
Accounts receivable	**(280,708)**	(260,537)	(133,777)
Prepaid expenses and other assets	**0**	0	(26,486)
Accounts payable	**432**	1,723	112,457
Total adjustments	**812,577**	833,866	458,776
Net cash provided by operating activities	**2,877,488**	2,912,422	1,311,849
Cash flows from financing activities:			
Distributions to joint venture partners	**(2,642,772)**	(3,137,611)	(545,571)
Net increase (decrease) in cash and cash equivalents	**234,716**	(225,189)	766,278
Cash and cash equivalents, beginning of year	**541,089**	766,278	0
Cash and cash equivalents, end of year	**$ 775,805**	$ 541,089	$ 766,278
Supplemental disclosure of noncash activities:			
Deferred project costs contributed to joint venture	**$ 0**	$ 0	$ 1,294,686
Contribution of real estate assets to joint venture	**$ 0**	$ 0	$ 31,072,562

Fund XII and REIT Joint Venture

On May 10, 2000, the Operating Partnership entered into a joint venture with Fund XII. The joint venture, Fund XII and REIT Joint Venture, was formed to acquire, develop, operate, and sell real property. On May 20, 2000, the joint venture purchased a 77,054-square foot, three-story office building known as the Siemens Building in Troy, Oakland County, Michigan. On December 28, 2000, the joint venture purchased a 50,000-square foot, one-story office building and a 78,500-square foot two-story office building collectively known as the AT&T Call Center Buildings in Oklahoma City, Oklahoma County, Oklahoma. On May 15, 2001, the joint venture purchased a 201,237-square foot, three-story office building known as the Comdata Building located in Brentwood, Williamson County, Tennessee.

Following are the financial statements for Fund XII and REIT Joint Venture:

Fund XII and REIT Joint Venture
(A Georgia Joint Venture)

Balance Sheets
December 31, 2001 and 2000

	2001	2000
Assets		
Real estate assets, at cost:		
Land	**$ 8,899,574**	$ 4,420,405
Building and improvements, less accumulated depreciation of $2,131,838 in 2001 and $324,732 in 2000	**45,814,781**	26,004,918
Total real estate assets	**54,714,355**	30,425,323
Cash and cash equivalents	**1,345,562**	207,475
Accounts receivable	**442,023**	130,490
Total assets	**$ 56,501,940**	$ 30,763,288
Liabilities and Partners' Capital		
Liabilities:		
Accounts payable	**$ 134,969**	$ 0
Partnership distributions payable	**1,238,205**	208,261
Total liabilities	**1,373,174**	208,261
Partners' capital:		
Wells Real Estate Fund XII	**24,828,894**	16,242,127
Wells Operating Partnership, L.P.	**30,299,872**	14,312,900
Total partners' capital	**55,128,766**	30,555,027
Total liabilities and partners' capital	**$ 56,501,940**	$ 30,763,288

Fund XII and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Income
for the Year Ended December 31, 2001 and
the Period From May 10, 2000 (Inception) Through
December 31, 2000

	2001	2000
Revenues:		
Rental income	**$ 4,683,323**	$ 974,796
Interest income	**25,144**	2,069
	4,708,467	976,865
Expenses:		
Depreciation	**1,807,106**	324,732
Management and leasing fees	**224,033**	32,756
Partnership administration	**38,928**	3,917
Legal and accounting	**16,425**	0
Operating costs, net of reimbursements	**10,453**	1,210
	2,096,945	362,615
Net income	**$ 2,611,522**	$ 614,250
Net income allocated to Wells Real Estate Fund XII	**$ 1,224,645**	$ 309,190
Net income allocated to Wells Operating Partnership, L.P.	**$ 1,386,877**	$ 305,060

Fund XII and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Partners' Capital
for the Year Ended December 31, 2001 and
the Period From May 10, 2000 (Inception) Through
December 31, 2000

	Wells Real Estate Fund XII	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, May 10, 2000 (inception)	$ 0	$ 0	$ 0
Net income	309,190	305,060	614,250
Partnership contributions	16,340,884	14,409,171	30,750,055
Partnership distributions	(407,948)	(401,330)	(809,278)
Balance, December 31, 2000	16,242,126	14,312,901	30,555,027
Net income	**1,224,645**	**1,386,877**	**2,611,522**
Partnership contributions	**9,298,084**	**16,795,441**	**26,093,525**
Partnership distributions	**(1,935,961)**	**(2,195,347)**	**(4,131,308)**
Balance, December 31, 2001	**$ 24,828,894**	**$ 30,299,872**	**$ 55,128,766**

Fund XII and REIT Joint Venture
(A Georgia Joint Venture)

Statements of Cash Flows
for the Year Ended December 31, 2001 and
the Period From May 10, 2000 (Inception) Through
December 31, 2000

	2001	2000
Cash flows from operating activities:		
Net income	**$ 2,611,522**	$ 614,250
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**1,807,106**	324,732
Changes in assets and liabilities:		
Accounts receivable	**(311,533)**	(130,490)
Accounts payable	**134,969**	0
Total adjustments	**1,630,542**	194,242
Net cash provided by operating activities	**4,242,064**	808,492
Cash flows from investing activities:		
Investment in real estate	**(26,096,138)**	(29,520,043)
Cash flows from financing activities:		
Distributions to joint venture partners	**(3,101,364)**	(601,017)
Contributions received from partners	**26,093,525**	29,520,043
Net cash provided by financing activities	**22,992,161**	28,919,026
Net increase in cash and cash equivalents	**1,138,087**	207,475
Cash and cash equivalents, beginning of period	**207,475**	0
Cash and cash equivalents, end of year	**$ 1,345,562**	$ 207,475
Supplemental disclosure of noncash activities:		
Deferred project costs contributed to joint venture	**$ 0**	$ 1,230,012

Fund XIII and REIT Joint Venture

On June 27, 2001, Wells Real Estate Fund XIII, L.P. ("Fund XIII") entered into a joint venture with the Operating Partnership to form the Fund XIII and REIT Joint Venture. On July 16, 2001, the Fund XIII and REIT Joint Venture purchased an 85,000-square foot, two-story office building known as the AmeriCredit Building in Clay County, Florida. On December 21, 2001, the Fund XIII and REIT Joint Venture purchased two connected one-story office and assembly buildings consisting of 148,200 square feet known as the ADIC Buildings in Douglas County, Colorado.

Following are the financial statements for the Fund XIII and REIT Joint Venture:

The Fund XIII and REIT Joint Venture
(A Georgia Joint Venture)

Balance Sheet
December 31, 2001

Assets

Real estate assets, at cost:		
Land	$	3,724,819
Building and improvements, less accumulated depreciation of $266,605 in 2001		22,783,948
Total real estate assets		26,508,767
Cash and cash equivalents		460,380
Accounts receivable		71,236
Prepaid assets and other expenses		773
Total assets	$	27,041,156

Liabilities and Partners' Capital

Liabilities:		
Accounts payable	$	145,331
Partnership distributions payable		315,049
Total liabilities		460,380
Partners' capital:		
Wells Real Estate Fund XIII		8,453,438
Wells Operating Partnership, L.P.		18,127,338
Total partners' capital		26,580,776
Total liabilities and partners' capital	$	27,041,156

The Fund XIII and REIT Joint Venture
(A Georgia Joint Venture)

Statement of Income
for the Period From June 27, 2001 (Inception) Through
December 31, 2001

Revenues:	
Rental income	$ 706,373
Expenses:	
Depreciation	266,605
Management and leasing fees	26,954
Operating costs, net of reimbursements	53,659
Legal and accounting	2,800
	350,018
Net income	$ 356,355
Net income allocated to Wells Real Estate Fund XIII	$ 58,610
Net income allocated to Wells Operating Partnership, L.P.	$ 297,745

The Fund XIII and REIT Joint Venture
(A Georgia Joint Venture)

Statement of Partners' Capital
for the Period From June 27, 2001 (Inception) Through
December 31, 2001

	Wells Real Estate Fund XIII	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, June 27, 2001 (inception)	$ 0	$ 0	$ 0
Net income	58,610	297,745	356,355
Partnership contributions	8,491,069	18,285,076	26,776,145
Partnership distributions	(96,241)	(455,483)	(551,724)
Balance, December 31, 2001	$ 8,453,438	$ 18,127,338	$26,580,776

The Fund XIII and REIT Joint Venture
(A Georgia Joint Venture)

Statement of Cash Flows
for the Period From June 27, 2001 (Inception) Through
December 31, 2001

Cash flows from operating activities:	
Net income	$ 356,355
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	266,605
Changes in assets and liabilities:	
Accounts receivable	(71,236)
Prepaid expenses and other assets	(773)
Accounts payable	145,331
Total adjustments	339,927
Net cash provided by operating activities	696,282
Cash flows from investing activities:	
Investment in real estate	(25,779,337)
Cash flows from financing activities:	
Contributions from joint venture partners	25,780,110
Distributions to joint venture partners	(236,675)
Net cash provided by financing activities	25,543,435
Net increase in cash and cash equivalents	460,380
Cash and cash equivalents, beginning of period	0
Cash and cash equivalents, end of year	$ 460,380
Supplemental disclosure of noncash activities:	
Deferred project costs contributed to Joint Venture	$ 996,035

6. INCOME TAX BASIS NET INCOME AND PARTNERS' CAPITAL

The Operating Partnership's income tax basis net income for the years ended December 31, 2001 and 2000 are calculated as follows:

	2001	2000
Financial statement net income	**$ 21,723,967**	$ 8,552,967
Increase (decrease) in net income resulting from:		
Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes	**7,347,459**	3,511,353
Rental income accrued for financial reporting purposes in excess of amounts for income tax purposes	**(2,735,237)**	(1,822,220)
Expenses deductible when paid for income tax purposes, accrued for financial reporting purposes	**25,658**	37,675
Income tax basis net income	**$ 26,361,847**	$ 10,279,775

The Operating Partnership's income tax basis partners' capital at December 31, 2001 and 2000 is computed as follows:

	2001	2000
Financial statement partners' capital	**$ 710,285,758**	$ 265,341,612
Increase (decrease) in partners' capital resulting from:		
Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes	**11,891,061**	4,543,602
Capitalization of syndication costs for income tax purposes, which are accounted for as cost of capital for financial reporting purposes	**12,896,312**	12,896,312
Accumulated rental income accrued for financial reporting purposes in excess of amounts for income tax purposes	**(5,382,483)**	(2,647,246)
Accumulated expenses deductible when paid for income tax purposes, accrued for financial reporting purposes	**114,873**	89,215
Dividends payable	**1,059,026**	1,025,010
Other	**(222,378)**	(222,378)
Income tax basis partners' capital	**$ 730,642,169**	$ 281,026,127

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, 2001 is as follows:

Year ended December 31:	
2002	$ 69,364,229
2003	70,380,691
2004	71,184,787
2005	70,715,556
2006	71,008,821
Thereafter	270,840,299
	$ 623,494,383

One tenant contributed 10% of rental income for the year ended December 31, 2001. In addition, one tenant will contribute 12% of future minimum rental income.

Future minimum rental income due from Fund VIII, IX, and REIT Joint Venture under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:	
2002	$ 1,287,119
2003	1,287,119
2004	107,260
2005	0
2006	0
Thereafter	0
	$ 2,681,498

One tenant contributed 100% of rental income for the year ended December 31, 2001. In addition, one tenant will contribute 100% of future minimum rental income.

The future minimum rental income due from Fund IX, X, XI, and REIT Joint Venture under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:		
2002	$	3,648,769
2003		3,617,432
2004		3,498,472
2005		2,482,815
2006		2,383,190
Thereafter		3,053,321
	$	18,683,999

Four tenants contributed 26%, 23%, 13%, and 13% of rental income for the year ended December 31, 2001. In addition, four tenants will contribute 38%, 21%, 20%, and 17% of future minimum rental income.

The future minimum rental income due Wells/Orange County Associates under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:		
2002	$	834,888
2003		695,740
	$	1,530,628

One tenant contributed 100% of rental income for the year ended December 31, 2001 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, 2001 is as follows:

Year ended December 31:		
2002	$	922,444
2003		950,118
2004		894,832
	$	2,767,394

One tenant contributed 100% of rental income for the year ended December 31, 2001 and will contribute 100% of future minimum rental income.

The future minimum rental income due from Fund XI, XII, and REIT Joint Venture under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:		
2002	$	3,277,512
2003		3,367,510
2004		3,445,193
2005		3,495,155
2006		3,552,724
Thereafter		2,616,855
	$	19,754,949

Four tenants contributed approximately 30%, 28%, 24%, and 18% of rental income for the year ended December 31, 2001. In addition, four tenants will contribute approximately 30%, 27%, 25%, and 18% of future minimum rental income.

The future minimum rental income due from Fund XII and REIT Joint Venture under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:		
2002	$	5,352,097
2003		5,399,451
2004		5,483,564
2005		5,515,926
2006		5,548,289
Thereafter		34,677,467
	$	61,976,794

Three tenants contributed approximately 31%, 29%, and 27% of rental income for the year ended December 31, 2001. In addition, three tenants will contribute approximately 58%, 21%, and 18% of future minimum rental income.

The future minimum rental income due Fund XIII and REIT Joint Venture under noncancelable operating leases at December 31, 2001 is as follows:

Year ended December 31:		
2002	$	2,545,038
2003		2,602,641
2004		2,661,228
2005		2,721,105
2006		2,782,957
Thereafter		13,915,835
	$	27,228,804

One tenant contributed approximately 95% of rental income for the year ended December 31, 2001. In addition, two tenants will contribute approximately 51% and 49% of future minimum rental income.

8. INVESTMENT IN BONDS AND OBLIGATION UNDER CAPITAL LEASE

On September 27, 2001, the Operating Partnership acquired a ground leasehold interest in the Ingram Micro Distribution Facility pursuant to a Bond Real Property Lease dated December 20, 1995 (the “Bond Lease”). The ground leasehold interest under the Bond Lease, along with the Bond and Bond Deed of Trust described below, were purchased from Ingram Micro, L.P. (“Ingram”) in a sale lease-back transaction for a purchase price of $21,050,000. The Bond Lease expires on December 31, 2026. At closing, the Operating Partnership also entered into a new lease with Ingram pursuant to which Ingram agreed to lease the entire Ingram Micro Distribution Facility for a lease term of 10 years with two successive 10-year renewal options.

In connection with the original development of the Ingram Micro Distribution Facility, the Industrial Development Board of the City of Milington, Tennessee (the “Industrial Development Board”) issued an Industrial Development Revenue Note dated December 20, 1995 in the principal amount of $22,000,000 (the “Bond”) to Lease Plan North America, Inc. (the “Original Bond Holder”). The proceeds from the issuance of the Bond were utilized to finance the construction of the Ingram Micro Distribution Facility. The Bond is secured by a Fee Construction Mortgage Deed of Trust Assignment of Rents and Leases also dated December 20, 1995 (the “Bond Deed of Trust”) executed by the Industrial Development Board for the benefit of the Original Bond Holder. Beginning in 2006, the holder of the Bond Lease has the option to purchase the land underlying the Ingram Micro Distribution Facility for $100.00 plus satisfaction of the indebtedness evidenced by the Bond which, as set forth below, was acquired and is currently held by the Operating Partnership.

On December 20, 2000, Ingram purchased the Bond and the Bond Deed of Trust from the Original Bond Holder. On September 27, 2001, along with purchasing the Ingram Micro Distribution Facility through its acquisition of the ground leasehold interest under the Bond Lease, the Operating Partnership also acquired the Bond and the Bond Deed of Trust from Ingram. Because the Operating Partnership is technically subject to the obligation to pay the $22,000,000 indebtedness evidenced by the Bond, the obligation to pay the Bond is carried on the Company’s books as a liability;

however, since Operating Partnership is also the owner of the Bond, the Bond is also carried on the Company's books as an asset.

9. NOTES PAYABLE

As of December 31, 2001, the Operating Partnership's notes payable included the following:

Note payable to Bank of America, interest at 5.9%, interest payable monthly, due July 30, 2003, collateralized by the Nissan property	$	468,844
Note payable to SouthTrust Bank, interest at LIBOR plus 175 basis points, principal and interest payable monthly, due June 10, 2002; collateralized by the Operating Partnership's interests in the Cinemark Building, the Dial Building, the ASML Building, the Motorola Tempe Building, the Avnet Building, the Matsushita Building, and the PwC Building		7,655,600
Total	$	8,124,444

The contractual maturities of the Operating Partnership's notes payable are as follows as of December 31, 2001:

2002	$	7,655,600
2003		468,844
Total	$	8,124,444

10. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor ("Wells Exchange") has developed a program (the "Wells Section 1031 Program") involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's board of directors, it is anticipated that Wells OP will enter into a take out purchase and escrow agreement or similar contract providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interest in that particular property to 1031 Participants, the Operating Partnership will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

As a part of the initial transaction in the Wells Section 1031 Program, and in consideration for the payment of a take out fee in the amount of $137,500 to the Company, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing that, among other things, Wells OP is obligated to acquire, at Wells Exchange's cost ($839,694 in cash plus $832,060 of assumed debt for each 7.63358% interest of co-tenancy interest unsold), any co-tenancy interest in the building known as the Ford Motor Credit Complex which remains unsold at the expiration of the offering of Wells Exchange, which has been extended to April 15, 2002, which is also the maturity date of the interim loan relating to such property. The Ford Motor Credit Complex consists of two connecting office buildings containing 167,438 rentable square feet located in Colorado Springs, Colorado, currently under a triple-net lease with Ford Motor Credit Company, a wholly owned subsidiary of Ford Motor Company.

The obligations of Wells OP under the take out purchase and escrow agreement are secured by reserving against a portion of Wells OP's existing line of credit with Bank of America, N.A. (the "Interim Lender"). If, for any reason, Wells OP fails to acquire any of the co-tenancy interest in the Ford Motor Credit Complex which remains unsold as of

April 15, 2002, or there is otherwise an uncured default under the interim loan or the line of credit documents, the Interim Lender is authorized to draw down Wells OP's line of credit in the amount necessary to pay the outstanding balance of the interim loan in full, in which event the appropriate amount of co-tenancy interest in the Ford Motor Credit Complex would be deeded to Wells OP. Wells OP's maximum economic exposure in the transaction is $21,900,000, in which event Wells OP would acquire the Ford Motor Credit Complex for $11,000,000 in cash plus assumption of the first mortgage financing in the amount of $10,900,000. If some, but not all, of the co-tenancy interests are sold, Wells OP's exposure would be less, and it would own an interest in the property in co-tenancy with the 1031 Participants who had previously acquired co-tenancy interests in the Ford Motor Credit Complex from Wells Exchange.

Development of the Nissan Property

The Operating Partnership has entered into an agreement with an independent third-party general contractor for the purpose of designing and constructing a three-story office building containing 268,290 rentable square feet on the Nissan Property. The construction agreement provides that the Operating Partnership will pay the contractor a maximum of $25,326,017 for the design and construction of the building. Construction commenced on January 25, 2002 and is scheduled to be completed within 20 months.

General

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.

11. SHAREHOLDERS' EQUITY

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 Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." As permitted by the provisions of SFAS No. 123, the Company applies Accounting Principles Board 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 2001 and 2000 is as follows:

	Number	Exercise Price
Outstanding at December 31, 1999	17,500	$ 12
Granted	7,000	12
Outstanding at December 31, 2000	24,500	12
Granted	7,000	12
Outstanding at December 31, 2001	31,500	12
Outstanding options exercisable as of December 31, 2001	10,500	12

For SFAS No. 123 purposes, the fair value of each stock option for 2001 and 2000 has been estimated as of the date of the grant using the minimum value method. The weighted average risk-free interest rates assumed for 2001 and 2000 were 5.05% and 6.45%, respectively. Dividend yields of 7.8% and 7.3% were assumed for 2001 and 2000, respectively. The expected life of an option was assumed to be six years and four years for 2001 and 2000, respectively. Based on these assumptions, the fair value of the options granted during 2001 and 2000 is $0.

Treasury Stock

During 1999, the Company's board of directors authorized a dividend reinvestment program (the "DRP"), through which common shareholders may elect to reinvest an amount equal to the dividends declared on their common shares into additional shares of the Company's common stock in lieu of receiving cash dividends. During 2000, the Company's board of directors authorized a common stock repurchase plan subject to the amount reinvested in the Company's common shares through the DRP, less shares already redeemed, and a limitation in the amount of 3% of the average common shares outstanding during the preceding year. During 2001 and 2000, the Company repurchased 413,743 and 141,297 of its own common shares at an aggregate cost of $4,137,427 and $1,412,969, respectively. These transactions were funded with cash on hand and did not exceed either of the foregoing limitations.

12. QUARTERLY RESULTS (UNAUDITED)

Presented below is a summary of the unaudited quarterly financial information for the years ended December 31, 2001 and 2000:

	2001 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues	**$ 10,669,713**	**$ 10,891,240**	**$ 12,507,904**	**$ 15,239,945**
Net income	**3,275,345**	**5,038,898**	**6,109,137**	**7,300,587**
Basic and diluted earnings per share(a)	**$ 0.10**	**$ 0.12**	**$ 0.11**	**$ 0.10**
Dividends per share(a)	**0.19**	**0.19**	**0.19**	**0.19**

(a) The totals of the four quarterly amounts for the year ended December 31, 2001 do not equal the totals for the year. This difference results from rounding differences between quarters.

	2000 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 3,710,409	$ 5,537,618	$ 6,586,611	$ 7,538,568
Net income	1,691,288	1,521,021	2,525,228	2,815,430
Basic and diluted earnings per share	$ 0.11	$ 0.08	$ 0.11	$ 0.10
Dividends per share	0.18	0.18	0.18	0.19

13. SUBSEQUENT EVENT

On January 11, 2002, the Operating Partnership purchased a three-story office building on a 9.8-acre tract of land located in Sarasota County, Florida known as the Arthur Andersen Building, from an unaffiliated third party for $21,400,000. The Operating Partnership incurred additional related acquisition expenses, including attorneys' fees, recording fees, structural report and environmental report fees, and other closing costs, of approximately $30,000.

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

SCHEDULE III—REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION December 31, 2001
(Unaudited)

	Cost	Accumulated Depreciation
BALANCE AT DECEMBER 31, 1998	$ 76,201,910	$ 1,487,963
1999 additions	103,916,288	4,243,688
BALANCE AT DECEMBER 31, 1999	180,118,198	5,731,651
2000 additions	293,450,036	11,232,378
BALANCE AT DECEMBER 31, 2000	473,568,234	16,964,029
2001 additions	294,740,403	20,821,037
BALANCE AT DECEMBER 31, 2001	**$ 768,308,697**	**$ 37,785,066**

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY
(A Georgia Public Limited Partnership)

SCHEDULE III—REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION
December 31, 2001
(Unaudited)

Description	Ownership Percentage	Encumbrances	Initial Cost		Costs of Capitalized Improvements	Gross Amount at Which Carried at December 31, 2001				Accumulated Depreciation	Date of Construction	Date Acquired	Life on Which Depreciation is Computed (dd)
			Land	Buildings and Improvements		Land	Buildings and Improvements	Construction in Progress	Total				
ALSTOM POWER—KNOXVILLE PROPERTY(a)	4%	None	$ 582,897	$ 744,164	$ 6,744,547	$ 607,930	$ 7,463,678	$ 0	$ 8,071,608	$ 1,844,482	1997	12/10/96	20 to 25 years
AVAYA BUILDING	4	None	1,002,723	4,386,374	242,241	1,051,138	4,580,200	0	5,631,338	656,495	1998	6/24/98	20 to 25 years
360 INTERLOCKEN (c)	4	None	1,570,000	6,733,500	437,266	1,650,070	7,090,696	0	8,740,766	1,098,339	1996	3/20/98	20 to 25 years
IOMEGA PROPERT(d)	4	None	597,000	4,674,624	876,459	641,988	5,506,095	0	6,148,083	742,404	1998	7/01/98	20 to 25 years
OHMEDA PROPERTY(e)	4	None	2,613,600	7,762,481	528,415	2,746,894	8,157,602	0	10,904,496	1,278,024	1998	2/13/98	20 to 25 years
FAIRCHILD PROPERTY(f)	78	None	2,130,480	6,852,630	374,300	2,219,251	7,138,159	0	9,357,410	999,301	1998	7/21/98	20 to 25 years
ORANGE COUNTY PROPERTY(g)	44	None	2,100,000	4,463,700	287,916	2,187,501	4,664,115	0	6,851,616	651,780	1988	7/31/98	20 to 25 years
PRICEWATER-HOUSECOOPERS PROPERTY(h)	100	None	1,460,000	19,839,071	825,560	1,520,834	20,603,797	0	22,124,631	2,469,792	1998	12/31/98	20 to 25 years
EYBL CARTEX PROPERTY(i)	57	None	330,000	4,791,828	213,411	343,750	4,991,489	0	5,335,239	532,416	1998	5/18/99	20 to 25 years
SPRINT BUILDING (j)	57	None	1,696,000	7,850,726	397,783	1,766,667	8,177,842	0	9,944,509	817,785	1998	7/2/99	20 to 25 years
JOHNSON MATTHEY(k)	57	None	1,925,000	6,131,392	335,685	2,005,209	6,386,868	0	8,392,077	617,438	1973	8/17/99	20 to 25 years
GARTNER PROPERTY(l)	57	None	895,844	7,451,760	347,820	933,171	7,762,253	0	8,695,424	724,477	1998	9/20/99	20 to 25 years
AT&T—PA PROPERTY(m)	100	None	662,000	11,836,368	265,740	689,583	12,074,525	0	12,764,108	1,408,686	1998	2/4/99	20 to 25 years
MARCONI PROPERTY(n)	100	None	5,000,000	28,161,665	1,381,747	5,208,335	29,335,077	0	34,543,412	2,737,941	1991	9/10/99	20 to 25 years
CINEMARK PROPERTY(o)	100	None	1,456,000	20,376,881	908,217	1,516,667	21,224,431	0	22,741,098	1,768,692	1999	12/21/99	20 to 25 years

Description	Ownership Percentage	Encumbrances	Initial Cost		Costs of Capitalized Improvements	Gross Amount at Which Carried at December 31, 2001				Accumulated Depreciation	Date of Construction	Date Acquired	Life on Which Depreciation is Computed (dd)
			Land	Buildings and Improvements		Land	Buildings and Improvements	Construction in Progress	Total				
MATSUSHITA PROPERTY (p)	100	None	4,577,485	0	13,860,142	4,768,215	13,773,660	0	18,541,875	2,032,803	1999	3/15/99	20 to 25 years
ALSTOM POWER—RICHMOND PROPERTY (q)	100	None	948,401	0	9,938,308	987,918	9,923,454	0	10,911,372	921,980	1999	7/22/99	20 to 25 years
METRIS—OK PROPERTY (r)	100	None	1,150,000	11,569,583	541,489	1,197,917	12,063,155	0	13,261,072	881,413	2000	2/11/00	20 to 25 years
DIAL PROPERTY (s)	100	None	3,500,000	10,785,309	601,264	3,645,835	11,240,738	83,125	14,969,698	821,315	1997	3/29/00	20 to 25 years
ASML PROPERTY (t)	100	None	0	17,392,633	731,685	0	18,124,318	0	18,124,318	1,314,573	1995	3/29/00	20 to 25 years
MOTOROLA—AZ PROPERTY (u)	100	None	0	16,036,219	669,639	0	16,705,858	0	16,705,858	1,218,400	1998	3/29/00	20 to 25 years
AVNET PROPERTY (v)	100	None	0	13,271,502	551,156	0	13,822,658	0	13,822,658	868,060	2000	6/12/00	20 to 25 years
DELPHI PROPERTY (w)	100	None	2,160,000	16,775,971	1,676,956	2,250,008	18,469,408	14,877	20,734,293	1,286,705	2000	6/29/00	20 to 25 years
SIEMENS PROPERTY (x)	47	None	2,143,588	12,048,902	591,358	2,232,905	12,550,943	43,757	14,827,605	959,465	2000	5/10/00	20 to 25 years
QUEST PROPERTY (y)	16	None	2,220,993	5,545,498	51,285	2,220,993	5,602,160	0	7,823,153	649,436	1997	9/10/97	20 to 25 years
MOTOROLA—NJ PROPERTY (z)	100	None	9,652,500	20,495,243	0	10,054,720	25,540,919	392,104	35,987,743	1,541,768	2000	11/1/00	20 to 25 years
METRIS—MN PROPERTY (aa)	100	None	7,700,000	45,151,969	2,181	8,020,859	47,042,309	0	55,063,168	2,000,737	2000	12/21/00	20 to 25 years
STONE & WEBSTER PROPERTY (bb)	100	None	7,100,000	37,914,954	0	7,395,857	39,498,469	0	46,894,326	1,679,981	1994	12/21/00	20 to 25 years
AT&T—OK PROPERTY (cc)	47	None	2,100,000	13,227,555	638,651	2,187,500	13,785,631	0	15,973,131	597,317	1999	12/28/00	20 to 25 years
COMDATA PROPERTY	64	None	4,300,000	20,650,000	572,944	4,479,168	21,566,287	0	26,045,455	575,056	1986	5/15/2001	20 to 25 years
AMERICREDIT PROPERTY	87	None	1,610,000	10,890,000	563,257	1,677,084	11,386,174	0	13,063,258	227,724	2001	7/16/2001	20 to 25 years
STATE STREET PROPERTY	100	None	10,600,000	38,962,988	4,344,837	11,041,670	40,666,305	2,201,913	53,909,888	807,903	1998	7/30/2001	20 to 25 years
IKON PROPERTY	100	None	2,735,000	17,915,000	985,856	2,847,300	18,792,672	0	21,639,972	250,689	2000	9/7/2001	20 to 25 years
NISSAN PROPERTY	100	$ 8,124,444	5,545,700	0	21,353	5,567,053	0	2,653,777	8,220,830	0	2002	9/19/2001	20 to 25 years
INGRAM MICRO PROPERTY	100	$ 22,000,000	333,049	20,666,951	922,657	333,049	21,590,010	0	21,923,059	292,307	1997	9/27/2001	20 to 25 years
LUCENT PROPERTY	100	None	7,000,000	10,650,000	1,106,240	7,275,830	11,484,562	0	18,760,392	153,093	2000	9/28/2001	20 to 25 years

Description	Ownership Percentage	Encumbrances	Initial Cost		Costs of Capitalized Improvements	Gross Amount at Which Carried at December 31, 2001				Accumulated Depreciation	Date of Construction	Date Acquired	Life on Which Depreciation is Computed (dd)
			Land	Buildings and Improvements		Land	Buildings and Improvements	Construction in Progress	Total				
CONVERGYS PROPERTY	100	None	3,500,000	9,755,000	791,672	3,642,442	10,404,230	0	14,046,672	34,681	2001	12/21/2001	20 to 25 years
ADIC PROPERTY	51	None	1,954,213	11,000,000	757,902	2,047,735	11,664,380	0	13,712,115	38,881	2001	12/21/2001	20 to 25 years
WINDY POINT I PROPERTY	100	None	4,360,000	29,298,642	1,440,568	4,536,862	30,562,349	0	35,099,211	101,875	1999	12/31/2001	20 to 25 years
WINDY POINT II PROPERTY	100	None	3,600,000	52,016,358	2,385,402	3,746,033	54,255,727	0	58,001,760	180,852	2001	12/31/2001	20 to 25 years
Total		$ 30,124,444	$112,812,473	$ 584,077,441	$ 57,913,909	$117,245,941	$ 645,673,203	$ 5,389,553	$768,308,697	$ 37,785,066			

(a) The Alstom Power Knoxville Property consists of a three-story office building located in Knoxville, Tennessee. It is owned by Fund IX-X-XI-REIT Joint Venture.
(b) The Avaya Building consists of a one-story office building located in Oklahoma City, Oklahoma. It is owned by Fund IX-X-XI-REIT Joint Venture.
(c) The 360 Interlocken Property consists of a three-story multi-tenant office building located in Broomfield, Colorado. It is owned by Fund IX-X-XI-REIT Joint Venture.
(d) The Iomega Property consists of a one-story warehouse and office building located in Ogden, Utah. It is owned by Fund IX-X-XI-REIT Joint Venture.
(e) The Ohmeda Property consists of a two-story office building located in Louisville, Colorado. It is owned by Fund IX-X-XI-REIT Joint Venture.
(f) The Fairchild Property consists of a two-story warehouse and office building located in Fremont, California. It is owned by Wells/Freemont Associates.
(g) The Orange County Property consists of a one-story warehouse and office building located in Fountain Valley, California. It is owned by Wells/Orange County Associates.
(h) The PriceWaterhouseCoopers Property consists of a four-story office building located in Tampa, Florida. It is 100% owned by the Company.
(i) The EYBL CarTex Property consists of a one-story manufacturing and office building located in Fountain Inn, South Carolina. It is owned by Fund XI-XII-REIT Joint Venture.
(j) The Sprint Building consists of a three-story office building located in Leawood, Kansas. It is owned by Fund XI-XII-REIT Joint Venture.
(k) The Johnson Matthey Property consists of a one-story research and development office and warehouse building located in Chester County, Pennsylvania. It is owned by Fund XI-XII-REIT Joint Venture.
(l) The Gartner Property consists of a two-story office building located in Ft. Myers, Florida. It is owned by Fund XI-XII-REIT Joint Venture
(m) The AT&T—PA Property consists of a four-story office building located in Harrisburg, Pennsylvania. It is 100% owned by the Company.
(n) The Marconi Property consists of a two-story office building located in Wood Dale, Illinois. It is 100% owned by the Company.
(o) The Cinemark Property consists of a five-story office building located in Plano, Texas. It is 100% owned by the Company.
(p) The Matsushita Property consists of a two-story office building located in Lake Forest, California. It is 100% owned by the Company.
(q) The Alstom Property consists of a four-story office building located in Midlothian, Chesterfield County, Virginia. It is 100% owned by the Company.
(r) The Metris—OK Property consists of a three-story office building located in Tulsa, Oklahoma. It is 100% owned by the Company.
(s) The Dial Property consists of a two-story office building located in Scottsdale, Arizona. It is 100% owned by the Company.
(t) The ASML Property consists of a two-story office building located in Tempe, Arizona. It is 100% owned by the Company.
(u) The Motorola—AZ Property consists of a two-story office building located in Tempe, Arizona. It is 100% owned by the Company.
(v) The Avnet Property consists of a two-story office building located in Tempe, Arizona. It is 100% owned by the Company.
(w) The Delphi Property consists of a three-story office building located in Troy, Michigan. It is 100% owned by the Company.
(x) The Siemens Property consists of a three-story office building located in Troy, Michigan. It is owned by Fund XII-REIT Joint Venture.
(y) The Quest Property consists of a two-story office building located in Orange County, California. It is owned by Fund VIII-IX-REIT Joint Venture.
(z) The Motorola—NJ Property consists of a three-story office building located in South Plainfield, New Jersey. It is 100% owned by the Company.
(aa) The Metris—MN Property consists of a nine-story office building located in Minnetonka, Minnesota. It is 100% owned by the Company.
(bb) The Stone & Webster Property consists of a six-story office building located in Houston, Texas. It is 100% owned by the Company.
(cc) The AT&T—OK Property consists of a two-story office building located in Oklahoma City, Oklahoma. It is owned by the Fund XII-REIT Joint Venture.
(dd) Depreciation lives used for buildings are 25 years. Depreciation lives used for land improvements are 20 years.

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	March 31, 2002 (Unaudited)	December 31, 2001
ASSETS		
REAL ESTATE ASSETS, at cost:		
Land	$ 94,273,542	$ 86,246,985
Building and improvements, less accumulated depreciation of $30,558,906 in 2002 and $24,814,454 in 2001	563,639,005	472,383,102
Construction in progress	8,827,823	5,738,573
Total real estate assets	666,740,370	564,368,660
INVESTMENT IN JOINT VENTURES	76,811,543	77,409,980
CASH AND CASH EQUIVALENTS	187,022,573	75,586,168
INVESTMENT IN BONDS	22,000,000	22,000,000
ACCOUNTS RECEIVABLE	7,697,487	6,003,179
DEFERRED PROJECT COSTS	7,739,896	2,977,110
DEFERRED LEASE ACQUISITION COSTS, net	1,868,674	1,525,199
DUE FROM AFFILIATES	1,820,241	1,692,727
PREPAID EXPENSES AND OTHER ASSETS, net	1,584,942	718,389
DEFERRED OFFERING COSTS	244,761	0
Total assets	$ 973,530,487	$ 752,281,412
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	$ 11,071,586	$ 8,124,444
Obligation under capital lease	22,000,000	22,000,000
Accounts payable and accrued expenses	8,570,735	8,727,473
Dividends payable	3,657,498	1,059,026
Due to affiliates	990,923	2,166,161
Deferred rental income	1,567,241	661,657
Total liabilities	47,857,983	42,738,761
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	200,000
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 125,000,000 shares authorized, 109,331,764 shares issued and 108,472,526 shares outstanding at March 31, 2002, and 83,761,469 shares issued and 83,206,429 shares outstanding at December 31, 2001	1,093,317	837,614
Additional paid-in capital	966,577,500	738,236,525
Cumulative distributions in excess of earnings	(33,555,824)	(24,181,092)
Treasury stock, at cost, 859,238 shares at March 31, 2002 and 555,040 shares at December 31, 2001	(8,592,377)	(5,550,396)
Other comprehensive loss	(50,112)	0
Total shareholders' equity	925,472,504	709,342,651
Total liabilities and shareholders' equity	$ 973,530,487	$ 752,281,412

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended	
	March 31, 2002	March 31, 2001
REVENUES:		
Rental income	$ 16,738,163	$ 9,860,085
Equity in income of joint ventures	1,206,823	709,713
Interest income	1,113,715	99,915
Take out fee	134,102	0
	19,192,803	10,669,713
EXPENSES:		
Depreciation	5,744,452	3,187,179
Management and leasing fees	899,495	565,714
Operating costs, net of reimbursements	624,698	1,091,185
General and administrative	529,031	175,107
Interest expense	440,001	2,160,426
Amortization of deferred financing costs	175,462	214,757
	8,413,139	7,394,368
NET INCOME	$ 10,779,664	$ 3,275,345
EARNINGS PER SHARE		
Basic and diluted	$ 0.11	$ 0.10

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the year ended December 31, 2001
and for the three months ended March 31, 2002

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders' Equity
BALANCE, December 31, 2000	31,509,807	$ 315,097	$ 275,573,339	$ (9,133,855)	$ 0	(141,297)	$ (1,412,969)	$ 0	$ 265,341,612
Issuance of common stock	52,251,662	522,517	521,994,103	0	0	0	0	0	522,516,620
Treasury stock purchased	0	0	0	0	0	(413,743)	(4,137,427)	0	(4,137,427)
Net income	0	0	0	0	21,723,967	0	0	0	21,723,967
Dividends ($.76 per share)	0	0	0	(15,047,237)	(21,723,967)	0	0	0	(36,771,204)
Sales commissions and discounts	0	0	(49,246,118)	0	0	0	0	0	(49,246,118)
Other offering expenses	0	0	(10,084,799)	0	0	0	0	0	(10,084,799)
BALANCE, December 31, 2001	83,761,469	837,614	738,236,525	(24,181,092)	0	(555,040)	(5,550,396)	0	709,342,651
Issuance of common stock	**25,570,295**	**255,703**	**255,447,240**	**0**	**0**	**0**	**0**	**0**	**255,702,943**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(304,198)**	**(3,041,981)**	**0**	**(3,041,981)**
Net income	**0**	**0**	**0**	**0**	**10,779,664**	**0**	**0**	**0**	**10,779,664**
Dividends ($.19 per share)	**0**	**0**	**0**	**(9,374,732)**	**(10,779,664)**	**0**	**0**	**0**	**(20,154,396)**
Sales commissions and discounts	**0**	**0**	**(24,579,655)**	**0**	**0**	**0**	**0**	**0**	**(24,579,655)**
Other offering expenses	**0**	**0**	**(2,526,610)**	**0**	**0**	**0**	**0**	**0**	**(2,526,610)**
Gain/(loss) on interest rate swap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(50,112)**	**(50,112)**
BALANCE, March 31, 2002 (UNAUDITED)	**109,331,764**	**$1,093,317**	**$ 966,577,500**	**$ (33,555,824)**	**$ 0**	**(859,238)**	**$ (8,592,377)**	**$ (50,112)**	**$ 925,472,504**

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

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WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31, 2002	March 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 10,779,664	$ 3,275,345
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(1,206,823)	(709,713)
Depreciation	5,744,452	3,187,179
Amortization of deferred financing costs	175,462	214,757
Amortization of deferred leasing costs	72,749	75,837
Deferred lease acquisition costs paid	(400,000)	0
Changes in assets and liabilities:		
Accounts receivable	(1,694,308)	(264,416)
Due from affiliates	(13,740)	0
Deferred rental income	905,584	(142,888)
Prepaid expenses and other assets, net	(1,092,127)	2,481,643
Accounts payable and accrued expenses	(156,738)	96,828
Due to affiliates	(626)	20,742
Net cash provided by operating activities	13,113,549	8,235,314
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(104,051,998)	(2,703,858)
Investment in joint ventures	0	(5,749)
Deferred project costs paid	(9,461,180)	(2,288,936)
Distributions received from joint ventures	1,691,486	734,286
Net cash used in investing activities	(111,821,692)	(4,264,257)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	2,947,142	5,800,000
Repayment of notes payable	0	(56,923,187)
Dividends paid to shareholders	(17,555,924)	(6,213,236)
Issuance of common stock	255,702,943	66,174,705
Sales commissions paid	(24,579,655)	(6,212,824)
Offering costs paid	(3,327,977)	(1,961,945)
Treasury stock purchased	(3,041,981)	(776,555)
Net cash (used in) provided by financing activities	210,144,548	(113,042)
NET INCREASE IN CASH AND CASH EQUIVALENTS	111,436,405	3,858,015
CASH AND CASH EQUIVALENTS, beginning of year	75,586,168	4,298,301
CASH AND CASH EQUIVALENTS, end of period	$ 187,022,573	$ 8,156,316
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 4,080,388	$ 1,430,111
Deferred project costs due to affiliate	$ 496,134	$ 0
Interest rate swap	$ (50,112)	$ 0
Deferred offering costs due to affiliate	$ 244,761	$ 0
Other offering costs due to affiliate	$ 141,761	$ 0
Write-off of deferred offering costs due to affiliate	$ 0	$ 709,686

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONDENSED NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(Unaudited)

1. Summary of Significant Accounting Policies

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust ("REIT"). Substantially all of the Company's business is conducted through 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 income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial 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 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998, upon receiving and accepting subscriptions for 125,000 shares. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately $132,181,919 had been received from the sale of approximately 13,218,192 shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately $175,229,193 from the sale of approximately 17,522,919 shares from the second public offering. The Company commenced its third public offering of the shares of common stock on December 20, 2000. As of March 31, 2002, the Company has received gross proceeds of approximately $785,906,526 from the sale of approximately 78,590,653 shares from its third public offering. Accordingly, as of March 31, 2002, the Company has received aggregate gross offering proceeds of approximately $1,093,317,638 from the sale of 109,331,764 shares of its common stock to 27,900 investors. After payment of $37,965,419 in acquisition and advisory fees and acquisition expenses, payment of $125,647,820 in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of $735,821,825 for property acquisitions, and common stock redemptions of $8,592,377 pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $185,290,197 available for investment in properties, as of March 31, 2002.

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(b) Properties

As of March 31, 2002, the Company owned interests in 44 properties listed in the table below through its ownership in Wells OP. As of March 31, 2002, all of these properties were 100% leased.

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
Dana Detroit Building	Dana Corporation	Detroit, MI	100%	$ 23,650,000	112,480	$ 2,330,600
Dana Kalamazoo Building	Dana Corporation	Kalamazoo, MI	100%	$ 18,300,000	147,004	$ 1,842,800
Novartis Building	Novartis Opthalmics, Inc.	Atlanta, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston Building	Transocean Deepwater Offshore Drilling, Inc. Newpark Resources, Inc.	Houston, TX	100%	$ 22,000,000	103,260 52,731	$ 2,110,035 $ 1,153,227
Andersen Building	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,704	$ 1,988,454
Windy Point Buildings	TCI Great Lakes, Inc. The Apollo Group, Inc. Global Knowledge Network Zurich American Insurance Various other tenants	Schaumburg, IL	100%	$ 89,275,000	129,157 28,322 22,028 300,000 8,884	$ 1,940,404 $ 242,948 $ 358,094 $4,718,285 $ 129,947
Convergys Building	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,144,176
ADIC Buildings	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,200	$ 1,124,868
Lucent Building	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,813,500
Ingram Micro Building	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$2,035,275
Nissan Property	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 5,545,700(1)	268,290	$4,225,860(2)
IKON Buildings	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street Building	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit Building	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$1,322,388
Comdata Building	Comdata Network, Inc.	Nashville, TN	55.0%	$ 24,950,000	201,237	$ 2,443,647
AT&T Oklahoma Buildings	AT&T Corp. Jordan Associates, Inc.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500 25,000	$ 1,242,000 $ 294,504
Metris Minnesota Building	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster Building	Stone & Webster, Inc. SYSCO Corporation	Houston, TX	100%	$ 44,970,000	206,048 106,516	$ 4,533,056 $ 2,130,320
Motorola Plainfield Building	Motorola, Inc.	South Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,427
Quest Building	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119
Delphi Building	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$ 1,937,664
Avnet Building	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens Building	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,371,946
Motorola Tempe Building	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 1,913,999
ASML Building	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$ 1,927,788
Dial Building	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa Building	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$ 1,187,925
Cinemark Building	Cinemark USA, Inc. The Coca-Cola Co.	Plano, TX	100%	$ 21,800,000	65,521 52,587	$ 1,366,491 $ 1,354,524
Gartner Building	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,968

Videojet Technologies Chicago (formerly known as the "Marconi Building")	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,743
Johnson Matthey Building	Johnson Matthey, Inc.	Tredyffrin Township, PA	56.8%	$ 8,000,000	130,000	$ 841,750
Alstom Power Richmond Building	Alstom Power, Inc.	Midlothian, VA	100%	$ 11,400,000	99,057	$ 1,225,963
Sprint Building	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 1,062,949
EYBL CarTex Building	EYBL CarTex, Inc.	Greenville, SC	56.8%	$ 5,085,000	169,510	$ 543,845
Matsushita Building	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$ 18,431,206	144,906	$ 1,995,704
AT&T Pennsylvania Building	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$ 12,291,200	81,859	$ 1,442,116
PwC Building	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$21,127,854	130,091	$ 2,093,382
Fairchild Building	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 922,444
Cort Furniture Building	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$ 6,400,000	52,000	$ 834,888
Iomega Building	Iomega Corporation	Ogden City, UT	3.7%	$ 5,025,000	108,250	$ 539,958
Interlocken Building	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,975	$ 1,031,003
Ohmeda Building	Ohmeda, Inc.	Louisville, CO	3.7%	$ 10,325,000	106,750	$ 1,004,517
Alstom Power Knoxville Building	Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	84,404	$ 1,106,519
Avaya Building	Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	57,186	$ 536,977

(1) This represents the costs incurred by Wells OP to purchase the land. Total costs to be incurred for development of the Nissan Property are currently estimated to be $42,259,000.
(2) Annual rent does not take effect until construction of the building is completed and the tenant is occupying the building.

Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	The AmeriCredit Building The ADIC Buildings
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	The Siemens Building The AT&T Oklahoma Buildings The Comdata Building
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	The EYBL CarTex Building The Sprint Building The Johnson Matthey Building The Gartner Building
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	The Alstom Power Knoxville Building The Ohmeda Building The Interlocken Building The Avaya Building The Iomega Building
Wells/Fremont Associates Joint Venture (the "Fremont Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	The Fairchild Building
Wells/Orange County Associates Joint Venture (the "Orange County Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	The Cort Building
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest Building

(c) Critical Accounting Policies

The Company's accounting policies have been established in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight–line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets in 2002 or 2001.

Deferred Project Costs

Wells Capital, Inc. (the "Advisor") expects to continue to fund 100% of the acquisition and advisory fees and acquisition expenses and recognize related expenses, to the extent that such costs exceed 3.5% of cumulative capital raised (subject to certain overall limitations described in the prospectus), on behalf of the Company. The Company records acquisition and advisory fees and acquisition expenses by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, at an amount equal to 3.5% of each investment and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of March 31, 2002, amounted to $37,965,419 and represented approximately 3.5% of shareholders' capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at March 31, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third–parties less reimbursements paid to the Advisor. As the actual equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of March 31, 2002, the Advisor had paid offering expenses on behalf of the Company in an aggregate amount of $23,230,560, of which the Advisor had been reimbursed $22,021,962, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) 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 90% 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. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, shareholders are entitled to receive dividends immediately upon the purchase of shares.

Dividends to be distributed to the shareholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 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.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc., perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company.

(g) 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 or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) 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.

(i) 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.

(j) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to 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 the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in 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. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001.

2. INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of March 31, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such 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 ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of March 31, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three months ended March 31, 2002.

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Three Months Ended		Three Months Ended		Three Months Ended	
	March 31, 2002	March 31, 2001	March 31, 2002	March 31, 2001	March 31, 2002	March 31, 2001
Fund IX-X-XI-REIT Joint Venture	$ 1,379,059	$ 1,449,856	$ 554,268	$ 638,435	$ 20,572	$ 23,696
Cort Joint Venture	212,006	199,586	129,750	133,753	56,658	58,406
Fremont Joint Venture	225,161	225,178	135,948	142,612	105,365	110,530
Fund XI-XII-REIT Joint Venture	858,219	847,030	497,149	514,277	282,197	291,918
Fund XII-REIT Joint Venture	1,670,863	947,943	805,513	445,321	442,726	208,634
Fund VIII-IX-REIT Joint Venture	323,746	267,624	160,696	105,033	273,931	16,529
Fund XIII-REIT Joint Venture	700,648	0	401,674	0	25,374	0
	$ 5,369,702	$ 3,937,217	$ 2,684,998	$ 1,979,431	$ 1,206,823	$ 709,713

3. INVESTMENTS IN REAL ESTATE

As of March 31, 2002, the Company, through its ownership in Wells OP, owns 27 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended March 31, 2002.

The Andersen Building

On January 11, 2002, Wells OP purchased the Andersen Building, a three-story office building containing approximately 157,700 rentable square feet on a 9.8 acre tract of land located in Sarasota County, Florida for a purchase price of $21,400,000, excluding closing costs. The Andersen Building is leased to Arthur Andersen LLP ("Andersen"). The current term of the Andersen lease is 10 years, which commenced on November 11, 1998 and expires on October 31, 2009. Andersen has the right to extend the initial 10-year term of its lease for two additional five-year periods at 90% of the then-current market rental rate. The current annual base rent payable under the Andersen lease is $1,988,454. Andersen has the option to purchase the Andersen Building prior to the end of the fifth lease year for $23,250,000 and again at the expiration of the initial lease term for $25,148,000.

The Transocean Houston Building

On March 15, 2002, Wells OP purchased the Transocean Houston Building, a six story office building containing approximately 156,000 rentable square feet located in Houston, Harris County, Texas for a purchase price of

$22,000,000, excluding closing costs. The Transocean Houston Building is 100% leased to Transocean Deepwater Offshore Drilling, Inc. ("Transocean") and Newpark Drilling Fluids, Inc. ("Newpark").

The Transocean lease is a triple net lease which covers approximately 103,260 square feet commencing in December 2001 and expiring in March 2011. The initial annual base rent payable under the Transocean lease is $2,110,035. Transocean has the option to extend the initial term of its lease for either (1) two additional five-year periods, or (2) one additional ten-year period, at the then-current market rental rate. In addition, Transocean has an expansion option and a right of first refusal for up to an additional 51,780 rentable square feet.

The Newpark lease covers approximately 52,731 rentable square feet and is a net lease that commenced in August 1999 and expires in August 2009. The current annual base rent payable under the Newpark lease is $1,153,227.

The Novartis Atlanta Building

On March 28, 2002, Wells OP purchased the Novartis Atlanta Building, a four-story office building containing approximately 100,000 rentable square feet located in Duluth, Fulton County, Georgia for a purchase price of $15,000,000, excluding closing costs. The Novartis Atlanta Building is 100% leased to Novartis Opthalmics, Inc. ("Novartis"). The Novartis lease is a net lease which commenced in August 2001 and expires in July 2011. Novartis Corporation, the parent of Novartis, has guaranteed the lease. The current annual base rent payable is $1,426,240. Novartis, at its option, may extend the initial term of its lease for three additional five-year periods at the then-current market rental rate. In addition, Novartis may terminate the lease at the end of the fifth lease year by paying a $1,500,000 termination fee.

The Dana Corporation Buildings

On March 29, 2002, Wells OP purchased all of the membership interests in Dana Farmington Hills, LLC and Dana Kalamazoo, LLC, which respectively owned a three-story office and research development building containing approximately 112,400 rentable square feet located in Farmington Hills, Oakland County, Michigan (the "Dana Detroit Building") and a two-story office and industrial building containing approximately 147,000 rentable square feet located in Kalamazoo, Kalamazoo County, Michigan (the "Dana Kalamazoo Building") for an aggregate purchase price of $41,950,000, excluding closing costs.

The Dana Detroit Building is 100% leased to the Dana Corporation ("Dana") under a net lease that commenced in October 2001 and expires in October 2021. The current annual base rent payable under the Dana lease for Detroit is $2,330,600. Dana may, at its option, extend the initial term of its lease for six additional five-year periods at the then-current market rental rate. Additionally, Dana may terminate the lease after the eleventh year of its initial lease term subject to certain conditions.

The Dana Kalamazoo Building is also 100% leased to Dana. The Dana lease for Kalamazoo is a net lease which commenced in October 2001 and expires in October 2011. The current annual base rent payable is $1,842,800. Dana has the option to extend the initial term of the Dana lease in Kalamazoo for six additional five-year periods at the then-current market rental rate. Additionally, Dana may terminate the lease at any time after the sixth year of the initial lease term and before the end of the nineteenth lease year, subject to certain conditions.

4. NOTES PAYABLE

Notes payable consists of (i) $7,655,600 of draws on a line of credit from SouthTrust Bank secured by a first mortgage against the Cinemark, ASML, Dial, PwC, Motorola Tempe and Avnet Buildings and (ii) $3,415,986 outstanding on the construction loan from Bank of America which is being used to fund the development of the Nissan Property.

5. DUE TO AFFILIATES

Due to affiliates consists of amounts due to the Advisor for Acquisitions and Advisory Fees and Acquisition Expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in detail in the financial statements and footnotes included in the Company's Form 10-K for the

year ended December 31, 2001. Payments of $601,963 have been made as of March 31, 2002 toward funding the obligation under the Matsushita agreement.

6. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor ("Wells Exchange") has developed a program (the "Wells Section 1031 Program") involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a Take Out Fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, and in consideration for the payment of a take out fee in the amount of $137,500 to the Company, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange on April 15, 2002. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex and, accordingly, Wells OP has been released from its prior obligations under the take out purchase and escrow agreement relating to such property.

PRIOR PERFORMANCE TABLES

The following Prior Performance Tables (Tables) provide information relating to real estate investment programs sponsored by Wells Capital, Inc., our 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.") Except for the Wells REIT, all of the Wells Public Programs have used 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 the "Prior Performance Summary" section of this prospectus.

Investors in the Wells REIT will not own any interest in the other Wells Public Programs and should not assume that they will experience returns, if any, comparable to those experienced by investors in other 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, may provide some 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) has been omitted since none of the Wells Public Programs have been liquidated.

Table V—Sales or Disposals of Property

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. 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, 1998. 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, 2001.

	Wells Real Estate Fund XI, L.P.	Wells Real Estate Fund XII, L.P.	Wells Real Estate Investment Trust, Inc.
Dollar Amount Raised	$16,532,802(3)	$35,611,192(4)	$307,411,112(5)
Percentage Amount Raised	100%(3)	100%(4)	100%(5)
Less Offering Expenses			
Underwriting Fees	9.5%	9.5%	9.5%
Organizational Expenses	3.0%	3.0%	3.0%
Reserves(1)	0.0%	0.0%	0.0%
Percent Available for Investment	87.5%	87.5%	87.5%
Acquisition and Development Costs			
Prepaid Items and Fees related to Purchase of Property	0.0%	0.0	0.5%
Cash Down Payment	84.0%	84.0%	73.8%
Acquisition Fees(2)	3.5%	3.5%	3.5%
Development and Construction Costs	0.0%	0.0%	9.7%
Reserve for Payment of Indebtedness	0.0%	0.0%	0.0%
Total Acquisition and Development Cost	87.5%	87.5%	87.5%
Percent Leveraged	0.0%	0.0%	30.9%
Date Offering Began	12/31/97	03/22/99	01/30/98
Length of Offering	12 mo.	24 mo.	35 mo.
Months to Invest 90% of Amount Available for Investment (Measured from Beginning of Offering)	20 mo.	26 mo.	21 mo.
Number of Investors as of 12/31/01	1,338	1,337	7,422

(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 XI, L.P. closed its offering on December 30, 1998, and the total dollar amount raised was $16,532,802.

(4) Total dollar amount registered and available to be offered was $70,000,000. Wells Real Estate Fund XII, L.P. closed its offering on March 21, 2001, and the total dollar amount raised was $35,611,192.

(5) The total dollar amount registered and available to be offered in the first offering was $165,000,000. Wells Real Estate Investment Trust, Inc. closed its initial offering on December 19, 1999, and the total dollar amount raised in its initial offering was $132,181,919. The total dollar amount registered and available to be offered in the second offering was $222,000,000. Wells Real Estate Investment Trust, Inc. closed its second offering on December 19, 2000, and the total dollar amount raised in its second offering was $175,229,193.

TABLE II
(UNAUDITED)

COMPENSATION TO SPONSOR

The following sets forth the compensation received by Wells Capital, Inc., our advisor, 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, 1998. All figures are as of December 31, 2001.

	Wells Real Estate Fund XI, L.P.	Wells Real Estate Fund XII, L.P.	Wells Real Estate Investment Trust, Inc.(1)	Other Public Programs(2)
Date Offering Commenced	12/31/97	03/22/99	01/30/98	—
Dollar Amount Raised	$ 16,532,802	$ 35,611,192	$ 307,411,112	$268,370,007
To Sponsor from Proceeds of Offering:				
Underwriting Fees(3)	$ 151,911	$ 362,416	$ 3,076,844	$ 1,494,470
Acquisition Fees				
Real Estate Commissions	—	—	—	—
Acquisition and Advisory Fees(4)	$ 578,648	$ 1,246,392	$ 10,759,389	$ 12,644,556
Dollar Amount of Cash Generated from Operations Before Deducting Payments to Sponsor(5)	$ 3,494,174	$ 3,508,128	$ 116,037,681	$58,169,461
Amount Paid to Sponsor from Operations:				
Property Management Fee(2)	$ 90,731	$ 113,238	$ 1,899,140	$ 2,257,424
Partnership Management Fee	—	—	—	—
Reimbursements	$ 164,746	$ 142,990	$ 1,047,449	$ 2,503,609
Leasing	$ 90,731	$ 113,238	$ 1,899,140	$ 2,257,426
Commissions 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) The total dollar amount registered and available to be offered in the first offering was $165,000,000. Wells Real Estate Investment Trust, Inc. closed its initial offering on December 19, 1999, and the total dollar amount raised in its initial offering was $132,181,919. The total dollar amount registered and available to be offered in the second offering was $222,000,000. Wells Real Estate Investment Trust, Inc. closed its second offering on December 19, 2000, and the total dollar amount raised in its second offering was $175,229,193.

(2) 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., Wells Real Estate Fund VIII, L.P., Wells Real Estate Fund IX, L.P. and Wells Real Estate Fund X, 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. As of December 31, 2001, the amount of such deferred fees totaled $2,627,841.

(3) 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.

(4) 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.

(5) Includes $(161,104) in net cash provided by operating activities, $3,308,970 in distributions to limited partners and $346,208 in payments to sponsor for Wells Real Estate Fund XI, L.P.; $167,620 in net cash used by operating activities, $2,971,042 in distributions to limited partners and $369,466 in payments to sponsor for Wells Real Estate Fund XII, L.P.; $53,677,256 in net cash provided by operating activities, $57,514,696 in dividends and $4,845,729 in payments to sponsor for Wells Real Estate Investment Trust, Inc.; and $956,542 in net cash provided by operating activities, $50,169,329 in distributions to limited partners and $7,018,457 in payments to sponsor for other public programs.

TABLE III
(UNAUDITED)

The following five tables set forth operating results of Wells Public Programs the offerings of which have been completed since December 30, 1996. 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 IX, L.P.

	2001	2000	1999	1998	1997
Gross Revenues(1)	$ 1,874,290	$ 1,836,768	$ 1,593,734	$ 1,561,456	$ 1,199,300
Profit on Sale of Properties	—	—	—	—	—
Less: Operating Expenses(2)	105,816	78,092	90,903	105,251	101,284
Depreciation and Amortization(3)	0	0	12,500	6,250	6,250
Net Income GAAP Basis(4)	$ 1,768,474	$ 1,758,676	$ 1,490,331	$ 1,449,955	$ 1,091,766
Taxable Income:Operations	$ 2,251,474	$ 2,147,094	$ 1,924,542	$ 1,906,011	$ 1,083,824
Cash Generated (Used By):					
Operations	$ (101,573)	$ (66,145)	$ (94,403)	$ 80,147	$ 501,390
Joint Ventures	2,978,785	2,831,329	2,814,870	2,125,489	527,390
	$ 2,877,212	$ 2,765,184	$ 2,720,467	$ 2,205,636	$ 1,028,780
Less Cash Distributions to Investors:					
Operating Cash Flow	2,877,212	2,707,684	2,720,467	2,188,189	1,028,780
Return of Capital	—	—	15,528	—	41,834
Undistributed Cash Flow From Prior Year Operations	20,074	—	17,447	—	1,725
Cash Generated (Deficiency) after Cash Distributions	$ (20,074)	$ 57,500	$ (32,975)	$ 17,447	$ (43,559)
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	—	—	—	—	—
Increase in Limited Partner Contributions	—	—	—	—	—
	$ (20,074)	$ 57,500	$ (32,975)	$ 17,447	$ (43,559)
Use of Funds:					
Sales Commissions and Offering Expenses	—	—	—	—	323,039
Return of Original Limited Partner's Investment	—	—	—	—	100
Property Acquisitions and Deferred Project Costs	—	44,357	190,853	9,455,554	13,427,158
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (20,074)	$ 13,143	$ (223,828)	$ (9,438,107)	$ (13,793,856)
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
—Operations Class A Units	57	93	89	88	53
—Operations Class B Units	(0)	(267)	(272)	(218)	(77)
Capital Gain (Loss)	—	—	—	—	—
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
—Operations Class A Units	94	91	86	85	46
—Operations Class B Units	(195)	(175)	(164)	(123)	(47)
Capital Gain (Loss)	—	—	—	—	—
Cash Distributions to Investors:					
Source (on GAAP Basis)					
—Investment Income Class A Units	56	87	88	73	36
—Return of Capital Class A Units	36	—	2	—	—
—Return of Capital Class B Units	—	—	—	—	—
Source (on Cash Basis)					
—Operations Class A Units	92	87	89	73	35
—Return of Capital Class A Units	—	—	1	—	1
—Operations Class B Units	—	—	—	—	—
Source (on a Priority Distribution Basis)(5)					
—Investment Income Class A Units	81	76	77	61	29
—Return of Capital Class A Units	11	11	13	12	7
—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 $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; $1,593,734 in equity in earnings of joint ventures and $0 from investment of reserve funds in 1999; and $1,829,216 in equity in earnings of joint ventures and $7,552 from investment of reserve funds in 2000; and $1,870,378 in equity in earnings of joint ventures and $3,912 from investment of reserve funds in 2001. As of December 31, 2001, 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 $469,126 for 1997; $1,143,407 for 1998; $1,210,939 for 1999; $1,100,915 for 2000; and $1,076,802 for 2001.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $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; $2,713,636 to Class A Limited Partners, $(1,223,305) to Class B Limited Partners and $0 to the General Partners for 1999; $2,858,806 to Class A Limited Partners, $(1,100,130) to Class B Limited Partners and $0 to the General Partners for 2000; and $1,768,474 to Class A Limited Partners, $(0) to Class B Limited Partners and $0 to the General Partners for 2001.

(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, 2001, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,668,253.

TABLE III (UNAUDITED)

OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND X, L.P.

	2001	2000	1999	1998	1997
Gross Revenues(1)	$ 1,559,026	$ 1,557,518	$ 1,309,281	$ 1,204,597	$ 372,507
Profit or Sale of Properties	—	—	—	—	—
Less: Operating Expenses (2)	109,177	81,338	98,213	99,034	88,232
Depreciation and Amortization (3)	0	0	18,750	55,234	6,250
Net Income GAAP Basis (4)	$ 1,449,849	$ 1,476,180	$ 1,192,318	$ 1,050,329	$ 278,025
Taxable Income: Operations	$ 1,688,775	$ 1,692,792	$ 1,449,771	$ 1,277,016	$ 382,543
Cash Generated (Used By):					
Operations	(100,983)	(59,595)	(99,862)	300,019	200,668
Joint Ventures	2,307,137	2,192,397	2,175,915	886,846	—
	$ 2,206,154	$ 2,132,802	$ 2,076,053	$ 1,186,865	$ 200,668
Less Cash Distributions to Investors:					
Operating Cash Flow	2,206,154	2,103,260	2,067,801	1,186,865	—
Return of Capital	—	—	—	19,510	—
Undistributed Cash Flow From Prior Year Operations	25,647	—	—	200,668	—
Cash Generated (Deficiency) after Cash Distributions	$ (25,647)	$ 29,542	$ 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
	$ (25,647)	$ 29,542	$ 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	81,022	0	17,613,067	5,188,485
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (25,647)	$ (51,480)	$ 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	99	104	97	85	28
—Operations Class B Units	(188)	(159)	(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	95	98	92	78	35
—Operations Class B Units	(130)	(107)	(100)	(64)	0
Capital Gain (Loss)	—	—	—	—	—
Cash Distributions to Investors:					
Source (on GAAP Basis)					
—Investment Income Class A Units	96	94	95	66	—
—Return of Capital Class A Units	—	—	—	—	—
—Return of Capital Class B Units	—	—	—	—	—
Source (on Cash Basis)					
—Operations Class A Units	96	94	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	80	74	71	48	—
—Return of Capital Class A Units	16	20	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; $869,555 in equity in earnings of joint ventures and $215,042 from investment of reserve funds in 1998; $1,309,281 in equity in earnings of joint ventures and $0 from investment of reserve funds in 1999; 1,547,664 in equity in earnings of joint ventures and $9,854 from investment of reserve funds in 2000; and $1,549,588 in equity in earnings of joint ventures and $9,438 from investment of reserve funds in 2001. As of December 31, 2001, 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; $891,911 for 1999; $816,544 for 2000; and $814,502 for 2001.

(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; $2,084,229 to Class A Limited Partners, $(891,911) to Class B Limited Partners and $0 to the General Partners for 1999; $2,292,724 to Class A Limited Partners, $(816,544) to Class B Limited Partners and $0 to the General Partners for 2000; and $2,264,351 to Class A Limited Partners, $(814,502) to Class B Limited Partners and $0 to the General Partners for 2001.

(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, 2001, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,735,882.

TABLE III (UNAUDITED)

OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND XI, L.P.

	2001	2000	1999	1998	1997
Gross Revenues(1)	$ 960,676	$ 975,850	$ 766,586	$ 262,729	N/A
Profit on Sale of Properties	—	—	—	—	
Less: Operating Expenses(2)	90,326	79,861	111,058	113,184	
Depreciation and Amortization(3)	0	—	25,000	6,250	
Net Income GAAP Basis(4)	$ 870,350	$ 895,989	$ 630,528	$ 143,295	
Taxable Income: Operations	$ 1,038,394	$ 944,775	$ 704,108	$ 177,692	
Cash Generated (Used By):					
Operations	(128,985)	(72,925)	40,906	(50,858)	
Joint Ventures	1,376,673	1,333,337	705,394	102,662	
	$ 1,247,688	$ 1,260,412	$ 746,300	$ 51,804	
Less Cash Distributions to Investors:					
Operating Cash Flow	1,247,688	1,205,303	746,300	51,804	
Return of Capital	4,809	—	49,761S	48,070	
Undistributed Cash Flow From Prior Year Operations	55,109	—	—	—	
Cash Generated (Deficiency) after Cash Distributions	$ (59,918)	$ 55,109	$ (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	
	$ (59,918)	$ 55,109	$ (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	$ (59,918)	$ 55,109	$ (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	101	103	77	50	
—Operations Class B Units	(158)	(155)	(112)	(77)	
Capital Gain (Loss)	—	—	—	—	
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
—Operations Class A Units	100	97	71	18	
—Operations Class B Units	(100)	(112)	(73)	(17)	
Capital Gain (Loss)	—	—	—	—	
Cash Distributions to Investors:					
Source (on GAAP Basis)					
—Investment Income Class A Units	97	90	60	8	
—Return of Capital Class A Units	—	—	—	—	
—Return of Capital Class B Units	—	—	—	—	
Source (on Cash Basis)					
—Operations Class A Units	97	90	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	75	69	46	6	
—Return of Capital Class A Units	22	21	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; $607,579 in equity in earnings of joint ventures and $159,007 from investment of reserve funds in 1999; $967,900 in equity in earnings of joint ventures and $7,950 from investment of reserve funds in 2000; and $959,631 in equity in earnings of joint ventures and $1,045 from investment of reserve funds in 2001. As of December 31, 2001, 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; $353,840 for 1999; $485,558 for 2000; and $491,478 for 2001.

(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; $1,009,368 to Class A Limited Partners, $(378,840) to Class B Limited Partners and $0 to the General Partners for 1999; $1,381,547 to Class A Limited Partners, $(485,558) to Class B Limited Partners and $0 to General Partners for 2000; and $1,361,828 to Class A Limited Partners, $(491,478) to Class B Limited Partners and $0 to the General Partners for 2001.

(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, 2001, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $791,502.

TABLE III (UNAUDITED)

OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND XII, L.P.

	2001	2000	1999
GrossRevenues(1)	$ 1,661,194	$ 929,868	$ 160,379
Profit on Sale of Properties	—	—	—
Less: Operating Expenses(2)	105,776	73,640	37,562
Depreciation and Amortization(3)	0	0	0
Net Income GAAP Basis(4)	$ 1,555,418	$ 856,228	$ 122,817
Taxable Income: Operations	$ 1,850,674	$ 863,490	$ 130,108
Cash Generated (Used By):			
Operations	(83,406)	247,244	3,783
Joint Ventures	2,036,837	737,266	61,485
	$ 1,953,431	$ 984,510	$ 65,268
Less Cash Distributions to Investors:			
Operating Cash Flow	1,953,431	779,818	62,934
Return of Capital	—	—	—
Undistributed Cash Flow From Prior Year Operations	174,859	—	—
Cash Generated (Deficiency) after Cash Distributions	$ (174,859)	$ 204,692	$ 2,334
Special Items (not including sales and financing):			
Source of Funds:			
General Partner Contributions	—	—	—
Increase in Limited Partner Contributions	10,625,431	15,617,575	9,368,186
	$ 10,450,572	$ 15,822,267	$ 9,370,520
Use of Funds:			
Sales Commissions and Offering Expenses	1,328,179	1,952,197	1,171,024
Return of Original Limited Partner's Investment	—	—	100
Property Acquisitions and Deferred Project Costs	9,298,085	16,246,485	5,615,262
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (175,692)	$ (2,376,415)	$ 2,584,134
Net Income and Distributions Data per $1,000 Invested:			
Net Income on GAAP Basis:			
Ordinary Income (Loss)			
—Operations Class A Units	98	89	50
—Operations Class B Units	(131)	(92)	(56)
Capital Gain (Loss)	—	—	—
Tax and Distributions Data per $1,000 Invested:			
Federal Income Tax Results:			
Ordinary Income (Loss)			
—Operations Class A Units	84	58	23
—Operations Class B Units	(74)	(38)	(25)
Capital Gain (Loss)	—	—	—
Cash Distributions to Investors:			
Source (on GAAP Basis)			
—Investment Income Class A Units	77	41	8
—Return of Capital Class A Units	—	—	—
—Return of Capital Class B Units	—	—	—
Source (on Cash Basis)			
—Operations Class A Units	77	41	8
—Return of Capital Class A Units	—	—	—
—Operations Class B Units	—	—	—
Source (on a Priority Distribution Basis)(5)			
—Investment Income Class A Units	55	13	6
—Return of Capital Class A Units	22	28	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 $124,542 in equity in earnings of joint ventures and $35,837 from investment of reserve funds in 1999; $664,401 in equity in earnings of joint ventures and $265,467 from investment of reserve funds in 2000; and $1,577,523 in equity in earnings of joint ventures and $83,671 from investment of reserve funds in 2001. As of December 31, 2001, 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 $72,427 for 1999; $355,210 for 2000; and $1,035,609 for 2001.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $195,244 to Class A Limited Partners, $(71,927) to Class B Limited Partners and $(500) to the General Partners for 1999; $1,209,438 to Class A Limited Partners, $(353,210) to Class B Limited Partners and $0 to General Partners for 2000; and $2,591,027 to Class A Limited Partners, $(1,035,609) to Class B Limited Partners and $0 to the General Partners for 2001.

(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, 2001, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $870,747.

TABLE V (UNAUDITED)

SALES OR DISPOSALS OF PROPERTIES

The following Table sets forth sales or other disposals of properties by Wells Public Programs within the most recent three years. The information relates to only public programs with investment objectives similar to those of Wells Real Estate Investment Trust, Inc. All figures are as of December 31, 2001.

				Selling Price, Net Of Closing Costs And GAAP Adjustments					Cost Of Properties Including Closing And Soft Costs		
Property	Date Acquired	Date Of Sale	Cash Received Net Of Closing Costs	Mortgage Balance At Time Of Sale	Purchase Money Mortgage Taken Back By Program	Adjustments Resulting From Application Of GAAP	Total	Original Mortgage Financing	Total Acquisition Cost, Capital Improvement, Closing And Soft Costs(1)	Total	Excess (Deficiency) Of Property Operating Cash Receipts Over Cash Expenditures
3875 Peachtree Place, Atlanta, Georgia	12/1/85	08/31/00	$ 727,982	-0-	-0-	-0-	$ 727,982(2)	-0-	$ 647,648	$ 647,648	
Crowe's Crossing Shopping Center, DeKalb Count, Georgia	12/31/86	01/11/01	$6,487,000	-0-	-0-	-0-	$6,487,000(3)	-0-	$ 9,388,869	$ 9,368,869	
Cherokee Commons Shopping Center, Cherokee County, Georgia	10/30/87	10/01/01	$8,434,089	-0-	-0-	-0-	$8,434,089(4)	-0-	$ 10,650,750	$10,650,750	

(1) Amount shown does not include *pro rata* share of original offering costs.
(2) Includes Wells Real Estate Fund I's share of taxable gain from this sale in the amount of $205,019, of which $205,019 is allocated to capital gain and $0 is allocated to ordinary gain.
(3) Includes taxable gain from this sale in the amount of $11,496, of which $11,496 is allocated to capital gain and $0 is allocated to ordinary gain.
(4) Includes taxable gain from this sale in the amount of $207,613, of which $207,613 is allocated to capital gain and $0 is allocated to ordinary gain.

EXHIBIT A

SUBSCRIPTION AGREEMENT

To: **Wells Real Estate Investment Trust, Inc.**
Suite 250
6200 The Corners Parkway
Atlanta, 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 ("Wells REIT"), 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 Wells REIT dated July 26, 2002 (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 Wells REIT 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 Wells REIT'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 the liquidate an investment in the Wells REIT.

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 Wells REIT 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. **PARTNERSHIP**: 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., Wells Real Estate Fund XII, L.P., or Wells Real Estate Fund XIII, 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 "Suitability Standards." Please indicate the state in which the sale was made. **WE WILL NOT ACCEPT CASH, MONEY ORDERS OR TRAVELERS CHECKS FOR INITIAL INVESTMENTS.**

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 Wells REIT 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 Wells REIT. 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 Wells REIT. If additional investments in the Wells REIT are made, the investor agrees to notify the Wells REIT 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 Wells REIT. The investor agrees to notify the Wells REIT 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. 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 Wells REIT.

IF YOU NEED FURTHER ASSISTANCE IN COMPLETING THIS SUBSCRIPTION AGREEMENT SIGNATURE PAGE, PLEASE CALL 1-800-448-1010

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REIT

Special Instructions:

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

See page A5-A6 in the Prospectus for instructions.

1. INVESTMENT

_____ # of Shares _____ Total $ Invested

(# Shares x $10 = $ Invested)

Minimum purchase $1,000 or 100 Shares

Make Investment Check Payable to:
Wells Real Estate Investment Trust, Inc.

☐ Initial Investment (Minimum $1,000)
☐ Additional Investment (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 Wells REIT: ☐
[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. By checking this box, I agree to notify the Wells REIT in writing if at any time I fail to meet the suitability standards or am unable to make the representations in Section 6.]

3. TYPE OF OWNERSHIP

☐ IRA (06)
(Enter Custodial Information under section 4)
☐ Keogh (10)
☐ Qualified Pension Plan (11)
☐ Qualified Profit Sharing Plan (12)
☐ Trust / Trust Type: _____
(Please specify, i.e. Family, Living, Revocable, etc.)

☐ 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 or custodial name if applicable. If Wells Advisors Inc. is the designated custodian, please complete the Wells IRA Application Booklet in addition to this form.**

☐ 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. ( )

Birth Date Occupation

Email Address (Optional) Provide only if you would like to receive updated information about Wells via email.

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. ( )

Birth Date Occupation

Email Address (Optional) Provide only if you would like to receive updated information about Wells via email.

(REVERSE SIDE MUST BE COMPLETED)

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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 Wells REIT to accept this subscription, I hereby represent and warrant to you as follows:

(a) I have received the Prospectus. Initials ____ Initials ____

(b) 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 ____

(c) I acknowledge that the shares are not liquid. 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 understanding. 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 Wells REIT in connection with my investment in the Wells REIT. 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. DIVIDENDS (YOU MUST CHECK ONE OF THE FOLLOWING)

NOTE: If you have checked "IRA" in section 3 and listed Wells Advisors, Inc. as custodian under Section 4, please disregard this section. You must instead complete page 7 of the Well Advisors, Inc. IRA Application Booklet.

☐ I prefer to participate in the Dividend Reinvestment Plan
☐ I prefer to direct dividends to a party other than the registered owner per my instructions below
☐ I prefer dividends to be deposited directly into the following account: ___Checking ___ Savings

(For deposits into checking or savings accounts): Please enclose a voided check or deposit slip. By enclosing a voided check or deposit slip I (we) authorize and direct the Wells REIT to begin making electronic deposits to the checking or savings account designated by the enclosed voided check or deposit slip. An automated deposit entry shall constitute my (our) receipt for each transaction. This authority is to remain in force until the Wells REIT has received written notification from me (us) of its termination at such time and in such manner as to give the Wells REIT reasonable time to act on it.

Institution Name		Account Number	
Name on Account			
Street Address or P.O. Box			
City		State	Zip Code

☐ I prefer dividends be paid to me at my address listed under Section 4

8. BROKER-DEALER (TO BE COMPLETED BY REGISTERED REPRESENTATIVE)

☐ **PLEASE CHECK IF THIS IS A CHANGE IN BROKER-DEALER**
☐ **PLEASE CHECK IF THIS IS A NEW BRANCH ADDRESS FOR THE REGISTERED REPRESENTATIVE**

The Broker-Dealer or authorized representative must sign below to complete order. Broker-Dealer or authorized representative warrants that it is a duly licensed Broker-Dealer or authorized representative 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 and that he has informed subscriber of all aspects of liquidity and marketability of this investment.

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
Email Address (Optional)		Provide only if you would like to receive updated information about Wells via email.	

Broker-Dealer Signature, if required	Registered Representative Signature

Please mail completed Subscription Agreement (with all signatures) and personal check(s) made payable to

Wells Real Estate Investment Trust, Inc.
800-557-4830 or 770-449-7800

Overnight address:
6200 The Corners Parkway, Suite 250
Atlanta, Georgia 30092-2295

Mailing address:
P.O. Box 926040
Atlanta, Georgia 30010-6040

Cash, money orders and travelers checks will not be accepted.

ACCEPTANCE BY WELLS REIT Received and Subscription Accepted by:

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.

Until October 24, 2002 (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.

ALPHABETICAL INDEX

Shares of the Wells REIT are not FDIC insured, may lose value and are not bank guaranteed. Investments in real estate and REITs may be affected by adverse economic and regulatory changes. Properties that incur vacancies may be difficult to sell or re-lease. Non-traded REITs have certain risks, including illiquidity of the investment, and should be considered a long-term investment. Past performance does not guarantee future performance. When you sell your shares, they could be worth less than what you paid for them.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

Up to 300,000,000 Shares
of Common Stock
Offered to the Public

PROSPECTUS

WELLS INVESTMENT SECURITIES, INC.

July 26, 2002

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 1 DATED AUGUST 14, 2002 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Properties" section of the prospectus to describe the following real property acquisitions:

(A) Acquisition of a two-story office building in San Antonio, Texas (PacifiCare San Antonio Building);

(B) Acquisition of a 4.2 acre tract of land in Houston, Texas (Kerr-McGee Property);

(C) Acquisition of two adjacent one-story distribution facility buildings in Duncan, South Carolina (BMG Greenville Buildings); and

(D) Acquisition of a one-story office building in Suwanee, Georgia (Kraft Atlanta Building);

(3) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(4) Unaudited Financial Statements of the Wells REIT for the quarter ended June 30, 2002; and

(5) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisitions of the PacifiCare San Antonio Building, the Kerr-McGee Property, the BMG Greenville Buildings and the Kraft Atlanta Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,292,032,232 in gross offering proceeds from the sale of 129,203,223 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 10, 2002, we had received gross proceeds of approximately $46,430,189 from the sale of approximately 4,643,019 shares in our fourth public

offering. Accordingly, as of August 10, 2002, we had received aggregate gross offering proceeds of approximately $1,645,873,533 from the sale of approximately 164,587,353 shares in all of our public offerings. After payment of $57,110,749 in acquisition and advisory fees and acquisition expenses, payment of $183,457,253 in selling commissions and organization and offering expenses, and common stock redemptions of $14,137,852 pursuant to our share redemption program, as of August 10, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,391,167,679, out of which $968,778,340 had been invested in real estate properties, and $422,389,339 remained available for investment in real estate properties.

Description of Properties

As of August 10, 2002, we had purchased interests in 57 real estate properties located in 19 states, each of which was 100% leased to tenants. Below are the descriptions of our recent real property acquisitions through August 10, 2002.

The PacifiCare San Antonio Building

On July 12, 2002, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas (PacifiCare San Antonio Building) for a purchase price of $14,650,000, plus closing costs. The PacifiCare San Antonio Building was built in 2000 and is located at 6200 Northwest Parkway, San Antonio, Texas.

The PacifiCare San Antonio Building is leased entirely to PacifiCare Health Systems, Inc. (PacifiCare), a corporation whose shares are traded on NASDAQ. PacifiCare is one of the leading health and consumer service companies in the United States. The services PacifiCare provides include health insurance products, pharmacy and medical management, behavioral health services, and dental and vision services. PacifiCare reported a net worth, as of December 31, 2001, of approximately $2 billion.

The PacifiCare lease commenced in November 2000 and expires in November 2010. The current annual base rent payable under the PacifiCare lease is $1,471,700. PacifiCare, at its option, has the right to extend the initial term of its lease for one additional five-year period at an annual base rent of $1,967,925, and two subsequent five-year terms at the then-current market rental rate. In addition, PacifiCare has an expansion option for between approximately 20,000 and 45,000 rentable square feet, which it may exercise prior to the end of the 42 nd month of the initial term of the PacifiCare lease.

Kerr-McGee Property

Purchase of the Kerr-McGee Property. On July 29, 2002 Wells OP purchased the Kerr-McGee Property, which is a build-to-suit property located in Houston, Texas, for a purchase price of $1,738,044, plus closing costs. We commenced construction on a four-story office building containing approximately 100,000 rentable square feet (Kerr-McGee Project) on August 1, 2002. Wells OP obtained a construction loan in the amount of $13,700,000 from Bank of America, N.A. (BOA) to fund the construction of the Kerr-McGee Project. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan, as of August 6, 2002, was 3.80%. The BOA loan is secured by a first priority mortgage on the Kerr-McGee Property.

Wells OP entered into a development agreement, an architect agreement and a construction agreement to construct the Kerr-McGee Project on the Kerr-McGee Property.

Development Agreement. Wells OP entered into a development agreement (Development Agreement) with Means-Knaus, LLC, a Texas limited liability company (Developer), as the exclusive development manager to supervise, manage and coordinate the planning, design, construction and completion of the Kerr-McGee Project. As compensation for the services to be rendered by the Developer under the Development Agreement, Wells OP is paying a development fee of $699,740. The fee is due and payable ratably as the construction and development of the Kerr-McGee Project is completed.

We anticipate that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr-McGee Property and the planning, design, development, construction and completion of the Kerr-McGee Project will total approximately $15,760,000.

Construction Agreement. Wells OP entered into a design and build construction agreement (Construction Agreement) with Hoar Construction, LLC (Contractor) for the construction of the Kerr-McGee Project. The Construction Agreement provides that Wells OP will pay the Contractor a maximum of $6,391,255 for the construction of the Kerr-McGee Project that includes all estimated fees and costs. The Contractor will be responsible for all costs of labor, materials, construction equipment and machinery necessary for completion of the Kerr-McGee Project. In addition, the Contractor will be required to secure and pay for any additional building permits which may be necessary for construction of the Kerr-McGee Project.

Kerr-McGee Lease. The Kerr-McGee Property is leased to Kerr-McGee Oil & Gas Corporation, a wholly owned subsidiary of Kerr-McGee Corporation (Kerr-McGee), a Delaware corporation whose shares are publicly traded on the New York Stock Exchange (NYSE). Kerr-McGee, which has guaranteed the Kerr-McGee lease, operates a worldwide business in oil and gas exploration and production, and titanium dioxide pigment production and marketing. It has oil fields in the Gulf of Mexico, the North Sea, the South China Sea, and onshore in the United States, Ecuador, Indonesia and Kazakhstan. Kerr-McGee reported a net worth, as of December 31, 2001, of approximately $3.1 billion.

The Kerr-McGee lease will commence shortly after completion of the Kerr-McGee Project, which we expect to occur in approximately July 2003. The Kerr-McGee lease will expire 11 years and one month after commencement, or approximately July 31, 2014. Kerr-McGee has the right to extend the initial term of this lease for (1) one additional 20-year period or (2) a combination of five-year terms or ten-year terms totaling not more than 20 years at 95% of the then-current market rental rate. The annual base rent payable for the Kerr-McGee lease beginning on the rent commencement date is expected to be approximately $1,655,000.

BMG Greenville Buildings

On July 31, 2002, Wells OP purchased two adjacent one-story distribution facility buildings containing 473,398 rentable square feet and 313,380 rentable square feet, respectively, located at 110 & 112 Hidden Lake Circle in Duncan, South Carolina (BMG Greenville Buildings) for a purchase price of $26,900,000, plus closing costs. The BMG Greenville Buildings were originally built in 1987.

The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. (BMG Marketing) and BMG Music, respectively. BMG Marketing and BMG Music are wholly owned subsidiaries of Bertelsmann AG (Bertelsmann), a German corporation with its international headquarters in Gütersloh, Germany and its U.S. headquarters in New York, New York. Bertlesmann, a guarantor on both the BMG Marketing lease and the BMG Music lease, operates in the media industry, specializing in a wide range of markets including: television and radio; book publishing; magazines and newspapers; music labels; professional information; print and media services; book and music clubs; and media e-commerce.

Bertelsmann has operations in approximately 51 countries. Bertelsmann reported a net worth, as of June 30, 2001, of approximately $8.15 billion.

The BMG Marketing lease commenced in March 1988 and expires in March 2011. The current annual base rent payable under the BMG Marketing lease is $1,394,156. BMG Marketing, at its option, has the right to extend the initial term of its lease for two additional ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease commenced in December 1987 and expires in March 2011. The current annual base rent payable under the BMG Music lease is $763,600. BMG Music, at its option, has the right to extend the initial term of its lease for two additional ten-year periods at 95% of the then-current market rental rate.

Kraft Atlanta Building

On August 1, 2002, Wells OP purchased a one-story building containing an aggregate of 87,219 rentable square feet located at 4000 Johns Creek Court in Suwanee, Georgia (Kraft Atlanta Building) for a purchase price of $11,625,000. The Kraft Atlanta Building was built in 2001.

Kraft Foods North America, Inc. (Kraft) leases 73,264 rentable square feet (84%) of the Kraft Atlanta Building. Kraft, a wholly owned subsidiary of Kraft Foods, Inc., a Virginia corporation whose shares are publicly traded on the NYSE, is one of the largest food and beverage companies in the world with operations in 145 countries.

The Kraft lease commenced in February 2002 and expires in January 2012. The annual base rent payable under the Kraft lease beginning on September 1, 2002 will be $1,263,804. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the Kraft lease (1) at the end of the third lease year, by paying a $7,000,000 termination fee, or (2) at the end of the seventh lease year, by paying a $1,845,296 termination fee.

PerkinElmer Instruments, LLC (PerkinElmer) leases the remaining 13,955 rentable square feet (16%) of the Kraft Atlanta Building. PerkinElmer provides analytical solutions for the pharmaceutical, food and beverage, environmental, chemical, and semiconductor industries. PerkinElmer is a wholly owned subsidiary of PerkinElmer, Inc., a Massachusetts corporation whose shares are publicly traded on the NYSE. PerkinElmer, Inc. is a global technology company focusing on life sciences, optoelectronics and analytical instruments. PerkinElmer, Inc. operates in more than 125 countries.

The PerkinElmer lease commenced in December 2001 and expires in November 2016. The current annual base rent payable under the PerkinElmer lease is $194,672. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the PerkinElmer lease at the end of the 10th lease year by paying a $325,000 termination fee.

Property Management Fees

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of 4.5% of gross revenues from the PacifiCare San Antonio Building, the Kerr-McGee Property, the BMG Greenville Buildings, and the Kraft Atlanta Building subject to certain limitations. In addition, Wells Management will receive a one-time initial lease-up fee relating to the leasing of the Kerr-McGee Property equal to the first month’s rent estimated to be approximately $140,000.

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

The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus.

Forward Looking Statements

This section and other sections of the prospectus supplement 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 anticipated cash distributions to stockholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in the supplement, 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, inability to invest in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

Liquidity and Capital Resources

During the six months ended June 30, 2002, we received aggregate gross offering proceeds of $618,275,931 from the sale of 61,827,594 shares of our common stock. After payment of $21,406,085 in acquisition and advisory fees and acquisition expenses, payment of $65,035,665 in selling commissions and organization and offering expenses, and common stock redemptions of $6,673,412 pursuant to the our share redemption program, we raised net offering proceeds of $525,160,769 during the first two quarters of 2002, of which $344,269,118 remained available for investment in properties at quarter end.

During the six months ended June 30, 2001, we received aggregate gross offering proceeds of $162,606,610 from the sale of 16,260,661 shares of our common stock. After payment of $5,642,317 in acquisition and advisory fees and acquisition expenses, payment of $20,151,132 in selling commissions and organizational and offering expenses, and common stock redemptions of $1,397,561 pursuant to the our share redemption program, we raised net offering proceeds of $135,415,600 during the first two quarters of 2001, of which $3,906,869 was available for investment in properties at quarter end.

The significant increase in our available capital resources is due to significantly increased sales of our common stock during the first half of 2002.

As of June 30, 2002, we owned interests in 52 real estate properties either directly or through its interests in joint ventures. These properties are generating operating cash flow sufficient to cover our operating expenses and pay dividends to stockholders. Dividends declared for the first half of 2002 and the first half of 2001 were approximately $0.39 and $0.38 per share, respectively. In June 2002, our Board of Directors declared dividends for the third quarter of 2002 in the amount of approximately $0.19 per share.

Due primarily to the pace of our property acquisitions, as explained in more detail in the following paragraph, dividends paid in the first half of 2002 in the aggregate amount of $40,867,110 exceeded our Adjusted Funds From Operations for this period by $4,813,633.

We acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit—plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria—it appears likely that, in the future, we will be required to lower our dividends.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $33,138,287 and $16,288,309 for the six months ended June 30, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $278,447,051 and $23,768,731 for the six months ended June 30, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $511,632,371 and $9,257,047 for the six months ended June 30, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the lack of debt payments which were $138.7 million in the prior year. We raised $618,275,931 in offering proceeds for the six months ended June 30, 2002, as compared to $162,606,610 for the same period in 2001. Additionally, we paid dividends totaling $40.9 million in the first half of 2002 compared to $13.8 million in the first half of 2001.

Results of Operations

As of June 30, 2002, our real estate properties were 100% leased to tenants. Gross revenues were $43,832,954 and $21,560,953 for the six months ended June 30, 2002 and 2001, respectively. Gross revenues for the six months ended June 30, 2002 and 2001 were attributable to rental income, interest income earned on funds held by the Wells REIT prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of $259,535,578 in additional properties during 2002 and the purchase of $227,933,858 in additional properties during the second half of 2001 which were not owned for the full first half of 2001. The purchase of additional properties also resulted in an increase in expenses which totaled $19,296,812 for the six months ended June 30, 2002, as compared to $13,246,710 for the six months ended June 30, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, operating costs, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also

increased from $8,314,243 for the six months ended June 30, 2001 to $24,536,142 for the six months ended June 30, 2002.

While earnings of $0.22 per share remained stable for the six months ended June 30, 2002, compared to the six months ended June 30, 2001, earnings per share for the second quarter decreased from $0.12 per share for the three months ended June 30, 2001 to $0.11 per share for the three months ended June 30, 2002, primarily due to a substantial increase in the number of shares outstanding which was not completely matched by a corresponding increase in net income from new property investments.

Funds From Operations

Funds From Operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations ("AFFO") is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions. The following table reflects the calculation of FFO and AFFO for the three and six months ended June 30, 2002 and 2001, respectively:

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
FUNDS FROM OPERATIONS:				
Net income	$ 13,756,478	$ 5,038,898	$ 24,536,142	$ 8,314,243
Add:				
Depreciation	7,158,830	3,206,638	12,903,282	6,393,817
Amortization of deferred leasing costs	78,066	75,837	150,815	151,673
Depreciation and amortization— unconsolidated partnerships	700,689	504,711	1,406,865	913,674
Funds from operations (FFO)	21,694,063	8,826,084	38,997,104	15,773,407
Adjustments:				
Loan cost amortization	249,530	77,142	424,992	291,899
Straight line rent	(2,127,906)	(613,155)	(3,166,284)	(1,222,716)
Straight line rent—unconsolidated Partnerships	(103,020)	(71,768)	(202,335)	(132,246)
Adjusted funds from operations	$ 19,712,667	$ 8,218,303	$ 36,053,477	$ 14,710,344
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	126,037,819	42,192,347	110,885,641	38,328,405

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases which are intended to protect us from the impact of inflation. These provisions include reimbursement billings for 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.

Critical Accounting Policies

Our reported results of operations are impacted by management judgments related to application of accounting policies. A discussion of the accounting policies that management considers to be critical, in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain, is included in Footnote 1 to the financial statements of the Wells REIT contained in this supplement.

Financial Statements

Unaudited Financial Statements

The financial statements of the Wells REIT, as of June 30, 2002, and for the six month periods ended June 30, 2002 and June 30, 2001, which are included in this supplement, have not been audited.

The Pro Forma Balance Sheet of the Wells REIT, as of June 30, 2002, the Pro Forma Statement of Income for the year ended December 31, 2001, and the Pro Forma Statement of Income for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

INDEX TO FINANCIAL STATEMENTS

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	June 30, 2002 (unaudited)	December 31, 2001
ASSETS		
REAL ESTATE, at cost:		
Land	$ 110,330,449	$ 86,246,985
Building and improvements, less accumulated depreciation of $37,717,737 in 2002 and $24,814,454 in 2001	689,490,969	472,383,102
Construction in progress	16,081,841	5,738,573
Total real estate	815,903,259	564,368,660
INVESTMENT IN JOINT VENTURES	76,217,870	77,409,980
CASH AND CASH EQUIVALENTS	341,909,775	75,586,168
INVESTMENT IN BONDS	22,000,000	22,000,000
ACCOUNTS RECEIVABLE	10,709,104	6,003,179
NOTES RECEIVABLE	5,149,792	0
DEFERRED LEASE ACQUISITION COSTS, net	1,790,608	1,525,199
DEFERRED PROJECT COSTS	14,314,914	2,977,110
DUE FROM AFFILIATES	1,897,309	1,692,727
DEFERRED OFFERING COSTS	1,392,934	0
PREPAID EXPENSES AND OTHER ASSETS, net	1,881,308	718,389
Total assets	$ 1,293,166,873	$ 752,281,412
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	$ 15,658,141	$ 8,124,444
Obligation under capital lease	22,000,000	22,000,000
Accounts payable and accrued expenses	11,840,214	8,727,473
Dividends payable	4,538,635	1,059,026
Deferred rental income	1,013,544	661,657
Due to affiliates	2,106,790	2,166,161
Total liabilities	57,157,324	42,738,761
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	200,000
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002, and 83,761,469 shares issued and 83,206,429 shares outstanding at December 31, 2001	1,455,890	837,614
Additional paid-in capital	1,290,858,515	738,236,525
Cumulative distributions in excess of earnings	(43,991,669)	(24,181,092)
Treasury stock, at cost, 1,222,381 shares at June 30, 2002 and 555,040 shares at December 31, 2001	(12,223,808)	(5,550,396)
Other comprehensive loss	(289,379)	0
Total shareholders' equity	1,235,809,549	709,342,651
Total liabilities and shareholders' equity	$ 1,293,166,873	$ 752,281,412

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
REVENUES:				
Rental income	$ 21,833,652	$ 9,851,167	$ 38,571,815	$ 19,711,252
Equity in income of joint ventures	1,271,863	809,481	2,478,686	1,519,194
Interest income	1,534,636	93,092	2,648,351	193,007
Take out fee	0	137,500	134,102	137,500
	24,640,151	10,891,240	43,832,954	21,560,953
EXPENSES:				
Depreciation	7,158,830	3,206,638	12,903,282	6,393,817
Operating costs, net of reimbursements	1,439,299	783,244	2,063,997	1,874,428
Management and leasing fees	1,003,587	552,188	1,903,082	1,117,902
Administrative costs	592,426	584,184	1,121,457	759,291
Interest expense	440,001	648,946	880,002	2,809,373
Amortization of deferred financing costs	249,530	77,142	424,992	291,899
	10,883,673	5,852,342	19,296,812	13,246,710
NET INCOME	$ 13,756,478	$ 5,038,898	$ 24,536,142	$ 8,314,243
BASIC AND DILUTED EARNINGS PER SHARE	$ 0.11	$ 0.12	$ 0.22	$ 0.22
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	126,037,819	42,192,347	110,885,641	38,328,405

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001
AND FOR THE SIX MONTHS ENDED JUNE 30, 2002 (UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders' Equity
BALANCE, December 31, 2000	31,509,807	$ 315,097	$ 275,573,339	$ (9,133,855)	$ 0	(141,297)	$ (1,412,969)	$ 0	$ 265,341,612
Issuance of common stock	52,251,662	522,517	521,994,103	0	0	0	0	0	522,516,620
Treasury stock purchased	0	0	0	0	0	(413,743)	(4,137,427)	0	(4,137,427)
Net income	0	0	0	0	21,723,967	0	0	0	21,723,967
Dividends ($.76 per share)	0	0	0	(15,047,237)	(21,723,967)	0	0	0	(36,771,204)
Sales commissions and discounts	0	0	(49,246,118)	0	0	0	0	0	(49,246,118)
Other offering expenses	0	0	(10,084,799)	0	0	0	0	0	(10,084,799)
BALANCE, December 31, 2001	83,761,469	837,614	738,236,525	(24,181,092)	0	(555,040)	(5,550,396)	0	709,342,651
Issuance of common stock	**61,827,594**	**618,276**	**617,657,655**	**0**	**0**	**0**	**0**	**0**	**618,275,931**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(667,341)**	**(6,673,412)**	**0**	**(6,673,412)**
Net income	**0**	**0**	**0**	**0**	**24,536,142**	**0**	**0**	**0**	**24,536,142**
Dividends ($.39 per share)	**0**	**0**	**0**	**(19,810,577)**	**(24,536,142)**	**0**	**0**	**0**	**(44,346,719)**
Sales commissions and discounts	**0**	**0**	**(58,958,984)**	**0**	**0**	**0**	**0**	**0**	**(58,958,984)**
Other offering expenses	**0**	**0**	**(6,076,681)**	**0**	**0**	**0**	**0**	**0**	**(6,076,681)**
Gain/(loss) on interest rate swap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(289,379)**	**(289,379)**
BALANCE, June 30, 2002 (unaudited)	**145,589,063**	**$1,455,890**	**$1,290,858,515**	**$ (43,991,669)**	**$ 0**	**(1,222,381)**	**$(12,223,808)**	**$ (289,379)**	**$1,235,809,549**

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended	
	June 30, 2002	June 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 24,536,142	$ 8,314,243
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint venture	(2,478,686)	(1,519,194)
Depreciation	12,903,282	6,393,817
Amortization of deferred financing costs	424,992	291,899
Amortization of deferred leasing costs	150,815	151,674
Changes in assets and liabilities:		
Accounts receivable	(4,705,925)	(1,304,851)
Due from affiliates	(30,532)	
Deferred rental income	351,887	(285,776)
Accounts payable and accrued expenses	3,112,741	425,824
Prepaid expenses and other assets, net	(1,017,517)	3,525,288
Due to affiliates	(108,912)	295,385
Net cash provided by operating activities	33,138,287	16,288,309
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(259,535,578)	(3,784,088)
Investment in joint venture	0	(16,126,925)
Deferred project costs paid	(22,008,219)	(5,642,317)
Distributions received from joint ventures	3,496,746	1,784,599
Deferred lease acquisition costs paid	(400,000)	0
Net cash used in investing activities	(278,447,051)	(23,768,731)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	7,533,697	21,398,850
Repayment of note payable	0	(138,763,187)
Dividends paid	(40,867,110)	(13,795,534)
Issuance of common stock	618,275,931	162,606,610
Sales commissions paid	(58,958,984)	(15,314,860)
Offering costs paid	(6,817,978)	(4,836,272)
Treasury stock purchased	(6,673,412)	(1,397,561)
Deferred financing costs paid	(859,773)	(640,999)
Net cash provided by financing activities	511,632,371	9,257,047
NET INCREASE IN CASH AND CASH EQUIVALENTS	266,323,607	1,776,625
CASH AND CASH EQUIVALENTS, beginning of year	75,586,168	4,298,301
CASH AND CASH EQUIVALENTS, end of period	$ 341,909,775	$ 6,074,926
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 10,068,319	$ 5,516,763
Deferred project costs applied to joint ventures	$ 0	$ 671,961
Deferred project costs due to affiliate	$ 512,044	$ 335,667
Interest rate swap	$ (289,379)	$ 0

Deferred offering costs due to affiliate	$ 1,392,934	$ 731,573
Other offering costs due to affiliate	$ 201,811	$ 287,715

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2002
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust ("REIT"). Substantially all of the Company's business is conducted through 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 income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial 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 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998, upon receiving and accepting subscriptions for 125,000 shares. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately $132,181,919 had been received from the sale of approximately 13,218,192 shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately $175,229,193 from the sale of approximately 17,522,919 shares from the second public offering. The Company commenced its third public offering of the shares of common stock on December 20, 2000. As of June 30, 2002, the Company has received gross proceeds of approximately $1,148,480,413 from the sale of approximately 114,848,041 shares from its third public offering. Accordingly, as of June 30, 2002, the Company has received aggregate gross offering proceeds of approximately $1,455,891,526 from the sale of 145,589,153 shares of its common stock to investors. After payment of $50,528,371 in acquisition and advisory fees and acquisition expenses, payment of $163,576,134 in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of $885,294,095 for property acquisitions, and common stock redemptions of $12,223,808 pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $344,269,118 available for investment in properties, as of June 30, 2002.

(b) Properties

As of June 30, 2002, the Company owned interests in 52 properties listed in the table below through its ownership in Wells OP. As of June 30, 2002, all of these properties were 100% leased.

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Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	$25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	$ 21,060,000	108,240	$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	$ 35,150,000	292,700	$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	$ 6,850,000	47,400	$ 747,033
Agilent Atlanta	Agilent Technologies, Inc. Koninklijke Philips Electronics N.V.	Alpharetta, GA	100%	$ 15,100,000	66,811 34,396	$ 1,344,905 $ 692,391
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	$10,395,845	68,165	$1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	$ 41,950,000(1)	147,004	$1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above) (1)	112,480	$ 2,330,600
Novartis Atlanta	Novartis Opthalmics, Inc.	Duluth, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc. Newpark Drilling Fluids, Inc.	Houston, TX	100%	$ 22,000,000	103,260 52,731	$ 2,110,035 $ 1,153,227
Arthur Andersen	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,700	$1,988,454
Windy Point I	TCI Great Lakes, Inc. The Apollo Group, Inc. Global Knowledge Network Various other tenants	Schaumburg, IL	100%	$32,225,000(2)	129,157 28,322 22,028 8,884	$ 2,067,204 $ 477,226 $ 393,776 $ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	$ 57,050,000(2)	300,034	$ 5,091,577
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$13,255,000	100,000	$1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	$12,954,213	148,204	$1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$2,035,275
Nissan (3)	Nissan Motor Acceptance Corporation	Irving, TX	100%	$42,259,000(4)	268,290	$4,225,860(5)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	$ 24,950,000	201,237	$2,458,638
AT&T Oklahoma	AT&T Corp. Jordan Associates, Inc.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500 25,000	$ 1,242,000 $ 294,500
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	$52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc. SYSCO Corporation	Houston, TX	100%	$ 44,970,000	206,048 106,516	$ 4,533,056 $ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	$ 33,648,156	236,710	$3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 1,843,834
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$1,187,925
Cinemark	Cinemark USA, Inc. The Coca-Cola Company	Plano, TX	100%	$ 21,800,000	65,521 52,587	$ 1,366,491 $ 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	$ 8,000,000	130,000	$ 854,748

Alstom Power Richmond (3)	Alstom Power, Inc.	Midlothian, VA	100%	$ 11,400,000	99,057	$ 1,213,324
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	$ 5,085,000	169,510	$ 550,908
Matsushita (3)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$ 18,431,206	144,906	$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$ 12,291,200	81,859	$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$21,127,854	130,091	$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$ 6,400,000	52,000	$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 920,144

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	57,186	$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	$ 5,025,000	108,250	$ 659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,975	$1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	$10,325,000	106,750	$1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	84,404	$1,106,520

(1) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.

(2) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

(3) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.

(4) Includes estimated costs for the planning, design, development, construction and completion of the Nissan Property.

(5) Annual rent for Nissan Property does not take effect until construction of the building is completed and the tenant is occupying the building.

Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	AmeriCredit ADIC
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	Siemens AT&T Oklahoma Comdata
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	EYBL CarTex Sprint Johnson Matthey Gartner
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	Alstom Power Knoxville Ohmeda Interlocken Avaya Iomega
Wells/Fremont Associates Joint Venture (the "Fremont Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Fairchild
Wells/Orange County Associates Joint Venture (the "Orange County Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Cort Furniture
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest

(c) Critical Accounting Policies

The Company's accounting policies have been established in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions.

These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity, the current year budget and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets in 2002 or 2001.

Deferred Project Costs

The Company records acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc. (the "Advisor") by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of June 30, 2002, amounted to $50,528,371 and represented approximately 3.5% of capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at June 30, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to the Advisor. As the actual equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of June 30, 2002, the

Advisor had paid organization and offering expenses on behalf of the Company in an aggregate amount of $27,886,146, of which the Advisor had been reimbursed $25,572,034, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) 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 90% of its real estate investment trusts' taxable income. The Company intends to make regular quarterly distributions to stockholders. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares.

Dividends to be distributed to the stockholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 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.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. (Wells Management), an affiliate of the Company and the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The Company has reimbursed the Advisor and Wells Management for allocated salaries, wages and other payroll related costs totaling $683,535 and $254,000 for the six months ended June 30, 2002 and 2001, respectively and $366,380 and $163,725 for the three months ended June 30, 2002 and 2001, respectively.

(g) 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 or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) 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.

(i) 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.

(j) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to 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 the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in 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. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001.

2 INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of June 30, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such 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 ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of June 30, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three months and six months ended June 30, 2002.

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Three Months Ended		Three Months Ended		Three Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 1,436,601	$ 1,087,746	$ 619,173	$ 734,418	$ 22,982	$ 27,258
Cort Joint Venture	208,707	198,881	140,206	131,374	61,224	57,367
Fremont Joint Venture	227,023	225,178	140,944	135,990	109,237	105,398
Fund XI-XII-REIT Joint Venture	859,027	847,767	545,009	499,960	309,363	283,792
Fund XII-REIT Joint Venture	1,483,224	1,102,873	852,672	587,864	468,646	310,812
Fund VIII-IX-REIT Joint Venture	309,605	313,539	147,998	155,320	23,370	24,854
Fund XIII-REIT Joint Venture	707,919	0	406,236	0	277,041	0
	$5,232,106	$3,775,984	$2,852,238	$2,244,926	$1,271,863	$ 809,481

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Six Months Ended		Six Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 2,815,660	$ 2,181,096	$ 1,173,441	$ 1,372,853	$ 43,554	$ 50,954
Cort Joint Venture	420,713	398,468	269,956	265,127	117,882	115,773
Fremont Joint Venture	452,184	450,356	276,892	278,602	214,602	215,928
Fund XI-XII-REIT Joint Venture	1,717,246	1,689,191	1,042,158	1,014,237	591,560	575,710
Fund XII-REIT Joint Venture	3,154,087	1,896,195	1,658,185	1,033,184	911,372	519,445
Fund VIII-IX-REIT Joint Venture	633,351	580,923	308,694	260,352	48,744	41,384
Fund XIII-REIT Joint Venture	1,408,567	0	807,910	0	550,972	0
	$ 10,601,808	$ 7,196,229	$ 5,537,236	$ 4,224,355	$ 2,478,686	$ 1,519,194

3. INVESTMENTS IN REAL ESTATE

As of June 30, 2002, the Company, through its ownership in Wells OP, owns 35 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended June 30, 2002.

The Travelers Express Denver Building

On April 10, 2002, Wells OP purchased the Travelers Express Denver Building, a one-story office building containing 68,165 rentable square feet located in Lakewood, Jefferson County, Colorado for a purchase price of $10,395,845, excluding closing costs. Travelers Express Building is 100% leased to Travelers Express Company, Inc. ("Travelers Express"). The Travelers Express lease is a net lease that commenced in April 2002 and expires in March 2012. The current annual base rent payable under the Travelers Express lease is $1,012,250. Travelers Express, at its option, has the right to extend the initial term of its lease for two additional five-year terms. Base rent for the first renewal term shall be $19.00 per square foot for years 1-3 and $20.50 per square foot for years 4-5. The base rent for the second renewal term shall be at the then-current market rental rate.

The Agilent Atlanta Building

On April 18, 2002, Wells OP purchased the Agilent Atlanta Building, a two-story office building containing 101,207 rentable square feet located in Alpharetta, Fulton County, Georgia for a purchase price of $15,100,000, excluding closing costs. The Agilent Atlanta Building is leased to Agilent Technologies, Inc. ("Agilent") and Koninklijke Philips Electronics N.V. ("Philips").

The Agilent lease is a net lease that covers approximately 66,811 square feet commencing in September 2001 and expiring in September 2011. The initial annual base rent payable under the Agilent lease is $1,344,905. Agilent, at its option, has the right to extend the initial term of its lease for either (1) one additional three-year period, or (2) one additional five-year period, at the then-current market rental rate. In addition, Agilent may terminate the lease at the end of the seventh lease year by paying a $763,650 termination fee.

The Philips lease is a net lease that covers approximately 34,396 rentable square feet commencing in September 2001 and expiring in September 2011. The current annual base rent payable under the Philips lease is $692,391. Philips, at its option, has the right to extend the initial term of its lease for either (1) one additional three-year period, or (2) one additional five-year period, at the then-current market rental rate. In addition, Philips may terminate the lease at the end of the seventh lease year by paying a $393,146 termination fee.

The BellSouth Ft. Lauderdale Building

On April 18, 2002, Wells OP purchased the BellSouth Ft. Lauderdale Building, a one-story office building containing 47,400 rentable square feet located in Ft. Lauderdale, Broward County, Florida for a purchase price of $6,850,000, excluding closing costs. The BellSouth Ft. Lauderdale Building is 100% leased to BellSouth Advertising and Publishing Corporation ("BellSouth"). The BellSouth lease is a net lease that commenced in July 2001 and expires in July 2008. The current annual base rent payable under the BellSouth lease is $747,033. BellSouth, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The Experian/TRW Buildings

On May 1, 2002, Wells OP purchased the Experian/TRW Buildings, two two-story office buildings containing 292,700 rentable square feet located in Allen, Collin County, Texas for a purchase price of $35,150,000, excluding closing costs. The Experian/TRW Buildings are both 100% leased to Experian, Inc. ("Experian"). The Experian lease is a net lease that commenced in April 1993 and expires in October 2010. The current annual base rent payable under the Experian lease is $3,438,277. Experian, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 95% of the then-current market rental rate. TRW, Inc., the original tenant on the Experian lease, assigned its interest in the Experian lease to Experian in 1996 but remains as an obligor of the Experian lease.

The Agilent Boston Building

On May 3, 2002, Wells OP purchased the Agilent Boston Building, a three-story office building containing 174,585 rentable square feet located in Boxborough, Middlesex County, Massachusetts for a purchase price of $31,742,274, excluding closing costs. In addition, Wells OP has assumed the obligation, as the landlord, to provide Agilent $3,407,496 for tenant improvements. The Agilent Boston Building is 100% leased to Agilent Technologies, Inc. ("Agilent"). The Agilent Boston lease is a net lease that commenced in September 2001 and expires in September 2011. The current annual base rent payable under the Agilent Boston lease is $3,578,993. Agilent, at its option, has the right to extend the initial term of its lease for one additional five-year period at a rate equal to the greater of (1) the then-current market rental rate, or (2) 75% of the annual base rent in the final year of the initial term of the Agilent Boston lease. In addition, Agilent may terminate the lease at the end of the seventh lease year by paying a $4,190,000 termination fee.

The TRW Denver Building

On May 29, 2002, Wells OP purchased the TRW Denver Building, a three-story office building containing 108,240 rentable square feet located in Aurora, Arapahoe County, Colorado for a purchase price of $21,060,000, excluding closing costs. The TRW Denver Building is 100% leased to TRW, Inc. ("TRW"). The TRW lease is a net lease that commenced in October 1997 and expires in September 2007. The current annual base rent payable under the TRW lease is $2,870,709. TRW, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate.

The MFS Phoenix Building

On June 5, 2002, Wells OP purchased the MFS Phoenix Building, a three-story office building containing 148,605 rentable square feet located in Phoenix, Maricopa County, Arizona for a purchase price of $25,800,000, excluding closing costs. The MFS Phoenix Building is 100% leased to Massachusetts Financial Services Company ("MFS"). The MFS lease is a net lease that commenced in April 2001 and expires in July 2011. The current annual base rent payable under the MFS lease is $2,347,959. MFS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate.

4. NOTE RECEIVABLE

In connection with the purchase of the TRW Denver Building, Wells OP acquired a note receivable from the building's sole tenant, TRW, Inc., in the amount of $5,210,000. The loan was made to fund above-standard tenant

improvement costs to the building. The note receivable will be fully amortized over the remaining lease term, which expires September 2007, at 11% interest with TRW making monthly loan payments of $107,966.

5. NOTES PAYABLE

Wells OP has established four secured lines of credit with SouthTrust Bank totaling $72,140,000 which are secured by first priority mortgages against the Cinemark, ASML, Dial, PwC, Motorola Tempe, Alstom Power Richmond and Avnet Buildings. Notes payable at June 30, 2002 consists of (i) $7,655,600 of draws on a $7,900,000 line of credit from SouthTrust Bank secured by a first mortgage on the Alstom Power Richmond Building and (ii) $8,002,541 outstanding on the construction loan from Bank of America, N.A.(Bank of America) which is being used to fund the development of the Nissan Property.

6. INTEREST RATE SWAP

Wells OP entered into an interest rate swap agreement with Bank of America in an attempt to hedge its interest rate exposure on the Bank of America construction loan for the Nissan Property. The interest rate swap became effective January 15, 2002 and terminates on June 15, 2003, the maturity date of the construction loan. The notional amount of the interest rate swap is the balance outstanding on the construction loan on the payment date, which is the fifteenth of each month. The interest rate swap agreement involves the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. Wells OP, as the fixed rate payer, has an interest rate of 5.9%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. During the six months ended June 30, 2002, Wells OP made interest payments totaling approximately $23,100 under the terms of the interest rate swap. At June 30, 2002, the estimated fair value of the interest rate swap was ($289,379).

On January 1, 2001, the Company adopted SFAS No. 133, as amended by SFAS No. 137 and No. 138 Accounting for Derivative Instruments and Hedging Activities. The effect of adopting the SFAS No. 133 did not have a material effect on the Company's consolidated financial statements.

7. DUE TO AFFILIATES

Due to affiliates consists of amounts due to the Advisor for acquisitions and advisory fees and acquisition expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in greater detail in the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001. Payments of $601,963 have been made as of June 30, 2002 toward funding the obligation under the Matsushita agreement.

8. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor ("Wells Exchange") has developed a program (the "Wells Section 1031 Program") involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange, which was extended to April 15, 2002. Wells OP was compensated for its takeout commitment in the amount of $137,500 in 2001 and $134,102 in 2002. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex. Pay off of the loan triggered the release of Wells OP from its prior obligations under the take out purchase and escrow agreement relating to such property.

9. SUBSEQUENT EVENTS

The ISS Atlanta Buildings

On July 1, 2002, Wells OP purchased two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia for a purchase price of $40,500,000, excluding closing costs. The ISS Atlanta Buildings were acquired by assigning to Wells OP an existing ground lease with the Development Authority of Fulton County ("Development Authority"). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds ("Bonds") totaling $32,500,000 in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation ("ISS"). The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is $4,623,445. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The PacifiCare San Antonio Building

On July 12, 2002, Wells OP purchased the PacifiCare San Antonio Building, a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas for a purchase price of $14,650,000, excluding closing costs. The PacifiCare San Antonio Building is 100% leased to PacifiCare Health Systems, Inc. ("PacifiCare"). The PacifiCare lease is a net lease that commenced on November 20, 2000 and expires on November 30, 2010. The current annual base rent payable under the PacifiCare lease is $1,471,700. PacifiCare, at its option, has the right to extend the initial term of its lease for three additional five-year periods. Monthly base rent for the first renewal term will be $163,994 and monthly base rent for the second and third renewal terms will be the then-current market rental rate.

The Kerr McGee Property

On July 29, 2002, Wells OP purchased the Kerr McGee Property, a 4.2-acre tract of land located in Houston, Harris County, Texas for a purchase price of $1,738,044, excluding closing costs. Wells OP has entered into agreements to construct a four-story office building containing approximately 100,000 rentable square feet (the "Kerr McGee Project") on the Kerr McGee Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr McGee Property and the planning, design, development, construction and completion of the Kerr McGee Project will total approximately $15,760,000.

The entire 100,000 rentable square feet of the Kerr McGee Project will be leased to Kerr McGee Oil & Gas Corporation ("Kerr McGee"), a wholly owned subsidiary of Kerr McGee Corporation. The initial term of the Kerr McGee lease will extend 11 years and 1 month beyond the rent commencement date. Construction on the building is scheduled to be completed by July 2003. The rent commencement date will occur no later than July 1, 2003. Kerr McGee has the right to extend the initial term of this lease for one additional period of twenty years or the option to extend the initial term for any combination of additional periods of ten years or five years for a total additional period of not more than twenty years. The base rental rate will be 95% of the existing market rate. The initial annual base rent payable under the Kerr McGee lease will be calculated as 10.5% of project costs.

Wells OP obtained a construction loan in the amount of $13,700,000 from Bank of America to fund the construction of a building on the Kerr McGee Property. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan as of August 6, 2002 was 3.80%. The Bank of America loan is secured by a first priority mortgage on the Kerr McGee Property.

The BMG Greenville Building

On July 31, 2002, Wells OP purchased the BMG Greenville Buildings, two one-story office buildings containing 786,778 rentable square feet located in Duncan, Spartanburg County, South Carolina for a purchase price of $26,900,000, excluding closing costs. The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. ("BMG Marketing") and BMG Music ("BMG Music").

The BMG Marketing lease is a net lease that covers approximately 473,398 square feet commencing in March 1988 and expiring in March 2011. The initial annual base rent payable under the BMG Marketing lease is $1,394,156. BMG Marketing, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease is a net lease that covers approximately 313,380 rentable square feet commencing in December 1987 and expiring in March 2011. The current annual base rent payable under the BMG Music lease is $763,600. BMG Music, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The Kraft Atlanta Building

On August 1, 2002, Wells OP purchased the Kraft Atlanta Building, a one-story office building containing 87,219 rentable square feet located in Suwanee, Forsyth County, Georgia for a purchase price of $11,625,000, excluding closing costs. The Kraft Atlanta Building is leased to Kraft Foods North America, Inc. ("Kraft") and PerkinElmer Instruments, LLC ("PerkinElmer").

The Kraft lease is a net lease that covers approximately 73,264 square feet commencing in February 2002 and expiring in January 2012. The initial annual base rent payable under the Kraft lease is $1,263,804. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the lease (1) at the end of the third year by paying a $7,000,000 termination fee, or (2) at the end of the seventh lease year by paying a $1,845,296 termination fee.

The PerkinElmer lease is a net lease that covers approximately 13,955 rentable square feet commencing in December 2001 and expiring in November 2016. The current annual base rent payable under the PerkinElmer lease is $194,672. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the lease at the end of the tenth lease year by paying a $325,000 termination fee.

Issuance of Common Stock

From July 1, 2002 through August 7, 2002, the Company raised $170,921,990 through the issuance of 17,092,199 shares of common stock in the Company.

The Fourth Offering of Common Stock

The Company terminated it third public offering and commenced its fourth public offering of common stock on July 26, 2002, the effective date of the Registration Statement initially filed with the Securities and Exchange Commission on April 8, 2002. The Company is offering up to an aggregate of $3,300,000,000 (330,000,000 shares) of which $3,000,000,000 (300,000,000 shares) are being offered to the public and $300,000,000 (30,000,000 shares) are being offered pursuant to the dividend reinvestment plan.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc. included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended June 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks filed in the previous two years.

The following unaudited pro forma balance sheet as of June 30, 2002 has been prepared to give effect to the third quarter 2002 acquisitions of the PacifiCare San Antonio Building, the Kerr McGee Property, the BMG Greenville Buildings and the Kraft Atlanta Building (collectively, the "Recent Acquisitions") by Wells OP as if the acquisitions occurred on June 30, 2002.

The following unaudited pro forma statement of income for the six months ended June 30, 2002 has been prepared to give effect to the first and second quarter 2002 acquisitions of the Arthur Andersen Building, the Transocean Houston Building, Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property had no operations during the six months ended June 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings and the Kerr McGee Property had no operations during 2001.

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., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells Real Estate Investment Trust, Inc.

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 of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2002

(Unaudited)

ASSETS

		Pro Forma Adjustments					
		Recent Acquisitions					
	Wells Real Estate Investment Trust, Inc (e)	Other	PacifiCare San Antonio	Kerr McGee	BMG Greenville	Kraft Atlanta	Pro Forma Total
REAL ESTATE ASSETS, at cost:							
Land	$ 110,330,449	$ 0	$ 2,450,000(a)	$ 1,738,044(a)	$ 1,600,000(a)	$ 2,700,000(a)	$ 119,163,936
		0	99,709(b)	70,734(b)	65,116(b)	109,884(b)	
Buildings, less accumulated depreciation of $37,717,737	689,490,969	0	12,239,827(a)	0	25,087,017(a)	8,975,771(a)	737,677,992
		0	498,132(b)	0	1,020,983(b)	365,293(b)	
Construction in progress	16,081,841	0	0	379,901(a)	0	0	16,461,742
Total real estate assets	815,903,259	0	15,287,668	2,188,679	27,773,116	12,150,948	873,303,670
CASH AND CASH EQUIVALENTS	341,909,775	145,053,219(c)	(14,689,827)(a)	(2,103,115)(a)	(14,984,256)(a)	(11,675,771)(a)	438,433,162
		(5,076,863)(d)					
INVESTMENT IN JOINT VENTURES	76,217,870	0	0	0	0	0	76,217,870
INVESTMENT IN BONDS	22,000,000	0	0	0	0	0	22,000,000
ACCOUNTS RECEIVABLE	10,709,104	0	0	0	0	0	10,709,104
DEFERRED LEASE ACQUISITION COSTS, net	1,790,608	0	0	0	0	0	1,790,608
DEFERRED PROJECT COSTS	14,314,914	5,076,863(d)	(597,841)(b)	(70,734)(b)	(1,086,099)(b)	(475,177)(b)	17,161,926
DEFERRED OFFERING COSTS	1,392,934	0	0	0	0	0	1,392,934
DUE FROM AFFILIATES	1,897,309	0	0	0	0	0	1,897,309
NOTE RECEIVABLE	5,149,792	0	0	0	0	0	5,149,792
PREPAID EXPENSES AND OTHER ASSETS, net	1,881,308	0	0	0	0	0	1,881,308
Total assets	$1,293,166,873	$145,053,219	$ 0	$ 14,830	$ 11,702,761	$ 0	$1,449,937,683

LIABILITIES AND SHAREHOLDERS' EQUITY

		Pro Forma Adjustments					
		Recent Acquisitions					
	Wells Real Estate Investment Trust, Inc (e)	Other	PacifiCare San Antonio	Kerr McGee	BMG Greenville	Kraft Atlanta	Pro Forma Total
LIABILITIES:							
Accounts payable and accrued expenses	$ 11,840,214	$ 0	$ 0	$ 14,830(a)	$ 0	$ 0	$ 11,855,044
Notes payable	15,658,141	0	0	0	11,702,761(a)	0	27,360,902
Obligations under capital lease	22,000,000	0	0	0	0	0	22,000,000
Dividends payable	4,538,635	0	0	0	0	0	4,538,635
Due to affiliates	2,106,790	0	0	0	0	0	2,106,790
Deferred rental income	1,013,544	0	0	0	0	0	1,013,544
Total liabilities	57,157,324	0	0	14,830	11,702,761	0	68,874,915
COMMITMENTS AND CONTINGENCIES							
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	0	200,000
SHAREHOLDERS' EQUITY:							
Common shares, $.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002	1,455,890	145,053(c)	0	0	0	0	1,600,943
Additional paid-in capital	1,290,858,515	144,908,166(c)	0	0	0	0	1,435,766,681
Cumulative distributions in excess of earnings	(43,991,669)	0	0	0	0	0	(43,991,669)
Treasury stock, at cost, 1,222,381 shares	(12,223,808)	0	0	0	0	0	(12,223,808)
Other comprehensive loss	(289,379)	0	0	0	0	0	(289,379)
Total shareholders' equity	1,235,809,549	145,053,219	0	0	0	0	1,380,862,768
Total liabilities and shareholders' equity	$ 1,293,166,873	$ 145,053,219	$ 0	$ 14,830	$ 11,702,761	$ 0	$ 1,449,937,683

(a) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(b) Reflects deferred project costs applied to the land and building at approximately 4.07% of the purchase price.

(c) Reflects capital raised through issuance of additional shares subsequent to June 30, 2002 through Kraft Atlanta acquisition date.

(d) Reflects deferred project costs capitalized as a result of additional capital raised described in note (c) above.

(e) Historical financial information derived from quarterly report on Form 10-Q

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2001

(Unaudited)

		Pro Forma Adjustments					
				Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (f)	2001 Acquisitions	2002 Acquisitions	PacifiCare San Antonio	BMG Greenville	Kraft Atlanta	Pro Forma Total
REVENUES:							
Rental income	$ 44,204,279	$ 11,349,076(a)	$14,846,431(a)	$1,556,473(a)	$ 2,445,210(a)	$ 18,429(a)	$ 74,419,898
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	137,500
	49,308,802	12,460,926	14,846,431	1,556,473	2,445,210	18,429	80,636,271
EXPENSES:							
Depreciation and amortization	15,344,801	5,772,761(c)	5,356,374(c)	509,518(c)	1,044,320(c)	31,137(c)	28,058,911
Interest	3,411,210	0	0	0	0	0	3,411,210
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	1,505,269(d)	0	0	5,452(d)	8,493,879
Management and leasing fees	2,507,188	510,708(e)	668,090(e)	70,041(e)	110,034(e)	829(e)	3,866,890
General and administrative	973,785	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	448,776
	27,584,835	9,137,744	7,529,733	579,559	1,154,354	37,418	46,023,643
NET INCOME	$21,723,967	$ 3,323,182	$7,316,698	$ 976,914	$1,290,856	$(18,989)	$ 34,612,628
EARNINGS PER SHARE, basic and diluted	$ 0.43						$ 0.22
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853						158,872,092

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building and the ADIC Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of nonreimbursable operating expenses.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Historical financial information derived from annual report on Form 10-K

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2002

(Unaudited)

		Pro Forma Adjustments				
			Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (e)	2002 Acquisitions	PacifiCare San Antonio	BMG Greenville	Kraft Atlanta	Pro Forma Total
REVENUES:						
Rental income	$ 38,571,815	$ 7,307,774(a)	$ 778,237(a)	$ 1,222,605(a)	$ 651,493(a)	$ 48,531,924
Equity in income of joint ventures	2,478,686	0	0	0	0	2,478,686
Interest income	2,648,351	0	0	0	0	2,648,351
Take out fee	134,102	0	0	0	0	134,102
	43,832,954	7,307,774	778,237	1,222,605	651,493	53,793,063
EXPENSES:						
Depreciation and amortization	12,903,282	2,588,546(b)	254,759(b)	522,160(b)	186,821(b)	16,455,568
Interest	880,002	0	0	0	0	880,002
Operating costs, net of reimbursements	2,063,997	300,018(c)	0	0	79,067(c)	2,443,082
Management and leasing fees	1,903,082	328,850(d)	35,021(d)	55,017(d)	29,317(d)	2,351,287
General and administrative	1,121,457	0	0	0	0	1,121,457
Amortization of deferred financing costs	424,992	0	0	0	0	424,992
	19,296,812	3,217,414	289,780	577,177	295,205	23,676,388
NET INCOME	$ 24,536,142	$ 4,090,360	$ 488,457	$ 645,428	$ 356,288	$ 30,116,675
EARNINGS PER SHARE, basic and diluted	$ 0.22					$ 0.19
WEIGHTED AVERAGE SHARES, basic and diluted	110,885,641					158,872,092

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of nonreimbursable operating expenses.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Historical financial information derived from quarterly report on Form 10-Q

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 2 DATED AUGUST 29, 2002 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The declaration of dividends for the fourth quarter of 2002;

(3) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property matters:

  (A) Acquisition of three office buildings in Irving, Texas (Nokia Dallas Buildings);

  (B) Acquisition of a seven-story office building in Austin, Texas (Harcourt Austin Building); and

  (C) Execution of a lease with AmeriCredit Financial Services in connection with a build-to-suit three-story office building in Chandler, Arizona (AmeriCredit Arizona Building);

(4) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus; and

(5) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Nokia Dallas Buildings.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,292,032,232 in gross offering proceeds from the sale of 129,203,223 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 25, 2002, we had received additional gross proceeds of approximately $84,871,857 from the sale of approximately 8,487,186 shares in our fourth public offering.

Dividends

As we described in Supplement No. 1 to the prospectus, we acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit – plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria – we were required to lower our dividend yield to investors.

As a result of the factors described in the preceding paragraph, on August 29, 2002, our board of directors declared dividends for the fourth quarter of 2002 in an amount equal to a 7.0% annualized percentage rate return on an investment of $10 per share to be paid in December 2002. Our fourth quarter dividends are calculated on a daily record basis of $0.001923 (0.1923 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on September 16, 2002, and continuing on each day thereafter through and including December 15, 2002.

Description of Properties

As of August 25, 2002, we had purchased interests in 59 real estate properties located in 19 states, each of which was 100% leased to tenants. Below are the descriptions of our recent real property acquisitions through August 25, 2002.

Nokia Dallas Buildings

On August 15, 2002, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased three adjacent office buildings containing an aggregate of 604,234 rentable square feet located in Irving, Texas for an aggregate purchase price of $119,550,000, plus closing costs (Nokia Dallas Buildings). The Nokia Dallas Buildings consist of (1) a nine-story office building located at 6031 Connection Drive (Nokia I Building), (2) a seven-story office building located at 6021 Connection Drive (Nokia II Building), and (3) a six-story office building located at 6011 Connection Drive (Nokia III Building). The Nokia I Building and Nokia III Building were built in 1999, and the Nokia II Building was built in 2000.

The Nokia Dallas Buildings are all leased entirely to Nokia, Inc., the U.S. operating subsidiary of Nokia Corporation (Nokia), under long-term net leases (i.e., operating costs and maintenance costs are paid by the tenant) for periods of 10 years, with approximately seven to eight years remaining on such leases. Nokia, the guarantor of the Nokia, Inc. leases, is a Finnish corporation whose shares are traded on the New York Stock Exchange. Nokia is a mobile communications company that supplies mobile phones and mobile, fixed broadband, and Internet protocol networks. Nokia sells its products in over 130 countries worldwide. Nokia reported a net worth, as of December 31, 2001, of approximately $12 billion Euros.

Since the Dallas Nokia Buildings are leased to a single tenant on a long-term basis under net leases that transfer substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the leases, Nokia, is more relevant to investors than financial statements of the property acquired. Nokia is a public company which currently files its financial statements in reports filed with the Securities and Exchange Commission, and following is summary financial data regarding Nokia taken from its previously filed public reports:

Consolidated Profit and Loss Accounts

	For the Fiscal Year Ended		
	December 31, 2001	December 31, 2000	December 31, 1999
	(In millions of Euros)		
Net Sales	31,191	30,376	19,772
Operating Profit	3,362	5,776	3,908
Net Profit	2,200	3,938	2,577

Consolidated Balance Sheet Data

	December 31, 2001	December 31, 2000
	(In millions of Euros)	
Total Assets	22,427	19,890
Long-term liabilities	460	311
Shareholders' Equity	12,205	10,808

If you would like to review more detailed financial information regarding Nokia, please refer to the financial statements of Nokia, which are publicly available with the Securities and Exchange Commission at http://www.sec.gov.

The Nokia I Building is a nine-story building containing 228,678 rentable square feet. The Nokia I Building lease fully commenced in July 1999 and expires in July 2009. The current annual base rent payable under the Nokia I Building lease is $4,413,485.

The Nokia II Building is a seven-story building containing 223,470 rentable square feet. The Nokia II Building lease commenced in December 2000 and expires in December 2010. The current annual base rent payable under the Nokia II Building lease is $4,547,614.

The Nokia III Building is a six-story building containing 152,086 rentable square feet. The Nokia III Building lease commenced in June 1999 and expires in July 2009. The current annual base rent payable under the Nokia III Building lease is $3,024,990.

Nokia, Inc. has a right of first offer on the future sale of each of the Nokia Dallas Buildings.

Harcourt Austin Building

On August 15, 2002, Wells OP purchased a seven-story office building containing 195,230 rentable square feet located in Austin, Texas (Harcourt Austin Building) for a purchase price of $39,000,000, plus closing costs. The Harcourt Austin Building was built in 2001 and is located at 10801 North Mopac Expressway, Austin, Texas.

The Harcourt Austin Building is leased entirely to Harcourt, Inc., a wholly owned subsidiary of Harcourt General, Inc. (Harcourt General), the guarantor of the Harcourt lease. Harcourt General is a Delaware corporation having its corporate headquarters in Newton, Massachusetts. Harcourt General is a worldwide education company that provides books, print, and electronic learning materials, assessments, and professional development programs to students and teachers in pre-kindergarten through 12th grade. Harcourt General was acquired in July 2001, by, and became a wholly owned subsidiary of, Reed Elsevier PLC, a privately held company.

The Harcourt lease commenced in July 2001 and expires in June 2016. The current annual base rent payable under the Harcourt lease is $3,353,040.

Lease of AmeriCredit Arizona Building

On August 9, 2002, Wells OP entered into a 10-year lease with AmeriCredit Financial Services, Inc. (AmeriCredit) for a build-to-suit property on a 14-acre tract of land located in Chandler, Arizona (AmeriCredit Arizona Property). Wells OP expects to enter into a definitive agreement to acquire the AmeriCredit Arizona Property in the near future.

AmeriCredit is wholly-owned by, and serves as the primary operating subsidiary for, AmeriCredit Corp., a Texas corporation whose common stock is publicly traded on the NYSE. AmeriCredit Corp. is the guarantor of the lease. AmeriCredit is the world's largest independent middle-market automobile finance company. AmeriCredit purchases loans made by franchised and select independent dealers to consumers buying late model used and, to a lesser extent, new automobiles. AmeriCredit Corp. reported a net worth, as of December 31, 2001, of approximately $1.2 billion.

The AmeriCredit Arizona lease will commence shortly after completion of construction of a three-story office building containing approximately 153,494 rentable square feet on the AmeriCredit Arizona Property, which we expect to occur in approximately March 2003 at a total estimated cost of $24,700,000. The AmeriCredit Arizona lease expires 10 years and four months after lease commencement. AmeriCredit has the right to extend the initial term of this lease for two additional five-year terms at 95% of the then-current market rental rate. In addition, AmeriCredit may terminate the AmeriCredit Arizona lease at the end of the 88th month by paying a $2,512,697 termination fee.

As an inducement for Wells OP to enter into the AmeriCredit Arizona lease, AmeriCredit has prepaid to Wells OP the first three years of base rent on the AmeriCredit Arizona Building at a discounted amount equal to $4,827,945 rather than the amount of base rent that would otherwise have been payable ratably over the first three years of the lease term. Wells OP will be required to repay this prepaid rent or some portion thereof under certain circumstances described in the AmeriCredit Arizona lease such as failure of Wells OP to substantially complete construction of the building in accordance with specifications by August 1, 2003, damage or destruction of the building, eminent domain taking of the property and failure of Wells OP to make required repairs to the building. Wells OP has obtained and delivered an irrevocable stand-by letter of credit from Bank of America, N.A. to AmeriCredit in the amount of the prepaid rent to secure Wells OP's obligation to repay the prepaid rent under these conditions.

Property Management Fees

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of 4.5% of gross revenues from the Nokia Dallas Buildings, the Harcourt Austin Building and the AmeriCredit Arizona Building, subject to certain limitations. In addition, Wells Management will receive a one-time initial lease-up fee relating to the leasing of the AmeriCredit Arizona Building equal to one month's rent estimated to be approximately $207,000.

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

The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002.

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,292,032,232 in gross offering proceeds from the sale of 129,203,223 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 25, 2002, we had received additional gross proceeds of approximately $84,871,857 from the sale of approximately 8,487,186 shares in our fourth public offering. Accordingly, as of August 25, 2002, we had received aggregate gross offering proceeds of approximately $1,684,315,201 from the sale of approximately 168,431,520 shares in all of our public offerings. After payment of $58,452,949 in acquisition and advisory fees and acquisition expenses, payment of $187,490,370 in selling commissions and organization and offering expenses, and common stock redemptions of $14,230,931 pursuant to our share redemption program, as of August 25, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,424,140,951, out of which $1,128,348,590 had been invested in real estate properties, and $295,792,361 remained available for investment in real estate properties.

Financial Statements

The pro forma balance sheet of the Wells REIT, as of June 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

INDEX TO FINANCIAL STATEMENTS

WELLS REAL ESTATE INVESTMENT TRUST, INC.

Summary of Unaudited Pro Forma Financial Statements

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc. included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended June 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of June 30, 2002 has been prepared to give effect to the third quarter 2002 acquisitions of the PacifiCare San Antonio Building, the Kerr McGee Property, the BMG Greenville Buildings, the Kraft Atlanta Building (the "Other Recent Acquisitions") and the Nokia Dallas Buildings (collectively, the "Recent Acquisitions") by Wells OP as if the acquisitions occurred on June 30, 2002.

The following unaudited pro forma statement of income for the six months ended June 30, 2002 has been prepared to give effect to the first and second quarter 2002 acquisitions of the Arthur Andersen Building, the Transocean Houston Building, Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property had no operations during the six months ended June 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings and the Kerr McGee Property had no operations during 2001.

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., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells Real Estate Investment Trust, Inc.

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 of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2002

(Unaudited)

ASSETS

	Wells Real Estate Investment Trust, Inc. (e)	Pro Forma Adjustments		Pro Forma Total
		Recent Acquisitions		
		Other	Nokia Dallas	
REAL ESTATE ASSETS, at cost:				
Land	$ 110,330,449	$ 8,488,044 (a)	$ 9,100,000 (a)	$ 128,634,284
		345,443 (b)	370,348 (b)	
Buildings, less accumulated depreciation of $37,717,737	689,490,969	46,302,615 (a)	110,831,069 (a)	853,019,628
		1,884,408 (b)	4,510,567 (b)	
Construction in progress	16,081,841	379,901 (a)	0	16,461,742
Total real estate assets	815,903,259	57,400,411	124,811,984	998,115,654
CASH AND CASH EQUIVALENTS	341,909,775	(43,452,969)(a)	(119,931,069)(a)	372,072,298
		200,566,384 (c)		
		(7,019,823)(d)		
INVESTMENT IN JOINT VENTURES	76,217,870	0	0	76,217,870
INVESTMENT IN BONDS	22,000,000	0	0	22,000,000
ACCOUNTS RECEIVABLE	10,709,104	0	0	10,709,104
DEFERRED LEASE ACQUISITION COSTS, net	1,790,608	0	0	1,790,608
DEFERRED PROJECT COSTS	14,314,914	(2,229,851)(b)	(4,880,915)(b)	14,223,971
		7,019,823 (d)		
DEFERRED OFFERING COSTS	1,392,934	0	0	1,392,934
DUE FROM AFFILIATES	1,897,309	0	0	1,897,309
NOTE RECEIVABLE	5,149,792	0	0	5,149,792
PREPAID EXPENSES AND OTHER ASSETS, net	1,881,308	0	0	1,881,308
Total assets	$1,293,166,873	$212,283,975	$ 0	$1,505,450,848

LIABILITIES AND SHAREHOLDERS' EQUITY

	Wells Real Estate Investment Trust, Inc. (e)	Pro Forma Adjustments – Recent Acquisitions – Other	Pro Forma Adjustments – Recent Acquisitions – Nokia Dallas	Pro Forma Total
LIABILITIES:				
Accounts payable and accrued expenses	$ 11,840,214	$ 14,830(a)	$ 0	$ 11,855,044
Notes payable	15,658,141	11,702,761(a)	0	27,360,902
Obligations under capital lease	22,000,000	0	0	22,000,000
Dividends payable	4,538,635	0	0	4,538,635
Due to affiliates	2,106,790	0	0	2,106,790
Deferred rental income	1,013,544	0	0	1,013,544
Total liabilities	57,157,324	11,717,591	0	68,874,915
COMMITMENTS AND CONTINGENCIES				
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	200,000
SHAREHOLDERS' EQUITY:				
Common shares, $.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002	1,455,890	200,566(c)	0	1,656,456
Additional paid-in capital	1,290,858,515	200,365,818(c)	0	1,491,224,333
Cumulative distributions in excess of earnings	(43,991,669)	0	0	(43,991,669)
Treasury stock, at cost, 1,222,381 shares	(12,223,808)	0	0	(12,223,808)
Other comprehensive loss	(289,379)	0	0	(289,379)
Total shareholders' equity	1,235,809,549	200,566,384	0	1,436,375,933
Total liabilities and shareholders' equity	$ 1,293,166,873	$ 212,283,975	$ 0	$ 1,505,450,848

(a) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(b) Reflects deferred project costs applied to the land and building at approximately 4.07% of the purchase price.

(c) Reflects capital raised through issuance of additional shares subsequent to June 30, 2002 through Nokia Dallas acquisition date.

(d) Reflects deferred project costs capitalized as a result of additional capital raised described in note (c) above.

(e) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2001

(Unaudited)

		Pro Forma Adjustments				
				Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc.(f)	2001 Acquisitions	2002 Acquisitions	Other	Nokia Dallas	Pro Forma Total
REVENUES:						
Rental income	$ 44,204,279	$ 11,349,076(a)	$14,846,431(a)	$ 4,020,112(a)	$12,518,628(a)	$86,938,526
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	137,500
	49,308,802	12,460,926	14,846,431	4,020,112	12,518,628	93,154,899
EXPENSES:						
Depreciation	15,344,801	5,772,761(c)	5,356,374(c)	1,584,975(c)	4,613,665(c)	32,672,576
Interest	3,411,210	0	0	0	0	3,411,210
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	1,505,269(d)	5,452(d)	0	8,493,879
Management and leasing fees	2,507,188	510,708(e)	668,090(e)	180,904(e)	563,338(e)	4,430,228
General and administrative	973,785	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	448,776
	27,584,835	9,137,744	7,529,733	1,771,331	5,177,003	51,200,646
NET INCOME	$21,723,967	$ 3,323,182	$ 7,316,698	$ 2,248,781	$ 7,341,625	$ 41,954,253
EARNINGS PER SHARE, basic and diluted	$ 0.43					$ 0.26
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853					164,423,411

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building and the ADIC Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of nonreimbursable operating expenses.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2002

(Unaudited)

		Pro Forma Adjustments			
			Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc.(e)	2002 Acquisitions	Other	Nokia Dallas	Pro Forma Total
REVENUES:					
Rental income	$ 38,571,815	$ 7,307,774(a)	$ 2,652,335(a)	$ 6,259,314(a)	$ 54,791,238
Equity in income of joint ventures	2,478,686	0	0	0	2,478,686
Interest income	2,648,351	0	0	0	2,648,351
Take out fee	134,102	0	0	0	134,102
	43,832,954	7,307,774	2,652,335	6,259,314	60,052,377
EXPENSES:					
Depreciation	12,903,282	2,588,546(b)	963,740(b)	2,306,833(b)	18,762,401
Interest	880,002	0	0	0	880,002
Operating costs, net of reimbursements	2,063,997	300,018(c)	79,067(c)	0	2,443,082
Management and leasing fees	1,903,082	328,850(d)	119,355(d)	281,669(d)	2,632,956
General and administrative	1,121,457	0	0	0	1,121,457
Amortization of deferred financing costs	424,992	0	0	0	424,992
	19,296,812	3,217,414	1,162,162	2,588,502	26,264,890
NET INCOME	$ 24,536,142	$ 4,090,360	$ 1,490,173	$ 3,670,812	$ 33,787,487
EARNINGS PER SHARE, basic and diluted	$ 0.22				$ 0.21
WEIGHTED AVERAGE SHARES, basic and diluted	110,885,641				164,423,411

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of nonreimbursable operating expenses.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 3 DATED OCTOBER 15, 2002 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002 and Supplement No. 2 dated August 29, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions:

  (A) Acquisition of a two-story office building and a one-story daycare facility in Holtsville, New York (IRS Long Island Buildings);

  (B) Acquisition of a 14.74 acre tract of land and the build-to-suit construction of a three-story office building in Chandler, Arizona (AmeriCredit Phoenix Building);

  (C) Acquisition of a four-story office building in Parsippany, New Jersey (KeyBank Parsippany Building);

  (D) Acquisition of a one-story office building located in Indianapolis, Indiana (Allstate Indianapolis Building);

  (E) Acquisition of a three-story office building located in Colorado Springs, Colorado (Federal Express Colorado Springs Building);

  (F) Acquisition of a one-story office and distribution building in Des Moines, Iowa (EDS Des Moines Building);

  (G) Acquisition of a two-story office building with a three-story wing located in Plano, Texas (Intuit Dallas Building); and

  (H) Acquisition of a two-story office building in Westlake, Texas (Daimler Chrysler Dallas Building);

(3) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(4) Status of the development of the Nissan Project;

(5) Audited financial statements relating to the Harcourt Austin Building, which acquisition was described in Supplement No. 2 dated August 29, 2002, the IRS Long Island Buildings and the KeyBank Parsippany Building; and

(6) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Harcourt Austin Building, IRS Long Island Buildings, AmeriCredit Phoenix Property, KeyBank Parsippany Building, Allstate Indianapolis Building, Federal Express Colorado Springs Building, EDS Des Moines Building, Intuit Dallas Building and Daimler Chrysler Dallas Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of October 15, 2002, we had received additional gross proceeds of approximately $276,782,914 from the sale of approximately 27,678,291 shares in our fourth public offering.

Description of Properties

As of October 15, 2002, we had purchased interests in 67 real estate properties located in 22 states. Below are the descriptions of our recent real property acquisitions.

IRS Long Island Buildings

On September 16, 2002, Wells REIT-Holtsville, NY, LLC (REIT-Holtsville), a Georgia limited liability company wholly-owned by Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a two-story office building (IRS Office Building) and a one-story daycare facility (IRS Daycare Facility) containing an aggregate 259,700 rentable square feet located in Holtsville, New York for a purchase price of $50,975,000, plus closing costs from HIRS Associates LLC (HIRS). HIRS is not in any way affiliated with the Wells REIT, Wells OP, REIT-Holtsville, or our advisor, Wells Capital, Inc.

The IRS Office Building was built in 2000 and is located at 5000 Corporate Court in Holtsville, New York on a 36.25-acre tract of land. The IRS Daycare Facility was built in 1999 and is located on a 1.87-acre tract of land located at 2 Corporate Drive in Holtsville, New York. The IRS Office Building is located in central Long Island in a campus setting. The property was developed as a flagship campus for the Internal Revenue Service (IRS) and is one of only eight processing and collection facilities in the country.

Approximately 191,050 of the aggregate rentable square feet of the IRS Long Island Buildings (74%) is currently leased to the United States of America (U.S.A.) through the U.S. General Services Administration (GSA) for occupancy by the IRS under three separate lease agreements for the processing & collection division of the IRS (IRS Collection), the compliance division of the IRS (IRS Compliance), and the IRS Daycare Facility. The GSA is a centralized federal procurement and property management agency which acquires office space, equipment, telecommunications, information technology, supplies and services for federal agencies such as the IRS.

REIT-Holtsville is negotiating for the remaining 26% of the IRS Long Island Buildings to be leased by the U.S.A. on behalf of the IRS or to another suitable tenant. If REIT-Holtsville should lease this space to the U.S.A. or another suitable tenant within 18 months, REIT-Holtsville would owe the seller an additional amount of up to $14,500,000 as additional purchase price for the IRS Long Island Buildings pursuant to the terms of an earnout agreement entered into between REIT-Holtsville and the seller at the closing.

All three of the IRS leases are net leases (i.e., operating costs and maintenance costs are paid by the tenant) which include provisions that require the landlord and the property manager to comply with various employment related practices and other various laws typically required by government entities. Although we believe that the Wells REIT, Wells OP and REIT-Holtsville should be deemed exempt from these requirements, if a determination were made that these or other affiliated entities violated these lease provisions, the tenant has the right under each of the IRS leases to terminate the lease or to require compliance by the appropriate entities. REIT-Holtsville, as the landlord, is responsible for maintaining and repairing the roof, structural elements and mechanical systems of the IRS Long Island Buildings.

The IRS Collection lease, which encompasses 128,000 rentable square feet of the IRS Office Building, commenced in August 2000 and expires in August 2005. The current annual base rent payable under the IRS Collection lease is $5,029,380. The annual base rent payable under the IRS Collection lease for the remaining two years of the initial lease term will be $2,814,900. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at annual rental rates of $4,209,869 and $4,999,219, respectively.

The IRS Compliance lease, which encompasses 50,949 rentable square feet of the IRS Office Building, commenced in December 2001 and expires in December 2011. The annual base rent payable under the IRS Compliance lease for the initial term of the lease is $1,663,200. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of $2,217,600.

The IRS Daycare Facility lease, which encompasses the entire 12,100 rentable square feet of the IRS Daycare Facility, commenced in October 1999 and expires in September 2004. The annual base rent payable under the IRS Daycare Facility lease for the initial term of the lease is $486,799. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at an annual rental rate of $435,600.

AmCap Management Corporation, an affiliate of HIRS, the seller of the property, will serve as the initial property manager of the IRS Long Island Buildings for a period of up to 18 months. AmCap Management Corporation is not in any way affiliated with the Wells REIT, Wells OP, REIT-Holtsville or our advisor. Prior to the expiration of the 18-month term of the property management agreement, REIT-Holtsville will be required to locate and hire a new property manager for the IRS Long Island Buildings.

The AmeriCredit Phoenix Property

On September 12, 2002, Wells OP purchased a 14.74 acre tract of land located in Chandler, Maricopa County, Arizona (AmeriCredit Phoenix Property (formerly referred to as AmeriCredit Arizona Property)) for $2,632,298, plus closing costs from Price & Germann Roads, L.L.C., an Arizona limited liability company (Price). Price is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Wells OP has entered into a development agreement and an owner-contractor agreement to construct a three-story office building containing 153,494 rentable square feet (AmeriCredit Phoenix Project) on the AmeriCredit Phoenix Property. Wells OP anticipates that the aggregate of all costs and expenses to be incurred with respect to the acquisition of the AmeriCredit Phoenix Property, and the planning, design, development, construction and completion of the AmeriCredit Phoenix Project will total approximately $24,700,000.

Development Agreement. Wells OP entered into a Development Agreement (Development Agreement) with ADEVCO Corporation, a Georgia corporation (Developer), as the exclusive development manager to supervise, manage and coordinate the planning, design, construction and completion of the AmeriCredit Phoenix Project. As compensation for the services to be rendered by the Developer under the Development Agreement, Wells OP will pay a development fee payable ratably (on

the basis of the percentage of construction completed) as the construction and development of the AmeriCredit Phoenix Project is completed.

Owner-Contractor Agreement. Wells OP entered into an Owner-Contractor Agreement (Construction Agreement) with Bovis Lend Lease, Inc. (Contractor) for the construction of the AmeriCredit Phoenix Project. The Contractor is a worldwide construction company with U.S. headquarters in New York. The Contractor provides services in a variety of sectors in the construction industry, including commercial, residential, industrial, pharmaceutical, sports and leisure, and retail and entertainment. The Contractor began construction in September 2002 of a three-story office building containing approximately 153,494 rentable square feet (AmeriCredit Phoenix Building).

The Construction Agreement provides that Wells OP will pay the Contractor a maximum of $10,398,274 for the construction of the AmeriCredit Phoenix Project which includes all estimated fees and costs, including the architect fees. The Contractor will be responsible for all costs of labor, materials, construction equipment and machinery necessary for completion of the AmeriCredit Phoenix Project. In addition, the Contractor will be required to secure and pay for any additional business licenses, tap fees and building permits which may be necessary for construction of the AmeriCredit Phoenix Project.

AmeriCredit Phoenix Lease. The AmeriCredit Phoenix Building will be leased entirely to AmeriCredit Financial Services, Inc. (AmeriCredit). AmeriCredit is wholly-owned by, and serves as the primary operating subsidiary for, AmeriCredit Corp., a Texas corporation whose common stock is publicly traded on the New York Stock Exchange (NYSE). AmeriCredit Corp. is the guarantor of the lease. AmeriCredit is the world's largest independent middle-market automobile finance company. AmeriCredit purchases loans made by franchised and select independent dealers to consumers buying late model used and, to a lesser extent, new automobiles. AmeriCredit Corp. reported a net worth, as of December 31, 2001, of approximately $1.2 billion.

The AmeriCredit Phoenix lease is a net lease (i.e., operating costs and maintenance costs to be paid by the tenant) and will commence shortly after completion of construction of the AmeriCredit Phoenix Building, which we currently expect to occur in approximately March 2003. The AmeriCredit Phoenix lease expires 10 years and four months after lease commencement. AmeriCredit has the right to extend the initial term of this lease for two additional five-year terms at 95% of the then-current market rental rate. In addition, AmeriCredit may terminate the AmeriCredit Phoenix lease at the end of the 88 th month by paying a $2,512,697 termination fee. Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, structural walls, exterior windows, parking lot, driveways, and light poles.

As an inducement for Wells OP to enter into the AmeriCredit Phoenix lease, AmeriCredit has prepaid to Wells OP the first three years of base rent on the AmeriCredit Phoenix Building at a discounted amount equal to $4,827,945 rather than the amount of base rent that would otherwise have been payable ratably over the first three years of the lease term. Wells OP will be required to repay this prepaid rent or some portion thereof under certain circumstances described in the AmeriCredit Phoenix lease such as failure of Wells OP to substantially complete construction of the building in accordance with specifications by August 1, 2003, damage or destruction of the building, eminent domain taking of the property and failure of Wells OP to make required repairs to the building. Wells OP has obtained and delivered an irrevocable stand-by letter of credit from Bank of America, N.A. to AmeriCredit in the amount of the prepaid rent to secure Wells OP's obligation to repay the prepaid rent under these conditions.

KeyBank Parsippany Building

On September 27, 2002, Wells OP purchased a four-story office building containing 404,515 rentable square feet located on a 19.06 acre tract of land in Parsippany, New Jersey (KeyBank Parsippany Building) for a purchase price of $101,350,000, plus closing costs from Two Gatehall Associates, L.L.C. (Gatehall) and Asset Preservation, Inc. (Asset). Neither Gatehall nor Asset are in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Key Bank Parsippany Building was completed in 1985 and is located at Two Gatehall Drive in Parsippany, Morris County, New Jersey. The KeyBank Parsippany Building is leased to Key Bank U.S.A., N.A. (KeyBank) and Gemini Technology Services (Gemini).

KeyBank is a national banking association and a wholly-owned subsidiary of KeyCorp, the guarantor on the lease. KeyCorp, whose shares are traded on the NYSE, is a bank-based financial services company that provides investment management, retail and commercial banking, retirement, consumer finance, and investment banking products and services to individuals and companies throughout the United States and internationally. KeyCorp operates approximately 2,300 ATMs across the United States. KeyCorp reported a net worth, as of June 30, 2002, of approximately $6.6 billion.

The KeyBank lease covers 200,000 rentable square feet (49%) and is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in March 2001 and expires in February 2016. The current annual base rent payable under the KeyBank lease is $3,800,000. KeyBank, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate.

Gemini Technology Services is an information technology subsidiary of Deutsch Bank AG (Deutsch Bank). Deutsch Bank provides financial services around the world to individuals and institutional clients and serves more than 12 million customers in 75 countries worldwide.

The Gemini lease covers 204,515 rentable square feet (51%) and is a gross lease (i.e., operating costs and maintenance costs are the responsibility of the landlord) that commenced in December 2000 and expires in December 2013. The current annual base rent payable under the Gemini lease is $5,726,420. Gemini secured its obligations under the Gemini lease with a $35,000,000 irrevocable letter of credit, which amount decreases over time during the initial term of the Gemini lease. Gemini, at its option, has the right to extend the initial term of its lease for three additional five-year periods at a rate equal to the greater of (1) the annual rent during the final year of the initial lease term, or (2) 95% of the then-current market rental rate.

Allstate Indianapolis Building

On September 27, 2002, Wells OP purchased a one-story office building containing 89,956 rentable square feet located on a 12.71 acre tract of land in Indianapolis, Indiana (Allstate Indianapolis Building) for a purchase price of $10,900,000, plus closing costs from Hartsfield Building, LLC (Hartsfield). In addition, at closing, Hartsfield assigned to Wells OP a purchase option agreement for the right to purchase an additional adjacent 2.38 acre tract of land for $249,000 on or before January 2007. Hartsfield is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Allstate Indianapolis Building was completed in 2002 and is located at 5757 Decatur Blvd. in Indianapolis, Marion County, Indiana. The Allstate Indianapolis Building is leased to Allstate Insurance Company (Allstate) and Holladay Property Services Midwest, Inc. (Holladay).

Allstate Corporation, the holding company for Allstate whose shares are traded on the NYSE, provides automobile, homeowner's, and life insurance throughout the United States, as well as numerous investment products, including retirement planning, annuities and mutual funds. Allstate Corporation reported a net worth, as of June 30, 2002, of approximately $17.2 billion.

The Allstate lease, a gross lease (i.e., operating costs and maintenance costs are paid by the landlord) which covers 84,200 rentable square feet (94%), commenced in March 2002 and expires in August 2012. The current annual base rent payable under the Allstate lease is $1,246,164. Allstate at its option has the right to (1) terminate the initial term of the Allstate lease at the end of the fifth lease year (August 2007) upon payment of a $385,000 fee, or (2) reduce its area of occupancy to not less than 20,256 rentable square feet, by providing written notice on or before August 2006. Allstate, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Allstate has a right of first refusal for the leasing of additional space in the Allstate Indianapolis Building. Wells OP, as the landlord, will be responsible for maintaining the exterior of the building, parking lots, driveways, roof and all structural parts of the building.

Holladay is a property management company that manages the Allstate Indianapolis Building from the site. The Holladay lease, a gross lease (i.e., operating costs and maintenance costs are paid by the landlord) which covers 5,756 rentable square feet (6%), commenced in October 2001 and expires in September 2006. The current annual base rent payable under the Holladay lease is $74,832.

Federal Express Colorado Springs Building

On September 27, 2002, Wells OP purchased a three-story office building containing 155,808 rentable square feet located on a 28.01 acre tract of land in Colorado Springs, Colorado (Federal Express Colorado Springs Building) for a purchase price of $26,000,000, plus closing costs from KDC-CO I Investment Limited Partnership (KDC). KDC is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Federal Express Colorado Springs Building was completed in 2001 and is located at 350 Spectrum Loop in Colorado Springs, El Paso County, Colorado. The Federal Express Colorado Springs Building is leased entirely to Federal Express Corporation (Federal Express). The Federal Express lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in July 2001 and expires in October 2016. Federal Express, whose shares are traded on the NYSE, provides transportation, e-commerce and supply chain management services in over 210 countries through its numerous subsidiaries.

Since the Federal Express Colorado Springs Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about Federal Express is more relevant to investors than financial statements of the property acquired.

Federal Express currently files its financial statements in reports filed with the Securities and Exchange Commission (SEC), and the following summary financial data regarding Federal Express is taken from its previously filed public reports:

	FOR THE FISCAL YEAR ENDED		
	MAY 31, 2002	MAY 31, 2001	MAY 31, 2000
	(IN MILLIONS)		
CONSOLIDATED STATEMENTS OF OPERATIONS:			
Revenues	$ 15,327	$ 15,534	$ 15,068
Operating Income	$ 811	$ 847	$ 900
Net Income	$ 443	$ 499	$ 510

	MAY 31, 2002	MAY 31, 2001
	(IN MILLIONS)	
CONSOLIDATED BALANCE SHEET DATA:		
Total Assets	$ 9,949	$ 9,623
Long-Term Debt	$ 851	$ 852
Stockholders' Equity	$ 4,673	$ 4,248

For more detailed financial information regarding Federal Express, please refer to the financial statements of Federal Express Corporation, which are publicly available with the SEC at http://www.sec.gov.

The current annual base rent payable under the Federal Express lease is $2,248,309. Federal Express, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 90% of the then-current market rental rate. In addition, Federal Express has an expansion option under its lease pursuant to which Wells OP would be required to construct an additional office building. Wells OP has agreed to allow Koll Development Company, LLC (Koll Development), an affiliate of the seller of the property, to develop such expansion provided that Wells OP shall have the right of first refusal to purchase such expansion property within three years after completion. Koll Development is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, exterior walls, structural components of the parking areas, drives and sidewalks and the underground utilities of the Federal Express Colorado Springs Building. In addition, Wells OP is responsible for the capital replacements of the mechanical and electrical systems for the Federal Express Colorado Springs Building.

EDS Des Moines Building

On September 27, 2002, Wells OP purchased from KDC-EDS Des Moines Investments, LLC (KDC-EDS), Koll Development and Koll Corporate Development I-Iowa, L.P. (Koll Corporate) all of the partnership interests in KDC-EDS Des Moines Investment Limited Partnership, a Texas limited partnership, which owns a one-story office and distribution building containing 115,000 rentable square feet of office space and 290,000 rentable square feet of warehouse space located on a 27.97 acre tract of land in Des Moines, Iowa (EDS Des Moines Building) for a purchase price of $26,500,000, plus closing costs. Neither KDC-EDS, Koll Development nor Koll Corporate are in any way affiliated with the Wells REIT, Wells OP or our advisor.

The EDS Des Moines Building was completed in 2002 and is located at 3600 Army Post Road in Des Moines, Polk County, Iowa. The EDS Des Moines Building is leased entirely to EDS Information Services L.L.C. (EDS), a wholly-owned subsidiary of Electronic Data Systems Corporation (EDS Corp). EDS Corp is the guarantor of the EDS lease. The EDS lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in May 2002 and expires in April 2012. EDS Corp, whose shares are traded on the NYSE, is a global information technology services company with services ranging from computer support to server management to web hosting. EDS Corp operates in 60 countries worldwide.

Since the EDS Des Moines Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about EDS Corp, the guarantor of the EDS lease, is more relevant to investors than financial statements of the property acquired.

EDS Corp currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding EDS Corp is taken from its previously filed public reports:

	FOR THE FISCAL YEAR ENDED		
	DECEMBER 31, 2001	DECEMBER 31, 2000	DECEMBER 31, 1999
		(IN MILLIONS)	
CONSOLIDATED STATEMENTS OF OPERATIONS:			
Revenues	$ 21,543	$ 19,227	$ 18,732
Operating Income	$ 2,096	$ 1,818	$ 473
Net Income	$ 1,363	$ 1,143	$ 421

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(IN MILLIONS)	
CONSOLIDATED BALANCE SHEET DATA:		
Total Assets	$ 16,353	$ 12,692
Long-Term Debt	$ 4,692	$ 2,585
Stockholders' Equity	$ 6,446	$ 5,139

For more detailed financial information regarding EDS Corp, please refer to the financial statements of Electronic Data Systems Corporation, which are publicly available with the SEC at http://www.sec.gov.

The current annual base rent payable under the EDS lease is $2,389,500. EDS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, EDS has an expansion option under its lease for up to an additional 100,000 rentable square feet. Wells OP, as the landlord, is responsible for maintaining the roof, foundation, exterior walls, plumbing and electrical lines for the EDS Des Moines Building.

Intuit Dallas Building

On September 27, 2002, Wells OP purchased a two-story office building with a three-story wing containing 166,238 rentable square feet located on a 10.7 acre tract of land in Plano, Texas (Intuit Dallas Building) for a purchase price of $26,500,000, plus closing costs from KDC-TX I Investment Limited Partnership (KDC-TX). KDC-TX is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Intuit Dallas Building was completed in 2001 and is located at 5601 Headquarters Drive in Plano, Collin County, Texas. The Intuit Dallas Building is leased entirely to Lacerte Software Corporation (Lacerte), a wholly-owned subsidiary of Intuit, Inc. (Intuit). Intuit is the guarantor of the Lacerte lease. The Lacerte lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in July 2001 and expires in June 2011.

Lacerte is a tax software development company that offers a variety of tax software products and customer support services. Intuit, whose shares are traded on the NASDAQ, provides small business, tax preparation and personal finance software products and Web-based services that simplify complex financial tasks for consumers, small businesses and accounting professionals.

Since the Intuit Dallas Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the lease, Intuit, is more relevant to investors than financial statements of the property acquired.

Intuit currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding Intuit is taken from its previously filed public reports:

	FOR THE FISCAL YEAR ENDED		
	JULY 31, 2002	JULY 31, 2001	JULY 31, 2000
		(IN MILLIONS)	
CONSOLIDATED STATEMENTS OF OPERATIONS:			
Revenues	$ 1,358	$ 1,148	$ 1,037
Income (Loss) from Continuing Operations	$ 59	$ (74)	$ 9
Net Income (Loss)	$ 140	$ (83)	$ 306

	JULY 31, 2002	JULY 31, 2001
	(IN MILLIONS)	
CONSOLIDATED BALANCE SHEET DATA:		
Total Assets	$ 2,963	$ 2,862
Long-Term Debt	$ 15	$ 12
Stockholders' Equity	$ 2,216	$ 2,161

For more detailed financial information regarding Intuit, please refer to the financial statements of Intuit, Inc., which are publicly available with the SEC at http://www.sec.gov.

The current annual base rent payable under the Lacerte lease is $2,461,985. Lacerte, at its option, has the right to extend the initial term of its lease for two additional five-year periods at rental rates of $17.92 per square foot and $19.71 per square foot, respectively. In addition, Lacerte has an expansion option through November 2004 pursuant to which Wells OP would be required to purchase an additional 19-acre tract of land and to construct up to an approximately 600,000 rentable square foot building thereon. Wells OP has agreed to allow Koll Development, an affiliate of KDC-TX, the seller of the property, to develop any such expansion. Wells OP, as the landlord, is responsible for maintaining the structural elements of the building, including the parking deck, roof, building facade, foundation, load bearing walls and building and utility systems for the Intuit Dallas Building.

Daimler Chrysler Dallas Building

On September 30, 2002, Wells OP purchased from Hillwood Operating, L.P. (Hillwood) and ABI Commercial L.P. (ABI) all of the partnership interests in CT Corporate Center No. 1, L.P. (CT), a Texas limited partnership, which owns a two-story office building containing 130,290 rentable square feet located in Westlake, Texas (Daimler Chrysler Dallas Building) for a purchase price of $25,100,000, plus closing costs. Neither Hillwood nor ABI are in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Daimler Chrysler Dallas Building was completed in 2001 and is located at 2050 Roanoke Road in Westlake, Tarrant County, Texas. The Daimler Chrysler Dallas Building is leased entirely to Daimler Chrysler Services North America LLC (Daimler Chrysler NA). Daimler Chrysler NA is a wholly owned subsidiary of DaimlerChrysler AG (DaimlerChrysler). DaimlerChrysler is one of the world's leading automotive, transportation and services companies and has over 50 operating plants worldwide.

The Daimler Chrysler NA lease is a gross lease (i.e., operating costs and maintenance costs are paid by the landlord) which commenced in January 2002 and expires in December 2011. The current annual base rent payable under the Daimler Chrysler NA lease is $3,189,499. Daimler Chrysler NA, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 98% of the then-current market rental rate. In addition, Daimler Chrysler NA has an expansion option for up to an additional 70,000 rentable square feet and a right of first offer if Wells OP desires to sell the Daimler Chrysler Dallas Building during the term of the lease. Wells OP, as the landlord, is responsible for maintaining the roof, foundation, and structural members of the exterior walls of the building, trash

removal, janitorial and window-washing services, pest control, landscaping maintenance, water, lighting and passenger elevator service for the Daimler Chrysler Dallas Building.

Property Management Fees

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the AmeriCredit Phoenix Building, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building and the Daimler Chrysler Dallas Building subject to certain limitations. In addition, Wells Management will receive a one-time initial lease-up fee relating to the leasing of the AmeriCredit Phoenix Building equal to one month's rent estimated to be approximately $207,000.

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

The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002 and Supplement No. 2 dated August 29, 2002.

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of October 15, 2002, we had received additional gross proceeds of approximately $276,782,914 from the sale of approximately 27,678,291 shares in our fourth public offering. Accordingly, as of October 15, 2002, we had received aggregate gross offering proceeds of approximately $1,876,226,258 from the sale of approximately 187,622,626 shares in all of our public offerings. After payment of $65,068,579 in acquisition and advisory fees and acquisition expenses, payment of $208,356,782 in selling commissions and organization and offering expenses, and common stock redemptions of $17,123,992 pursuant to our share redemption program, as of October 15, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,585,676,905, out of which $1,400,791,370 had been invested in real estate properties, and $184,885,535 remained available for investment in real estate properties.

Status of the Nissan Project

As of September 30, 2002, Wells OP had expended $24,226,880 towards the construction of the three-story approximately 268,290 rentable square foot office building in Irving, Texas. The Nissan Project is approximately 47% complete and is currently expected to be completed in February 2003. We estimate that the aggregate cost and expenses to be incurred by Wells OP with respect to the acquisition and construction of the Nissan Project will total approximately $41,855,600, which is within the budgeted amount for the property.

Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the Harcourt Austin Building, the IRS Long Island Buildings and the KeyBank Parsippany Building for the year ended December 31, 2001, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The statements of revenues over certain operating expenses of the Harcourt Austin Building, the IRS Long Island Buildings and the KeyBank Parsippany Building for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of June 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Harcourt Austin Building (the "Building") for the year ended December 31, 2001. This statement is the responsibility of the Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit 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 statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

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, as described in Note 2, and is not intended to be a complete presentation of the Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Harcourt Austin Building for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia
October 21, 2002

Harcourt Austin Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

	2002	2001
	(Unaudited)	
Rental revenues	$ 1,770,085	$ 1,770,085
Operating expenses, net of reimbursements	64,780	67,131
Revenues over certain operating expenses	$ 1,705,305	$ 1,702,954

See accompanying notes.

Harcourt Austin Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On August 15, 2002, the Wells Operating Partnership, L.P. ("Wells OP') acquired the Harcourt Austin Building from Carr Development & Construction, LP ("Carr"). Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

Harcourt, Inc. ("Harcourt") currently occupies the entire 195,230 rentable square feet of the seven-story office building under a lease agreement (the "Harcourt Lease"). Harcourt is a Delaware corporation owned equally by Reed Elsevier PLC and Reed Elsevier NV whose shares are traded on the New York Stock Exchange. Carr's interest in the Harcourt Lease was assigned to Wells OP upon acquisition of the building. The initial term of the Harcourt Lease commenced in July 2001 and expires in June 2016. Under the Harcourt Lease, Harcourt is required to pay, as additional rent, all operating costs, including but not limited to electricity, water, sewer, insurance, taxes and a management fee not to exceed 3.5% of rent. Furthermore, Harcourt will be required to reimburse the landlord for costs of capital improvements that are intended to reduce operating costs or improve safety and any replacement or capital repairs to the Building's HVAC systems. Wells OP will be responsible for maintaining and repairing the Building's roof, structural elements and mechanical systems.

Rental Revenues

Rental income is recognized on a straight-line basis over the term of the lease. The accompanying statements of revenues over certain operating expenses include rental revenues from the date of commencement of the Harcourt Lease in July 2001.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the Harcourt Austin Building after its acquisition by Wells OP.

Notes to Statements of Revenues Over Certain Operating Expenses
(Continued)

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 3,104,157
2003	3,104,157
2004	3,104,157
2005	3,104,157
2006	3,314,029
Thereafter	35,819,824
	$ 51,550,481

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 2002 is unaudited, however in the the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the IRS Long Island Buildings (the "Buildings") for the year ended December 31, 2001. This statement is the responsibility of the Buildings' management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit 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 statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

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, as described in Note 2, and is not intended to be a complete presentation of the Buildings' revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the IRS Long Island Buildings for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia
September 26, 2002

IRS Long Island Buildings

Statements of Revenues Over Certain Operating Expenses

Year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

	2002	2001
	(Unaudited)	
Rental revenues	$3,106,658	$4,665,840
Operating expenses, net of reimbursements	641,803	745,258
Revenues over certain operating expenses	$2,464,855	$3,920,582

See accompanying notes.

IRS Long Island Buildings

Notes to Statements of Revenues Over Certain Operating Expenses

Year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On September 13, 2002, Wells REIT—Holtsville, NY, LLC (the "Company") acquired the IRS Long Island Buildings (the "Buildings") from HIRS Associates, LLC ("HIRS"). The Company, a Georgia limited liability company, was created on September 10, 2002 by the Wells Operating Partnership, L.P. ("Wells OP') as the sole member of the Company. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

The United States of America, through the U.S. General Services Administration ("GSA"), currently leases 191,049 of the total 259,700 rentable square feet on behalf of the Internal Revenue Service under three leases (the "IRS Collection Lease", the "IRS Compliance Lease" and the "IRS Daycare Facility Lease", collectively, the "IRS Leases"). The GSA is a centralized federal procurement and property management agency created by Congress to improve government efficiency and effectiveness. GSA acquires on the government's behalf, the office space, equipment, telecommunications, information technology, supplies and services they need to achieve their agency's mission of services to the public. HIRS's interests in the GSA Leases were assigned to Wells OP upon acquisition of the Buildings. The IRS Collection Lease commenced in August 2000 and expires in August 2005. The IRS Compliance Lease commenced in December 2001 and expires in December 2011. The IRS Daycare Facility Lease commenced in October 1999 and expires in September 2004. Under the IRS Leases, beginning in the second lease year and each year after, the tenant will pay, as adjusted rent, changes in costs from the first lease year for cleaning services, supplies, materials, maintenance, trash removal, landscaping, sewer charges and certain administrative expenses attributable to occupancy. The amount of the adjustment will be computed using the Cost of Living Index. Wells OP will be responsible for maintaining and repairing the Buildings' roof, structural elements and mechanical systems.

If the Company secures an additional lease with the IRS or another suitable tenant for the remaining 68,651 square feet of vacant space in the Buildings within 18 months, the Company would owe an additional amount of up to $14,500,000 as additional purchase price for the Buildings pursuant to the terms of an earnout agreement entered into between the Company and HIRS at closing.

Rental Revenues

Rental income is recognized on a straight-line basis over the term of the lease.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired.

Notes to Statements of Revenues Over Certain Operating Expenses
(Continued)

Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation, interest, and management fees. Therefore, these statements are not comparable to the statement of operations of the Buildings after its acquisition by Wells OP.

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 6,761,367
2003	6,256,896
2004	4,843,722
2005	3,305,530
2006	1,663,200
Thereafter	8,316,000
	$ 31,146,715

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 2002 is unaudited, however in the the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Board of Directors and Stockholders
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the KeyBank Parsippany Building (the "Building") for the year ended December 31, 2001. This statement is the responsibility of the Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit 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 statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

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, as described in Note 2, and is not intended to be a complete presentation of the Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the KeyBank Parsippany Building for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/S/ ERNST & YOUNG LLP

New York, New York
January 31, 2002

KeyBank Parsippany

Statements of Revenues Over Certain Operating Expenses
(Amounts in thousands)

	Six Months Ended June 30, 2002	Year Ended December 31, 2001
	(Unaudited)	
Revenues:		
Base rent	**$ 5,089**	$ 9,421
Tenant reimbursements	**1,117**	1,833
Total revenues	**6,206**	11,254
Operating expenses	**1,522**	3,159
Revenues over certain operating expenses	**$ 4,684**	$ 8,095

See accompanying notes.

KeyBank Parsippany

Notes to Statements of Revenues Over Certain Operating Expenses
For the year ended December 31, 2001 and the six months ended
June 30, 2002 (Unaudited)
(Amounts in thousands)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On September 27, 2002, the Wells Operating Partnership acquired the KeyBank Parsippany Building (the "Building"), a 404,515 square foot office building in Parsippany, New Jersey, from Two Gatehall Acquisition, L.L.C. and Asset Preservation, Inc. (collectively the "Seller").

At December 31, 2001, the Building was 100% leased to two tenants, Exodus Communications, Inc. ("Exodus") and KeyBank USA National Association, under operating leases that were both executed in 2000. Both operating leases expire over the next 15 years.

Exodus filed bankruptcy in 2001. On January 17, 2002, the Exodus lease was assigned to Gemini Technology Services, Inc., an affiliate of Deutsche Bank, AG. Deutsche Bank, AG assumed all of the obligations of Exodus under the lease.

The lease agreements provide for certain reimbursements of real estate taxes, insurance and certain common area maintenance costs.

Revenue Recognition

Rental revenue is recognized on a straight-line basis over the initial term of the lease. The excess of rents so recognized over amounts contractually due pursuant to the underlying leases for the six months ended June 30, 2002 and the year ended December 31, 2001 was $326 (unaudited) and $3,279, respectively. Such amounts are included in rental and reimbursement revenues in the accompanying financial statements.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the Building such as depreciation and interest.

3. LEASE AGREEMENTS

The minimum rental receipts due on the noncancelable operating leases as of December 31, 2001 are as follows:

2002	$	9,526
2003		9,526
2004		9,526
2005		9,526
2006		10,464
Thereafter		88,139
	$	136,707

Reimbursement revenue was $1,117 (unaudited) and $1,833 for the six months ended June 30, 2002 and the year ended December 31, 2001, respectively.

4. RELATED PARTY TRANSACTIONS

Pursuant to a management agreement, an affiliate of the Seller has responsibilities of property management and leasing of the Building.

5. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc. included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended June 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of June 30, 2002 has been prepared to give effect to the third quarter 2002 acquisitions of the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the Kerr McGee Property, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings (the "Other Recent Acquisitions"), the Harcourt Austin Building, the AmeriCredit Phoenix Property, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building and the Daimler Chrysler Dallas Building (collectively, the "Recent Acquisitions") by Wells OP as if the acquisitions occurred on June 30, 2002.

The following unaudited pro forma statement of income for the six months ended June 30, 2002 has been prepared to give effect to the first and second quarter 2002 acquisitions of the Arthur Andersen Building, the Transocean Houston Building, Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the six months ended June 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings, the Kerr McGee Property, the AmeriCredit Phoenix Property and the EDS Des Moines Building had no operations during 2001.

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., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells Real Estate Investment Trust, Inc.

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 of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2002

(Unaudited)

ASSETS

		Pro Forma Adjustments										
		Recent Acquisitions										
	Wells Real Estate Investment Trust, Inc.(i)	Other	Harcourt Austin	AmeriCredit Phoenix	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	EDS Des Moines	Intuit Dallas	Daimler Chrysler Dallas	Pro Forma Total
REAL ESTATE ASSETS, at cost:												
Land	$ 110,330,449	$ 20,288,044(a)	$ 5,860,000(a)	$ 2,671,324(a)	$ 4,200,000(a)	$ 8,700,000(a)	$ 1,275,000(a)	$ 2,100,000(a)	$ 850,000(a)	$ 3,030,000(a)	$ 2,585,000(a)	$ 163,989,961
		825,675(b)	238,488(b)	108,717(b)	174,724(b)	353,694(b)	51,753(b)	85,465(b)	34,593(b)	123,314(b)	103,721(b)	
Buildings, less accumulated depreciation of $37,717,737	689,490,969	195,198,843(a)	33,143,323(a)	0	46,287,120(a)	92,943,893(a)	9,679,933(a)	23,987,714(a)	25,727,376(a)	23,639,654(a)	22,587,753(a)	1,181,968,343
		7,944,138(b)	1,348,856(b)	0	1,925,583(b)	3,778,591(b)	392,914(b)	976,244(b)	1,047,044(b)	962,079(b)	906,316(b)	
Construction in progress	16,081,841	379,901(a)	0	0	0	0	0	0	0	0	0	16,461,742
Total real estate assets	815,903,259	224,636,601	40,590,667	2,780,041	52,587,427	105,776,178	11,399,600	27,149,423	27,659,013	27,755,047	26,182,790	1,362,420,046
CASH AND CASH EQUIVALENTS	341,909,775	(203,990,460)(a)	(39,003,323)(a)	(2,671,324)(a)	(51,454,530)(a)	(101,643,893)(a)	(10,954,933)(a)	(26,087,714)(a)	(26,577,376)(a)	(26,669,654)(a)	25,128,513(a)	185,098,497
		365,329,012(c)		4,827,945(h)								
		(12,786,515)(e)										
INVESTMENT IN JOINT VENTURES	76,217,870	0	0	0	0	0	0	0	0	0	0	76,217,870
INVESTMENT IN BONDS	22,000,000	32,500,000(e)	0	0	0	0	0	0	0	0	0	54,500,000
ACCOUNTS RECEIVABLE	10,709,104	0	0	0	0	0	0	0	0	0	0	10,709,104
DEFERRED LEASE ACQUISITION COSTS, NET	1,790,608	0	0	0	0	0	0	0	0	0	0	1,790,608
DEFERRED PROJECT COSTS	14,314,914	(8,769,813)(b)	(1,587,344)(b)	(108,717)(b)	(2,100,307)(b)	(4,132,285)(b)	(444,667)(b)	(1,061,709)(b)	(1,081,637)(b)	(1,085,393)(b)	(1,010,037)(b)	5,719,520
		12,786,515(e)										
DEFERRED OFFERING COSTS	1,392,934	0	0	0	0	0	0	0	0	0	0	1,392,934
DUE FROM AFFILIATES	1,897,309	0	0	0	0	0	0	0	0	0	0	1,897,309
NOTE RECEIVABLE	5,149,792	0	0	0	0	0	0	0	0	0	0	5,149,792
PREPAID EXPENSES AND OTHER ASSETS, NET	1,881,308	0	0	0	967,410(g)	0	0	0	0	0	0	2,848,718
Total assets	$1,293,166,873	$409,705,340	$ 0	$ 4,827,945	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 44,240	$1,707,744,398

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LIABILITIES AND SHAREHOLDERS' EQUITY

	Wells Real Estate Investment Trust, Inc. (i)	Pro Forma Adjustments										Pro Forma Total
		Recent Acquisitions										
		Other	Harcourt Austin	AmeriCredit Phoenix	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	EDS Des Moines	Intuit Dallas	Daimler Chrysler Dallas	
LIABILITIES:												
Accounts payable and accrued expenses	$ 11,840,214	$ 173,567(a)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 44,240(a)	$ 12,058,021
Notes payable	15,658,141	11,702,761(a)	0	0	0	0	0	0	0	0	0	27,360,902
Obligations under capital lease	22,000,000	32,500,000(f)	0	0	0	0	0	0	0	0	0	54,500,000
Dividends payable	4,538,635	0	0	0	0	0	0	0	0	0	0	4,538,635
Due to affiliates	2,106,790	0	0	0	0	0	0	0	0	0	0	2,106,790
Deferred rental income	1,013,544	0	0	4,827,945(h)	0	0	0	0	0	0	0	5,841,489
Total liabilities	57,157,324	44,376,328	0	4,827,945	0	0	0	0	0	0	44,240	106,405,837
COMMITMENTS AND CONTINGENCIES												
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	0	0	0	0	0	0	200,000
SHAREHOLDERS' EQUITY:												
Common shares, $.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002	1,455,890	365,329(c)	0	0	0	0	0	0	0	0	0	1,821,219
Additional paid-in capital	1,290,858,515	364,963,683(c)	0	0	0	0	0	0	0	0	0	1,655,822,198
Cumulative distributions in excess of earnings	(43,991,669)	0	0	0	0	0	0	0	0	0	0	(43,991,669)
Treasury stock, at cost, 1,222,381 shares	(12,223,808)	0	0	0	0	0	0	0	0	0	0	(12,223,808)
Other comprehensive loss	(289,379)	0	0	0	0	0	0	0	0	0	0	(289,379)
Total shareholders' equity	1,235,809,549	365,329,012	0	0	0	0	0	0	0	0	0	1,601,138,561
Total liabilities and shareholders' equity	$ 1,293,166,873	$ 409,705,340	$ 0	$ 4,827,945	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 44,240	$ 1,707,744,398

(a) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(b) Reflects deferred project costs applied to the land and building at approximately 4.07% of the cash paid for purchase.

(c) Reflects capital raised through issuance of additional shares subsequent to June 30, 2002 through Daimler Chrysler acquisition date.

(d) Reflects deferred project costs capitalized as a result of additional capital raised described in note (c) above.

(e) Reflects investment in bonds for which 100% of the principal balance becomes payable on December 1, 2015.

(f) Reflects mortgage note secured by the Deed of Trust to the ISS Atlanta Buildings for which 100% of the principal balance becomes payable on December 1, 2015.

(g) Reflects portion of purchase price placed in escrow to ensure completion of seller repairs.

(h) Reflects prepaid rent received for the three years of the AmeriCredit lease agreement.

(i) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2001

(Unaudited)

		Pro Forma Adjustments										
				Recent Acquisitions								
	Wells Real Estate Investment Trust, Inc. (f)	2001 Acquisitions	2002 Acquisitions	Other	Harcourt Austin	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	Intuit Dallas	Daimler Chrysler Dallas	Pro Forma Totals
REVENUES:												
Rental income	$ 44,204,279	$ 11,349,076(a)	$14,846,431(a)	$ 20,937,018(a)	$1,770,085(a)	$ 4,605,406(a)	$9,650,085(a)	$ 18,708(a)	$ 1,210,670(a)	$1,292,500(a)	$ 284,617(a)	$110,168,875
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	0	0	0	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	0	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	0	0	0	0	0	137,500
	49,308,802	12,460,926	14,846,431	20,937,018	1,770,085	4,605,406	9,650,085	18,708	1,210,670	1,292,500	284,617	116,385,248
EXPENSES:												
Depreciation	15,344,801	5,772,761(c)	5,356,374(c)	7,783,213(c)	689,844(c)	1,928,508(c)	3,868,899(c)	100,728(c)	499,279(c)	492,035(c)	78,314(c)	41,914,756
Interest	3,411,210	0	0	0	0	0	0	0	0	0	0	3,411,210
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	1,505,269(d)	5,452(d)	0	814,339(d)	1,326,000(d)	2,962(d)	0	0	14,321(d)	10,651,501
Management and leasing fees	2,507,188	510,708(e)	668,090(e)	942,165(e)	79,654(e)	0	434,254(e)	842(e)	54,480(e)	58,163(e)	12,808(e)	5,268,352
General and administrative	973,785	0	0	0	0	0	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	0	0	0	0	0	448,776
	27,584,835	9,137,744	7,529,733	8,730,830	769,498	2,742,847	5,629,153	104,532	553,759	550,198	105,443	63,438,572
NET INCOME	$ 21,723,967	$ 3,323,182	$ 7,316,698	$12,206,188	$1,000,587	$1,862,559	$4,020,932	$ (85,824)	$ 656,911	$ 742,302	$ 179,174	$ 52,946,676
EARNINGS PER SHARE, basic and diluted	$ 0.43											$ 0.29
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853											180,899,673

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building and the ADIC Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of operating expenses, net of reimbursements.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2002

(Unaudited)

		Pro Forma Adjustments											
			Recent Acquisitions										
	Wells Real Estate Investment Trust, Inc. (e)	2002 Acquisitions	Other	Harcourt Austin	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	EDS Des Moines	Intuit Dallas	Daimler Chrysler Dallas	Pro Forma Total
REVENUES:												
Rental income	$ 38,571,815	$ 7,307,774(a)	$11,110,788(a)	$1,770,085(a)	$ 3,076,351(a)	$5,172,857(a)	$ 463,071(a)	$ 1,210,670(a)	$ 456,549(a)	$1,292,500(a)	$ 1,707,699(a)	$ 72,140,159
Equity in income of joint ventures	2,478,686	0	0	0	0	0	0	0	0	0	0	2,478,686
Interest income	2,648,351	0	0	0	0	0	0	0	0	0	0	2,648,351
Take out fee	134,102	0	0	0	0	0	0	0	0	0	0	134,102
	43,832,954	7,307,774	11,110,788	1,770,085	3,076,351	5,172,857	463,071	1,210,670	456,549	1,292,500	1,707,699	77,401,298
EXPENSES:												
Depreciation	12,903,282	2,588,546(b)	4,062,859(b)	689,844(b)	964,254(b)	1,934,450(b)	201,457(b)	499,279(b)	178,496(b)	492,035(b)	469,881(b)	24,984,383
Interest	880,002	0	0	0	0	0	0	0	0	0	0	880,002
Operating costs, net of reimbursements	2,063,997	300,018(c)	79,067(c)	0	687,948(c)	405,000(c)	34,940(c)	0	0	0	317,939(c)	3,888,909
Management and leasing fees	1,903,082	328,850(d)	499,985(d)	79,654(d)	0	232,779(d)	20,838(d)	54,480(d)	20,545(d)	58,163(d)	76,846(d)	3,275,222
General and administrative	1,121,457	0	0	0	0	0	0	0	0	0	0	1,121,457
Amortization of deferred financing costs	424,992	0	0	0	0	0	0	0	0	0	0	424,992
	19,296,812	3,217,414	4,641,911	769,498	1,652,202	2,572,229	257,235	553,759	199,041	550,198	864,666	34,574,965
NET INCOME	$ 24,536,142	$ 4,090,360	$ 6,468,877	$1,000,587	$ 1,424,149	$ 2,600,628	$ 205,836	$ 656,911	$ 257,508	$ 742,302	$ 843,033	$ 42,826,333
EARNINGS PER SHARE, basic and diluted	$ 0.22											$ 0.24
WEIGHTED AVERAGE SHARES, basic and diluted	110,885,641											180,899,673

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of operating expenses, net of reimbursements.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 4 DATED DECEMBER 10, 2002 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, and Supplement No. 3 dated October 25, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The declaration of dividends for the first quarter of 2003;

(3) Revisions to the "Management – Executive Officers and Directors" section of the prospectus to describe the appointment of Randall D. Fretz as a Vice President of the Wells REIT;

(4) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

  (A) Acquisition of two nine-story office buildings in Washington, DC (NASA Buildings);

  (B) Acquisition of three three-story office buildings in Glen Allen, Virginia (Capital One Richmond Buildings); and

  (C) Acquisition of an 11-story office building in Nashville, Tennessee (Caterpillar Nashville Building);

(5) Status of Real Estate Loans;

(6) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(7) Status of the leasing of the Vertex Sarasota Building (formerly known as the Arthur Andersen Building);

(8) Unaudited financial statements of the Wells REIT for the period ended September 30, 2002;

(9) Audited financial statements relating to the recently acquired NASA Buildings and the Caterpillar Nashville Building; and

(10) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the NASA Buildings, the Caterpillar Nashville Building and the Capital One Richmond Buildings.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the

sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of November 30, 2002, we had received additional gross proceeds of approximately $448,615,344 from the sale of approximately 44,861,534 shares in our fourth public offering. Accordingly, as of November 30, 2002, we had received aggregate gross offering proceeds of approximately $2,039,003,318 from the sale of approximately 203,900,332 shares in all of our public offerings. After payment of $70,676,832 in acquisition and advisory fees and acquisition expenses, payment of $226,160,588 in selling commissions and organization and offering expenses, and common stock redemptions of $19,665,247 pursuant to our share redemption program, as of November 30, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,722,500,651, out of which $1,668,713,333 had been invested in real estate properties, and $53,787,318 remained available for investment in real estate properties.

Dividends

On December 4, 2002, our board of directors declared dividends for the first quarter of 2003 in the amount of a 7.0% annualized percentage rate return on an investment of $10.00 per share to be paid in March 2003. Our first quarter dividends are calculated on a daily record basis of $0.00 1944 (0. 1944 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on December 16, 2002, and continuing on each day thereafter through and including March 15, 2003.

Management

The following information should be read in conjunction with the “Management – Executive Officers and Directors” section beginning on page 31 of the prospectus to include background information on Randall D. Fretz. On December 4, 2002, our board of directors appointed Randall D. Fretz as a Vice President of the Wells REIT.

Randall D. Fretz is also a Vice President of Wells Capital, Inc. (Wells Capital), our advisor, and the Chief of Staff and a Senior Vice President of Wells Real Estate Funds, Inc. Mr. Fretz is primarily responsible for corporate strategy and planning and advising and coordinating the executive officers of Wells Capital on corporate matters and special projects. Prior to joining Wells Capital in 2002, Mr. Fretz served as President of US & Canada operations for Larson-Juhl, a world leader in custom art and picture-framing home decor. Mr. Fretz was previously the Division Director at Bausch & Lomb and also held various senior positions at Tandem International and Lever Brothers. Mr. Fretz holds a bachelor degree in each of Sociology and Physical Education from McMaster University in Hamilton, Ontario. He also earned an MBA from the Ivy School of Business in London, Ontario.

Description of Properties

As of December 10, 2002, we had purchased interests in 70 real estate properties located in 23 states. Below are the descriptions of our recent real property acquisitions.

NASA Buildings

On November 22, 2002, Wells REIT-Independence Square, LLC (REIT-Independence), a single member Georgia limited liability company wholly-owned by the Wells REIT, purchased two nine-story office buildings containing an aggregate of approximately 948,800 rentable square feet located in Washington, D.C. (NASA Buildings) for a purchase price of $345,000,000, plus closing costs from Southwest Market Limited Partnership (Southwest). In order to finance the acquisition of the NASA Buildings, the Wells REIT obtained $85,000,000 in loan proceeds by having Wells OP draw down on its existing line of credit with Bank of America (BOA). Southwest is not in any way affiliated with the Wells REIT, REIT-Independence, or our advisor, Wells Capital.

The NASA Buildings, consisting of a nine-story office building containing approximately 347,796 rentable square feet (One Independence Square) and a nine-story office building containing approximately 601,017 rentable square feet (Two Independence Square), were built in 1991 and 1992 and are located on a 3.58-acre tract of land at One & Two Independence Square on E. Street in Washington, D.C.

The primary tenant in One Independence Square is the Office of the Comptroller of the Currency, an agency of the United States Government (OCC). Approximately 341,520 of the rentable square feet in the NASA Buildings (36.0%) is currently leased to the OCC. The OCC charters and regulates all national banks. It also supervises the federal branches and agencies of foreign banks. The OCC's nationwide staff of examiners conducts on-site reviews of national banks and provides sustained supervision of bank operations. The OCC issues rules, legal interpretations, and corporate decisions concerning banking, bank investments, bank community development activities, and other aspects of bank operations.

The OCC lease, which encompasses 341,520 rentable square feet (98.2%) in One Independence Square, commenced in May 1991 and expires in May 2006. Under the OCC Lease, operating and maintenance costs are the responsibility of the landlord, but the tenant is required to pay, as additional rent, its share of increases in real estate taxes and changes in costs from the first lease year for various operating expenses including cleaning services, electricity, heating, water, air conditioning and landscaping. The current annual base rent payable under the OCC lease is $12,159,948, which includes approximately $1,000,000 per year for the parking facility. The OCC, at its option, has the right to extend the initial term of its lease for two additional five-year periods. The annual rental rate for the first five-year period is 95% of the then-current market rental rate. The annual rental rate for the second five-year period is 90% of the then-current market rental rate.

The primary tenant in Two Independence Square is the National Aeronautics and Space Administration (NASA). Approximately 590,689 of the rentable square feet in the NASA Buildings (62.3%) is currently leased to the United States of America (U.S.A.) through the U.S. General Services Administration (GSA) for occupancy by NASA. The GSA is a centralized federal procurement and property management agency which acquires office space, equipment, telecommunications, information technology, supplies and services for federal agencies such as NASA. NASA, which was created in 1958, is the federal agency which runs the United States government's space program, including the space shuttle program and the launching of unmanned satellites and probes to explore the solar system.

The NASA lease, which encompasses 590,689 rentable square feet (98.3%) in Two Independence Square, commenced in July 1992 and expires in July 2012. Under the terms of the NASA lease, operating and maintenance costs are the responsibility of the landlord but, in order to compensate the landlord for the tenant's share of increases in the operating and maintenance costs of the building, the tenant is required to pay annual rental increases computed by increasing the base year's operating costs of Two Independence Square by the percentage change in the Cost of Living Index each year.

The current annual base rent payable under the NASA lease is $21,534,124. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of $31,255,936.

Approximately 14,920 of the remaining aggregate rentable square feet in the NASA Buildings (1.6%) is currently leased to four additional tenants, which account for current annual base rents payable of $121,686, and 1,684 rentable square feet of the NASA Buildings (0.1%) is currently vacant. REIT-Independence will be responsible for maintaining and repairing the NASA Buildings' roof, foundations, common areas, electrical systems and mechanical systems.

Both the OCC lease and the NASA lease include provisions that require the landlord and the property manager to comply with various employment related practices and various other laws typically required in leases with government entities. Although we believe that the Wells REIT and REIT-Independence should be deemed exempt from these requirements, if a determination were made that these or other affiliated entities violated these lease provisions, the tenants have the right under the OCC lease and the NASA lease to terminate the lease or to require compliance by the appropriate entities.

Boston Properties, Inc., an affiliate of the seller, is serving as the property manager of the NASA Buildings. Boston Properties, Inc. is not in any way affiliated with the Wells REIT, REIT-Independence or our advisor.

Capital One Richmond Buildings

On November 26, 2002, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased two three-story office buildings from Highwoods Realty Limited Partnership (Highwoods Realty) and one three-story office building from Highwoods/Florida Holdings, L.P. (Highwoods Florida) located on a 15.25 acre tract of land in Glen Allen, Virginia (Capital One Richmond Buildings) for an aggregate purchase price of $28,509,000, plus closing costs. In order to finance the acquisition of the Capital One Richmond Buildings, Wells OP obtained approximately $28,670,000 in loan proceeds by drawing down on an existing line of credit with SouthTrust Bank (SouthTrust). Neither Highwoods Realty nor Highwoods Florida is in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Capital One Richmond Buildings contain an aggregate of 225,220 rentable square feet and were completed in 1999. The Capital One Richmond Buildings are located at 100, 120 & 140 Eastshore Drive in Glen Allen, Henrico County, Virginia. Each of the Capital One Richmond Buildings is leased entirely to Capital One Services, Inc. (Capital One), under separate net lease agreements (i.e., operating costs and maintenance costs are paid by the tenant).

Capital One, a wholly-owned subsidiary of Capital One Financial Corporation (Capital One Financial), provides various operating, administrative and other services to Capital One Financial. Capital One Financial's primary focus is on credit card lending, but it also engages in unsecured installment lending and automobile financing.

The Capital One Richmond I Building contains 68,500 rentable square feet. The Capital One Richmond I lease commenced in March 2000 and expires in March 2010. The current annual base rent payable for the Capital One Richmond I lease is $786,573. The annual base rent increases each lease year by two percent. Capital One, at its option, has the right to extend the initial term of its lease for three additional five-year periods. The annual rent for each year of each extended term will continue to increase by two percent as described for the initial term.

The Capital One Richmond II Building contains 77,045 rentable square feet. The Capital One Richmond II lease commenced in June 1999 and expires in May 2004. The current annual base rent payable for the Capital One Richmond II lease is $940,249. The annual base rent increases each lease year by two percent. Capital One, at its option, has the right to extend the initial term of its lease for two additional five-year periods. The annual rent for each year of each extended term will continue to increase by two percent as described for the initial term.

The Capital One Richmond III Building contains 79,675 rentable square feet. The Capital One Richmond III lease commenced in February 2000 and expires in February 2010. The current annual base rent payable for the Capital One Richmond III lease is $912,822. The annual base rent increases each lease year by two percent. Capital One, at its option, has the right to extend the initial term of its lease for three additional five-year periods. The annual rent for each year of each extended term will continue to increase by two percent as described for the initial term.

Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, exterior walls, and mechanical and electrical systems of the Capital One Richmond Buildings. In addition, Capital One has a right of first refusal to purchase one or all of the Capital One Richmond Buildings upon Wells OP receiving an offer from any third party.

Highwoods Properties, Inc. (Highwoods), an affiliate of Highwoods Realty, Highwoods Florida and the seller of the Caterpillar Nashville Building (described below), has provided a guarantee of each of the leases for the Capital One Richmond Buildings. Highwoods has guaranteed the leases for the Capital One Richmond I Building and the Capital One Richmond III Building for the first five years of ownership by Wells OP. Highwoods has also guaranteed the lease for the Capital One Richmond II Building for the remainder of the current lease term and for any shortfall in rental income from May 2004 until November 2007 following the expiration of the current lease for the Capital One Richmond II Building. In addition, if the Capital One Richmond II lease expires or is terminated at any time prior to November 2007 and Highwoods provides Wells OP with a suitable replacement tenant which Wells OP declines, Highwoods has the right to repurchase the Capital One Richmond II Building at a purchase price of $10,126,590. This repurchase right expires if Highwoods fails to exercise such right within 30 days of Wells OP declining a suitable tenant. Further, in the event that Highwoods exercises its right to repurchase, Wells OP, at its option, may rescind the Highwoods right to repurchase within ten days of such exercise, provided that the act of rescinding the repurchase right will release Highwoods from its rental income guaranty with respect to the Capital One Richmond II Building. Highwoods, a public company traded on the New York Stock Exchange, is a self-administered real estate investment trust that provides leasing, management, development, construction and other tenant-related services for its properties and for third parties. Highwoods reported a net worth, as of September 30, 2002, of approximately $1.57 billion. Highwoods is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the Capital One Richmond Buildings, subject to certain limitations. Wells OP has entered into five-year management agreements with Highwoods Realty, an affiliate of the sellers, to serve as the on-site property manager for each of the Capital One Richmond Buildings, which property management fees will be paid out of or credited against the 4.5% fee payable to Wells Management.

Caterpillar Nashville Building

On November 26, 2002, Wells OP purchased all of the membership interests in 2120 West End Avenue, LLC, a Delaware limited liability company, which owned an 11-story office building located in Nashville, Tennessee (Caterpillar Nashville Building) for a purchase price of $61,525,000, plus closing costs, from Highwoods/Tennessee Holdings, L.P. (Highwoods Tennessee). In order to finance the acquisition of the Caterpillar Nashville Building, Wells OP obtained $25,000,000 in loan proceeds by drawing down on an existing line of credit with BOA and approximately $33,560,000 in loan proceeds by drawing down on an existing line of credit with SouthTrust. Subsequent to this acquisition, Wells OP dissolved 2120 West End Avenue, LLC and became the direct owner of the Caterpillar Nashville Building. Highwoods Tennessee is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Caterpillar Nashville Building, which is leased to Caterpillar Financial Services Corporation (Caterpillar), Thoughtworks, LLC (Thoughtworks) and Highwoods, contains 312,297 rentable square feet and was completed in 2000. The Caterpillar Nashville Building is located at 2120 West End Avenue in Nashville, Davidson County, Tennessee.

Caterpillar, as the primary tenant, occupies 300,901 rentable square feet (96.4%) of the Caterpillar Nashville Building. Caterpillar is a wholly owned subsidiary of Caterpillar, Inc. Caterpillar offers financing alternatives for various products manufactured by Caterpillar, Inc. and provides loans to customers and dealers of Caterpillar, Inc. products around the world. Caterpillar, Inc. is the one of the world's largest manufacturers of construction and mining equipment, natural gas and diesel engines, and industrial gas turbines. Caterpillar, which offers a wide variety of financial alternatives for purchasers of Caterpillar, Inc.'s equipment, has locations in over 26 countries worldwide.

The Caterpillar lease commenced in March 2000 and expires in February 2015. The current annual base rent payable under the Caterpillar lease is $7,384,110. Caterpillar may terminate the Caterpillar lease after the 10th lease year (2010) by paying a termination fee to Wells OP of $7,644,682.

Caterpillar has a right of first refusal to lease the space currently occupied by Thoughtworks and Highwoods if either terminates its lease. In addition, Caterpillar has expansion rights which it may exercise prior to the fourth and eighth lease years. Caterpillar, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. Under the Caterpillar lease, operating and maintenance costs are the responsibility of the landlord, but Caterpillar is responsible for increases in operating costs, provided that its obligation to pay increases in expenses other than insurance, taxes and utilities is capped at 4.5% annually. Further, under its lease Caterpillar is required to reimburse the landlord management fees up to 4% of annual gross rental receipts. Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, exterior walls, interior structural walls, parking facilities and mechanical and electrical systems of the Caterpillar Nashville Building.

Thoughtworks is a privately held company that provides custom application development and advanced system integration services in the e-commerce industry. The Thoughtworks lease covers 6,400 rentable square feet (2.0%) and commenced in May 2000 and expires in May 2005. The current annual base rent payable under the Thoughtworks lease is $162,944.

The Highwoods lease covers 4,996 rentable square feet (1.6%) and commenced in October 2000 and expires in September 2005. The current annual base rent payable under the Highwoods lease is $129,946.

Wells Management, an affiliate of Wells REIT and our advisor, will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the Caterpillar Nashville Building, subject to certain limitations. Wells OP has entered into a 10-year management agreement with Highwoods Realty, an affiliate of the sellers of the Capital One Richmond Buildings and the Caterpillar Nashville Building, to serve as the property manager of the Caterpillar Nashville Building which property management fees will be paid out of or credited against the 4.5% fee payable to Wells Management.

Real Estate Loans

In November, 2002, Wells OP increased its existing line of credit with BOA to $110 million. In addition, Wells OP is currently in the process of increasing its existing line of credit with SouthTrust to approximately $98 million. As described above, Wells OP drew down on existing lines of credit with BOA and SouthTrust an aggregate approximately $172,230,000 to finance the acquisitions of the NASA Buildings, the Capital One Richmond Buildings and the Caterpillar Nashville Building. As of November 30, 2002, the outstanding principal balance due under the BOA line of credit was approximately $110,000,000, the outstanding principal balance due under the SouthTrust line of credit was approximately $72,000,000, and the Wells REIT had a debt leverage ratio of approximately 11.5% to the value of its properties.

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

The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002 and Supplement No. 3 dated October 25, 2002.

Forward Looking Statements

This supplement contains 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 our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to shareholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, 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, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

We have made an election under Section 856 (c) of the Internal Revenue Code (Internal Revenue Code) to be taxed as a REIT under the Internal Revenue Code beginning with its taxable year ended December 31, 1999. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our 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 in which our qualification is lost. Such an event could materially adversely affect our net income. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during this fiscal year. In addition, management intends to continue to operate the Wells REIT so as to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the nine months ended September 30, 2002, we received aggregate gross offering proceeds of $988.5 million from the sale of 98.8 million shares of our common stock. After payment of $34.8 million in acquisition and advisory fees and acquisition expenses, payment of $104.3 million in selling commissions and organization and offering expenses, and common stock redemptions of $11.6 million pursuant to our share redemption program, we raised net offering proceeds of $837.8 million during the first three quarters of 2002, of which $144.5 million remained available for investment in properties at quarter end. In October, we reached our limit on stock redemptions for the year and, accordingly, there will be no further stock redemptions under our stock redemption program for the remainder of 2002.

During the nine months ended September 30, 2001, we received aggregate gross offering proceeds of $297.8 million from the sale of 29.8 million shares of its common stock. After payment of $10.3 million in acquisition and advisory fees and acquisition expenses, payment of $35.6 million in selling commissions and organizational and offering expenses, and common stock redemptions of $2.1 million pursuant to our share redemption program, we raised net offering proceeds of $249.8 million during the first three quarters of 2001, of which $8.7 million remained available for investment in properties at quarter end.

The significant increase in capital resources we have available is due to significantly increased sales of our common stock during the first three quarters of 2002.

As of September 30, 2002, we owned interests in 67 real estate properties either directly or through interests in joint ventures. Dividends declared for the third quarter of 2002 and 2001 were approximately $0.1938 and $0.1875 per share, respectively. In August 2002, our board of directors declared dividends for the fourth quarter of 2002 in the amount of approximately $0.175 per share.

Due primarily to the pace of our property acquisitions, as explained in more detail in the following paragraphs, dividends paid in the first three quarters of 2002 in the aggregate amount of approximately $71.4 million exceeded our Adjusted Funds From Operations for this period by approximately $11 million.

We continue to acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our shareholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit – plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria – we were required to lower our dividend yield to investors.

As a result of the factors described in the preceding paragraph, on August 29, 2002, our board of directors declared dividends for the fourth quarter of 2002 in an amount equal to a 7.0% annualized percentage rate return on an investment of $10 per share to be paid in December 2002. Our fourth quarter dividends are calculated on a daily record basis of $0.001923 (0.1923 cents) per day per share on the outstanding shares of common stock payable to shareholders of record of such shares as shown on our books at the close of business on each day during the period, commencing on September 16, 2002, and continuing on each day thereafter through and including December 15, 2002.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $68.2 million and $26.5 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $826.9 million and $155.7 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $827.1 million and $136.1 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the lack of debt payments, which were $208.1 million in the prior year. We raised $988.5 million in offering proceeds for the nine months ended September 30, 2002, as compared to $297.8 million for the same period in 2001. Additionally, we paid dividends totaling $23.5 million in the first three quarters of 2001 compared to $71.4 million in the same period of 2002.

Results of Operations

Gross revenues were $74.5 million and $34.1 million for the nine months ended September 30, 2002 and 2001, respectively. Gross revenues for the nine months ended September 30, 2002 and 2001 were attributable to rental income, interest income earned on funds we held prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of $805.5 million in additional properties during 2002 and the purchase of $114.1 million in additional properties during the fourth quarter of 2001 which were not owned for the first three quarters of 2001. The purchase of additional properties also resulted in an increase in expenses, which totaled $34.7 million for the nine months ended September 30, 2002, as compared to $19.6 million for the nine months ended September 30, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, operating costs, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also increased from $14.4 million for the nine months ended September 30, 2001 to $39.8 million for the nine months ended September 30, 2002.

Earnings per share for the nine months ended September 30, 2002 decreased from $0.33 per share for the nine months ended September 30, 2001 to $0.31 per share for the nine months ended September 30, 2002. Earnings per share for the third quarter decreased from $0.11 per share for the three months ended September 30, 2001 to $0.09 per share for the three months ended September 30, 2002. These decreases were primarily due to the substantial increase in the number of shares outstanding as a result of capital raised in 2002 which was not completely matched by a corresponding increase in net income because such capital proceeds were not fully invested in properties.

Funds From Operations

Funds From Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations (AFFO) is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions. The following table reflects the calculation of FFO and AFFO for the three and nine months ended September 30, 2002 and 2001, respectively:

	Three Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
FUNDS FROM OPERATIONS:				
Net income	$ 15,285	$ 6,109	$ 39,821	$ 14,423
Add:				
Depreciation	10,282	3,947	23,185	10,341
Amortization of deferred leasing costs	78	76	229	228
Depreciation and amortization—unconsolidated partnerships	708	647	2,115	1,561
Funds from operations (FFO)	26,353	10,779	65,350	26,553
Adjustments:				
Loan cost amortization	162	237	587	529
Straight line rent	(2,146)	(708)	(5,312)	(1,930)
Straight line rent—unconsolidated Partnerships	(27)	(100)	(229)	(233)
Lease acquisitions fees paid—unconsolidated partnerships	—	—	—	(8)
Adjusted funds from operations	$ 24,342	$ 10,208	$ 60,396	$ 24,911
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases that are intended to protect us from the impact of inflation. These provisions include reimbursement billings for 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.

Critical Accounting Policies

We reported results of operations are impacted by management judgments related to application of accounting policies. A discussion of the accounting policies that management considers to be critical, in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain, is included in Footnote 1 to the financial statements.

Subsequent Events

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida formerly known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of $979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking.

Status of the leasing of the Vertex Sarasota Building *(formerly the Arthur Andersen Building)*

As set forth in the "Subsequent Events" subsection of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this supplement, effective October 31, 2002, Andersen and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida, formerly known as the Arthur Andersen Building (Vertex Sarasota Building). On November 1, 2002, Wells OP entered into a net lease agreement with Vertex Tax Technology Enterprises, LLC (Vertex) for a portion of the Vertex Sarasota Building.

Approximately 47,388 rentable square feet of the Vertex Sarasota Building is currently under a net lease agreement with Vertex. The current term of the lease is seven years, which commenced on November 1, 2002 and expires on October 31, 2009. The current annual base rent payable under the Vertex lease is $621,257. Pursuant to the Vertex lease, Vertex has a right of first refusal to lease an additional 5,695 square feet of rentable space in the third floor of the building. Wells OP, as the landlord, will be responsible for maintaining the building's exterior walls, HVAC system, plumbing, elevators, fire protection, other mechanical systems, public areas, including parking lot, building structure, foundation and roof.

Vertex, a wholly owned subsidiary of Vertex, Inc., is a successor company of Andersen's corporate income tax technology solutions division. The Vertex lease is guaranteed by Vertex, Inc, which is a privately held company providing corporate customers with tax compliance software and research services for sales and use tax, property tax, payroll tax, telecommunications tax, and income tax.

Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the NASA Buildings and the Caterpillar Nashville Building for the year ended December 31, 2001, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The financial statements of the Wells REIT, as of September 30, 2002, and for the three and nine month periods ended September 30, 2002 and September 30, 2001, which are included in this supplement, have not been audited.

The statements of revenues over certain operating expenses of the NASA Buildings and the Caterpillar Nashville Building for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of September 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	September 30, 2002 (unaudited)	December 31, 2001
ASSETS		
REAL ESTATE, at cost:		
Land	$ 164,191	$ 86,247
Building and improvements, less accumulated depreciation of $48,000 in 2002 and $24,814 in 2001	1,171,793	472,383
Construction in progress	28,500	5,739
Total real estate	1,364,484	564,369
INVESTMENT IN JOINT VENTURES	75,388	77,410
CASH AND CASH EQUIVALENTS	143,912	75,586
INVESTMENT IN BONDS	54,500	22,000
STRAIGHT-LINE RENT RECEIVABLE	10,632	5,362
ACCOUNTS RECEIVABLE	1,387	641
NOTE RECEIVABLE	4,966	0
DEFERRED LEASE ACQUISITION COSTS, net	1,713	1,525
DEFERRED PROJECT COSTS	5,963	2,977
DUE FROM AFFILIATES	2,185	1,693
DEFERRED OFFERING COSTS	3,537	0
PREPAID EXPENSES AND OTHER ASSETS, net	2,597	718
Total assets	$1,671,264	$ 752,281
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	$ 35,829	$ 8,124
Obligations under capital leases	54,500	22,000
Accounts payable and accrued expenses	17,539	8,727
Dividends payable	10,209	1,059
Deferred rental income	7,894	662
Due to affiliates	4,380	2,166
Total liabilities	130,351	42,738
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	200
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 750,000 shares authorized, 182,609 shares issued and 180,892 outstanding at September 30, 2002, and 350,000 shares authorized, 83,761 shares issued and 83,206 shares outstanding at December 31, 2001	1,826	838
Additional paid-in capital	1,621,376	738,236
Cumulative distributions in excess of earnings	(64,907)	(24,181)
Treasury stock, at cost, 1,717 shares at September 30, 2002 and 555 shares at December 31, 2001	(17,167)	(5,550)
Other comprehensive loss	(415)	0
Total shareholders' equity	1,540,713	709,343
Total liabilities and shareholders' equity	$1,671,264	$ 752,281

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(unaudited and in thousands except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2002	September 30, 2001	September 30 2002	September 30 2001
REVENUES:				
Rental income	$ 27,549	$ 11,317	$ 66,121	$ 31,028
Equity in income of joint ventures	1,259	1,102	3,738	2,622
Interest income	1,899	89	4,547	281
Take out fee	1	0	135	138
	30,708	12,508	74,541	34,069
EXPENSES:				
Depreciation	10,282	3,947	23,185	10,341
Operating costs, net of reimbursements	2,191	1,294	4,255	3,168
Management and leasing fees	1,445	632	3,348	1,750
Administrative costs	745	141	1,867	901
Interest expense	598	148	1,478	2,957
Amortization of deferred financing costs	162	237	587	529
	15,423	6,399	34,720	19,646
NET INCOME	$ 15,285	$ 6,109	$ 39,821	$ 14,423
BASIC AND DILUTED EARNINGS PER SHARE	$ 0.09	$ 0.11	$ 0.31	$ 0.33
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2001

AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 (UNAUDITED)

(in thousands except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders' Equity
BALANCE, December 31, 2000	31,510	$ 315	$ 275,573	$ (9,134)	$ 0	(141)	$ (1,413)	$ 0	$ 265,341
Issuance of common stock	52,251	523	521,994	0	0	0	0	0	522,517
Treasury stock purchased	0	0	0	0	0	(414)	(4,137)	0	(4,137)
Net income	0	0	0	0	21,724	0	0	0	21,724
Dividends ($.76 per share)	0	0	0	(15,047)	(21,724)	0	0	0	(36,771)
Sales commissions and discounts	0	0	(49,246)	0	0	0	0	0	(49,246)
Other offering expenses	0	0	(10,085)	0	0	0	0	0	(10,085)
BALANCE, December 31, 2001	83,761	838	738,236	(24,181)	0	(555)	(5,550)	0	709,343
Issuance of common stock	**98,848**	**988**	**987,482**	**0**	**0**	**0**	**0**	**0**	**988,470**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(1,162)**	**(11,617)**	**0**	**(11,617)**
Dividends ($.58 per share)	**0**	**0**	**0**	**(40,726)**	**(39,821)**	**0**	**0**	**0**	**(80,547)**
Sales commissions and discounts	**0**	**0**	**(94,097)**	**0**	**0**	**0**	**0**	**0**	**(94,097)**
Other offering expenses	**0**	**0**	**(10,245)**	**0**	**0**	**0**	**0**	**0**	**(10,245)**
Components of comprehensive income:									
Net income	**0**	**0**	**0**	**0**	**39,821**	**0**	**0**	**0**	**39,821**
Gain/(loss) on interest rate swap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(415)**	**(415)**
Comprehensive income									**39,406**
BALANCE, September 30, 2002 (unaudited)	**182,609**	**$ 1,826**	**$1,621,376**	**$ (64,907)**	**$ 0**	**(1,717)**	**$(17,167)**	**$ (415)**	**$ 1,540,713**

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 39,821	$ 14,423
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(3,738)	(2,622)
Depreciation	23,185	10,341
Amortization of deferred financing costs	587	529
Amortization of deferred leasing costs	229	228
Bad debt expense	113	0
Changes in assets and liabilities:		
Accounts receivable	(746)	(370)
Straight-line rent receivable	(5,382)	(1,949)
Due from affiliates	(35)	0
Deferred rental income	7,232	(381)
Accounts payable and accrued expenses	8,811	3,309
Prepaid expenses and other assets, net	(1,813)	3,211
Due to affiliates	(105)	(235)
Net cash provided by operating activities	68,159	26,484
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(797,011)	(121,366)
Investment in joint ventures	0	(27,018)
Deferred project costs paid	(34,784)	(10,347)
Distributions received from joint ventures	5,301	3,027
Deferred lease acquisition costs paid	(400)	0
Net cash used in investing activities	(826,894)	(155,704)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	27,742	107,587
Repayment of note payable	(37)	(208,102)
Dividends paid	(71,397)	(23,502)
Issuance of common stock	988,470	297,775
Sales commissions paid	(94,097)	(28,086)
Offering costs paid	(10,937)	(7,481)
Treasury stock purchased	(11,617)	(2,137)
Deferred financing costs paid	(1,066)	0
Net cash provided by financing activities	827,061	136,054
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,326	6,834
CASH AND CASH EQUIVALENTS, beginning of year	75,586	4,298
CASH AND CASH EQUIVALENTS, end of period	$ 143,912	$ 11,132
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 31,271	$ 1,127
Deferred project costs applied to joint ventures	$ 0	$ 9,295
Deferred project costs due to affiliate	$ 587	$ (498)

Interest rate swap	$ (415)	$ 0
Increase (decrease) in deferred offering cost accrual	$ 3,537	$ (1,291)
Assumption of obligations under capital lease	$ 32,500	$ 22,000
Investment in bonds	$ 32,500	$ 22,000

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2002
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust ("REIT"). Substantially all of the Company's business is conducted through 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 income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16.5 million shares of common stock at $10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately $132.2 million had been received from the sale of approximately 13.2 million shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately $175.2 million from the sale of approximately 17.5 million shares. The Company commenced its third public offering of shares of common stock on December 20, 2000, which terminated on July 26, 2002 after receipt of gross proceeds of approximately $1.3 billion from the sale of approximately 128.3 million shares. As of September 30, 2002, the Company has received gross proceeds of approximately $235.7 million from the sale of approximately 23.6 million shares from its fourth public offering. Accordingly, as of September 30, 2002, the Company has received aggregate gross offering proceeds of approximately $1.8 billion from the sale of 182.6 million shares of its common stock to investors. After payment of $63.3 million in acquisition and advisory fees and acquisition expenses, payment of $202.9 million in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of $1.4 billion for property acquisitions, and common stock redemptions of $17.2 million pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $144.5 million available for investment in properties, as of September 30, 2002.

(b) Properties

As of September 30, 2002, the Company owned interests in 67 properties listed in the table below through its ownership in Wells OP.

Property Name	*Tenant*	*Property Location*	*% Owned*	*Purchase Price*	*Square Feet*	*Annual Rent*
Daimler Chrysler Dallas	Daimler Chrysler Services North America LLC	Westlake, TX	100%	$ 25,100,000	130,290	$ 3,189,499
Allstate Indianapolis	Allstate Insurance Company Holladay Property Services Midwest, Inc.	Indianapolis, IN	100%	$ 10,900,000	84,200 5,756	$ 1,246,164 $ 74,832
Intuit Dallas	Lacerte Software Corporation	Plano, TX	100%	$ 26,500,000	166,238	$ 2,461,985
EDS Des Moines	EDS Information Services LLC	Des Moines, IA	100%	$ 26,500,000	405,000	$ 2,389,500
Federal Express Colorado Springs	Federal Express Corporation	Colorado Springs, CO	100%	$ 26,000,000	155,808	$ 2,248,309
KeyBank Parsippany	KeyBank U.S.A., N.A. Gemini Technology Services	Parsippany, NJ	100%	$ 101,350,000	200,000 204,515	$ 3,800,000 $ 5,726,420
IRS Long Island	IRS Collection IRS Compliance IRS Daycare Facility	Holtsville, NY	100%	$ 50,975,000	128,000 50,949 12,100	$ 5,029,380(1) $ 1,663,200 $ 486,799
AmeriCredit Phoenix	AmeriCredit Financial Services, Inc.	Chandler, AZ	100%	$ 24,700,000(2)	153,494	$ 1,609,315(3)
Harcourt Austin	Harcourt, Inc.	Austin, TX	100%	$ 39,000,000	195,230	$ 3,353,040
Nokia Dallas	Nokia, Inc. Nokia, Inc. Nokia, Inc.	Irving, TX	100%	$119,550,000	228,678 223,470 152,086	$ 4,413,485 $ 4,547,614 $ 3,024,990
Kraft Atlanta	Kraft Foods North America, Inc. Perkin Elmer Instruments, LLC	Suwanee, GA	100%	$ 11,625,000	73,264 13,955	$ 1,263,804 $ 194,672
BMG Greenville	BMG Direct Marketing, Inc. BMG Music	Duncan, SC	100%	$ 26,900,000	473,398 313,380	$ 1,394,156 $ 763,600
Kerr-McGee	Kerr-McGee Oil & Gas Corporation	Houston, TX	100%	$ 15,760,000(2)	100,000	$ 1,655,000(3)
PacifiCare San Antonio	PacifiCare Health Systems, Inc.	San Antonio, TX	100%	$ 14,650,000	142,500	$ 1,471,700
ISS Atlanta	Internet Security Systems, Inc.	Atlanta, GA	100%	$ 40,500,000	238,600	$ 4,623,445
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	$ 25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	$ 21,060,000	108,240	$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	$ 35,150,000	292,700	$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	$ 6,850,000	47,400	$ 747,033
Agilent Atlanta	Agilent Technologies, Inc. Koninklijke Philips Electronics N.V.	Alpharetta, GA	100%	$ 15,100,000	66,811 34,396	$ 1,344,905 $ 704,430
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	$ 10,395,845	68,165	$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	$ 41,950,000(4)	147,004	$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above)(4)	112,480	$ 2,330,600
Novartis Atlanta	Novartis Opthalmics, Inc.	Duluth, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc. Newpark Drilling Fluids, Inc.	Houston, TX	100%	$ 22,000,000	103,260 52,731	$ 2,110,035 $ 1,153,227
Arthur Andersen (5)	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,700	$ 1,988,454
Windy Point I	TCI Great Lakes, Inc. The Apollo Group, Inc. Global Knowledge Network Various other tenants	Schaumburg, IL	100%	$ 32,225,000(6)	129,157 28,322 22,028 8,884	$ 2,067,204 $ 477,226 $ 393,776 $ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	$ 57,050,000(6)	300,034	$ 5,244,594
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,204	$1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$2,035,275
Nissan	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 42,259,000(2)	268,290	$4,225,860(3)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	$ 24,950,000	201,237	$2,458,638

Property Name	*Tenant*	*Property Location*	*% Owned*	*Purchase Price*	*Square Feet*	*Annual Rent*
AT&T Oklahoma	AT&T Corp. Jordan Associates, Inc.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500 25,000	$ 1,242,000 $ 294,500
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc. SYSCO Corporation	Houston, TX	100%	$ 44,970,000	206,048 106,516	$ 4,533,056 $ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$ 1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 2,054,329
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$ 1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$ 1,187,925
Cinemark	Cinemark USA, Inc. The Coca-Cola Company	Plano, TX	100%	$ 21,800,000	65,521 52,587	$ 1,366,491 $ 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	$ 8,000,000	130,000	$ 854,748
Alstom Power Richmond (2)	Alstom Power, Inc.	Midlothian, VA	100%	$ 11,400,000	99,057	$ 1,244,501
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	$ 5,085,000	169,510	$ 550,908
Matsushita (2)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$ 18,431,206	144,906	$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$ 12,291,200	81,859	$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$21,127,854	130,091	$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$ 6,400,000	52,000	$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 920,144
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	57,186	$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	$ 5,025,000	108,250	$ 659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,975	$ 1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	$ 10,325,000	106,750	$ 1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	84,404	$ 1,106,520

(1) Includes only the leased portion of this property.

(2) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.

(3) Annual rent for AmeriCredit Phoenix, Kerr McGee and Nissan Property does not take effect until construction of the building is completed and the tenant is occupying the building.

(4) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.

(5) Subsequent to September 30, 2002, this building has been vacated by the tenant. See Footnote 10 and “Subsequent Events” in the Management’s Discussion and Analysis of Financial Condition and Results of Operations section of this supplement.

(6) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	AmeriCredit ADIC
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	Siemens AT&T Oklahoma Comdata
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	EYBL CarTex Sprint Johnson Matthey Gartner
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	Alstom Power Knoxville Ohmeda Interlocken Avaya Iomega
Wells/Fremont Associates Joint Venture (the "Fremont Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Fairchild
Wells/Orange County Associates Joint Venture (the "Orange County Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Cort Furniture
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest

(c) Critical Accounting Policies

The Company's accounting policies have been established in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity, the current year budget and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets to date.

Deferred Project Costs

The Company records acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc. (the "Advisor") by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of September 30, 2002, amounted to $63.3 million and represented approximately 3.5% of capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at September 30, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to the Advisor. As equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of September 30, 2002, the Advisor had paid organization and offering expenses on behalf of the Company in an aggregate amount of $34.2 million, of which the Advisor had been reimbursed $29.7 million, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) 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 90% of its real estate investment trusts' taxable income. The Company intends to make regular quarterly distributions to stockholders. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares.

Dividends to be distributed to the stockholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 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.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. (Wells Management), an affiliate of the Company and the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The Company has reimbursed the Advisor and Wells Management for allocated salaries, wages and other payroll related costs totaling $1.1 million and $0.4 million for the nine months ended September 30, 2002 and 2001, respectively, and $0.5 million and $0.1 million for the three months ended September 30, 2002 and 2001, respectively.

(g) 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 or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) 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.

(i) 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.

(j) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to 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 the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in 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 management of the Company, 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. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001.

2. INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of September 30, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such 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 ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of September 30, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three months and nine months ended September 30, 2002.

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Three Months Ended (in thousands)		Three Months Ended (in thousands)		Three Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 1,083	$ 1,083	$ 574	$ 670	$ 21	$ 25
Cort Joint Venture	199	204	135	149	59	65
Fremont Joint Venture	226	227	142	142	110	110
Fund XI-XII-REIT Joint Venture	836	844	484	520	275	295
Fund XII-REIT Joint Venture	1,330	1,410	727	815	400	448
Fund VIII-IX-REIT Joint Venture	302	314	153	156	24	24
Fund XIII-REIT Joint Venture	704	306	408	155	370	135
	$ 4,680	$ 4,388	$ 2,623	$ 2,607	$ 1,259	$ 1,102

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Nine Months Ended (in thousands)		Nine Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 3,310	$ 3,264	$ 1,747	$ 2,043	$ 65	$ 76
Cort Joint Venture	597	602	405	415	177	181
Fremont Joint Venture	678	677	419	421	325	326
Fund XI-XII-REIT Joint Venture	2,525	2,533	1,526	1,534	866	871
Fund XII-REIT Joint Venture	4,143	3,306	2,385	1,848	1,311	967
Fund VIII-IX-REIT Joint Venture	906	894	461	416	73	66
Fund XIII-REIT Joint Venture	2,108	306	1,215	155	921	135
	$ 14,267	$ 11,582	$ 8,158	$ 6,832	$ 3,738	$ 2,622

3. INVESTMENTS IN REAL ESTATE

As of September 30, 2002, the Company, through its ownership in Wells OP, owns 50 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended September 30, 2002.

The ISS Atlanta Buildings

On July 1, 2002, Wells OP purchased two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia for a purchase price of $40.5 million, excluding closing costs. The ISS Atlanta Buildings were acquired by assigning to Wells OP an existing ground lease with the Development Authority of Fulton County ("Development Authority"). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds ("Bonds") totaling $32.5 million in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation ("ISS"). The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is approximately $4.6 million. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The PacifiCare San Antonio Building

On July 12, 2002, Wells OP purchased the PacifiCare San Antonio Building, a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas for a purchase price of $14.7 million, excluding closing costs. The PacifiCare San Antonio Building is 100% leased to PacifiCare Health Systems, Inc. ("PacifiCare"). The PacifiCare lease is a net lease that commenced in November 2000 and expires in November 2010. The current annual base rent payable under the PacifiCare lease is approximately $1.5 million. PacifiCare, at its option, has the right to extend the initial term of its lease for three additional five-year periods. Monthly base rent for the first renewal term will be approximately $0.2

million and monthly base rent for the second and third renewal terms will be the then-current market rental rate.

The Kerr-McGee Property

On July 29, 2002, Wells OP purchased the Kerr-McGee Property, a 4.2-acre tract of land located in Houston, Harris County, Texas for a purchase price of approximately $1.7, excluding closing costs. Wells OP has entered into agreements to construct a four-story office building containing approximately 100,000 rentable square feet (the "Kerr-McGee Project") on the Kerr-McGee Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr-McGee Property and the planning, design, development, construction and completion of the Kerr McGee Project will total approximately $15.8 million.

The entire 100,000 rentable square feet of the Kerr-McGee Project will be leased to Kerr-McGee Oil & Gas Corporation ("Kerr-McGee"), a wholly owned subsidiary of Kerr-McGee Corporation. The initial term of the Kerr-McGee lease will extend 11 years and 1 month beyond the rent commencement date. Construction on the building is scheduled to be completed by July 2003. The rent commencement date will occur no later than July 1, 2003. Kerr-McGee has the right to extend the initial term of this lease for one additional period of twenty years or the option to extend the initial term for any combination of additional periods of ten years or five years for a total additional period of not more than twenty years. The base rental rate will be 95% of the existing market rate. The initial annual base rent payable under the Kerr-McGee lease will be calculated as 10.5% of project costs.

Wells OP obtained a construction loan in the amount of $13.7 million from Bank of America, to fund the construction of a building on the Kerr-McGee Property. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan as of August 6, 2002 was 3.80%. The Bank of America loan is secured by a first priority mortgage on the Kerr-McGee Property.

The BMG Greenville Buildings

On July 31, 2002, Wells OP purchased the BMG Greenville Buildings, two one-story office buildings containing 786,778 rentable square feet located in Duncan, Spartanburg County, South Carolina for a purchase price of $26.9 million, excluding closing costs. The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. ("BMG Marketing") and BMG Music ("BMG Music").

The BMG Marketing lease is a net lease that covers approximately 473,398 square feet that commenced in March 1988 and expires in March 2011. The current annual base rent payable under the BMG Marketing lease is approximately $1.4 million. BMG Marketing, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease is a net lease that covers approximately 313,380 rentable square feet that commenced in December 1987 and expires in March 2011. The current annual base rent payable under the BMG Music lease is approximately $0.8 million. BMG Music, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The Kraft Atlanta Building

On August 1, 2002, Wells OP purchased the Kraft Atlanta Building, a one-story office building containing 87,219 rentable square feet located in Suwanee, Forsyth County, Georgia for a purchase price of approximately $11.6 million, excluding closing costs. The Kraft Atlanta Building is leased to Kraft Foods North America, Inc. ("Kraft") and PerkinElmer Instruments, LLC ("PerkinElmer").

The Kraft lease is a net lease that covers approximately 73,264 square feet that commenced in February 2002 and expires in January 2012. The current annual base rent payable under the Kraft lease is approximately $1.3 million. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the lease (1) at the end of the third year by paying a $7.0 million termination fee, or (2) at the end of the seventh lease year by paying an approximately $1.8 million termination fee.

The PerkinElmer lease is a net lease that covers approximately 13,955 rentable square feet that commenced in December 2001 and expires in November 2016. The current annual base rent payable under the PerkinElmer lease is approximately $0.2 million. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the lease at the end of the tenth lease year by paying a $0.3 million termination fee.

The Nokia Dallas Buildings

On August 15, 2002, Wells OP purchased the Nokia Dallas Buildings, three adjacent office buildings containing an aggregate of 604,234 rentable square feet located in Irving, Texas for an aggregate purchase price of approximately $119.6 million, excluding closing costs. The Nokia Dallas Buildings are all leased entirely to Nokia, Inc ("Nokia") under three long-term net leases for periods of 10 years, with approximately seven to eight years remaining on such leases.

The Nokia I Building is a nine-story building containing 228,678 rentable square feet. The Nokia I Building lease fully commenced in July 1999 and expires in July 2009. The current annual base rent payable under the Nokia I Building lease is approximately $4.4 million. The Nokia II Building is a seven-story building containing 223,470 rentable square feet. The Nokia II Building lease commenced in December 2000 and expires in December 2010. The current annual base rent payable under the Nokia II Building lease is approximately $4.5 million. The Nokia III Building is a six-story building containing 152,086 rentable square feet. The Nokia III Building lease commenced in June 1999 and expires in July 2009. The current annual base rent payable under the Nokia III Building lease is approximately $3.0 million.

The Harcourt Austin Building

On August 15, 2002, Wells OP purchased the Harcourt Austin Building, a seven-story office building containing 195,230 rentable square feet located in Austin, Texas for a purchase price of $39.0 million, excluding closing costs. The Harcourt Austin Building is leased entirely to Harcourt, Inc. ("Harcout"), a wholly owned subsidiary of Harcourt General, Inc., the guarantor of the Harcourt lease. The Harcourt lease commenced in July 2001 and expires in June 2016. The current annual base rent payable under the Harcourt lease is approximately $3.4 million.

The AmeriCredit Phoenix Property

On September 12, 2002, Wells OP purchased the AmeriCredit Phoenix Property, a 14.74-acre tract of land located in Chandler, Maricopa County, Arizona for a purchase price of approximately $2.6 million, excluding closing costs. Wells OP has entered into agreements to construct a three-story office building containing approximately 153,494 rentable square feet (the "AmeriCredit Phoenix Project") on the AmeriCredit Phoenix Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the AmeriCredit Phoenix Project and the planning, design, development, construction and completion of the AmeriCredit Phoenix Project will total approximately $24.7 million.

The entire 153,494 rentable square feet of the AmeriCredit Phoenix Project will be leased to AmeriCredit Financial Services, Inc. ("AmeriCredit"), a wholly owned subsidiary of AmeriCredit Corporation. The initial term of the AmeriCredit lease will extend 10 years and 4 month beyond the rent commencement date. Construction on the building is scheduled to be completed by August 2003. AmeriCredit has the right to extend the initial term of this lease for two additional periods of five years at 95% of the then-market rate. As an inducement for Wells OP to enter into the AmeriCredit Phoenix lease, AmeriCredit has prepaid to Wells OP the first three years of base rent at a discounted amount equal to approximately $4.8 million.

The IRS Long Island Buildings

On September 16, 2002, Wells REIT-Holtsville, NY, LLC ("REIT-Holtsville"), a Georgia limited liability company wholly-owned by Wells OP purchased the IRS Long Island Buildings, a two-story office building and a one-story daycare facility containing an aggregate 259,700 rentable square feet located in Holtsville, New York for a purchase price of approximately $51.0 million, excluding closing costs. Approximately 191,050 of the aggregate rentable square feet of the IRS Long Island Buildings (74%) is currently leased to the United States of America through the U.S. General Services Administration ("U.S.A.") for occupancy by the IRS under three separate lease agreements for the processing & collection division of the IRS ("IRS Collection"), the compliance division of the IRS ("IRS Compliance"), and the IRS Daycare Facility. REIT-Holtsville is negotiating for the remaining 26% of the IRS Long Island Buildings to be leased by the U.S.A. on behalf of the IRS or to another suitable tenant. If REIT-Holtsville should lease this space to the U.S.A. or another suitable tenant within 18 months, REIT-Holtsville would owe the seller an additional amount of up to $14.5 million as additional purchase price for the IRS Long Island Buildings pursuant to the terms of an earnout agreement entered into between REIT-Holtsville and the seller at the closing.

The IRS Collection lease, which encompasses 128,000 rentable square feet of the IRS Office Building, commenced in August 2000 and expires in August 2005. The current annual base rent payable under the IRS Collection lease is approximately $5.0 million. The annual base rent payable under the IRS Collection lease for the remaining two years of the initial lease term will be approximately $2.8 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at annual rental rates of approximately $4.2 million and $5.0 million, respectively.

The IRS Compliance lease, which encompasses 50,949 rentable square feet of the IRS Office Building, commenced in December 2001 and expires in December 2011. The annual base rent payable under the IRS Compliance lease for the initial term of the lease is approximately $1.7 million. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of approximately $2.2 million.

The IRS Daycare Facility lease, which encompasses the entire 12,100 rentable square feet of the IRS Daycare Facility, commenced in October 1999 and expires in September 2004. The annual base rent payable under the IRS Daycare Facility lease for the initial term of the lease is approximately $0.5 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at an annual rental rate of approximately $0.4 million.

The KeyBank Parsippany Building

On September 27, 2002, Wells OP purchased the KeyBank Parsippany Building, a four-story office building containing 404,515 rentable square feet located in Parsippany, New Jersey for a purchase price of approximately $101.4 million, excluding closing costs. The KeyBank Parsippany Building is leased to Key Bank U.S.A., N.A. ("KeyBank") and Gemini Technology Services ("Gemini").

The KeyBank lease covers 200,000 rentable square feet (49%) under a net lease that commenced in March 2001 and expires in February 2016. The current annual base rent payable under the KeyBank lease is $3.8 million. KeyBank, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate.

The Gemini lease covers 204,515 rentable square feet (51%) under a gross lease that commenced in December 2000 and expires in December 2013. The current annual base rent payable under the Gemini lease is approximately $5.7 million. Gemini, at its option, has the right to extend the initial term of its lease for three additional five-year periods at a rate equal to the greater of (1) the annual rent during the final year of the initial lease term, or (2) 95% of the then-current market rental rate.

The Federal Express Colorado Springs Building

On September 27, 2002, Wells OP purchased the Federal Express Colorado Springs Building, a three-story office building containing 155,808 rentable square feet located in Colorado Springs, Colorado for a purchase price of $26.0 million, excluding closing costs. The Federal Express Colorado Springs Building is leased entirely to Federal Express Corporation ("Federal Express"). The Federal Express lease commenced in July 2001 and expires in October 2016. The current annual base rent payable under the Federal Express lease is approximately $2.2 million. Federal Express, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 90% of the then-current market rental rate. In addition, Federal Express has an expansion option under its lease pursuant to which Wells OP would be required to construct an additional office building.

The EDS Des Moines Building

On September 27, 2002, Wells OP purchased the EDS Des Moines Building, a one-story office and distribution building containing 115,000 rentable square feet of office space and 290,000 rentable square feet of warehouse space located in Des Moines, Iowa for a purchase price of $26.5 million, excluding closing costs. The EDS Des Moines Building is leased entirely to EDS Information Services L.L.C. ("EDS"), a wholly-owned subsidiary of Electronic Data Systems Corporation ("EDS Corp. "). EDS Corp. is the guarantor of the EDS lease. The EDS lease commenced in May 2002 and expires in April 2012. The current annual base rent payable under the EDS lease is approximately $2.4 million. EDS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, EDS has an expansion option under its lease for up to an additional 100,000 rentable square feet.

The Intuit Dallas Building

On September 27, 2002, Wells OP purchased the Intuit Dallas Building, a two-story office building with a three-story wing containing 166,238 rentable square feet located in Plano, Texas for a purchase price of $26.5 million, excluding closing costs. The Intuit Dallas Building is leased entirely to Lacerte Software Corporation ("Lacerte"), a wholly-owned subsidiary of Intuit, Inc. ("Intuit"). Intuit is the guarantor of the Lacerte lease. The Lacerte lease commenced in July 2001 and expires in June 2011. The current annual base rent payable under the Lacerte lease is approximately $2.5 million. Lacerte, at its option, has the right to extend the initial term of its lease for two additional five-year periods at rental rates of $17.92 per square foot and $19.71 per square foot, respectively. In addition, Lacerte has an expansion option through November 2004 pursuant to which Wells OP would be required to purchase an additional 19 acre tract of land and to construct up to an approximately 600,000 rentable square foot building thereon.

The Allstate Indianapolis Building

On September 27, 2002, Wells OP purchased the Allstate Indianapolis Building, a one-story office building containing 89,956 rentable square feet located in Indianapolis, Indiana for a purchase price of $10.9 million, excluding closing costs. The Allstate Indianapolis Building is leased to Allstate Insurance Company ("Allstate") and Holladay Property Services Midwest, Inc. ("Holladay").

The Allstate lease, which covers 84,200 rentable square feet (94%), commenced in March 2002 and expires in August 2012. The current annual base rent payable under the Allstate lease is approximately $1.2 million. Allstate at its option has the right to (1) terminate the initial term of the Allstate lease at the end of the fifth lease year (August 2007) upon payment of an approximately $0.4 million fee, or (2) reduce its area of occupancy to not less than 20,256 rentable square feet, by providing written notice on or before August 2006. Allstate, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Allstate has a right of first refusal for the leasing of additional space in the Allstate Indianapolis Building.

Holladay is a property management company that manages the Allstate Indianapolis Building from the site. The Holladay lease, which covers 5,756 rentable square feet (6%), commenced in October 2001 and expires in September 2006. The current annual base rent payable under the Holladay lease is approximately $.07 million.

The Daimler Chrysler Dallas Building

On September 30, 2002, Wells OP purchased the Daimler Chrysler Dallas Building, a two-story office building containing 130,290 rentable square feet located in Westlake, Texas for a purchase price of $25.1 million, excluding closing costs. The Daimler Chrysler Dallas Building is leased entirely to Daimler Chrysler Services North America LLC ("Daimler Chrysler NA"). The Daimler Chrysler NA lease commenced in January 2002 and expires in December 2011. The current annual base rent payable under the Daimler Chrysler NA lease is approximately $3.2 million. Daimler Chrysler NA, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 98% of the then-current market rental rate. In addition, Daimler Chrysler NA has an expansion option for up to an additional 70,000 rentable square feet and a right of first offer if Wells OP desires to sell the Daimler Chrysler Dallas Building during the term of the lease.

4. NOTE RECEIVABLE

In connection with the purchase of the TRW Denver Building on May 29, 2002, Wells OP acquired a note receivable from the building's sole tenant, TRW, Inc., in the amount of $5.2 million. The loan was made to fund above-standard tenant improvement costs to the building. The note receivable is structured to be fully amortized over the remaining lease term, which expires September 2007, at 11% interest with TRW making monthly loan payments of $.1 million. At September 30, 2002, the principal balance of this note receivable was $5.0 million.

5. NOTES PAYABLE

At September 30, 2002, Wells OP had the following debt:

Lender	Collateral	Type of Debt	Maturity Date	Balance Outstanding (in millions)
SouthTrust	The Alstom Power Richmond Building	$7.9 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	$7.7
SouthTrust	The PwC Building	$12.8 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	2.1
SouthTrust	The Avnet Building and the Motorola Tempe Building	$19.0 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
SouthTrust	The Cinemark Building, the Dial Building and the ASML Building	$32.4 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
Bank of America	The Nissan Property	$34.2 million construction loan, interest at LIBOR plus 200 basis points	July 30, 2003	13.3
Bank of America	The Kerr McGee Property	$13.7 million construction loan, interest at LIBOR plus 200 basis points	January 29, 2004	1.0
Bank of America	The Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Matsushita Building, the Metris Tulsa Building, the Motorola Plainfield Building and the Delphi Building	$85 million line of credit, interest at 30 day LIBOR plus 180 basis points	May 11, 2004	0
Prudential	The BMG Buildings	$8.8 million note payable, interest at 8%, principal and interest payable monthly	December 15, 2003	8.8
Prudential	The BMG Buildings	$2.9 million note payable, interest at 8.5%, interest payable monthly, principal payable upon maturity	December 15, 2003	2.9
Total				**$35.8**

6. INTEREST RATE SWAPS

Wells OP has entered into interest rate swap agreements with Bank of America in order to hedge its interest rate exposure on the Bank of America construction loans for the Nissan Property (the Nissan Loan) and the Kerr McGee Property (the Kerr McGee Loan). The interest rate swap agreements involve the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. The notional amount of both interest rate swaps is the balance outstanding on the construction loan on the payment date.

The interest rate swap for the Nissan Loan became effective January 15, 2002 and terminates on June 15, 2003. Wells OP, as the fixed rate payer, has an interest rate of 3.9%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 5.9% on the Nissan Loan.

The interest rate swap for the Kerr McGee Loan became effective September 15, 2002 and terminates on July 15, 2003. Wells OP as fixed rate payer has an interest rate of 2.27%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 4.27% on the Kerr McGee Loan.

During the nine months ended September 30, 2002, Wells OP made interest payments totaling approximately $45,221 under the terms of the interest rate swap agreements. At September 30, 2002, the estimated fair value of the interest rate swap for the Nissan Loan and the Kerr McGee Loan was $(384,855) and $(30,180), respectively. The interest rate swaps are accounted for by mark-to-market accounting on a monthly basis and are included in prepaid and other assets on the accompanying consolidated balance sheet.

On January 1, 2001, the Company adopted SFAS No. 133, as amended by SFAS No. 137 and No. 138 Accounting for Derivative Instruments and Hedging Activities. The effect of adopting the SFAS No. 133 did not have a material effect on the Company's consolidated financial statements.

7. INVESTMENT IN BONDS AND OBLIGATIONS UNDER CAPITAL LEASES

In connection with the purchase of a ground leasehold interest in the Ingram Micro Distribution Facility pursuant to a Bond Real Property Lease dated December 20, 1995 (the Bond Lease), Wells OP acquired an Industrial Development Revenue Note (the Bond) dated December 20, 1995 in the principal amount of $22 million. As part of the same transaction, Wells OP also acquired a Fee Construction Mortgage Deed of Trust Assignment of Rents and Leases (the Bond Deed of Trust), also dated December 20, 1995, which was executed by the Industrial Development Board in order to secure the Bond. Beginning in 2006, the holder of the Bond Lease has the option to purchase the land underlying the Ingram Micro Distribution Facility for $100 plus satisfaction of the indebtedness evidenced by the Bond. Because Wells OP is technically subject to the obligation to pay the $22 million indebtedness evidenced by the Bond, the obligation to pay the Bond is carried on the Company's books as a liability. However, since Wells OP is also the owner of the Bond, the Bond is also carried on the Company's books as an asset.

As part of the transaction to acquire a ground leasehold interest in the ISS Atlanta Buildings, Wells OP was assigned Development Authority of Fulton County Taxable Revenue Bonds totaling $32.5 million, which were originally issued in connection with the development of the ISS Atlanta Buildings (the Bonds). The Bonds entitle Wells OP to certain property tax abatement benefits. Upon payment of the outstanding balance on the Bonds, on or before the expiration of the ground lease on December 1, 2015, fee title interest to the underlying land will be transferred to Wells OP. Because Wells OP is technically subject to the obligation to pay the $32.5 million indebtedness evidenced by the Bond, the

obligation to pay the Bonds is carried on the Company's books as a liability. However, since Wells OP is also the owner of the Bonds, the Bonds are also carried on the Company's books as an asset.

8. Due to affiliates

Due to affiliates consists of amounts due to the Advisor for acquisitions and advisory fees and acquisition expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in greater detail in the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001. Payments of $.6 million have been made as of September 30, 2002 toward funding the obligation under the Matsushita agreement.

9. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor ("Wells Exchange") has developed a program (the "Wells Section 1031 Program") involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange, which was extended to April 15, 2002. Wells OP was compensated for its takeout commitment in the amount of $.1 million in each of 2001 and 2002 by payment of a take out fee to Wells OP in an amount equal to 1.25% of its maximum financial obligation under the Ford Motor Credit take out purchase and escrow agreement. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex. This pay off of the loan triggered the release of Wells OP from its prior obligations under the take out purchase and escrow agreement relating to such property.

Letters of Credit

At September 30, 2002, Wells OP had three letters of credit totaling $19.2 million outstanding from financial institutions, which were not recorded in the accompanying consolidated balance sheet. These letters of credit were required by three of the Company's tenants to ensure completion of the Company's contractual obligations. The Company's management does not anticipate a need to draw on these letters of credit.

Properties under Contract

At September 30, 2002, the Company had three executed contracts for the acquisition of properties totaling $82.0 million. Escrows of $1.3 million have been paid out for these properties and are included in prepaid and other assets on the accompanying consolidated balance sheet.

10. SUBSEQUENT EVENTS

Issuance of Common Stock

From October 1, 2002 through October 25, 2002, the Company has raised approximately $91.5 million through the issuance of 9.1 million shares of common stock in the Company.

Termination Agreement

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of $979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the NASA Buildings for the year ended December 31, 2001. This statement is the responsibility of the NASA Buildings' management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit 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 statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

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, as described in Note 2, and is not intended to be a complete presentation of the NASA Buildings' revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the NASA Buildings for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia
November 26, 2002

NASA Buildings

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

	2002	2001
	(Unaudited)	
Revenues:		
Base rent	$ 25,179,213	$ 33,637,808
Tenant reimbursements	1,703,365	2,586,032
Total revenues	26,882,578	36,223,840
Operating expenses	7,761,014	10,200,082
Revenues over certain operating expenses	$19,121,564	$26,023,758

See accompanying notes.

NASA Buildings

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On November 22, 2002, Wells REIT-Independence Square, LLC ("the Company") acquired the NASA Buildings from Southwest Market Limited Partnership ("Southwest Market"). The Company, a Georgia limited liability company, was created on November 22, 2002 by Wells Real Estate Investment Trust, Inc., a Maryland corporation, the sole member of the Company.

The two nine-story buildings contain 948,813 square feet of net rentable area and are leased to six tenants, including the National Aeronautics and Space Administration ("NASA") and The Office of the Comptroller of the Currency ("OCC"), which occupy a total of 932,209 square feet. The remaining square footage is leased to several retail tenants under lease agreements that expire over the next eight years. NASA occupies 590,689 square feet under a gross lease ("NASA Lease") that commenced in July 1992 and expires in July 2012. OCC occupies 341,520 square feet under a lease ("OCC Lease") that commenced in May 1991 and expires in May 2006. Southwest Market's interests in the NASA Lease, the OCC Lease and other retail lease agreements were assigned to the Company upon the acquisition of the NASA Buildings.

Under the NASA Lease, the tenant is required to pay, as adjusted rent, its share of increases in real estate taxes and changes in costs from the first lease year for cleaning services, supplies, materials, maintenance, trash removal, landscaping, sewer charges and certain administrative expenses attributable to occupancy. The amount of the adjustment will be computed using the Cost of Living Index. Under the OCC Lease, the tenant is required to pay, as additional rent, its share of increases in real estate taxes and changes in costs from the first lease year for, including but not limited to, cleaning services, electricity, heating, water, air conditioning and landscaping. The Company will be responsible for maintaining and repairing the NASA Buildings' roof, foundations, common areas, electrical systems and mechanical systems.

Rental Revenues

Rental income is recognized on a straight-line basis over the terms of the leases.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the NASA Buildings after their acquisition by the Company.

NASA Buildings

Notes to Statements of Revenues Over Certain Operating Expenses
(continued)

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 32,856,309
2003	32,875,773
2004	32,987,740
2005	33,104,624
2006	26,008,009
Thereafter	117,928,136
	$275,760,591

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The statement of revenues over certain operating expenses for the nine months ended September 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Caterpillar Nashville Building for the year ended December 31, 2001. This statement is the responsibility of the Caterpillar Nashville Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit 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 statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

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, as described in Note 2, and is not intended to be a complete presentation of the Caterpillar Nashville Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Caterpillar Nashville Building for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia
November 26, 2002

Caterpillar Nashville Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

	2002	2001
	(Unaudited)	
Revenues:		
Base rent	$ 5,922,277	$ 7,896,370
Tenant reimbursements	357,722	379,662
Total revenues	6,279,999	8,276,032
Operating expenses	1,910,316	2,565,309
Revenues over certain operating expenses	$ 4,369,683	$ 5,710,723

See accompanying notes.

Caterpillar Nashville Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On November 26, 2002, the Wells Operating Partnership, L.P. ("Wells OP") acquired the Caterpillar Nashville Building from Highwoods/Tennessee Holdings, LP. ("Highwoods/Tennessee"). Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

The 312,297 square foot 11-story Caterpillar Nashville Building is 100% leased to three tenants, Caterpillar Financial Services Corporation ("Caterpillar"), Thoughtworks, LLC ("Thoughtworks") and Highwoods Properties, Inc. ("Highwoods"). Caterpillar currently occupies 300,901 square feet under a gross lease ("Caterpillar Lease") that commenced in March 2000 and expires in February 2015. Thoughtworks currently occupies 6,400 square feet under a gross lease ("Thoughtworks Lease") that commenced in May 2000 and expires in May 2005. Highwoods currently occupies 4,996 square feet under a gross lease ("Highwoods Lease") that commenced in October 2000 and expires in September 2005. Highwoods/Tennessee's interests in the Caterpillar Lease, Thoughtworks Lease and Highwoods Lease were assigned to Wells OP upon acquisition of the Caterpillar Nashville Building.

Under the Caterpillar Lease, the Thoughtworks Lease and the Highwoods Lease, the tenants are required to pay, as additional rent, all operating costs in excess of a $6.50 per square foot expense stop. Under the Caterpillar Lease, Caterpillar's responsibility for increases in expenses other than insurance, taxes and utilities is capped at 4.5% annually. Furthermore, Caterpillar will reimburse the landlord a management fee equal to 4% of gross rental receipts. Wells OP will be responsible for the maintenance and repair of the structural elements of the building and the capital repairs and replacement of the roof.

Rental Revenues

Rental income is recognized on a straight-line basis over the terms of the leases.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the Caterpillar Nashville Building after its acquisition by Wells OP.

Caterpillar Nashville Building

Notes to Statements of Revenues Over Certain Operating Expenses
(continued)

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 7,673,511
2003	7,680,935
2004	7,688,516
2005	7,808,282
2006	7,685,012
Thereafter	64,265,433
	$102,801,689

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The statement of revenues over certain operating expenses for the nine months ended September 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended September 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of September 30, 2002 has been prepared to give effect to the fourth quarter 2002 acquisitions of the NASA Buildings by the Wells REIT and the Caterpillar Nashville Building and the Capital One Richmond Buildings by Wells OP (collectively, the "Recent Acquisitions") as if the acquisitions occurred on September 30, 2002.

The following unaudited pro forma statement of income for the nine months ended September 30, 2002 has been prepared to give effect to the first, second and third quarter 2002 acquisitions of the Vertex Sarasota Building (formerly the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the nine months ended September 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings, the Kerr McGee Property, the AmeriCredit Phoenix Property and the EDS Des Moines Building had no operations during 2001.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells REIT. As the sole general partner of Wells OP, the Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

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 of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

September 30, 2002

(Unaudited)

ASSETS

		Pro Forma Adjustments				
			Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (f)	Other	NASA	Caterpillar Nashville	Capital One Richmond	Pro Forma Total
REAL ESTATE ASSETS, at cost:						
Land	$ 164,190,412	$ 0	$ 34,500,000(c)	$ 4,900,000(c)	$ 2,855,000(c)	$ 207,520,392
			1,067,468(d)	7,512(d)	0	
Buildings, less accumulated depreciation of $47,999,655	1,171,793,037	0	314,665,776(c)	56,861,000(c)	25,779,345(c)	1,578,922,438
			820,631(d)	87,172(e)	0	
			8,915,477(e)			
Construction in progress	28,500,195	0	0	0	0	28,500,195
Total real estate assets	1,364,483,644	0	359,969,352	61,855,684	28,634,345	1,814,943,025
CASH AND CASH EQUIVALENTS	143,911,852	206,602,229(a)	(264,165,776)(c)	(2,312,755)(c)	0	76,804,472
		(7,231,078)(b)				
INVESTMENT IN JOINT VENTURES	75,388,348	0	0	0	0	75,388,348
INVESTMENT IN BONDS	54,500,000	0	0	0	0	54,500,000
ACCOUNTS RECEIVABLE	12,018,601	0	0	0	0	12,018,601
DEFERRED LEASE ACQUISITION COSTS, NET	1,712,541	0	0	0	0	1,712,541
DEFERRED PROJECT COSTS	5,963,370	7,231,078(b)	(10,803,576)(d)	(94,684) (d)	0	2,296,188
DEFERRED OFFERING COSTS	3,537,361	0	0	0	0	3,537,361
DUE FROM AFFILIATES	2,185,436	0	0	0	0	2,185,436
NOTE RECEIVABLE	4,965,838	0	0	0	0	4,965,838
PREPAID EXPENSES AND OTHER ASSETS, NET	2,597,110	0	0	0	37,764(c)	2,634,874
Total assets	$1,671,264,101	$206,602,229	$ 85,000,000	$59,448,245	$28,672,109	$ 2,050,986,684

LIABILITIES AND SHAREHOLDERS' EQUITY

	Wells Real Estate Investment Trust, Inc. (f)	Pro Forma Adjustments				Pro Forma Total
		Recent Acquisitions				
		Other	NASA	Caterpillar Nashville	Capital One Richmond	
LIABILITIES:						
Accounts payable and accrued expenses	$ 17,538,820	$ 0	$ 0	$ 881,644(c)	$ 0	$ 18,420,464
Notes payable	35,829,293	0	85,000,000(c)	58,566,601(c)	28,672,109(c)	208,068,003
Obligations under capital lease	54,500,000	0	0	0	0	54,500,000
Dividends payable	10,209,306	0	0	0	0	10,209,306
Due to affiliates	4,379,745	0	0	0	0	4,379,745
Deferred rental income	7,893,930	0	0	0	0	7,893,930
Total liabilities	130,351,094	0	85,000,000	59,448,245	28,672,109	303,471,448
COMMITMENTS AND CONTINGENCIES						
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	200,000
SHAREHOLDERS' EQUITY:						
Common shares, $.01 par value; 750,000,000 shares authorized, 182,608,517 shares issued and 180,891,792 outstanding at September 30, 2002	1,826,086	206,602(a)	0	0	0	2,032,688
Additional paid-in capital	1,621,376,451	206,395,627(a)	0	0	0	1,827,772,078
Cumulative distributions in excess of earnings	(64,907,241)	0	0	0	0	(64,907,241)
Treasury stock, at cost, 1,716,725 shares	(17,167,254)	0	0	0	0	(17,167,254)
Other comprehensive loss	(415,035)	0	0	0	0	(415,035)
Total shareholders' equity	1,540,713,007	206,602,229	0	0	0	1,747,315,236
Total liabilities and shareholders' equity	$ 1,671,264,101	$ 206,602,229	$85,000,000	$ 59,448,245	$28,672,109	$2,050,986,684

(a) Reflects capital raised through issuance of additional shares subsequent to September 30, 2002 through Capital One Richmond acquisition date.

(b) Reflects deferred project costs capitalized as a result of additional capital raised described in note (a) above.

(c) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(d) Reflects deferred project costs applied to the land and building at approximately 4.07% of the cash paid for purchase.

(e) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(f) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

for the year ended December 31, 2001

(Unaudited)

		Pro Forma Adjustments					
				Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (g)	2001 Acquisitions	2002 Acquisitions	NASA	Caterpillar Nashville	Capital One Richmond	Pro Forma Total
REVENUES:							
Rental income	$ 44,204,279	$ 11,349,076(a)	$54,615,521(a)	$ 34,603,317(a)	$ 7,970,097(a)	$ 2,744,112(a)	$ 155,486,402
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	137,500
	49,308,802	12,460,926	54,615,521	34,603,317	7,970,097	2,744,112	161,702,775
EXPENSES:							
Depreciation	15,344,801	5,772,761(c)	22,487,278(c)	12,976,075(c)	2,277,927(c)	1,031,174(c)	59,890,016
Interest	3,411,210	0	0	4,664,800(f)	3,214,135(f)	1,573,525(f)	12,863,670
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	3,668,343(d)	7,614,050(d)	2,014,828(d)	0	20,280,379
Management and leasing fees	2,507,188	510,708(e)	2,250,455(e)	0	358,654(e)	123,485(e)	5,750,490
General and administrative	973,785	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	448,776
	27,584,835	9,137,744	28,406,076	25,254,925	7,865,544	2,728,184	100,977,308
NET INCOME	$21,723,967	$ 3,323,182	$ 26,209,445	$ 9,348,392	$ 104,553	$ 15,928	$ 60,725,467
EARNINGS PER SHARE, basic and diluted	$ 0.43						$ 0.30
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853						201,302,216

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building and the ADIC Buildings.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of operating expenses, net of reimbursements.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Represents interest expense on lines of credit used to acquire the properties, which bear interest at approximately 5.488% for the year ended December 31, 2001.

(g) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

for the nine months ended September 30, 2002

(Unaudited)

		Pro Forma Adjustments				
			Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (f)	2002 Acquisitions	NASA	Caterpillar Nashville	Capital One Richmond	Pro Forma Total
REVENUES:						
Rental income	$ 66,120,992	$ 42,103,180(a)	$ 25,903,344(a)	$ 5,977,573(a)	$ 2,058,084(a)	$ 142,163,173
Equity in income of joint ventures	3,738,045	0	0	0	0	3,738,045
Interest income	4,547,040	0	0	0	0	4,547,040
Take out fee	134,666	0	0	0	0	134,666
	74,540,743	42,103,180	25,903,344	5,977,573	2,058,084	150,582,924
EXPENSES:						
Depreciation	23,185,201	15,039,449(b)	9,732,057(b)	1,708,445(b)	773,380(b)	50,438,532
Interest	1,478,333	0	2,620,763(e)	1,805,755(e)	884,033(e)	6,788,884
Operating costs, net of reimbursements	4,254,882	3,410,341(c)	6,057,649(c)	1,412,091(c)	0	15,134,963
Management and leasing fees	3,348,210	1,697,775(d)	0	268,991(d)	92,614(d)	5,407,590
General and administrative	1,866,042	0	0	0	0	1,866,042
Amortization of deferred financing costs	586,822	0	0	0	0	586,822
	34,719,490	20,147,565	18,410,469	5,195,282	1,750,027	80,222,833
NET INCOME	$ 39,821,253	$21,955,615	$ 7,492,875	$ 782,291	$ 308,057	$ 70,360,091
EARNINGS PER SHARE, basic and diluted	$ 0.31					$ 0.35
WEIGHTED AVERAGE SHARES, basic and diluted	128,541,432					201,302,216

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of operating expenses, net of reimbursements.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Represents interest expense on lines of credit used to acquire the properties, which bear interest at approximately 4.111% for the nine months ended September 30, 2002.

(f) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 5 DATED JANUARY 15, 2003 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, and Supplement No. 4 dated December 10, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

  (A) Acquisition of an interest in a four-story office building in Fishers, Indiana (John Wiley Indianapolis Building);

  (B) Acquisition of a 20-story office building in Glendale, California (Nestle Building); and

  (C) Acquisition of two three-story office buildings in Mayfield Heights, Ohio (East Point Buildings);

(3) The second transaction under the Section 1031 Exchange Program;

(4) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(5) Amended and restated unaudited financial statements of the Wells REIT for the period ended September 30, 2002 to incorporate changes resulting from a change in accounting presentation;

(6) Financial statements relating to the recently acquired Nestle Building; and

(7) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Nestle Building and the East Point Buildings, and an interest in the John Wiley Indianapolis Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of January 15, 2003, we had received additional gross proceeds of approximately

$638,970,439 from the sale of approximately 63,897,044 shares in our fourth public offering. Accordingly, as of January 15, 2003, we had received aggregate gross offering proceeds of approximately $2,229,358,416 from the sale of approximately 222,935,842 shares in all of our public offerings. After payment of $77,283,698 in acquisition and advisory fees and acquisition expenses, payment of $247,036,149 in selling commissions and organization and offering expenses, and common stock redemptions of $21,252,750 pursuant to our share redemption program, as of January 15, 2003, we had raised aggregate net offering proceeds available for investment in properties of $1,883,785,819, out of which $1,853,694,118 had been invested in real estate properties, and $30,091,701 remained available for investment in real estate properties.

Description of Properties

As of January 15, 2003, we had purchased interests in 73 real estate properties located in 23 states. Below are the descriptions of our recent real property acquisitions.

John Wiley Indianapolis Building

On December 12, 2002, Wells Fund XIII – REIT Joint Venture Partnership (XIII-REIT Joint Venture), a joint venture partnership between Wells Real Estate Fund XIII, L.P. (Wells Fund XIII) and Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a four-story office building on a 10.28 acre tract of land located at 10475 Crosspoint Boulevard in Fishers, Hamilton County, Indiana (John Wiley Indianapolis Building) from Crosspoint Seven, LLC for a purchase price of $17,450,000, plus closing costs. Crosspoint Seven, LLC is not in any way affiliated with the XIII-REIT Joint Venture, Wells REIT, Wells OP, or our advisor, Wells Capital, Inc.

Wells OP contributed $8,928,915 and Wells Fund XIII contributed $8,577,787 to the Wells Fund XIII – REIT Joint Venture to fund their respective shares of the acquisition costs for the John Wiley Indianapolis Building. As of December 31, 2002, Wells OP held an equity percentage interest in the XIII – REIT Joint Venture of approximately 61.28% and Wells Fund XIII held an equity percentage interest in the Wells Fund XIII – REIT Joint Venture of approximately 38.72%.

The John Wiley Indianapolis Building, which was completed in 1999, contains approximately 141,047 rentable square feet and is leased to John Wiley & Sons, Inc. (John Wiley), United Student Aid Funds, Inc. (USA Funds) and Robert Half International, Inc. (Robert Half).

John Wiley, as the primary tenant, occupies 123,674 rentable square feet (87.7%) of the John Wiley Indianapolis Building. John Wiley, a New York corporation publicly traded on the New York Stock Exchange (NYSE), publishes books and journals in print and electronic media specializing in scientific, technical, medical, professional, and educational materials. John Wiley has operations in the United States, Europe, Canada, Asia, and Australia. John Wiley reported a net worth, as of April 30, 2002, of approximately $276 million.

The John Wiley lease commenced in November 1999 and expires in October 2009. The current annual base rent payable under the John Wiley lease is $1,940,892. John Wiley is obligated to lease the remaining 17,373 rentable square feet of the John Wiley Indianapolis Building upon the expiration of the USA Funds lease and the Robert Half lease described below. John Wiley has the right, at its option, to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate. The XIII-REIT Joint Venture, as the landlord, is responsible for paying the operating and maintenance costs; however, under the John Wiley lease, John Wiley is responsible for its share of operating and maintenance costs in excess of $3.55 per rentable square foot, along with its share of real estate taxes.

USA Funds is a wholly owned subsidiary of SLM Corporation, which is a leading source of funding and servicing support for education loans. USA Funds is a nonprofit corporation that supports access to education by providing financial and other services to those who pursue, provide or promote education. The USA Funds lease covers 14,413 rentable square feet (10.2%) and commenced in February

2001 and expires in July 2005. The current annual base rent payable under the USA Funds lease is $223,401. Under the USA Funds lease, USA Funds is responsible for its share of operating and maintenance costs in excess of $4.00 per rentable square foot, along with its share of real estate taxes.

Robert Half is a staffing services agency publicly traded on the NYSE. Robert Half specializes in the staffing of accountants, attorneys, finance professionals, administrative support technicians, information technology professionals, and web design professionals. Robert Half has more than 325 locations in North America, Europe, Australia and New Zealand. The Robert Half lease covers 2,960 rentable square feet (2.1%) and commenced in April 2000 and expires in April 2005. The current annual base rent payable under the Robert Half lease is $55,256. Under the Robert Half lease, Robert Half is responsible for operating and maintenance costs and real estate taxes in excess of $4.01 per rentable square foot.

The XIII-REIT Joint Venture, as landlord, is responsible for the maintenance and repair of the elevators, plumbing, heating, and air conditioning, exterior walls, doors, windows, corridors and other common areas of the John Wiley Indianapolis Building.

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will manage the John Wiley Indianapolis Building on behalf of the XIII-REIT Joint Venture and will be paid management and leasing fees in the amount of 4.5% of the gross revenues from the John Wiley Indianapolis Building.

Nestle Building

On December 20, 2002, Wells REIT Glendale, CA, LLC (REIT Glendale), a Georgia limited liability company wholly-owned by Wells OP, purchased a 20-story office building containing approximately 505,115 rentable square feet located in Glendale, California (Nestle Building) for a purchase price of $157,000,000, plus closing costs, from Douglas Emmett Joint Venture (Douglas Emmett). Douglas Emmett is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

In connection with the acquisition of the Nestle Building, REIT Glendale assumed an existing $90,000,000 loan in favor of Landesbank Schleswig-Holstein Girozentrale, Kiel (Landesbank Loan), a German chartered bank, secured by the property. The interest rate on the Landesbank Loan is equal to LIBOR plus 1.15%, and the current interest rate on the Landesbank Loan is fixed for the next six months at 2.53% per annum. The Landesbank Loan requires monthly payments of interest only and matures on December 27, 2006. REIT Glendale may prepay the Landesbank Loan any time after December 28, 2003 without incurring any penalty. REIT Glendale paid a $450,000 loan assumption fee at closing in connection with the assumption of the Landesbank Loan.

The Nestle Building was built in 1990 and is located on a 4.02-acre tract of land at 800 N. Brand Boulevard in Glendale, California. Approximately 502,994 rentable square feet of the Nestle Building (99.6%) is leased to Nestle USA, Inc. (Nestle USA), a wholly-owned subsidiary of Nestle S.A., a Swiss company. Nestle USA operates manufacturing centers which produce various foods and beverages, including chocolate, prepared foods, juices and milk products. Some of Nestle USA's famous brands include Stouffer's, Carnation, Libby's, Taster's Choice and Nestle.

The Nestle USA lease commenced in August 1990 and expires in August 2010. The current annual base rent payable under the Nestle USA lease is $14,839,519. Nestle has the right, at its option, to extend the initial term of its lease for four additional five-year periods at the then-current market rental rate. Nestle also has a right of first refusal to lease any additional available space in the Nestle Building. REIT Glendale, as the landlord, is responsible for paying the operating and maintenance costs under the Nestle USA lease; however, Nestle USA is responsible for its share of operating and maintenance costs in excess of the base year operating allowance established in the first lease year. REIT Glendale, as the landlord, is also responsible for

maintaining and repairing the structural portions and mechanical systems of the Nestle Building, including plumbing, heating, air conditioning, and electrical systems.

Wells Management will manage the Nestle Building on behalf of REIT Glendale and will be paid management and leasing fees in the amount of 4.5% of the gross revenues from the Nestle Building, subject to certain limitations.

East Point Buildings

On January 9, 2003, Wells OP purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio (East Point Buildings) for a purchase price of $21,968,000, plus closing costs, from Best Property Fund, L.P. (Best Property). Best Property is not in any way affiliated with the Wells REIT, Wells OP, or our advisor.

The East Point Buildings, which were built in 2000, are located at 6085 Parkland Boulevard (East Point I) and 6095 Parkland Boulevard (East Point II) in Mayfield Heights, Cuyahoga County, Ohio. The entire 102,484 rentable square feet of East Point I is leased to Progressive Casualty Insurance Company (Progressive Casualty). Progressive Casualty is the principal operating subsidiary of Progressive Corporation (Progressive Corp.), the fourth largest auto insurance company in the United States. Progressive Corp., a public company traded on the NYSE, provides various insurance products, including personal automobile insurance, D&O insurance and employee misconduct insurance.

The Progressive Casualty lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in January 2003 and expires in December 2012. The current annual base rent payable under the Progressive Casualty lease is $947,977. Progressive Casualty has the right, at its option, to extend the initial term of its lease for one additional five-year period for an annual base rent of $1,332,292 and a second additional five-year period at 95% of the then-current market rental rate. If Progressive Casualty does not exercise the first five-year extension option described above, it has the right to exercise a six-month extension option for a monthly base rent of $111,024. Progressive Casualty has a right of first offer to lease additional space in the East Point Buildings upon space becoming available, which is subordinate to the rights of the tenants of East Point II described below. In addition, Progressive Casualty has a right of first offer to purchase the East Point Buildings, which right is also subordinate to the right of The Austin Company (Austin) described below. If Wells OP subdivides East Point I and East Point II, Progressive Casualty's right of first offer will then apply only to East Point I.

East Point II contains approximately 85,251 rentable square feet, of which 70,585 is currently leased to Austin, Danaher Power Solutions LLC (Danaher) and Moreland Management Co. (Moreland). Approximately 14,666 rentable square feet (17.2%) of East Point II is vacant.

Austin leases 40,900 rentable square feet (48.0%) of East Point II. Austin is a private company with corporate headquarters in Cleveland, Ohio. Austin offers a wide range of in-house architectural, engineering, design-build and construction management services. Austin has offices in many major U.S. cities, London and Puerto Rico. The Austin lease is a net lease which commenced in June 2000 and expires in June 2010. The current annual base rent payable under the Austin lease is $1,002,050. Austin has the right, at its option, to extend the initial term of its lease for one additional five-year period for an annual base rent of $1,042,950. Austin has a right of first refusal to lease additional space on the second floor in East Point II upon space becoming available. In addition, Austin has a right of first offer to purchase the East Point Buildings upon the landlord's receipt of a third-party offer.

Danaher leases 15,553 rentable square feet (18.2%) of East Point II. Danaher is a wholly owned subsidiary of Danaher Corporation (Danaher Corp.). Danaher designs, manufactures and provides power quality and reliability products and services. Danaher Corp., a public company traded on the NYSE, is located in 30 countries worldwide and conducts business in the process and environmental controls industry and the tools and components industry. The Danaher lease commenced in July 2002 and expires in November 2007. The current annual base rent payable under the Danaher lease is $324,348. Wells OP, as the landlord, is responsible for paying the operating and maintenance costs under the Danaher lease; however, Danaher is responsible for its share of (1) operating

and maintenance costs in excess of $1.85 per rentable square foot, and (2) real estate taxes in excess of $4.65 per rentable square foot.

Moreland leases 14,132 rentable square feet (16.6%) of East Point II. The Moreland lease commenced in August 2001 and expires in October 2011. The current annual base rent payable under the Moreland lease is $325,036. Moreland has the right, at its option, to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate . Moreland has a right of first refusal to lease additional space on the floor Moreland currently occupies in East Point II upon space becoming available.

Wells OP, as the landlord, is responsible for maintaining all common areas, building mechanical systems, exterior doors and walls, and the roof of the East Point Buildings.

Wells Management will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the East Point Buildings, subject to certain limitations. Wells OP has entered into a management agreement with CB Richard Ellis to serve as the on-site property manager for the East Point Buildings, which property management fees will be paid out of or credited against the fees payable to Wells Management. CB Richard Ellis is not in any way affiliated with the Wells REIT, Wells OP, or our advisor.

Second Transaction under the Section 1031 Exchange Program

As described in the "Investment Objectives and Criteria – Section 1031 Exchange Program" section of our prospectus, an affiliate of our advisor has developed a program (Section 1031 Exchange Program) involving the acquisition of income-producing commercial properties and the formation of a series of single member limited liabilities companies (Wells Exchange) for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to persons (1031 Participants) who are looking to invest the proceeds from a sale of real estate held for investment into another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Code. The initial transaction in the Section 1031 Exchange Program involved the acquisition by Wells Exchange and resale of co-tenancy interests in the Ford Motor Credit Complex located in Colorado Springs, Colorado. Since all of the co-tenancy interests in the Ford Motor Credit Complex were sold to 1031 Participants, Wells OP neither acquired any unsold co-tenancy interests in the Ford Motor Credit Complex, nor has any additional exposure under the Take Out Purchase and Escrow Agreement entered into in connection with the acquisition of the Ford Motor Credit Complex.

The second transaction in the Section 1031 Exchange Program involves the acquisition by Wells Exchange and resale of co-tenancy interests in two single tenant office buildings each containing approximately 98,216 rentable square feet located in Birmingham, Alabama (Meadow Brook Corporate Park) currently under lease agreements with Allstate Insurance Company (Allstate) and Computer Sciences Corporation (Computer Sciences). Allstate is a wholly owned subsidiary of Allstate Corporation, a Fortune 100 company. Allstate sells private passenger auto and homeowners insurance in the United States and Canada, as well as other lines of personal property and casualty insurance, including landlords, personal umbrella, renters, condominium, residential fire, manufactured housing, boat owners and selected commercial property and casualty. Computer Sciences, a public company traded on the NYSE, is in the technology services business and provides broad-based technology services that include management consulting, systems integration, and systems outsourcing to commercial markets and the federal government. Wells Exchange is currently engaged in the offer and sale of co-tenancy interests in the Meadow Brook Corporate Park to 1031 Participants.

In consideration for the payment of a Take Out Fee in the amount of $175,000, and following approval of the potential property acquisition by our board of directors, Wells OP entered into a Take Out Purchase and Escrow Agreement relating to the Meadow Brook Corporate Park. Pursuant to the terms of

the Take Out Purchase and Escrow Agreement, Wells OP is obligated to acquire, at Wells Exchange's cost ($419,916 in cash for each 2.9994% co-tenancy interest), any co-tenancy interests in the Meadow Brook Corporate Park which remain unsold on September 30, 2003.

The obligations of Wells OP under the Take Out Purchase and Escrow Agreement are secured by a line of credit with Bank of America, N.A. (BOA). If, for any reason, Wells OP fails to acquire any of the co-tenancy interests in the Meadow Brook Corporate Park which remain unsold as of September 30, 2003, or if there is otherwise an uncured default under the interim loan between Wells Exchange and BOA or Well OP's loan documents, BOA is authorized to draw down on Wells OP's line of credit in the amount necessary to pay the outstanding balance of the interim loan in full, in which event the appropriate amount of unsold co-tenancy interests in the Meadow Brook Corporate Park would be deeded to Wells OP. Wells OP's maximum economic exposure in the transaction is $14,000,000, in which event Wells OP would acquire the Meadow Brook Corporate Park for $14,000,000 in cash plus assumption of the first mortgage financing in the amount of $13,900,000. If Wells Exchange successfully sells 100% of the co-tenancy interests to 1031 Particpants, Wells OP will not acquire any interest in the Meadow Brook Corporate Park. If some, but not all, of the co-tenancy interests are sold by Wells Exchange, Wells OP's exposure would be less, and it would end up owning an interest in the property in co-tenancy with 1031 Participants who had previously acquired co-tenancy interests in the Meadow Brook Corporate Park from Wells Exchange.

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

The following information amends and restates the information contained in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of Supplement No. 4 dated December 10, 2002, and should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002 and Supplement No. 3 dated October 25, 2002. We amended our previously filed third quarter Form 10-Q by amending the Consolidated Statements of Income for the three and nine months ended September 30, 2002 and Notes 1(k) and 2 to the Condensed Notes to Financial Statements and the "Results of Operations" subsection of the Management's Discussion and Analysis of Financial Condition and Results of Operations in order to restate the presentation of certain of our operating costs reimbursed by tenants as revenue and the gross property operating costs as expenses pursuant to a FASB Emerging Issues Task Force release issued in November 2001. In addition, interest income and interest expense related to certain bonds held by the Wells REIT have been restated to reflect such amounts on a gross basis consistent with this revised presentation. The comparative financial information for prior periods was also reclassified to conform the presentation. Since this presentation does not impact the amount of reimbursements we received or the property operating costs incurred and requires equal adjustments to revenues and expenses, the adoption of this guidance will have no impact on our financial position, net income, earnings per share or cash flows.

Forward Looking Statements

This supplement contains 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 our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to shareholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, 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, inability to invest in properties on a timely basis or in properties

that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

We have made an election under Section 856 (c) of the Internal Revenue Code (Internal Revenue Code) to be taxed as a REIT under the Internal Revenue Code beginning with its taxable year ended December 31, 1999. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our 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 in which our qualification is lost. Such an event could materially adversely affect our net income. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during this fiscal year. In addition, management intends to continue to operate the Wells REIT so as to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the nine months ended September 30, 2002, we received aggregate gross offering proceeds of $988.5 million from the sale of 98.8 million shares of our common stock. After payment of $34.8 million in acquisition and advisory fees and acquisition expenses, payment of $104.3 million in selling commissions and organization and offering expenses, and common stock redemptions of $11.6 million pursuant to our share redemption program, we raised net offering proceeds of $837.8 million during the first three quarters of 2002, of which $144.5 million remained available for investment in properties at quarter end. In October, we reached our limit on stock redemptions for the year and, accordingly, there will be no further stock redemptions under our stock redemption program for the remainder of 2002.

During the nine months ended September 30, 2001, we received aggregate gross offering proceeds of $297.8 million from the sale of 29.8 million shares of its common stock. After payment of $10.3 million in acquisition and advisory fees and acquisition expenses, payment of $35.6 million in selling commissions and organizational and offering expenses, and common stock redemptions of $2.1 million pursuant to our share redemption program, we raised net offering proceeds of $249.8 million during the first three quarters of 2001, of which $8.7 million remained available for investment in properties at quarter end.

The significant increase in capital resources we have available is due to significantly increased sales of our common stock during the first three quarters of 2002.

As of September 30, 2002, we owned interests in 67 real estate properties either directly or through interests in joint ventures. Dividends declared for the third quarter of 2002 and 2001 were approximately $0.1938 and $0.1875 per share, respectively. In August 2002, our board of directors declared dividends for the fourth quarter of 2002 in the amount of approximately $0.175 per share.

Due primarily to the pace of our property acquisitions, as explained in more detail in the following paragraphs, dividends paid in the first three quarters of 2002 in the aggregate amount of approximately $71.4 million exceeded our Adjusted Funds From Operations for this period by approximately $11 million.

We continue to acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the

creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our shareholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit – plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria – we were required to lower our dividend yield to investors.

As a result of the factors described in the preceding paragraph, on August 29, 2002, our board of directors declared dividends for the fourth quarter of 2002 in an amount equal to a 7.0% annualized percentage rate return on an investment of $10 per share to be paid in December 2002. Our fourth quarter dividends are calculated on a daily record basis of $0.001923 (0.1923 cents) per day per share on the outstanding shares of common stock payable to shareholders of record of such shares as shown on our books at the close of business on each day during the period, commencing on September 16, 2002, and continuing on each day thereafter through and including December 15, 2002.

For information relating to the dividends declared for the first quarter of 2003, see the "Subsequent Events" section below.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $68.2 million and $26.5 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $826.9 million and $155.7 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $827.1 million and $136.1 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the lack of debt payments, which were $208.1 million in the prior year. We raised $988.5 million in offering proceeds for the nine months ended September 30, 2002, as compared to $297.8 million for the same period in 2001. Additionally, we paid dividends totaling $23.5 million in the first three quarters of 2001 compared to $71.4 million in the same period of 2002.

Results of Operations

Gross revenues were $87.9 million and $38.5 million for the nine months ended September 30, 2002 and 2001, respectively. Gross revenues for the nine months ended September 30, 2002 and 2001 were attributable to rental income, operating cost reimbursements, interest income earned on funds held by the Company prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of $805.5 million in additional properties during 2002 and the purchase of $114.1 million in additional properties during the fourth quarter of 2001 which were not owned for the first three quarters of 2001. The purchase of additional properties also resulted in an increase in expenses, which totaled $48.1 million for the nine months ended September 30, 2002, as compared to $24.1 million for the nine months ended September 30, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, operating costs, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also increased from $14.4 million for the nine months ended September 30, 2001 to $39.8 million for the nine months ended September 30, 2002.

Earnings per share for the nine months ended September 30, 2002 decreased from $0.33 per share for the nine months ended September 30, 2001 to $0.31 per share for the nine months ended September 30, 2002. Earnings per share for the third quarter decreased from $0.11 per share for the three months ended September 30, 2001 to $0.09 per share for the three months ended September 30, 2002. These decreases were primarily due to the substantial increase in the number of shares outstanding as a result of capital raised in 2002 which was not completely matched by a corresponding increase in net income because such capital proceeds were not fully invested in properties.

Funds From Operations

Funds From Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations (AFFO) is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions. The following table reflects the calculation of FFO and AFFO for the three and nine months ended September 30, 2002 and 2001, respectively:

	Three Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
FUNDS FROM OPERATIONS:				
Net income	$ 15,285	$ 6,109	$ 39,821	$ 14,423
Add:				
Depreciation	10,282	3,947	23,185	10,341
Amortization of deferred leasing costs	78	76	229	228
Depreciation and amortization—unconsolidated partnerships	708	647	2,115	1,561
Funds from operations (FFO)	26,353	10,779	65,350	26,553
Adjustments:				
Loan cost amortization	162	237	587	529
Straight line rent	(2,146)	(708)	(5,312)	(1,930)
Straight line rent—unconsolidated partnerships	(27)	(100)	(229)	(233)
Lease acquisitions fees paid—unconsolidated partnerships	—	—	—	(8)
Adjusted funds from operations	$ 24,342	$ 10,208	$ 60,396	$ 24,911
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases that are intended to protect us from the impact of inflation. These provisions include reimbursement billings for 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.

Critical Accounting Policies

Our reported results of operations are impacted by management judgments related to application of accounting policies. A discussion of the accounting policies that management considers to be critical, in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain, is included in Footnote 1 to the financial statements.

Subsequent Events

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida formerly known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of $979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking. On November 1, 2002, Wells OP entered into a net lease agreement with Vertex Tax Technology Enterprises, LLC (Vertex) for approximately 47,388 rentable square feet of the building. The current term of the lease is seven years, which commenced on November 1, 2002 and expires on October 31, 2009. The current annual base rent payable under the Vertex lease is $621,257.

In November 2002, Shoreview Associates LLC (Shoreview), the owner of an office building located in Ramsey County, Minnesota that Wells OP had contracted to purchase, filed a lawsuit against Wells OP in state court in Minnesota alleging that it was entitled to the $750,000 in earnest money that Wells OP had deposited under the contract. Wells OP has filed a counterclaim in the case asserting that it is entitled to the $750,000 earnest money deposit. Procedurally, Wells OP had the case transferred to U.S. District Court in Minnesota and Shoreview has moved to transfer the case back to the state court. The dispute currently remains in litigation.

On December 4, 2002, our board of directors declared dividends for the first quarter of 2003 in the amount of a 7.0% annualized percentage rate return on an investment of $10.00 per share to be paid in March 2003. Our first quarter dividends are calculated on a daily record basis of $0.001944 (0.1944 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on December 16, 2002, and continuing on each day thereafter through and including March 15, 2003.

Financial Statements

Audited Financial Statements

The statement of revenues over certain operating expenses of the Nestle Building for the year ended December 31, 2001, which is included in this supplement, has been audited by Ernst & Young LLP, independent auditors, as set forth in their report appearing elsewhere herein, and is included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The amended and restated financial statements of the Wells REIT, as of September 30, 2002, and for the three and nine month periods ended September 30, 2002 and September 30, 2001, which are included in this supplement, have not been audited.

The statements of revenues over certain operating expenses of the Nestle Building for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of September 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	September 30, 2002 (unaudited)	December 31, 2001
ASSETS		
REAL ESTATE, at cost:		
Land	$ 164,191	$ 86,247
Building and improvements, less accumulated depreciation of $48,000 in 2002 and $24,814 in 2001	1,171,793	472,383
Construction in progress	28,500	5,739
Total real estate	1,364,484	564,369
INVESTMENT IN JOINT VENTURES	75,388	77,410
CASH AND CASH EQUIVALENTS	143,912	75,586
INVESTMENT IN BONDS	54,500	22,000
STRAIGHT-LINE RENT RECEIVABLE	10,632	5,362
ACCOUNTS RECEIVABLE	1,387	641
NOTE RECEIVABLE	4,966	0
DEFERRED LEASE ACQUISITION COSTS, net	1,713	1,525
DEFERRED PROJECT COSTS	5,963	2,977
DUE FROM AFFILIATES	2,185	1,693
DEFERRED OFFERING COSTS	3,537	0
PREPAID EXPENSES AND OTHER ASSETS, net	2,597	718
Total assets	$1,671,264	$ 752,281
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	$ 35,829	$ 8,124
Obligations under capital leases	54,500	22,000
Accounts payable and accrued expenses	17,539	8,727
Dividends payable	10,209	1,059
Deferred rental income	7,894	662
Due to affiliates	4,380	2,166
Total liabilities	130,351	42,738
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	200
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 750,000 shares authorized, 182,609 shares issued and 180,892 outstanding at September 30, 2002, and 350,000 shares authorized, 83,761 shares issued and 83,206 shares outstanding at December 31, 2001	1,826	838
Additional paid-in capital	1,621,376	738,236
Cumulative distributions in excess of earnings	(64,907)	(24,181)
Treasury stock, at cost, 1,717 shares at September 30, 2002 and 555 shares at December 31, 2001	(17,167)	(5,550)
Other comprehensive loss	(415)	0
Total shareholders' equity	1,540,713	709,343
Total liabilities and shareholders' equity	$1,671,264	$ 752,281

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(unaudited and in thousands except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2002	September 30, 2001	September 30 2002	September 30 2001
REVENUES:				
Rental income	$ 27,549	$ 11,317	$ 66,121	$ 31,028
Operating cost reimbursements*	3,677	1,331	12,854	4,470
Equity in income of joint ventures	1,259	1,102	3,738	2,622
Interest income*	2,427	89	5,075	281
Take out fee	1	0	135	138
	34,913	13,839	87,923	38,539
EXPENSES:				
Depreciation	10,282	3,947	23,185	10,341
Operating costs*	5,868	2,625	17,109	7,638
Management and leasing fees	1,445	632	3,348	1,750
Administrative costs	745	141	1,867	901
Interest expense*	1,126	148	2,006	2,957
Amortization of deferred financing costs	162	237	587	529
	19,628	7,730	48,102	24,116
NET INCOME	$ 15,285	$ 6,109	$ 39,821	$ 14,423
BASIC AND DILUTED EARNINGS PER SHARE	$ 0.09	$ 0.11	$ 0.31	$ 0.33
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

See accompanying condensed notes to financial statements.

* These financial statement line items have been amended and restated as described in the accompanying Note 1(k).

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2001

AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 (UNAUDITED)

(in thousands except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders' Equity
BALANCE, December 31, 2000	31,510	$ 315	$ 275,573	$ (9,134)	$ 0	(141)	$ (1,413)	$ 0	$ 265,341
Issuance of common stock	52,251	523	521,994	0	0	0	0	0	522,517
Treasury stock purchased	0	0	0	0	0	(414)	(4,137)	0	(4,137)
Net income	0	0	0	0	21,724	0	0	0	21,724
Dividends ($.76 per share)	0	0	0	(15,047)	(21,724)	0	0	0	(36,771)
Sales commissions and discounts	0	0	(49,246)	0	0	0	0	0	(49,246)
Other offering expenses	0	0	(10,085)	0	0	0	0	0	(10,085)
BALANCE, December 31, 2001	83,761	838	738,236	(24,181)	0	(555)	(5,550)	0	709,343
Issuance of common stock	**98,848**	**988**	**987,482**	**0**	**0**	**0**	**0**	**0**	**988,470**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(1,162)**	**(11,617)**	**0**	**(11,617)**
Dividends ($.58 per share)	**0**	**0**	**0**	**(40,726)**	**(39,821)**	**0**	**0**	**0**	**(80,547)**
Sales commissions and discounts	**0**	**0**	**(94,097)**	**0**	**0**	**0**	**0**	**0**	**(94,097)**
Other offering expenses	**0**	**0**	**(10,245)**	**0**	**0**	**0**	**0**	**0**	**(10,245)**
Components of comprehensive income:									
Net income	**0**	**0**	**0**	**0**	**39,821**	**0**	**0**	**0**	**39,821**
Gain/(loss) on interest rate swap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(415)**	**(415)**
Comprehensive income									**39,406**
BALANCE, September 30, 2002 (unaudited)	**182,609**	**$ 1,826**	**$1,621,376**	**$ (64,907)**	**$ 0**	**(1,717)**	**$(17,167)**	**$ (415)**	**$ 1,540,713**

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 39,821	$ 14,423
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(3,738)	(2,622)
Depreciation	23,185	10,341
Amortization of deferred financing costs	587	529
Amortization of deferred leasing costs	229	228
Bad debt expense	113	0
Changes in assets and liabilities:		
Accounts receivable	(746)	(370)
Straight-line rent receivable	(5,382)	(1,949)
Due from affiliates	(35)	0
Deferred rental income	7,232	(381)
Accounts payable and accrued expenses	8,811	3,309
Prepaid expenses and other assets, net	(1,813)	3,211
Due to affiliates	(105)	(235)
Net cash provided by operating activities	68,159	26,484
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(797,011)	(121,366)
Investment in joint ventures	0	(27,018)
Deferred project costs paid	(34,784)	(10,347)
Distributions received from joint ventures	5,301	3,027
Deferred lease acquisition costs paid	(400)	0
Net cash used in investing activities	(826,894)	(155,704)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	27,742	107,587
Repayment of note payable	(37)	(208,102)
Dividends paid	(71,397)	(23,502)
Issuance of common stock	988,470	297,775
Sales commissions paid	(94,097)	(28,086)
Offering costs paid	(10,937)	(7,481)
Treasury stock purchased	(11,617)	(2,137)
Deferred financing costs paid	(1,066)	0
Net cash provided by financing activities	827,061	136,054
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,326	6,834
CASH AND CASH EQUIVALENTS, beginning of year	75,586	4,298
CASH AND CASH EQUIVALENTS, end of period	$ 143,912	$ 11,132
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 31,271	$ 1,127
Deferred project costs applied to joint ventures	$ 0	$ 9,295
Deferred project costs due to affiliate	$ 587	$ (498)
Interest rate swap	$ (415)	$ 0

Increase (decrease) in deferred offering cost accrual	$ 3,537	$ (1,291)
Assumption of obligations under capital lease	$ 32,500	$ 22,000
Investment in bonds	$ 32,500	$ 22,000

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2002
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust ("REIT"). Substantially all of the Company's business is conducted through 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 income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16.5 million shares of common stock at $10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately $132.2 million had been received from the sale of approximately 13.2 million shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately $175.2 million from the sale of approximately 17.5 million shares. The Company commenced its third public offering of shares of common stock on December 20, 2000, which terminated on July 26, 2002 after receipt of gross proceeds of approximately $1.3 billion from the sale of approximately 128.3 million shares. As of September 30, 2002, the Company has received gross proceeds of approximately $235.7 million from the sale of approximately 23.6 million shares from its fourth public offering. Accordingly, as of September 30, 2002, the Company has received aggregate gross offering proceeds of approximately $1.8 billion from the sale of 182.6 million shares of its common stock to investors. After payment of $63.3 million in acquisition and advisory fees and acquisition expenses, payment of $202.9 million in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of $1.4 billion for property acquisitions, and common stock redemptions of $17.2 million pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $144.5 million available for investment in properties, as of September 30, 2002.

(b) Properties

As of September 30, 2002, the Company owned interests in 67 properties listed in the table below through its ownership in Wells OP.

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
Daimler Chrysler Dallas	Daimler Chrysler Services North America LLC	Westlake, TX	100%	$ 25,100,000	130,290	$ 3,189,499
Allstate Indianapolis	Allstate Insurance Company	Indianapolis, IN	100%	$ 10,900,000	84,200	$ 1,246,164
	Holladay Property Services Midwest, Inc.				5,756	$ 74,832
Intuit Dallas	Lacerte Software Corporation	Plano, TX	100%	$ 26,500,000	166,238	$ 2,461,985
EDS Des Moines	EDS Information Services LLC	Des Moines, IA	100%	$ 26,500,000	405,000	$ 2,389,500
Federal Express Colorado Springs	Federal Express Corporation	Colorado Springs, CO	100%	$ 26,000,000	155,808	$ 2,248,309
KeyBank Parsippany	KeyBank U.S.A., N.A.	Parsippany, NJ	100%	$ 101,350,000	200,000	$ 3,800,000
	Gemini Technology Services				204,515	$ 5,726,420
IRS Long Island	IRS Collection	Holtsville, NY	100%	$ 50,975,000	128,000	$ 5,029,380(1)
	IRS Compliance				50,949	$ 1,663,200
	IRS Daycare Facility				12,100	$ 486,799
AmeriCredit Phoenix	AmeriCredit Financial Services, Inc.	Chandler, AZ	100%	$ 24,700,000(2)	153,494	$ 1,609,315(3)
Harcourt Austin	Harcourt, Inc.	Austin, TX	100%	$ 39,000,000	195,230	$ 3,353,040
Nokia Dallas	Nokia, Inc.	Irving, TX	100%	$119,550,000	228,678	$ 4,413,485
	Nokia, Inc.				223,470	$ 4,547,614
	Nokia, Inc.				152,086	$ 3,024,990
Kraft Atlanta	Kraft Foods North America, Inc.	Suwanee, GA	100%	$ 11,625,000	73,264	$ 1,263,804
	Perkin Elmer Instruments, LLC				13,955	$ 194,672
BMG Greenville	BMG Direct Marketing, Inc.	Duncan, SC	100%	$ 26,900,000	473,398	$ 1,394,156
	BMG Music				313,380	$ 763,600
Kerr-McGee	Kerr-McGee Oil & Gas Corporation	Houston, TX	100%	$ 15,760,000(2)	100,000	$ 1,655,000(3)
PacifiCare San Antonio	PacifiCare Health Systems, Inc.	San Antonio, TX	100%	$ 14,650,000	142,500	$ 1,471,700
ISS Atlanta	Internet Security Systems, Inc.	Atlanta, GA	100%	$ 40,500,000	238,600	$ 4,623,445
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	$ 25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	$ 21,060,000	108,240	$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	$ 35,150,000	292,700	$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	$ 6,850,000	47,400	$ 747,033
Agilent Atlanta	Agilent Technologies, Inc. Koninklijke Philips Electronics N.V.	Alpharetta, GA	100%	$ 15,100,000	66,811	$ 1,344,905
					34,396	$ 704,430
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	$ 10,395,845	68,165	$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	$ 41,950,000(4)	147,004	$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above)(4)	112,480	$ 2,330,600
Novartis Atlanta	Novartis Opthalmics, Inc.	Duluth, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc.	Houston, TX	100%	$ 22,000,000	103,260	$ 2,110,035
	Newpark Drilling Fluids, Inc.				52,731	$ 1,153,227
Arthur Andersen (5)	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,700	$ 1,988,454
Windy Point I	TCI Great Lakes, Inc. The Apollo Group, Inc. Global Knowledge Network Various other tenants	Schaumburg, IL	100%	$ 32,225,000(6)	129,157	$ 2,067,204
					28,322	$ 477,226
					22,028	$ 393,776
					8,884	$ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	$ 57,050,000(6)	300,034	$ 5,244,594
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,204	$1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$2,035,275
Nissan	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 42,259,000(2)	268,290	$4,225,860(3)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	$ 24,950,000	201,237	$2,458,638

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
AT&T Oklahoma	AT&T Corp.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500	$ 1,242,000
	Jordan Associates, Inc.				25,000	$ 294,500
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc.	Houston, TX	100%	$ 44,970,000	206,048	$ 4,533,056
	SYSCO Corporation				106,516	$ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$ 1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 2,054,329
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$ 1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$ 1,187,925
Cinemark	Cinemark USA, Inc.	Plano, TX	100%	$ 21,800,000	65,521	$ 1,366,491
	The Coca-Cola Company				52,587	$ 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	$ 8,000,000	130,000	$ 854,748
Alstom Power Richmond (2)	Alstom Power, Inc.	Midlothian, VA	100%	$ 11,400,000	99,057	$ 1,244,501
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	$ 5,085,000	169,510	$ 550,908
Matsushita (2)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$ 18,431,206	144,906	$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$ 12,291,200	81,859	$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$21,127,854	130,091	$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$ 6,400,000	52,000	$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 920,144
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	57,186	$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	$ 5,025,000	108,250	$ 659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,975	$ 1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	$ 10,325,000	106,750	$ 1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	84,404	$ 1,106,520

(1) Includes only the leased portion of this property.

(2) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.

(3) Annual rent for AmeriCredit Phoenix, Kerr McGee and Nissan Property does not take effect until construction of the building is completed and the tenant is occupying the building.

(4) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.

(5) Subsequent to September 30, 2002, this building has been vacated by the tenant. See Footnote 10 and “Subsequent Events” in the Management’s Discussion and Analysis of Financial Condition and Results of Operations section of this supplement.

(6) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	AmeriCredit ADIC
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	Siemens AT&T Oklahoma Comdata
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	EYBL CarTex Sprint Johnson Matthey Gartner
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	Alstom Power Knoxville Ohmeda Interlocken Avaya Iomega
Wells/Fremont Associates Joint Venture (the "Fremont Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Fairchild
Wells/Orange County Associates Joint Venture (the "Orange County Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Cort Furniture
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest

(c) Critical Accounting Policies

The Company's accounting policies have been established in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity, the current year budget and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets to date.

Deferred Project Costs

The Company records acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc. (the "Advisor") by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of September 30, 2002, amounted to $63.3 million and represented approximately 3.5% of capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at September 30, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to the Advisor. As equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of September 30, 2002, the Advisor had paid organization and offering expenses on behalf of the Company in an aggregate amount of $34.2 million, of which the Advisor had been reimbursed $29.7 million, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) 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 90% of its real estate investment trusts' taxable income. The Company intends to make regular quarterly distributions to stockholders. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares.

Dividends to be distributed to the stockholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 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.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. (Wells Management), an affiliate of the Company and the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The Company has reimbursed the Advisor and Wells Management for allocated salaries, wages and other payroll related costs totaling $1.1 million and $0.4 million for the nine months ended September 30, 2002 and 2001, respectively, and $0.5 million and $0.1 million for the three months ended September 30, 2002 and 2001, respectively.

(g) 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 or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) 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.

(i) 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.

(j) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to 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 the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in 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 management of the Company, 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. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001.

(k) Reclassifications and Change in Presentation

The Company has historically reported property operating costs net of reimbursements from tenants as an expense in its Consolidated Statements of Income. These costs include property taxes, property insurance, utilities, repairs and maintenance, management fees and other expenses related to the ownership and operation of the Company's properties that are required to be reimbursed by the properties' tenants in accordance with the terms of their leases. In response to a FASB Emerging Issues Task Force release issued in November 2001, the Company will now present the reimbursements received from tenants as revenue and the gross property operating costs as expenses commencing in the first quarter of 2002. Consequently, the accompanying Consolidated Statements of Income for the three and nine months ended September 30, 2002 have been amended and restated to reflect the effects of this revised presentation. In addition, the comparative financial information for prior periods has been reclassified to conform to the presentation in the 2002 financial statements.

Since this presentation does not impact the amount of reimbursements received or property operating costs incurred and requires equal adjustments to revenues and expenses, the adoption of this guidance will have no impact on the financial position, net income, earnings per share or cash flows of the Company.

2. INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of September 30, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such 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 ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the results of operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of September 30, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three and nine months ended September 30, 2002.

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Three Months Ended (in thousands)		Three Months Ended (in thousands)		Three Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 1,346	$ 1,458	$ 574	$ 670	$ 21	$ 25
Cort Joint Venture	209	213	135	149	59	65
Fremont Joint Venture	226	227	142	142	110	110
Fund XI-XII-REIT Joint Venture	855	856	484	520	275	295
Fund XII-REIT Joint Venture	1,481	1,525	727	815	400	448
Fund VIII-IX-REIT Joint Venture	310	314	153	156	24	24
Fund XIII-REIT Joint Venture	707	306	408	155	370	135
	$ 5,134	$ 4,899	$ 2,623	$ 2,607	$ 1,259	$ 1,102

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Nine Months Ended (in thousands)		Nine Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 4,170	$ 4,472	$ 1,747	$ 2,043	$ 65	$ 76
Cort Joint Venture	631	611	405	415	177	181
Fremont Joint Venture	679	677	419	421	325	326
Fund XI-XII-REIT Joint Venture	2,601	2,571	1,526	1,534	866	871
Fund XII-REIT Joint Venture	4,643	3,729	2,385	1,848	1,311	967
Fund VIII-IX-REIT Joint Venture	945	902	461	416	73	66
Fund XIII-REIT Joint Venture	2,115	306	1,215	155	921	135
	$ 15,784	$ 13,268	$ 8,158	$ 6,832	$ 3,738	$ 2,622

Total revenues for the three and nine months ended September 30, 2002 presented above have been amended and restated to include operating cost reimbursements from tenants as revenue, consistent with the presentation described in Note 1(k).

3. INVESTMENTS IN REAL ESTATE

As of September 30, 2002, the Company, through its ownership in Wells OP, owns 50 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended September 30, 2002.

The ISS Atlanta Buildings

On July 1, 2002, Wells OP purchased two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia for a purchase price of $40.5 million, excluding closing costs. The ISS Atlanta Buildings were acquired by assigning to Wells OP an existing ground lease with

the Development Authority of Fulton County ("Development Authority"). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds ("Bonds") totaling $32.5 million in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation ("ISS"). The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is approximately $4.6 million. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The PacifiCare San Antonio Building

On July 12, 2002, Wells OP purchased the PacifiCare San Antonio Building, a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas for a purchase price of $14.7 million, excluding closing costs. The PacifiCare San Antonio Building is 100% leased to PacifiCare Health Systems, Inc. ("PacifiCare"). The PacifiCare lease is a net lease that commenced in November 2000 and expires in November 2010. The current annual base rent payable under the PacifiCare lease is approximately $1.5 million. PacifiCare, at its option, has the right to extend the initial term of its lease for three additional five-year periods. Monthly base rent for the first renewal term will be approximately $0.2 million and monthly base rent for the second and third renewal terms will be the then-current market rental rate.

The Kerr-McGee Property

On July 29, 2002, Wells OP purchased the Kerr-McGee Property, a 4.2-acre tract of land located in Houston, Harris County, Texas for a purchase price of approximately $1.7, excluding closing costs. Wells OP has entered into agreements to construct a four-story office building containing approximately 100,000 rentable square feet (the "Kerr-McGee Project") on the Kerr-McGee Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr-McGee Property and the planning, design, development, construction and completion of the Kerr McGee Project will total approximately $15.8 million.

The entire 100,000 rentable square feet of the Kerr-McGee Project will be leased to Kerr-McGee Oil & Gas Corporation ("Kerr-McGee"), a wholly owned subsidiary of Kerr-McGee Corporation. The initial term of the Kerr-McGee lease will extend 11 years and 1 month beyond the rent commencement date. Construction on the building is scheduled to be completed by July 2003. The rent commencement date will occur no later than July 1, 2003. Kerr-McGee has the right to extend the initial term of this lease for one additional period of twenty years or the option to extend the initial term for any combination of additional periods of ten years or five years for a total additional period of not more than twenty years. The base rental rate will be 95% of the existing market rate. The initial annual base rent payable under the Kerr-McGee lease will be calculated as 10.5% of project costs.

Wells OP obtained a construction loan in the amount of $13.7 million from Bank of America, to fund the construction of a building on the Kerr-McGee Property. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan as of August 6, 2002 was 3.80%. The Bank of America loan is secured by a first priority mortgage on the Kerr-McGee Property.

The BMG Greenville Buildings

On July 31, 2002, Wells OP purchased the BMG Greenville Buildings, two one-story office buildings containing 786,778 rentable square feet located in Duncan, Spartanburg County, South Carolina for a purchase price of $26.9 million, excluding closing costs. The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. ("BMG Marketing") and BMG Music ("BMG Music").

The BMG Marketing lease is a net lease that covers approximately 473,398 square feet that commenced in March 1988 and expires in March 2011. The current annual base rent payable under the BMG Marketing lease is approximately $1.4 million. BMG Marketing, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease is a net lease that covers approximately 313,380 rentable square feet that commenced in December 1987 and expires in March 2011. The current annual base rent payable under the BMG Music lease is approximately $0.8 million. BMG Music, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The Kraft Atlanta Building

On August 1, 2002, Wells OP purchased the Kraft Atlanta Building, a one-story office building containing 87,219 rentable square feet located in Suwanee, Forsyth County, Georgia for a purchase price of approximately $11.6 million, excluding closing costs. The Kraft Atlanta Building is leased to Kraft Foods North America, Inc. ("Kraft") and PerkinElmer Instruments, LLC ("PerkinElmer").

The Kraft lease is a net lease that covers approximately 73,264 square feet that commenced in February 2002 and expires in January 2012. The current annual base rent payable under the Kraft lease is approximately $1.3 million. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the lease (1) at the end of the third year by paying a $7.0 million termination fee, or (2) at the end of the seventh lease year by paying an approximately $1.8 million termination fee.

The PerkinElmer lease is a net lease that covers approximately 13,955 rentable square feet that commenced in December 2001 and expires in November 2016. The current annual base rent payable under the PerkinElmer lease is approximately $0.2 million. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the lease at the end of the tenth lease year by paying a $0.3 million termination fee.

The Nokia Dallas Buildings

On August 15, 2002, Wells OP purchased the Nokia Dallas Buildings, three adjacent office buildings containing an aggregate of 604,234 rentable square feet located in Irving, Texas for an aggregate purchase price of approximately $119.6 million, excluding closing costs. The Nokia Dallas Buildings are all leased entirely to Nokia, Inc ("Nokia") under three long-term net leases for periods of 10 years, with approximately seven to eight years remaining on such leases.

The Nokia I Building is a nine-story building containing 228,678 rentable square feet. The Nokia I Building lease fully commenced in July 1999 and expires in July 2009. The current annual base rent payable under the Nokia I Building lease is approximately $4.4 million. The Nokia II Building is a seven-story building containing 223,470 rentable square feet. The Nokia II Building lease commenced in December 2000 and expires in December 2010. The current annual base rent payable under the Nokia II Building lease is approximately $4.5 million. The Nokia III Building is a six-story building containing

152,086 rentable square feet. The Nokia III Building lease commenced in June 1999 and expires in July 2009. The current annual base rent payable under the Nokia III Building lease is approximately $3.0 million.

The Harcourt Austin Building

On August 15, 2002, Wells OP purchased the Harcourt Austin Building, a seven-story office building containing 195,230 rentable square feet located in Austin, Texas for a purchase price of $39.0 million, excluding closing costs. The Harcourt Austin Building is leased entirely to Harcourt, Inc. ("Harcourt"), a wholly owned subsidiary of Harcourt General, Inc., the guarantor of the Harcourt lease. The Harcourt lease commenced in July 2001 and expires in June 2016. The current annual base rent payable under the Harcourt lease is approximately $3.4 million.

The AmeriCredit Phoenix Property

On September 12, 2002, Wells OP purchased the AmeriCredit Phoenix Property, a 14.74-acre tract of land located in Chandler, Maricopa County, Arizona for a purchase price of approximately $2.6 million, excluding closing costs. Wells OP has entered into agreements to construct a three-story office building containing approximately 153,494 rentable square feet (the "AmeriCredit Phoenix Project") on the AmeriCredit Phoenix Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the AmeriCredit Phoenix Project and the planning, design, development, construction and completion of the AmeriCredit Phoenix Project will total approximately $24.7 million.

The entire 153,494 rentable square feet of the AmeriCredit Phoenix Project will be leased to AmeriCredit Financial Services, Inc. ("AmeriCredit"), a wholly owned subsidiary of AmeriCredit Corporation. The initial term of the AmeriCredit lease will extend 10 years and 4 month beyond the rent commencement date. Construction on the building is scheduled to be completed by August 2003. AmeriCredit has the right to extend the initial term of this lease for two additional periods of five years at 95% of the then-market rate. As an inducement for Wells OP to enter into the AmeriCredit Phoenix lease, AmeriCredit has prepaid to Wells OP the first three years of base rent at a discounted amount equal to approximately $4.8 million.

The IRS Long Island Buildings

On September 16, 2002, Wells REIT-Holtsville, NY, LLC ("REIT-Holtsville"), a Georgia limited liability company wholly-owned by Wells OP purchased the IRS Long Island Buildings, a two-story office building and a one-story daycare facility containing an aggregate 259,700 rentable square feet located in Holtsville, New York for a purchase price of approximately $51.0 million, excluding closing costs. Approximately 191,050 of the aggregate rentable square feet of the IRS Long Island Buildings (74%) is currently leased to the United States of America through the U.S. General Services Administration ("U.S.A.") for occupancy by the IRS under three separate lease agreements for the processing & collection division of the IRS ("IRS Collection"), the compliance division of the IRS ("IRS Compliance"), and the IRS Daycare Facility. REIT-Holtsville is negotiating for the remaining 26% of the IRS Long Island Buildings to be leased by the U.S.A. on behalf of the IRS or to another suitable tenant. If REIT-Holtsville should lease this space to the U.S.A. or another suitable tenant within 18 months, REIT-Holtsville would owe the seller an additional amount of up to $14.5 million as additional purchase price for the IRS Long Island Buildings pursuant to the terms of an earnout agreement entered into between REIT-Holtsville and the seller at the closing.

The IRS Collection lease, which encompasses 128,000 rentable square feet of the IRS Office Building, commenced in August 2000 and expires in August 2005. The current annual base rent payable under the IRS Collection lease is approximately $5.0 million. The annual base rent payable under the

IRS Collection lease for the remaining two years of the initial lease term will be approximately $2.8 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at annual rental rates of approximately $4.2 million and $5.0 million, respectively.

The IRS Compliance lease, which encompasses 50,949 rentable square feet of the IRS Office Building, commenced in December 2001 and expires in December 2011. The annual base rent payable under the IRS Compliance lease for the initial term of the lease is approximately $1.7 million. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of approximately $2.2 million.

The IRS Daycare Facility lease, which encompasses the entire 12,100 rentable square feet of the IRS Daycare Facility, commenced in October 1999 and expires in September 2004. The annual base rent payable under the IRS Daycare Facility lease for the initial term of the lease is approximately $0.5 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at an annual rental rate of approximately $0.4 million.

The KeyBank Parsippany Building

On September 27, 2002, Wells OP purchased the KeyBank Parsippany Building, a four-story office building containing 404,515 rentable square feet located in Parsippany, New Jersey for a purchase price of approximately $101.4 million, excluding closing costs. The KeyBank Parsippany Building is leased to Key Bank U.S.A., N.A. (“KeyBank”) and Gemini Technology Services (“Gemini”).

The KeyBank lease covers 200,000 rentable square feet (49%) under a net lease that commenced in March 2001 and expires in February 2016. The current annual base rent payable under the KeyBank lease is $3.8 million. KeyBank, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate.

The Gemini lease covers 204,515 rentable square feet (51%) under a gross lease that commenced in December 2000 and expires in December 2013. The current annual base rent payable under the Gemini lease is approximately $5.7 million. Gemini, at its option, has the right to extend the initial term of its lease for three additional five-year periods at a rate equal to the greater of (1) the annual rent during the final year of the initial lease term, or (2) 95% of the then-current market rental rate.

The Federal Express Colorado Springs Building

On September 27, 2002, Wells OP purchased the Federal Express Colorado Springs Building, a three-story office building containing 155,808 rentable square feet located in Colorado Springs, Colorado for a purchase price of $26.0 million, excluding closing costs. The Federal Express Colorado Springs Building is leased entirely to Federal Express Corporation (“Federal Express”). The Federal Express lease commenced in July 2001 and expires in October 2016. The current annual base rent payable under the Federal Express lease is approximately $2.2 million. Federal Express, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 90% of the then-current market rental rate. In addition, Federal Express has an expansion option under its lease pursuant to which Wells OP would be required to construct an additional office building.

The EDS Des Moines Building

On September 27, 2002, Wells OP purchased the EDS Des Moines Building, a one-story office and distribution building containing 115,000 rentable square feet of office space and 290,000 rentable square feet of warehouse space located in Des Moines, Iowa for a purchase price of $26.5 million, excluding closing costs. The EDS Des Moines Building is leased entirely to EDS Information Services

L.L.C. ("EDS"), a wholly-owned subsidiary of Electronic Data Systems Corporation ("EDS Corp."). EDS Corp. is the guarantor of the EDS lease. The EDS lease commenced in May 2002 and expires in April 2012. The current annual base rent payable under the EDS lease is approximately $2.4 million. EDS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, EDS has an expansion option under its lease for up to an additional 100,000 rentable square feet.

The Intuit Dallas Building

On September 27, 2002, Wells OP purchased the Intuit Dallas Building, a two-story office building with a three-story wing containing 166,238 rentable square feet located in Plano, Texas for a purchase price of $26.5 million, excluding closing costs. The Intuit Dallas Building is leased entirely to Lacerte Software Corporation ("Lacerte"), a wholly-owned subsidiary of Intuit, Inc. ("Intuit"). Intuit is the guarantor of the Lacerte lease. The Lacerte lease commenced in July 2001 and expires in June 2011. The current annual base rent payable under the Lacerte lease is approximately $2.5 million. Lacerte, at its option, has the right to extend the initial term of its lease for two additional five-year periods at rental rates of $17.92 per square foot and $19.71 per square foot, respectively. In addition, Lacerte has an expansion option through November 2004 pursuant to which Wells OP would be required to purchase an additional 19 acre tract of land and to construct up to an approximately 600,000 rentable square foot building thereon.

The Allstate Indianapolis Building

On September 27, 2002, Wells OP purchased the Allstate Indianapolis Building, a one-story office building containing 89,956 rentable square feet located in Indianapolis, Indiana for a purchase price of $10.9 million, excluding closing costs. The Allstate Indianapolis Building is leased to Allstate Insurance Company ("Allstate") and Holladay Property Services Midwest, Inc. ("Holladay").

The Allstate lease, which covers 84,200 rentable square feet (94%), commenced in March 2002 and expires in August 2012. The current annual base rent payable under the Allstate lease is approximately $1.2 million. Allstate at its option has the right to (1) terminate the initial term of the Allstate lease at the end of the fifth lease year (August 2007) upon payment of an approximately $0.4 million fee, or (2) reduce its area of occupancy to not less than 20,256 rentable square feet, by providing written notice on or before August 2006. Allstate, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Allstate has a right of first refusal for the leasing of additional space in the Allstate Indianapolis Building.

Holladay is a property management company that manages the Allstate Indianapolis Building from the site. The Holladay lease, which covers 5,756 rentable square feet (6%), commenced in October 2001 and expires in September 2006. The current annual base rent payable under the Holladay lease is approximately $.07 million.

The Daimler Chrysler Dallas Building

On September 30, 2002, Wells OP purchased the Daimler Chrysler Dallas Building, a two-story office building containing 130,290 rentable square feet located in Westlake, Texas for a purchase price of $25.1 million, excluding closing costs. The Daimler Chrysler Dallas Building is leased entirely to Daimler Chrysler Services North America LLC ("Daimler Chrysler NA"). The Daimler Chrysler NA lease commenced in January 2002 and expires in December 2011. The current annual base rent payable under the Daimler Chrysler NA lease is approximately $3.2 million. Daimler Chrysler NA, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 98% of the then-current market rental rate. In addition, Daimler Chrysler NA has an expansion option for up to an

additional 70,000 rentable square feet and a right of first offer if Wells OP desires to sell the Daimler Chrysler Dallas Building during the term of the lease.

4. NOTE RECEIVABLE

In connection with the purchase of the TRW Denver Building on May 29, 2002, Wells OP acquired a note receivable from the building's sole tenant, TRW, Inc., in the amount of $5.2 million. The loan was made to fund above-standard tenant improvement costs to the building. The note receivable is structured to be fully amortized over the remaining lease term, which expires September 2007, at 11% interest with TRW making monthly loan payments of $.1 million. At September 30, 2002, the principal balance of this note receivable was $5.0 million.

5. NOTES PAYABLE

At September 30, 2002, Wells OP had the following debt:

Lender	Collateral	Type of Debt	Maturity Date	Balance Outstanding (in millions)
SouthTrust	The Alstom Power Richmond Building	$7.9 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	$ 7.7
SouthTrust	The PwC Building	$12.8 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	2.1
SouthTrust	The Avnet Building and the Motorola Tempe Building	$19.0 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
SouthTrust	The Cinemark Building, the Dial Building and the ASML Building	$32.4 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
Bank of America	The Nissan Property	$34.2 million construction loan, interest at LIBOR plus 200 basis points	July 30, 2003	13.3
Bank of America	The Kerr McGee Property	$13.7 million construction loan, interest at LIBOR plus 200 basis points	January 29, 2004	1.0
Bank of America	The Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Matsushita Building, the Metris Tulsa Building, the Motorola Plainfield Building and the Delphi Building	$85 million line of credit, interest at 30 day LIBOR plus 180 basis points	May 11, 2004	0
Prudential	The BMG Buildings	$8.8 million note payable, interest at 8%, principal and interest payable monthly	December 15, 2003	8.8
Prudential	The BMG Buildings	$2.9 million note payable, interest at 8.5%, interest payable monthly, principal payable upon maturity	December 15, 2003	2.9
Total				**$ 35.8**

6. INTEREST RATE SWAPS

Wells OP has entered into interest rate swap agreements with Bank of America in order to hedge its interest rate exposure on the Bank of America construction loans for the Nissan Property (the Nissan Loan) and the Kerr McGee Property (the Kerr McGee Loan). The interest rate swap agreements involve the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. The notional amount of both interest rate swaps is the balance outstanding on the construction loan on the payment date.

The interest rate swap for the Nissan Loan became effective January 15, 2002 and terminates on June 15, 2003. Wells OP, as the fixed rate payer, has an interest rate of 3.9%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 5.9% on the Nissan Loan.

The interest rate swap for the Kerr McGee Loan became effective September 15, 2002 and terminates on July 15, 2003. Wells OP as fixed rate payer has an interest rate of 2.27%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 4.27% on the Kerr McGee Loan.

During the nine months ended September 30, 2002, Wells OP made interest payments totaling approximately $45,221 under the terms of the interest rate swap agreements. At September 30, 2002, the estimated fair value of the interest rate swap for the Nissan Loan and the Kerr McGee Loan was $(384,855) and $(30,180), respectively. The interest rate swaps are accounted for by mark-to-market accounting on a monthly basis and are included in prepaid and other assets on the accompanying consolidated balance sheet.

On January 1, 2001, the Company adopted SFAS No. 133, as amended by SFAS No. 137 and No. 138 Accounting for Derivative Instruments and Hedging Activities. The effect of adopting the SFAS No. 133 did not have a material effect on the Company's consolidated financial statements.

7. INVESTMENT IN BONDS AND OBLIGATIONS UNDER CAPITAL LEASES

In connection with the purchase of a ground leasehold interest in the Ingram Micro Distribution Facility pursuant to a Bond Real Property Lease dated December 20, 1995 (the Bond Lease), Wells OP acquired an Industrial Development Revenue Note (the Bond) dated December 20, 1995 in the principal amount of $22 million. As part of the same transaction, Wells OP also acquired a Fee Construction Mortgage Deed of Trust Assignment of Rents and Leases (the Bond Deed of Trust), also dated December 20, 1995, which was executed by the Industrial Development Board in order to secure the Bond. Beginning in 2006, the holder of the Bond Lease has the option to purchase the land underlying the Ingram Micro Distribution Facility for $100 plus satisfaction of the indebtedness evidenced by the Bond. Because Wells OP is technically subject to the obligation to pay the $22 million indebtedness evidenced by the Bond, the obligation to pay the Bond is carried on the Company's books as a liability. However, since Wells OP is also the owner of the Bond, the Bond is also carried on the Company's books as an asset.

As part of the transaction to acquire a ground leasehold interest in the ISS Atlanta Buildings, Wells OP was assigned Development Authority of Fulton County Taxable Revenue Bonds totaling $32.5 million, which were originally issued in connection with the development of the ISS Atlanta Buildings (the Bonds). The Bonds entitle Wells OP to certain property tax abatement benefits. Upon payment of the outstanding balance on the Bonds, on or before the expiration of the ground lease on December 1, 2015, fee title interest to the underlying land will be transferred to Wells OP. Because Wells OP is technically subject to the obligation to pay the $32.5 million indebtedness evidenced by the Bond, the

obligation to pay the Bonds is carried on the Company's books as a liability. However, since Wells OP is also the owner of the Bonds, the Bonds are also carried on the Company's books as an asset.

8. DUE TO AFFILIATES

Due to affiliates consists of amounts due to the Advisor for acquisitions and advisory fees and acquisition expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in greater detail in the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001. Payments of $.6 million have been made as of September 30, 2002 toward funding the obligation under the Matsushita agreement.

9. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor ("Wells Exchange") has developed a program (the "Wells Section 1031 Program") involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange, which was extended to April 15, 2002. Wells OP was compensated for its takeout commitment in the amount of $.1 million in each of 2001 and 2002 by payment of a take out fee to Wells OP in an amount equal to 1.25% of its maximum financial obligation under the Ford Motor Credit take out purchase and escrow agreement. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex. This pay off of the loan triggered the release of Wells OP from its prior obligations under the take out purchase and escrow agreement relating to such property.

Letters of Credit

At September 30, 2002, Wells OP had three letters of credit totaling $19.2 million outstanding from financial institutions, which were not recorded in the accompanying consolidated balance sheet. These letters of credit were required by three of the Company's tenants to ensure completion of the Company's contractual obligations. The Company's management does not anticipate a need to draw on these letters of credit.

Properties under Contract

At September 30, 2002, the Company had three executed contracts for the acquisition of properties totaling $82.0 million. Escrows of $1.3 million have been paid out for these properties and are included in prepaid and other assets on the accompanying consolidated balance sheet.

10. SUBSEQUENT EVENTS

Issuance of Common Stock

From October 1, 2002 through October 25, 2002, the Company has raised approximately $91.5 million through the issuance of 9.1 million shares of common stock in the Company.

Termination Agreement

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of $979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Nestle Building for the year ended December 31, 2001. This statement is the responsibility of the Nestle Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit 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 statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

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, as described in Note 2, and is not intended to be a complete presentation of the Nestle Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Nestle Building for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia
January 21, 2003

Nestle Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

	2002	2001
	(Unaudited)	
Revenues:		
Base rent	$10,995,810	$14,660,259
Parking	617,318	848,917
Tenant reimbursements	698,210	853,872
Total revenues	12,311,338	16,363,048
Operating expenses	3,914,726	4,968,193
Revenues over certain operating expenses	$ 8,396,612	$11,394,855

See accompanying notes.

Nestle Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On December 20, 2002, Wells REIT-Glendale, CA, LLC ("the Company") acquired the Nestle Building from Douglas Emmett Joint Venture ("Douglas Emmett"). The Company, a Georgia limited liability company, was created on December 20, 2002. Wells Operating Partnership, L.P. ("Wells OP') is the sole member of the Company. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

The twenty-story building contains 505,115 square feet of net rentable area and is 100% leased to several tenants, including Nestle USA, Inc. ("Nestle"). Nestle occupies a total of 502,994 square feet, or 99.6%, under a lease ("Nestle Lease") that commenced in August 1990 and expires in August 2010. The remaining square footage is leased to several retail tenants under lease agreements that expire over the next seven years. Douglas Emmett's interests in the Nestle Lease and other retail lease agreements were assigned to the Company upon acquisition of the Nestle Building. Under the Nestle Lease, the tenant is required to pay, as additional rent, its pro rata share of operating expenses over the base year operating allowance established in the first lease year. Operating expenses shall consist of all direct costs of operation and maintenance of the building including, but not limited to, real estate taxes, water and sewer charges, utilities, janitorial services, security and labor. Additionally, the Nestle Lease entitles Nestle to a specified number of parking spaces, and Nestle is required to pay monthly rental payments for the spaces which the Company records as parking revenues. The Company will be responsible for maintaining and repairing the Nestle Building's roof, foundation, common areas, electrical and mechanical systems.

Rental Revenues

Rental income is recognized on a straight-line basis over the terms of the leases.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the Nestle Building after its acquisition by the Company.

Notes to Statements of Revenues Over Certain Operating Expenses (Continued)

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 14,939,680
2003	14,950,502
2004	14,963,154
2005	15,508,547
2006	16,591,633
Thereafter	60,926,465
	$ 137,879,981

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The statement of revenues over certain operating expenses for the nine months ended September 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q/A for the period ended September 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of September 30, 2002 has been prepared to give effect to the fourth quarter 2002 acquisitions of the NASA Buildings by Wells REIT-Independence Square, LLC, of which Wells REIT is the sole member, the Caterpillar Nashville Building, the Capital One Richmond Buildings (the "Other Recent Acquisitions") by Wells Operating Partnership, L.P. ("Wells OP"), the Nestle Building by Wells REIT Glendale, CA, LLC, of which Wells OP is the sole member, and the John Wiley Indianapolis Building by Wells XIII-REIT Joint Venture ("Wells XIII-REIT), a joint venture partnership between Wells Real Estate Fund XIII, L.P. and Wells OP, and the first quarter 2003 acquisition of the East Point Buildings (collectively, the "Recent Acquisitions") by Wells OP as if the acquisitions occurred on September 30, 2002.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

The following unaudited pro forma statement of income for the nine months ended September 30, 2002 has been prepared to give effect to the first, second and third quarter 2002 acquisitions of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the nine months ended September 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings, the Kerr McGee Property, the AmeriCredit Phoenix Property and the EDS Des Moines Building had no operations during 2001.

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 of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

SEPTEMBER 30, 2002

(Unaudited)

ASSETS

		Pro Forma Adjustments				
		Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (i)		John Wiley Indianapolis	Nestle	East Point	Pro Forma Total
REAL ESTATE ASSETS, at cost:						
Land	$ 164,190,412	$ 87,755,000 (c) 1,888,098(d) 594,702(e)	$ 0	$ 23,200,000(c) 404,941(e)	$ 2,163,000(c) 88,553(e)	$ 280,284,706
Buildings, less accumulated depreciation of $47,999,655	1,171,793,037	351,806,121 (c) 8,415,460(e)	0	134,446,731(c) 2,346,678(e)	19,916,138(c) 815,367(e)	1,689,539,532
Construction in progress	28,500,195	0	0	0	0	28,500,195
Total real estate assets	1,364,483,644	450,459,381	0	160,398,350	22,983,058	1,998,324,433
CASH AND CASH EQUIVALENTS	143,911,852	(266,478,531)(c) 379,115,394(a) (13,269,039)(b)	(8,928,915)(f)	(67,646,731)(c)	(22,079,138)(c)	144,624,892
INVESTMENT IN JOINT VENTURES	75,388,348	0	9,294,465(g)	0	0	84,682,813
INVESTMENT IN BONDS	54,500,000	0	0	0	0	54,500,000
ACCOUNTS RECEIVABLE	12,018,601	0	0	0	0	12,018,601
DEFERRED LEASE ACQUISITION COSTS, NET	1,712,541	0	0	0	0	1,712,541
DEFERRED PROJECT COSTS	5,963,370	(1,895,611)(d) (9,002,649)(e) 13,269,039(b)	(365,550)(h)	(2,751,619)(e)	(903,920)(e)	4,313,060
DEFERRED OFFERING COSTS	3,537,361	0	0	0	0	3,537,361
DUE FROM AFFILIATES	2,185,436	0	0	0	0	2,185,436
NOTE RECEIVABLE	4,965,838	0	0	0	0	4,965,838
PREPAID EXPENSES AND OTHER ASSETS, NET	2,597,110	37,764(c)	0	0	0	2,634,874
Total assets	$1,671,264,101	$552,235,748	$ 0	$ 90,000,000	$ 0	$ 2,313,499,849

LIABILITIES AND SHAREHOLDERS' EQUITY

	Wells Real Estate Investment Trust, Inc. (i)	Pro Forma Adjustments				
		Recent Acquisitions				
		Other	John Wiley Indianapolis	Nestle	East Point	Pro Forma Total
LIABILITIES:						
Accounts payable and accrued expenses	$ 17,538,820	$ 881,644(c)	$ 0	$ 0	$ 0	$ 18,420,464
Notes payable	35,829,293	172,238,710(c)	0	90,000,000(c)	0	298,068,003
Obligations under capital lease	54,500,000	0	0	0	0	54,500,000
Dividends payable	10,209,306	0	0	0	0	10,209,306
Due to affiliates	4,379,745	0	0	0	0	4,379,745
Deferred rental income	7,893,930	0	0	0	0	7,893,930
Total liabilities	130,351,094	173,120,354	0	90,000,000	0	393,471,448
COMMITMENTS AND CONTINGENCIES						
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	200,000
SHAREHOLDERS' EQUITY:						
Common shares, $.01 par value; 750,000,000 shares authorized, 182,608,517 shares issued and 180,891,792 outstanding at September 30, 2002	1,826,086	379,115(a)	0	0	0	2,205,201
Additional paid-in capital	1,621,376,451	378,736,279(a)	0	0	0	2,000,112,730
Cumulative distributions in excess of earnings	(64,907,241)	0	0	0	0	(64,907,241)
Treasury stock, at cost, 1,716,725 shares	(17,167,254)	0	0	0	0	(17,167,254)
Other comprehensive loss	(415,035)	0	0	0	0	(415,035)
Total shareholders' equity	1,540,713,007	379,115,394	0	0	0	1,919,828,401
Total liabilities and shareholders' equity	$ 1,671,264,101	$552,235,748	$ 0	$90,000,000	$ 0	$ 2,313,499,849

(a) Reflects capital raised through issuance of additional shares subsequent to September 30, 2002 through East Point acquisition date.

(b) Reflects deferred project costs capitalized as a result of additional capital raised described in note (a) above.

(c) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(d) Reflects deferred project costs applied to the land and building at approximately 4.07% of the cash paid for purchase.

(e) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(f) Reflects Wells Real Estate Investment Trust, Inc.'s proportionate share of the cost to acquire the John Wiley Indianapolis Building.

(g) Reflects Wells Real Estate Investment Trust, Inc.'s contribution to the Wells XIII-REIT Joint Venture, which decreased its interest in the joint venture from 68.29% to 61.28%.

(h) Reflects deferred project costs contributed to the Wells Fund XIII-REIT Joint Venture at approximately 4.094% of purchase price.

(i) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2001

(Unaudited)

		Pro Forma Adjustments						
				Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (h)	2001 Acquisitions	2002 Acquisitions	Other	John Wiley Indianapolis	Nestle	East Point	Pro Forma Total
REVENUES:								
Rental income	$ 44,204,279	$ 11,349,076(a)	$ 54,615,521(a)	$45,317,526(a)	$ 0	$16,657,346(a)	$ 1,059,426(a)	$ 173,203,174
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	638,552(b)	0	0	5,471,361
Interest income	1,246,064	0	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	0	137,500
	49,308,802	12,460,926	54,615,521	45,317,526	638,552	16,657,346	1,059,426	180,058,099
EXPENSES:								
Depreciation	15,344,801	5,772,761(c)	22,487,278(c)	14,408,864(c)	0	5,471,736(c)	829,260(c)	64,314,700
Interest	3,411,210	0	0	9,452,460(f)	0	4,399,200(g)	0	17,262,870
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	3,668,343(d)	9,628,878(d)	0	4,114,321(d)	926,011(d)	25,320,711
Management and leasing fees	2,507,188	510,708(e)	2,250,455(e)	482,139(e)	0	711,379(e)	47,674(e)	6,509,543
General and administrative	973,785	0	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	0	448,776
	27,584,835	9,137,744	28,406,076	33,972,341	0	14,696,636	1,802,945	115,600,577
NET INCOME	$ 21,723,967	$ 3,323,182	$ 26,209,445	$11,345,185	$ 638,552	$ 1,960,710	$ (743,519)	$ 64,457,522
EARNINGS PER SHARE, basic and diluted	$ 0.43							$ 0.21
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853							303,171,546

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building, the ADIC Buildings and the John Wiley Indianapolis Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of operating expenses, net of reimbursements.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Represents interest expense on lines of credit used to acquire assets, which bear interest at approximately 5.488% for the year ended December 31, 2001.

(g) Represents interest expense on mortgage assumed as part of the Nestle Building acquisition, which bears interest at approximately 4.888% for the year ended December 31, 2001.

(h) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

(Unaudited)

		Pro Forma Adjustments					
			Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (i)	2002 Acquisitions	Other	John Wiley Indianapolis	Nestle	East Point	Pro Forma Total
REVENUES:							
Rental income	$ 66,120,992	$42,103,180(a)	$ 33,939,001(a)	$ 0	$12,473,951(a)	$ 1,112,123(a)	$ 155,749,247
Operating cost reimbursements	12,853,717	5,976,734(h)	3,062,835(h)	0	698,210(h)	47,499(h)	22,638,995
Equity in income of joint ventures	3,738,046	0	0	487,970(f)	0	0	4,226,016
Interest income	5,075,165	0	0	0	0	0	5,075,165
Take out fee	134,666	0	0	0	0	0	134,666
	87,922,586	48,079,914	37,001,836	487,970	13,172,161	1,159,622	187,824,089
EXPENSES:							
Depreciation	23,185,201	15,039,449(b)	10,806,647(b)	0	4,103,802(b)	621,945(b)	53,757,044
Operating costs	17,108,599	10,179,532	10,532,575(c)	0	3,914,726(c)	742,490(c)	42,477,922
Interest	2,006,458	0	5,310,551(e)	0	2,369,925(g)	0	9,686,934
Management and leasing fees	3,348,210	1,697,775(d)	361,605(d)	0	533,548(d)	50,046(d)	5,991,184
General and administrative	1,866,042	0	0	0	0	0	1,866,042
Amortization of deferred financing costs	586,715	0	0	0	0	0	586,715
	48,101,225	26,916,756	27,011,378	0	10,922,001	1,414,481	114,365,841
NET INCOME	$ 39,821,361	$21,163,158	$ 9,990,458	$ 487,970	$ 2,250,160	$ (254,859)	$ 73,458,248
EARNINGS PER SHARE, basic and diluted	$ 0.31						$ 0.24
WEIGHTED AVERAGE SHARES, basic and diluted	128,541,432						303,171,546

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of operating expenses.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Represents interest expense on lines of credits used to acquire assets, which bear interest at approximately 4.111% for the nine months ended September 30, 2002.

(f) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(g) Represents interest expense on mortgage assumed as part of the Nestle Building acquisition, which bears interest at approximately 3.511% for the nine months ended September 30, 2002.

(h) Consists of operating costs reimbursements.

(i) Historical financial information derived from quarterly report on Form 10-Q/A.

The accompanying notes are an integral part of this statement.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Items 31 through 35 and Item 37 of Part II are incorporated by reference to the Registrant's Registration Statement, as amended to date, Commission File No. 333-85848

Item 36 Financial Statements and Exhibits.

(a) Financial Statements:

The following financial statements of Registrant 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, 2001 and December 31, 2000,
(3) Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999,
(4) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999,
(5) Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999, and
(6) Notes to Consolidated Financial Statements.

Unaudited Financial Statements

(1) Schedule III–Real Estate Investments and Accumulated Depreciation as of December 31, 2001,
(2) Consolidated Balance Sheets as of March 31, 2002 and December 31, 2001,
(3) Consolidated Statements of Income for the three months ended March 31, 2002 and March 31, 2001,
(4) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the three months ended March 31, 2002,
(5) Consolidated Statements of Cash Flows for the three months ended March 31, 2002 and March 31, 2001, and
(6) Condensed Notes to Consolidated Financial Statements March 31, 2002

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 1 to the Prospectus:

Unaudited Financial Statements

(1) Consolidated Balance Sheets as of June 30, 2002 and December 31, 2001,
(2) Consolidated Statements of Income for the three months ended June 30, 2002 and June 30, 2001 and for the six months ended June 30, 2002 and June 30, 2001,
(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the six months ended June 30, 2002,

(4) Consolidated Statements of Cash Flows for the six months ended June 30, 2002 and June 30, 2001, and
(5) Condensed Notes to Consolidated Financial Statements.

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 1 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,
(2) Pro Forma Balance Sheet as of June 30, 2002,
(3) Pro Forma Statement of Income for the year ended December 31, 2001, and
(4) Pro Forma Statement of Income for the six months ended June 30, 2002.

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 2 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,
(2) Pro Forma Balance Sheet as of June 30, 2002,
(3) Pro Forma Statement of Income for the year ended December 31, 2001, and
(4) Pro Forma Statement of Income for the six months ended June 30, 2002.

The following financial statements relating to the acquisition of the Harcourt Austin Building are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

(1) Report of Independent Auditors,
(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited), and
(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited).

The following financial statements relating to the acquisition of the IRS Long Island Buildings are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

(1) Report of Independent Auditors,
(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited), and
(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited).

The following financial statements relating to the acquisition of the KeyBank Parsippany Building are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

(1) Report of Independent Auditors,
(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited), and
(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,
(2) Pro Forma Balance Sheet as of June 30, 2002,
(3) Pro Forma Statement of Income for the year ended December 31, 2001, and
(4) Pro Forma Statement of Income for the six months ended June 30, 2002.

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 4 to the Prospectus:

Unaudited Financial Statements

(1) Consolidated Balance Sheets as of September 30, 2002 and December 31, 2001,
(2) Consolidated Statements of Income for the three months ended September 30, 2002 and September 30, 2001 and for the nine months ended September 30, 2002 and September 30, 2001,
(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the nine months ended September 30, 2002,
(4) Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and September 30, 2001, and
(5) Condensed Notes to Consolidated Financial Statements.

The following financial statements relating to the acquisition of the NASA Buildings are filed as part of this Registration Statement and included in Supplement No. 4 to the Prospectus:

(1) Report of Independent Auditors,
(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited), and
(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited).

The following financial statements relating to the acquisition of the Caterpillar Nashville Building are filed as part of this Registration Statement and included in Supplement No. 4 to the Prospectus:

(1) Report of Independent Auditors,
(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited), and
(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 4 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,
(2) Pro Forma Balance Sheet as of September 30, 2002,
(3) Pro Forma Statement of Income for the year ended December 31, 2001, and
(4) Pro Forma Statement of Income for the nine months ended September 30, 2002.

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 5 to the Prospectus:

Unaudited Financial Statements

(1) Consolidated Balance Sheets as of September 30, 2002 and December 31, 2001,
(2) Consolidated Statements of Income for the three months ended September 30, 2002 and September 30, 2001 and for the nine months ended September 30, 2002 and September 30, 2001,
(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the nine months ended September 30, 2002,
(4) Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and September 30, 2001, and
(5) Condensed Notes to Consolidated Financial Statements.

The following financial statements relating to the acquisition of the Nestle Building are filed as part of this Registration Statement and included in Supplement No. 5 to the Prospectus:

(1) Report of Independent Auditors,
(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited), and
(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 5 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,
(2) Pro Forma Balance Sheet as of September 30, 2002,
(3) Pro Forma Statement of Income for the year ended December 31, 2001, and
(4) Pro Forma Statement of Income for the nine months ended September 30, 2002.

(b) Exhibits (See Exhibit Index):

Exhibit No.	Description
1.1	Form of Dealer Manager Agreement (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
1.2	Form of Warrant Purchase Agreement (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
3.1	Amended and Restated Articles of Incorporation dated as of July 1, 2000 (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on August 31, 2000)
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation dated as June 26, 2002 (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
3.3	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)
3.4	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 (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
8.1	Opinion of Holland & Knight LLP as to tax matters (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
8.2	Opinion of Holland & Knight LLP as to ERISA matters (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.1	Advisory Agreement dated January 30, 2002 (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
10.2	Amended and Restated Property Management and Leasing Agreement among Registrant, Wells Operating Partnership, L.P. and Wells Management Company, Inc.

	(previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.3	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)
10.4	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)
10.5	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)
10.6	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)
10.7	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)
10.8	Joint Venture Partnership Agreement of Fund VIII-IX-REIT Joint Venture (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on August 31, 2000)
10.9	Joint Venture Partnership Agreement of Wells Fund XIII-REIT Joint Venture Partnership (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)
10.10	Agreement of Limited Partnership of Wells Operating Partnership, L.P. as Amended and Restated as of January 1, 2000 (previously filed in and incorporated by reference to Form 10-K of Registrant for the fiscal year ended December 31, 2000, Commission File No. 0-25739)
10.11	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)
10.12	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)
10.13	Loan Agreement with SouthTrust Bank, N.A. for a $35,000,000 revolving line of credit dated May 3, 2000 (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on September 8, 2000)
10.14	Promissory Note for $35,000,000 to SouthTrust Bank, N.A. (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to Registrant's

	Registration Statement on Form S-11, Commission File No. 333-83933, filed on September 8, 2000)
10.15	Allonge to Revolving Note relating to the SouthTrust Bank N.A. $32,393,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.16	First Amendment to Revolving Loan Agreement and Other Loan Documents relating to the SouthTrust Bank N.A. $32,393,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.17	Second Note Modification Agreement relating to the SouthTrust Bank N.A. $12,844,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.18	Second Amendment to Amended and Restated Loan Agreement and Other Loan Documents relating to the SouthTrust Bank N.A. $12,844,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.19	Revolving Note relating to the SouthTrust Bank N.A. $19,003,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.20	Revolving Loan Agreement relating to the SouthTrust Bank N.A. $19,003,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.21	Amended and Restated Revolving Note relating to the SouthTrust Bank N.A. $7,900,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.22	Amended and Restated Loan Agreement relating to the SouthTrust Bank N.A. $7,900,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.23	Revolving Credit Agreement relating to the Bank of America, N.A. $85,000,000 revolving line of credit (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
10.24	Construction Loan Agreement relating to the Bank of America, N.A. $34,200,000 construction loan (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
10.25	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)

10.26	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)
10.27	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)
10.28	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 Motorola Tempe 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)
10.31	First Amendment to Lease Agreement for the Motorola Tempe 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)
10.32	Ground Lease Agreement for the Motorola Tempe 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)
10.33	Lease Agreement for the Motorola Plainfield Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 1, 2000)
10.34	Lease Agreement with Stone & Webster, Inc. for a portion of the Stone & Webster Building (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. 333-44900, filed on February 9, 2001)
10.35	Lease Agreement with Sysco Corporation for a portion of the Stone & Webster Building (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. 333-44900, filed on February 9, 2001)
10.36	Lease Agreement for the Metris Minnesota Building (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. 333-44900, filed on February 9, 2001)
10.37	Fourth Amendment to Lease Agreement for the Metris Minnesota Building (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. 333-44900, filed on February 9, 2001)
10.38	Guaranty of Lease for the Metris Minnesota Building (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. 333-44900, filed on February 9, 2001)
10.39	Lease Agreement for the Comdata Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)
10.40	First Amendment to Lease Agreement for the Comdata Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)
10.41	Lease Agreement for the State Street Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.42	Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.43	First Amendment to Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.44	Reinstatement of and Second Amendment to Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.45	Agreement of Sale for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.46	Lease Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.47	Guaranty of Lease for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.48	Development Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.49	Design and Build Construction Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.50	Indenture of Lease Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.51	Guaranty of Lease Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.52	Absolute Assignment of Lease and Assumption Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.53	Bond Real Property Lease Agreement for the Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.54	Second Amendment to Lease Agreement for Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.55	Lease Agreement with TCI Great Lakes, Inc. for a portion of the Windy Point I Building (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. 333-44900, filed on January 23, 2002)
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10.57	Lease Agreement with Zurich American Insurance Company for the Windy Point II Building (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. 333-44900, filed on January 23, 2002)
10.58	Third Amendment to Office Lease with Zurich American Insurance Company (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. 333-44900, filed on January 23, 2002)
10.59	Lease Agreement for the Arthur Andersen Building (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. 333-44900, filed on January 23, 2002)
10.60	Lease Agreement with Transocean Deepwater Offshore Drilling, Inc. for a portion of the Transocean Houston Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.61	Lease Agreement with Newpark Drilling Fluids, Inc. for a portion of the Transocean Houston Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.62	Lease Agreement for the Dana Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.63	Second Amendment to Lease Agreement for the Dana Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.64	Lease Agreement for the Dana Kalamazoo Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.65	Second Amendment to Lease Agreement for the Dana Kalamazoo Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.66	Purchase and Sale Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.67	Lease Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.68	Lease Amendment to Lease Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.69	Purchase and Sale Agreement and Escrow Instructions for the Agilent Boston Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.70	Lease Agreement for the Agilent Boston Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.71	Purchase and Sale Agreement for the TRW Denver Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.72	Lease Agreement for the TRW Denver Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.73	Purchase and Sale Agreement for the MFS Phoenix Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.74	Lease Agreement for the MFS Phoenix Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.75	Purchase and Sale Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.76	Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.77	Amendment No. 5 to Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.78	Ground Lease Agreement for ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.79	Purchase and Sale Agreement for the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.80	Lease Agreement for Building No. 1 of the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.81	Amendment to Lease Agreement for Building No. 1 of the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.82	Lease Agreement for Building No. 2 of the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.83	Amendment to Lease Agreement for Building No. 2 of the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.84	Lease Agreement for Building No. 3 of the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.85	Amendment to Lease Agreement for Building No. 3 of the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.86	Agreement of Sale for the KeyBank Parsippany Building (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. 333-85848, filed on October 25, 2002)
10.87	Lease Agreement with KeyBank U.S.A., N.A. for a portion of the KeyBank Parsippany Building (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. 333-85848, filed on October 25, 2002)

10.88	Lease Agreement with Gemini Technology Services for a portion of the KeyBank Parsippany Building (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. 333-85848, filed on October 25, 2002)
10.89	Amendment to Lease Agreement with Gemini Technology Services for a portion of the KeyBank Parsippany Building (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. 333-85848, filed on October 25, 2002)
10.90	Purchase and Sale Agreement for NASA Buildings
10.91	Lease Agreement with the Office of the Comptroller of the Currency and amendments thereto
10.92	Lease Agreement with the United States of America (NASA) and amendments thereto
10.93	Agreement of Purchase and Sale for Nestle Building
10.94	Loan Agreement for $90,000,000 loan assumed with Landesbank Schleswig-Holstein Gironzentrale, Kiel
10.95	Lease Agreement for Nestle Building
10.96	Various amendments to Lease Agreement for Nestle Building
23.1	Consent of Holland & Knight LLP (included in exhibits 5.1 and 8.1)
23.2	Consent of Arthur Andersen LLP (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
23.3	Consent of Ernst & Young LLP
23.4	Consent of Ernst & Young LLP
24.1	Power of Attorney
24.2	Power of Attorney of Michael R. Buchanan

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-11 and has duly caused this Post-Effective Amendment No. 2 to 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 23 rd day of January, 2003.

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 Post-Effective Amendment No. 2 to Registration Statement has been signed below on January 23, 2003 by the following persons in the capacities indicated.

Name	Title
/s/ Leo F. Wells, III Leo F. Wells, III	President and Director (Principal Executive Officer)
/s/ Douglas P. Williams Douglas P. Williams	Executive Vice President and Director (Principal Financial and Accounting Officer)
/s/ John L. Bell* John L. Bell (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ Michael R. Buchanan** Michael R. Buchanan (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ Richard W. Carpenter* Richard W. Carpenter (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ Bud Carter* Bud Carter (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ William H. Keogler, Jr. * William H. Keogler, Jr. (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ Donald S. Moss* Donald S. Moss (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ Walter W. Sessoms* Walter W. Sessoms (By Douglas P. Williams, as Attorney-in-fact)	Director
/s/ Neil H. Strickland* Neil H. Strickland (By Douglas P. Williams, as Attorney-in-fact)	Director

* By Douglas P. Williams, as Attorney-in-fact, pursuant to Power of Attorney dated April 5, 2002 and included as Exhibit 24.1 herein.

** By Douglas P. Williams, as Attorney-in-fact, pursuant to Power of Attorney dated July 10, 2002 and included as Exhibit 24.2 herein.

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EXHIBIT INDEX

Exhibit No.	Description
1.1	Form of Dealer Manager Agreement (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
1.2	Form of Warrant Purchase Agreement (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
3.1	Amended and Restated Articles of Incorporation dated as of July 1, 2000 (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on August 31, 2000)
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation dated as June 26, 2002 (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
3.3	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)
3.4	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 (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
8.1	Opinion of Holland & Knight LLP as to tax matters (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
8.2	Opinion of Holland & Knight LLP as to ERISA matters (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.1	Advisory Agreement dated January 30, 2002 (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
10.2	Amended and Restated Property Management and Leasing Agreement among Registrant, Wells Operating Partnership, L.P. and Wells Management Company, Inc. (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.3	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)

10.4	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)
10.5	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)
10.6	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)
10.7	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)
10.8	Joint Venture Partnership Agreement of Fund VIII-IX-REIT Joint Venture (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on August 31, 2000)
10.9	Joint Venture Partnership Agreement of Wells Fund XIII-REIT Joint Venture Partnership (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)
10.10	Agreement of Limited Partnership of Wells Operating Partnership, L.P. as Amended and Restated as of January 1, 2000 (previously filed in and incorporated by reference to Form 10-K of Registrant for the fiscal year ended December 31, 2000, Commission File No. 0-25739)
10.11	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)
10.12	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)
10.13	Loan Agreement with SouthTrust Bank, N.A. for a $35,000,000 revolving line of credit dated May 3, 2000 (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on September 8, 2000)
10.14	Promissory Note for $35,000,000 to SouthTrust Bank, N.A. (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on September 8, 2000)
10.15	Allonge to Revolving Note relating to the SouthTrust Bank N.A. $32,393,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.16	First Amendment to Revolving Loan Agreement and Other Loan Documents relating to the SouthTrust Bank N.A. $32,393,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.17	Second Note Modification Agreement relating to the SouthTrust Bank N.A. $12,844,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.18	Second Amendment to Amended and Restated Loan Agreement and Other Loan Documents relating to the SouthTrust Bank N.A. $12,844,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.19	Revolving Note relating to the SouthTrust Bank N.A. $19,003,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.20	Revolving Loan Agreement relating to the SouthTrust Bank N.A. $19,003,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.21	Amended and Restated Revolving Note relating to the SouthTrust Bank N.A. $7,900,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.22	Amended and Restated Loan Agreement relating to the SouthTrust Bank N.A. $7,900,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.23	Revolving Credit Agreement relating to the Bank of America, N.A. $85,000,000 revolving line of credit (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
10.24	Construction Loan Agreement relating to the Bank of America, N.A. $34,200,000 construction loan (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
10.25	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)
10.26	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)
10.27	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)

10.28	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 Motorola Tempe 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)
10.31	First Amendment to Lease Agreement for the Motorola Tempe 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)
10.32	Ground Lease Agreement for the Motorola Tempe 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)
10.33	Lease Agreement for the Motorola Plainfield Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 1, 2000)
10.34	Lease Agreement with Stone & Webster, Inc. for a portion of the Stone & Webster Building (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. 333-44900, filed on February 9, 2001)
10.35	Lease Agreement with Sysco Corporation for a portion of the Stone & Webster Building (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. 333-44900, filed on February 9, 2001)
10.36	Lease Agreement for the Metris Minnesota Building (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. 333-44900, filed on February 9, 2001)
10.37	Fourth Amendment to Lease Agreement for the Metris Minnesota Building (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. 333-44900, filed on February 9, 2001)
10.38	Guaranty of Lease for the Metris Minnesota Building (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. 333-44900, filed on February 9, 2001)
10.39	Lease Agreement for the Comdata Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)

10.40	First Amendment to Lease Agreement for the Comdata Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)
10.41	Lease Agreement for the State Street Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.42	Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.43	First Amendment to Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.44	Reinstatement of and Second Amendment to Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.45	Agreement of Sale for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.46	Lease Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.47	Guaranty of Lease for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.48	Development Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.49	Design and Build Construction Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.50	Indenture of Lease Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.51	Guaranty of Lease Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
10.52	Absolute Assignment of Lease and Assumption Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.53	Bond Real Property Lease Agreement for the Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)
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10.60	Lease Agreement with Transocean Deepwater Offshore Drilling, Inc. for a portion of the Transocean Houston Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.61	Lease Agreement with Newpark Drilling Fluids, Inc. for a portion of the Transocean Houston Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.62	Lease Agreement for the Dana Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.63	Second Amendment to Lease Agreement for the Dana Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.64	Lease Agreement for the Dana Kalamazoo Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.65	Second Amendment to Lease Agreement for the Dana Kalamazoo Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the

	Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)
10.66	Purchase and Sale Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.67	Lease Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.68	Lease Amendment to Lease Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.69	Purchase and Sale Agreement and Escrow Instructions for the Agilent Boston Building(previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.70	Lease Agreement for the Agilent Boston Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
10.71	Purchase and Sale Agreement for the TRW Denver Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.72	Lease Agreement for the TRW Denver Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.73	Purchase and Sale Agreement for the MFS Phoenix Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.74	Lease Agreement for the MFS Phoenix Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.75	Purchase and Sale Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.76	Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.77	Amendment No. 5 to Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.78	Ground Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.79	Purchase and Sale Agreement for the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.80	Lease Agreement for Building No. 1 of the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.81	Amendment to Lease Agreement for Building No. 1 of the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.82	Lease Agreement for Building No. 2 of the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.83	Amendment to Lease Agreement for Building No. 2 of the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.84	Lease Agreement for Building No. 3 of the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.85	Amendment to Lease Agreement for Building No. 3 of the Nokia Dallas Buildings (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. 333-85848, filed on October 25, 2002)
10.86	Agreement of Sale for the KeyBank Parsippany Building (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. 333-85848, filed on October 25, 2002)
10.87	Lease Agreement with KeyBank U.S.A., N.A. for a portion of the KeyBank Parsippany Building (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. 333-85848, filed on October 25, 2002)
10.88	Lease Agreement with Gemini Technology Services for a portion of the KeyBank Parsippany Building (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. 333-85848, filed on October 25, 2002)
10.89	Amendment to Lease Agreement with Gemini Technology Services for a portion of the KeyBank Parsippany Building (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. 333-85848, filed on October 25, 2002)
10.90	Purchase and Sale Agreement for NASA Buildings, filed herewith
10.91	Lease Agreement with the Office of the Comptroller of the Currency and amendments thereto, filed herewith
10.92	Lease Agreement with the United States of America (NASA) and amendments thereto, filed herewith
10.93	Agreement of Purchase and Sale for Nestle Building, filed herewith
10.94	Loan Agreement for $90,000,000 loan assumed with Landesbank Schleswig-Holstein Gironzentrale, Kiel
10.95	Lease Agreement for Nestle Building, filed herewith
10.96	Various amendments to Lease Agreement for Nestle 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 (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
23.3	Consent of Ernst & Young LLP, filed herewith
23.4	Consent of Ernst & Young LLP, filed herewith
24.1	Power of Attorney, filed herewith
24.2	Power of Attorney of Michael R. Buchanan, filed herewith

EXHIBIT 10.90

PURCHASE AND SALE AGREEMENT FOR NASA BUILDINGS

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "**Agreement**") is made and entered into as of the 12th day of November, 2002 (the "**Effective Date**"), by and between SOUTHWEST MARKET LIMITED PARTNERSHIP, a District of Columbia limited partnership ("**Seller**"), and WELLS CAPITAL, INC., a Georgia corporation ("**Purchaser**").

1. PURCHASE AND SALE OF PROPERTY.

On the terms and conditions stated in this Agreement, Seller hereby agrees to sell to Purchaser and Purchaser hereby agrees to purchase from Seller all of the following described property (collectively, the "**Property**"):

1.1 Land. Seller's fee simple interest in and to all of that certain tract of land situated in the District of Columbia, and described more particularly in Exhibit A attached hereto and incorporated herein by reference, together with all rights and appurtenances pertaining to such land, including, without limitation, all of Seller's right, title and interest in and to (i) all minerals, oil, gas, and other hydrocarbon substances thereon, (ii) all adjacent strips, streets, roads, alleys and rights-of-way, public or private, open or proposed, (iii) all easements, privileges, and hereditaments, whether or not of record, and (iv) all access, air, water, riparian, development, utility, and solar rights (collectively, the "**Land**").

1.2 Improvements. A 9-story, approximately 341,520 square foot office building situated at 250 E Street, S.W., known as "**One Independence Square**", which is leased in its entirety to the Office of Comptroller of the Currency ("**OCC**"); a 9-story, approximately 601,017 square foot office building situated at 300 E Street, S.W., known as "**Two Independence Square**", the majority of which is leased to the National Aeronautics and Space Administration ("**NASA**"); a one-story, approximately 6,276 square foot building situated at 200 E Street, S.W., known as the "**Market Inn Parcel**", which is leased to a restaurant operator and operated as the Market Inn restaurant, and all other improvements and structures constructed on the Land (collectively, the "**Improvements**").

1.3 Personal Property. All of Seller's right, title and interest in and to (specifically excluding any property owned by tenants under leases) the following:

(i) mechanical systems, fixtures and equipment comprising a part of or attached to or located upon the Improvements;

(ii) maintenance equipment and tools, if any, owned by Seller and used exclusively in connection with, and located in or on, the Improvements;

(iii) site plans, surveys, plans and specifications, marketing materials and floor plans in Seller's possession which relate to the Land or Improvements;

(iv) pylons and other signs situated on or at the Land or Improvements; and

(v) other tangible personal property owned by Seller and used exclusively in connection with, and located in or on, the Land or Improvements (collectively, the "**Personal Property**").

1.4 Leases. Seller's interest in all leases, rental agreements, licenses, license agreements and other occupancy agreements with tenants occupying all or any portion of the Improvements (collectively, the "**Leases**"), a current list of which is attached hereto as Exhibit B, but excluding the Agreement to Lease with Colonial Parking, Inc. (the "**Colonial Lease**") that is listed thereon, which is to be terminated by Seller prior to Closing; any guaranties applicable thereto; and all security deposits held by Seller in connection with the Leases and not applied pursuant to the terms thereof, a current list of which is attached hereto as Exhibit B-1.

1.5 Contracts. Subject to Section 7.2 hereof, Seller's interest in all contract rights related to the Land, Improvements, Personal Property or Leases that will remain in existence after Closing (as hereinafter defined), to the extent assignable, including, without limitation, Seller's interest in the following: parking, management, employment, maintenance, construction, commission, architectural, parking, supply or service contracts, warranties, guarantees and bonds and other agreements related to the Improvements, Personal Property, or Leases, but expressly excluding the existing property management agreement, which will be terminated as of the time of Closing (collectively, the "**Contracts**"), a current list of which is attached hereto as Exhibit C.

1.6 Permits. Seller's interest in all permits, licenses, certificates of occupancy, and governmental approvals which relate to the Land, Improvements, Personal Property, Leases, or Contracts, to the extent assignable (collectively, the "**Permits**").

1.7 Intangible Property. All of Seller's right, title and interest, if any, in and to the name of the Improvements and the logo therefor, if any.

2. PURCHASE PRICE AND DEPOSIT.

2.1 Payment. The purchase price (the "**Purchase Price**") for the Property will be the sum of Three Hundred Forty-Five Million and No/100 Dollars ($345,000,000.00), subject to adjustment as set forth in this Agreement. The Purchase Price will be payable by wire transfer of immediately available funds at the Closing.

2.2 Deposit.

2.2.1 Within one (1) Business Day (as defined in Section 15.11) following the Effective Date of this Agreement, Purchaser shall deposit with Commercial Settlements, Inc. (the "**Escrow Agent**") the sum of Ten Million Three Hundred Fifty Thousand and No/100 Dollars ($10,350,000.00), which amounts to three percent (3%) of the Purchase Price, in the form of cash as a non-refundable deposit (except as otherwise provided herein) to assure Purchaser's performance hereunder (together with all interest thereon, the "**Deposit**"). Prior to making the Deposit, Seller, Purchaser and the Escrow Agent shall enter into an escrow agreement substantially in the form of Exhibit D attached hereto (the "**Escrow Agreement**"). Purchaser's failure timely to deposit any amount required pursuant to this Section 2.2.1 shall be deemed a default under this Agreement entitling Seller immediately and without notice to terminate this Agreement as its sole remedy.

2.2.2 Escrow Agent shall place the Deposit in an interest-bearing escrow account at a federally-insured commercial bank acceptable to both Seller and Purchaser. The Escrow Agent shall hold the Deposit in accordance with this Agreement and the Escrow Agreement. At Closing, Escrow Agent shall deliver the Deposit to Seller and credit it against the Purchase Price.

3. TITLE AND SURVEY.

3.1 State of Title to be Conveyed. Title to the Property shall be conveyed to Purchaser at Closing in fee simple by Special Warranty Deed, free and clear of any and all liens, mortgages, deeds of trust, security interests and other encumbrances, except for (i) the standard printed exclusions from coverage contained in the ALTA form of owner's title policy issued by the Title Company (as defined below) and those items identified on Schedule B-II of the Title Commitment (as defined below), a copy of which appears as Schedule 3.1 attached hereto; (ii) the lien of real estate taxes, water, sewer, vault and other public charges not yet due and payable; and (iii) any state of facts shown on the Survey (as defined below). The items referred to in clauses (i) through (iii) above are hereinafter referred to, collectively, as the "**Permitted Exceptions**."

3.2 Title Commitment and Survey. Purchaser hereby acknowledges receipt of (i) that certain Commitment for Title Insurance No. 020671 issued by Commonwealth Land Title Insurance Company (the "**Title Company**"), dated September 22, 2002, as revised through November 12, 2002 (the " **Title Commitment**"), identifying no exceptions to title other than the Permitted Exceptions, together with copies of all instruments giving rise to any liens, encumbrances, defects or other exceptions to title noted therein; and (ii) a survey of One Independence Square prepared by Associated Engineers, Inc., dated January 30, 1992 and last revised on November 12, 2002, and a survey of Two Independence Square prepared by VIKA Incorporated, dated November 1, 2002 (collectively, the "**Survey**"), identifying no exceptions to title other than the Permitted Exceptions. Purchaser hereby accepts the state of title and survey as reflected in the Title Commitment and Survey and waives any claim of defect or other title or survey objection based on matters revealed in the aforesaid Title Commitment or Survey, and waives any title or survey objections that would be revealed by a survey of the Market Inn Parcel.

4. PROPERTY INFORMATION.

4.1 Property Information. Seller has delivered, or otherwise made available, as appropriate, to Purchaser, for Purchaser's review, prior hereto, copies of all Leases, Contracts, Permits, studies and other information pertaining to the Property in Seller's possession (collectively, the " **Property Information**"). Purchaser shall keep such Property Information confidential, subject to Purchaser's right to disseminate Property Information to or among the parties listed in Section 16.2 of this Agreement, subject to the restrictions set forth in Section 16.2. Seller makes no representation or warranty as to the truth or accuracy of the Property Information provided to Purchaser, except as otherwise expressly provided in this Agreement.

5. PURCHASER'S DUE DILIGENCE.

5.1 Purchaser's Due Diligence. Purchaser hereby acknowledges that it has been provided access to the Property and the Property Information pursuant to an access and indemnity agreement entered into prior hereto (the terms of which shall continue in effect through the Closing Date or any earlier termination of this Agreement, and the indemnification obligations of which shall survive the Closing and any termination of this Agreement) for the purpose of conducting such investigations, inspections, audits, analyses, surveys, tests, examinations, studies, and appraisals of the Property as Purchaser has deemed necessary or desirable, at Purchaser's sole cost and expense, in order to determine whether the Property is suitable for Purchaser's purposes. Purchaser has completed its investigations of the Property prior hereto and has determined that it is suitable for Purchaser's purposes. Purchaser hereby waives any right to a study period hereunder or right to terminate this Agreement, except as expressly provided herein.

5.2 As Is, Where Is.

5.2.1 Except as provided in the express representations and warranties of Seller set forth in Section 6.1 of this Agreement and in Seller's Special Warranty Deed to be delivered at Closing (collectively, the "**Express Representations**"), Seller does not, by the execution and delivery of this Agreement, and Seller shall not, by the execution and delivery of any document or instrument executed and delivered in connection with Closing, make any representation or warranty, express or implied, of any kind or nature whatsoever, with respect to the Property, and all such warranties are hereby disclaimed.

5.2.2 Without limiting the generality of the foregoing, other than the Express Representations, Seller makes, and shall make, no express or implied warranty as to matters of zoning, acreage, tax consequences, physical or environmental condition (including, without limitation, laws, rules, regulations, orders and requirements pertaining to the use, handling, generation, treatment, storage or disposal of any toxic or hazardous waste or toxic, hazardous or regulated substance), valuation, governmental approvals, governmental regulations or any other matter or thing relating to or affecting the Property (collectively, the "**Disclaimed Matters**").

5.2.3 Notwithstanding anything to the contrary set forth in this Agreement, but subject to Seller's obligations set forth in Section 7.1 hereof, the Property, including without limitation the roofs, all structural components, all heating, ventilating, air conditioning, mechanical, plumbing, and electrical systems, fire and life safety and all other parts of the buildings constituting a portion of the Property, shall be conveyed to Purchaser, and Purchaser shall accept same, in their "AS IS" "WHERE IS" condition on the closing date, "WITH ALL FAULTS" and "SUBJECT TO ALL DEFECTS." Purchaser acknowledges that Seller's willingness to sell the Property to Purchaser at the Purchase Price has been induced, in part, by the agreement of Purchaser to purchase the Property in such "AS IS" condition. Purchaser hereby acknowledges, represents and warrants that it is not in a disparate bargaining position with respect to Seller in connection with the transaction contemplated hereby, that Purchaser freely and fairly agreed to the waivers and conditions of this Section 5.2 as part of the negotiations of this Agreement, and Purchaser has been represented by adequate legal

counsel in connection herewith and has conferred with such legal counsel concerning the waivers and other conditions of this Section 5.2.

5.2.4 Without in any way limiting any provision of this Section 5.2, Purchaser specifically acknowledges and agrees that, except with respect to the obligations of Seller set forth in Section 7.1 hereof, Purchaser hereby waives, releases and discharges any claim it has, might have had or may have against Seller with respect to (a) the Disclaimed Matters, (b) the condition of the Property as of the Closing Date, (c) the past, present or future condition or compliance of the Property with regard to any environmental protection, pollution control or land use laws, rules, regulations, orders or requirements, including, without limitation, CERCLA (as hereinafter defined), or (d) any other state of facts that exists with respect to the Property. Notwithstanding the foregoing, this Section 5.2.4 shall not limit any claim by Purchaser against Seller for Seller's (i) breach of any of the Express Representations, or (ii) fraud, or (iii) failure to comply with Seller's covenants set forth in this Agreement, subject to the limitations set forth in Sections 8 and 11 hereof.

6. REPRESENTATIONS AND WARRANTIES.

6.1 Seller's Representations and Warranties. Seller represents to Purchaser as of the Effective Date of this Agreement as follows:

6.1.1 Organization. Seller is duly formed, validly existing and in good standing under the laws of the jurisdiction of its organization.

6.1.2 Authority/Consent. Seller is the owner of the fee simple interest in the Property and, except as provided below, possesses all requisite power and authority, and has taken or will by Closing have taken all actions required by its organizational documents and applicable law to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement.

6.1.3 Litigation. Except as may be disclosed on Schedule 6.1.3 attached hereto, no material action, suit or other proceeding (including, but not limited to, any condemnation action) is pending or, to Seller's knowledge, has been threatened in writing that concerns or involves the Property.

6.1.4 Bankruptcy. No bankruptcy, insolvency, reorganization or similar action or proceeding, whether voluntary or involuntary, is pending, or, to Seller's knowledge, threatened, against Seller.

6.1.5 Other Sales Agreements. Seller has not entered into any other contract to sell the Property or any part thereof which is currently in effect.

6.1.6 Contracts. Except for the contracts referenced on the list of Contracts attached hereto as Exhibit C, there are no contracts of construction, employment, management, service, or supply in effect entered into by Seller which will affect the Property or operations of the Property after Closing.

6.1.7 Leases. Except for the Leases referenced on the list of Leases attached hereto as Exhibit B and leases, amendments or other occupancy agreements which may be entered into by Seller pursuant to Section 7.1 hereof, there are no leases, rental agreements, licenses, license agreements or other occupancy agreements with tenants in effect which will affect the Property after Closing. To Seller's knowledge, each Lease is in full force and effect, and no rent has been paid more than one month in advance. To Seller's knowledge, except as may be described in Schedule 6.1.7 attached hereto, there exists no default by Seller or any tenant under any of the Leases. To Seller's knowledge, there are no outstanding monetary obligations owed by Seller to the tenant leasing the Market Inn Parcel. To Seller's knowledge, Exhibit B-2 hereto identifies all outstanding leasing commissions payable with respect to the Leases. Seller has provided Purchaser with full and complete copies of all Leases, including all amendments and modifications thereto, prior to the execution of this Agreement by Purchaser and Seller.

6.1.8 Violations of Law. Seller has not received written notice from any governmental authority of any material violation of any federal, state, county or municipal laws, ordinances, orders, regulations and requirements affecting the Property or any portion thereof (including the conduct of business operations thereon) which are unresolved. In addition, except as may be included in the Property Information or otherwise disclosed in writing to Purchaser, Seller has not received any written notice from any governmental authorities with respect to (i) any special assessments or proposed increases in the assessed value of the Property; (ii) any condemnation or eminent domain proceedings affecting the Property; or (iii) any violation of any Environmental Law (as hereinafter defined) or any zoning, health, fire safety or other law, regulation or code applicable to the Property which remains outstanding.

6.1.9 Environmental Laws. Except with respect to issues disclosed in any environmental report(s) furnished to Purchaser by Seller as a part of the Property Information or otherwise obtained by Purchaser (collectively, the " **Phase I Report**"), or otherwise disclosed by Seller to Purchaser in writing, to Seller's knowledge, (i) the Property is not in violation of any Environmental Law (as hereinafter defined) relating to the Property, (ii) during Seller's term of ownership, the Property has not been used for industrial purposes or for the storage, treatment or disposal of hazardous substances (as defined by CERCLA, as hereinafter defined), other than equipment, cleaning solutions, maintenance materials and other products customarily used or stored incidental to the operation and/or maintenance of the Property, and (iii) no underground storage tanks are currently located at the Property, and (iv) no investigation, administrative order, consent order and agreement, litigation, or settlement with respect to Hazardous Substances is pending or threatened in writing with respect to the Property. As used herein, the term "**Environmental Law**" means any law, statute, ordinance, rule, regulation, order or determination of any governmental authority or agency affecting the Property and pertaining to health or the environment including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1982 (" **CERCLA**") and the Resource Conservation and Recovery Act of 1986 (" **RCRA**").

6.1.10 Foreign Person. Seller is not a "foreign person," "foreign trust" or "foreign corporation" within the meaning of the United States Foreign Investment in Real Property Tax Act of 1980 and the Internal Revenue Code of 1986, as subsequently amended.

6.1.11 District of Columbia Soil Characteristic. The characteristic of the soil of the Property, as described by the Soil Conservation Service of the U.S. Department of Agriculture in the Soil Survey Book of the District of Columbia (area 11) published in July, 1976, and as shown on the Soil Maps of the District of Columbia at the back of that publication, is Urban Land. For further information, Purchaser may contact a soil testing laboratory, the District of Columbia Department of Environmental Services or the Soil Conservation Service of the U.S. Department of Agriculture. The foregoing is set forth pursuant to requirements of the District of Columbia Code and is not intended, and shall not be construed as, limiting the conditions set forth herein with respect to Purchaser's right to make investigations, tests and studies satisfactory to it.

6.1.12 District of Columbia Underground Storage Tank Disclosure Notice. In accordance with the requirements of Section 3(g) of the District of Columbia Underground Storage Tank Management Act of 1990, as amended by the District of Columbia Underground Storage Tank Management Act of 1990 Amendment Act of 1992 (the "**Act**"), Seller has informed Purchaser, and hereby re-informs Purchaser, that, except as may be disclosed in the Phase I Report, Seller has no knowledge of the existence or removal, during Seller's ownership of the Property, of any underground storage tanks at or from the Property, as that term is defined in the Act. This disclosure notice was provided to Purchaser prior to entering into this Agreement.

6.2 Purchaser's Representations and Warranties. Purchaser represents to Seller, as of the Effective Date of this Agreement as follows:

6.2.1 Organization. Purchaser is duly formed, validly existing and in good standing under the laws of the jurisdiction of its organization.

6.2.2 Authority/Consent. Purchaser possesses all requisite power and authority, has taken all actions required by its organizational documents and applicable law, and has obtained all necessary consents, to execute and deliver this Agreement and to consummate the transactions contemplated in this Agreement.

6.3 Knowledge. For purposes of this Agreement, the phrase "to Seller's knowledge" means the present, actual knowledge of Mark Williams, Property Manager, E. Mitchell Norville, Senior Vice President, and Raymond A. Ritchey, Executive Vice President, current employees of Seller or its constituent members, which employees are in the primary positions of responsibility with respect to the Property, without investigation or review of files relating to the Property.

7. COVENANTS OF SELLER PRIOR TO CLOSING.

7.1 Operation of Property. From the Effective Date until the Closing, Seller shall operate the Property in accordance with the terms of this Section 7.1.

7.1.1 From the Effective Date until the Closing, Seller shall continue to operate, maintain and repair the Property in the ordinary course of business in substantially the same manner as it is now operated, maintained and repaired, and shall use its good faith efforts to timely perform and discharge all of the duties and obligations of the landlord under, and

otherwise comply with, the Leases in all material respects, at Seller's expense, and take such actions as are commercially reasonable to enforce the terms and provisions of the Leases, but shall not take any of the following actions after the Effective Date without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed: (a) make or permit to be made any material alterations to or upon the Property, (b) enter into any contracts for the provision of services and/or supplies to the Property which are not terminable by Purchaser upon thirty (30) days' prior written notice following the Closing, or amend or modify the Contracts in any manner, unless such Contract as amended may be terminated without penalty to Purchaser upon thirty (30) days' prior written notice, (c) enter into any leases with respect to the Property or any part thereof, or extend, modify, cancel or otherwise alter any one or more of the Leases, unless such action is required to be performed under the terms of the applicable Lease (other than the termination of the Colonial Lease), (d) reduce or change in any material respect the level of maintenance to the Property, (e) sell or transfer the Property or any interest therein or actively negotiate with any third party respecting the sale of the Property or any interest therein, or otherwise dispose of the Improvements or any part thereof of interest therein, or alter or amend the zoning classification of the Improvements, or (f) remove or permit the removal from the Property of any fixtures, mechanical equipment, or any other item included in the Property except when replaced with items of equal or greater quality and except for the use and consumption of inventory, office and other supplies and spare parts, and the replacement of worn out, obsolete and defective tools, equipment and appliances, in the ordinary course of business.

7.1.2 Notwithstanding the foregoing, Seller shall have no obligation to Purchaser to (a) bring the Property into compliance with any laws or regulations applicable to the Property, (b) make any repairs or improvements to any portion of the Property that would improve the condition of the Property beyond the condition of the Property as it exists on the Effective Date, or (c) make or perform, during the term of this Agreement, any capital repairs or replacements.

7.1.3 Prior hereto, Purchaser has determined which service agreements and other contracts are terminable and, among those, which Purchaser elects to have Seller terminate, and Seller will deliver notices of termination at Closing canceling such agreements. At Closing, Seller shall assign to Purchaser, and Purchaser shall assume, the Contracts (as identified on Exhibit C hereto) pursuant to the Blanket Conveyance, Bill of Sale, and Assignment referenced in Section 9.2.1.2.

7.2 Notices. Promptly after receipt, Seller shall provide Purchaser with copies of any written notices that Seller receives with respect to (i) any special assessments or proposed increases in the valuation of the Property; (ii) any condemnation or eminent domain proceedings affecting the Property; or (iii) any violation of any Environmental Law or any zoning, health, fire, safety or other law, regulation or code applicable to the Property. In addition, Seller shall deliver or cause to be delivered to Purchaser, promptly upon receipt thereof by Seller, copies of any written notices of default given or received by Seller under any of the Leases.

7.3 Litigation. Seller will advise Purchaser promptly of any litigation, arbitration proceeding or administrative hearing which concerns or affects the Property in any manner and which is instituted after the Effective Date.

7.4 Insurance. Prior to Closing, Seller will maintain Seller's existing insurance coverage with respect to the Property, which coverage is described in the certificates of insurance included in the Property Documents made available to Purchaser prior hereto.

7.5 Estoppel Certificates. Seller shall use commercially reasonable efforts to obtain and deliver to Purchaser, not later than the Closing Date, (i) from the OCC, an estoppel certificate substantially in the form attached hereto as Exhibit L-1, and (ii) from NASA, a lease status report substantially in the form attached hereto as Exhibit L-2 (collectively, the "**Lease Certificates**"). In addition, Seller shall use commercially reasonable efforts to obtain an estoppel certificate in substantially the form of Exhibit E attached hereto from the tenant leasing the Market Inn Parcel.

7.6 Seller Cooperation. Seller agrees to provide to Purchaser such historical financial information concerning the Property and a Seller certification thereof as may be reasonably necessary in order for Purchaser to comply with the Securities and Exchange Commission financial reporting requirements. The provisions of this Section 7.6 shall survive the Closing.

7.7 Reliance on Phase I Report. It is the intention of Purchaser and Seller that Purchaser shall be entitled to rely upon the Phase I Report (" **Phase I**") previously prepared by Mactec Engineering and Consulting, Inc. (" **Mactec**") for the benefit of Seller. It is also the intention of Purchaser and Seller that Mactecenter into a Secondary Client Agreement ("**SCA**") with Purchaser, pursuant to which Purchaser shall have the right to rely on the Phase I, subject to the terms and conditions therein, including a cap on the amount of Mactec's liability thereunder (the " **Cap**"). Purchaser shall use good faith efforts to enter into an SCA with Mactec after the Effective Date. Seller agrees that if Purchaser discovers a violation of Environmental Law or contamination by Hazardous Substances in, on or under the Property that was not disclosed in the Phase I and for which Mactec would have been liable, then (A) in the event that Mactec and Purchaser have entered into an SCA, Seller agrees to pay Purchaser the difference between (i) the full amount of any claim for damages on account thereof that Purchaser would have been entitled to recover from Mactec if it were not for the Cap, but not to exceed a total recovery of $1,000,000; and (ii) the amount of the Cap; or (B) in the event that Mactec and Purchaser have not entered into an SCA, Seller agrees to pay Purchaser the full amount of any claim for damages on account thereof that Purchaser would have been entitled to recover from Mactec had Purchaser and Mactec entered into an SCA, but not to exceed a total recovery of $1,000,000. The obligations of Seller pursuant to this Section 7.7 shall survive the Closing for a period of six (6) months, and are hereby guaranteed by BPLP.

8. CONDITIONS PRECEDENT TO CLOSING.

8.1 Conditions Precedent to Purchaser's Obligation to Close. Purchaser's obligation to purchase the Property is subject to satisfaction on or before the Closing Date (as such date may be extended as provided herein) of the following conditions, any of which may be waived in writing by Purchaser in Purchaser's sole and absolute discretion.

8.1.1 Title. A final examination of the title to the Real Property shall disclose no title exceptions except for the Permitted Exceptions, matters caused by Purchaser or its activities on the Property, or other matters approved in writing by Purchaser. In addition, the

title insurance company conducting the title examination (the " **Title Company**") shall be prepared to issue to Purchaser, at standard rates, an ALTA Form B (1992) owner's title insurance policy in the amount of the Purchase Price, insuring that the fee simple estate to the Property is vested in Purchaser, subject only to the Permitted Exceptions, matters caused by Purchaser or its activities on the Property, or other matters approved in writing by Purchaser and containing the endorsements attached to the Title Commitment.

8.1.2 Estoppel Certificates. Seller shall have obtained and delivered to Purchaser the Lease Certificates from, and duly executed by or on behalf of, OCC and NASA (the "**Required Estoppels**").

8.1.3 Delivery of Closing Documents. Seller shall have delivered each of the Closing Documents required to be delivered under Section 9.2.1 of this Agreement.

8.1.4 No Disapproval by OCC or NASA. Neither NASA (or the General Services Administration of the United States of America, acting on behalf of NASA) nor the OCC (to the extent approval of a novation is required from the OCC under applicable law) shall have expressly stated in writing to Purchaser or verbally to Seller and Purchaser that it will not approve or is not likely to approve Purchaser as the assignee under the novation agreement to be obtained following the Closing as required by applicable law. The parties agree to cooperate in contacting the appropriate contracting officer and soliciting an indication that Purchaser will be approved as assignee.

8.2 Conditions Precedent to Seller's Obligation to Close. Seller's obligation to sell the Property is subject to satisfaction, on or before the Closing Date (as such date may be extended as provided herein) of the following conditions, any of which may be waived in writing by Seller, in Seller's sole and absolute discretion:

8.2.1 Covenants. Purchaser shall have performed and observed, in all material respects, all covenants of Purchaser under this Agreement.

8.2.2 Representations and Warranties. All representations and warranties of Purchaser set forth in this Agreement shall be true and correct in all material respects as if made on the Closing Date.

8.3 Failure of a Condition.

8.3.1 In the event that any condition precedent to Closing has not been satisfied on or before the Closing Date, then the party whose conditions to Closing have not been satisfied (the "**Unsatisfied Party**") shall give notice to the other of the condition or conditions which the Unsatisfied Party asserts are not satisfied. If the conditions specified in such notice are not satisfied within ten (10) Business Days after receipt of such notice, then either party may terminate this Agreement, whereupon neither party shall have any further rights or obligations hereunder (other than any obligations of either party that expressly survive termination), except if such failure of a condition is due to a default by one of the parties, in which event the non-defaulting party shall have those rights and remedies set forth in Article 11. Notwithstanding anything contained herein to the contrary, if any of the conditions precedent to Purchaser's obligation to close, as set forth in Section 8.1 hereof, are not satisfied within the 10 Business Day

period specified above and the same are reasonably susceptible of being cured, Seller shall have the right to extend such period in which to satisfy the unsatisfied condition for a period of up to thirty (30) additional days, by giving notice thereof to Purchaser within such 10 Business Day period. It is understood and agreed that the failure of any condition set forth in Section 8.1.1 hereof (Title) that is not reasonably susceptible of being cured within the time allotted shall not constitute a default, breach of a covenant or other failure to perform by Seller hereunder; it being understood and agreed that in no event shall a monetary lien be deemed a condition that is not reasonably susceptible of being cured.

8.3.2 If either of the Required Estoppels is not obtained and delivered pursuant to the condition set forth in Section 8.1.2 hereof and such condition remains unsatisfied after the passage of the cure periods set forth in Section 8.3.1 above, then Seller shall have the right, but not the obligation, to deliver to Purchaser a Seller's estoppel in substantially the same form as the Lease Certificate that was to have been delivered by the OCC or NASA, as applicable, in place of any such Lease Certificate that Seller is unable to obtain from the OCC or NASA in satisfaction of such condition, the representations and warranties of which shall survive the Closing for a period of twenty-five (25) months. If Seller delivers a Seller estoppel pursuant to this Section 8.3.2, then Seller shall have the right at any time to substitute a Lease Certificate subsequently obtained from the tenant for the corresponding Seller's estoppel previously delivered by Seller; provided that, if any such substitute Lease Certificate contradicts the corresponding Seller's certificate in any material respect or omits any material certification contained in the corresponding Seller's certificate, then the Seller's certificate shall continue in effect solely with respect to such material contradiction or omission. The obligations of Seller with respect to any such Seller estoppel shall be guaranteed by Boston Properties Limited Partnership ("**BPLP**").

8.3.3 If the transaction contemplated by this Agreement closes, the parties shall be deemed to have waived any and all unmet or unsatisfied conditions, other than any unmet or unsatisfied conditions arising out of a breach by either party of any of its representations and warranties hereunder of which the other party has no knowledge as of Closing.

8.4 Representations and Warranties. All representations and warranties of Seller set forth in this Agreement shall be true and correct in all material respects as of the Closing Date, subject to changes not willfully caused by Seller (e.g., a change in the assessed value of the Property or a notice of condemnation) and changes in the ordinary course of business, including, but not limited to, changes as a result of leases, lease terminations, amendments and other occupancy agreements which may be entered into by Seller pursuant to Section 7.1 hereof (and except to the extent any such representations and warranties expressly relate to an earlier date, and except such changes as are permitted under, or result by reason of the effect of, this Agreement). It is understood and agreed, however, that the truth and correctness of such representations and warranties shall not constitute a condition precedent to Closing hereunder, and if any such representation or warranty is not true and correct in all material respects as of the Closing Date, the parties shall continue to be absolutely and unconditionally obligated to consummate the transaction contemplated hereunder, and Purchaser's sole rights and remedies with respect to such breach shall be as set forth in Section 11 hereof.

9. CLOSING.

9.1 Closing Date. The consummation of the transaction contemplated hereby (the "**Closing**") will take place at the office of Seller's counsel in Washington, D.C., via an escrow closing, on the date that is twenty (20) Business Days after the Effective Date, or such earlier date as Seller and Purchaser may mutually agree upon (the "**Closing Date**"), TIME BEING OF THE ESSENCE. If Seller, in its sole and absolute discretion, agrees to extend the Closing Date at Purchaser's request (Seller having no obligation whatsoever to consider or agree to any such extension), and the Closing is completed (including recordation of the deed) after December 31, 2002, then Purchaser shall be solely responsible for all increased costs of Closing resulting from such extension of the Closing Date, including, but not limited to, any increase in the transfer and recordation costs payable as a result thereof; provided that, if the Closing Date is extended to a date after December 31, 2002, to allow for satisfaction of any condition precedent to Purchaser's obligation to close (as set forth in Section 8.1 hereof) which is not satisfied on or before December 31, 2002 (and not upon Purchaser's request), then Seller shall be solely responsible for all increased costs of Closing resulting from such extension of the Closing Date.

9.2 Seller's Obligations at the Closing. At the Closing, Seller will do, or cause to be done, the following:

9.2.1 Closing Documents. Seller shall execute, acknowledge (if necessary) and deliver originals of the following documents:

9.2.1.1 Special Warranty Deed in the form of Exhibit F hereto;

9.2.1.2 Bill of Sale in the form of Exhibit G hereto;

9.2.1.3 Assignment and Assumption Agreement in the form of Exhibit H hereto;

9.2.1.4 Certificate of Non-Foreign Status in the form of Exhibit I hereto;

9.2.1.5 Letters to each tenant under the Leases in the form and substance of Exhibit J hereto, notifying tenants of the conveyance of the Property to Purchaser and advising them that, following the Closing Date, all future payments of rent are to be made to Purchaser or at Purchaser's direction;

9.2.1.6 Settlement statement showing all of the payments, adjustments and prorations provided for in Section 9.5 and otherwise agreed upon by Seller and Purchaser;

9.2.1.7 Customary form of affidavit for the benefit of the Title Company certifying (i) the absence of claims which would give rise to mechanics' and materialmen's liens; (ii) that Seller and the tenants under the Leases are the only parties in possession of the Property; and (iii) such other matters as may be required by the Title Company in accordance with the Title Commitment. Seller shall also deliver to the Title Company such evidence as may be reasonably required by the Title Company with respect to the authority of the person(s) executing the deed of conveyance; and

9.2.2 Original Property Information Documents. Seller will deliver to Purchaser originals within Seller's possession of all items comprising the Property Information referenced in Article 4.

9.2.3 Possession. Seller will deliver possession of the Property, subject to the Leases.

9.2.4 Keys. Seller will deliver all keys in the possession or subject to the control of Seller, including, without limitation, master keys as well as combinations, card keys and cards for the security systems, if any.

9.2.5 Costs. Seller will pay all costs allocated to Seller pursuant to Section 9.5 of this Agreement.

9.3 Purchaser's Obligations at the Closing. At the Closing, Purchaser will do, or cause to be done, the following:

9.3.1 Closing Documents. At Closing, Purchaser shall execute, acknowledge (if necessary) and deliver originals of the following documents:

9.3.1.1 Bill of Sale in the form of Exhibit G hereto;

9.3.1.2 Assignment and Assumption Agreement in the form and substance of Exhibit H hereto;

9.3.1.3 Settlement statement showing all of the payments, adjustments and prorations provided for in Section 9.5 and otherwise agreed upon by Seller and Purchaser;

9.3.1.4 Such evidence as may be reasonably required by the Title Company with respect to the authority of the person(s) executing the documents required to be executed by Purchaser on behalf of Purchaser; and

9.3.2 Payment of Consideration. Purchaser will pay to Seller the Purchase Price in accordance with Article 2 of this Agreement, as adjusted in accordance with the provisions of this Agreement.

9.3.3 Costs. Purchaser will pay all costs allocated to Purchaser pursuant to Section 9.5 of this Agreement.

9.4 Escrow. The delivery of the documents and the payment of the sums to be delivered and paid at the Closing shall be accomplished through an escrow with the Escrow Agent.

9.5 Costs and Adjustments at Closing.

9.5.1 Expenses. Subject to the provisions of Section 9.1 hereof, the local recordation and transfer taxes and recording fees imposed upon or payable in connection with the recordation of the deed to the Property, and any closing or escrow fees of the Escrow Agent shall

be paid one-half by Purchaser and one-half by Seller. Purchaser shall pay all costs and fees for title examination, title insurance and other title company charges, the survey of the Property and all of Purchaser's due diligence studies and investigations. Seller and Purchaser shall each pay their respective attorney's fees.

9.5.2 Real Estate and Personal Property Taxes. Real estate, personal property and ad valorem taxes for the year in which the Closing occurs will be prorated between Seller and Purchaser as of the Closing Date on the basis of actual bills therefor, if available. If such bills are not available, then such taxes and other charges shall be prorated on the basis of the most currently available tax bills and, thereafter, promptly re-prorated upon the availability of actual bills for the period. All rebates or reductions in taxes received subsequent to Closing, net of costs of obtaining the same, shall be prorated as of the Closing, when received. The current installment of all special assessments, if any, which are a lien against the Property at the time of Closing and which are being or may be paid in installments shall be prorated as of the Closing Date.

9.5.3 Lease Security Deposits and Rents. Seller shall pay to Purchaser, as a credit against the Purchase Price, the amount of any security deposits actually received by Seller pursuant to the Leases and not yet refunded to tenants or applied against tenant defaults as permitted pursuant to the Leases. All rents, percentage rents, common area charges, real estate taxes and other costs or charges paid by tenants under the Leases shall be prorated as of the Closing Date, to the extent actually collected by Seller. To the extent that any government tenant pays rent under its Lease in arrears, the parties agree that the party receiving such payment shall promptly deliver to the other party its share of such rental payment, prorated as of the Closing Date. In addition, if any rent or other charges are delinquent at Closing, then Seller shall have the right to pursue all rights and remedies against the tenants to recover such delinquencies; provided, however, that Seller is not entitled to dispossess such tenants. Purchaser shall promptly remit to Seller any rent or payments for any charges received by Purchaser subsequent to Closing which are attributable to periods prior to Closing; provided, however, that such amounts received from tenants after Closing will first be applied to such charges as are then due and then applied in their reverse order of accrual until applied in full.

9.5.4 Utilities. Water, sewer, electric and other utility charges, other than those for which tenants under Leases are responsible directly to the provider, shall be prorated as of the Closing Date. If consumption of any of the foregoing is measured by meter, Seller shall, prior to the Closing Date, obtain a reading of each such meter and a final bill as of the Closing Date. If there is no such meter or if the bill for any of the foregoing will not have been issued as of the Closing Date, the charges therefor shall be adjusted at the Closing Date on the basis of the charges of the prior period for which such bills were issued and shall be further adjusted between the parties when the bills for the correct period are issued. Seller and Purchaser shall cooperate to cause the transfer of utility accounts from Seller to Purchaser. Seller shall be entitled to retain any utility security deposits to be refunded. At Closing, Purchaser shall post substitute utility security deposits to replace those previously paid by Seller or, if the utility provider will not refund such deposits to Seller, Seller shall be reimbursed therefor by Purchaser at Closing.

9.5.5 Insurance Policies. Premiums on insurance policies will not be adjusted. As of the Closing Date, Seller will terminate its insurance coverage and Purchaser will effect its own insurance coverage.

9.5.6 Leasing Commissions and Re-Leasing Costs. Outstanding leasing commissions shall be paid as set forth on Exhibit B-2 hereto. In addition, Seller agrees to pay for any tenant improvement costs and allowances, leasing commissions, and rent abatements (collectively, the " **Leasing Costs**") that may be incurred prior to or after the Closing in connection with the re-leasing or renewal of (i) the 1,684 square foot retail space that is currently vacant (the "**Vacant Space**"), (ii) the retail space now leased to Tae Yong & Company, and (iii) the retail space now leased to W.J. & Company, in an aggregate amount not to exceed the sum of eighty-seven thousand dollars ($87,000). For purposes hereof, the term Leasing Costs shall also include lost rent on the Vacant Space during any period of vacancy, based on an assumed rental rate of thirty-six dollars ($36.00) per rentable square foot. Such aggregate sum, or so much thereof as shall not have been applied to Leasing Costs prior to Closing, shall be deposited into escrow with the Escrow Agent at Closing (the " **Escrowed Sums**"), to be held in escrow and released to pay Leasing Costs as such costs are incurred. At such time as all three such retail spaces referred to above have been re-leased or renewed, any Escrowed Sums then remaining in escrow shall be returned to Seller, and Seller shall thereafter have no further obligations with respect to payment of Leasing Costs; provided that, if on the date that is twelve (12) months following the Closing Date any of such retail spaces have not been re-leased or renewed, then any Escrowed Sums then remaining in escrow shall be paid to Purchaser. The parties shall enter into an escrow agreement at Closing, based on the form of the Escrow Agreement attached hereto as Exhibit D and incorporating the terms and conditions set forth in this Section 9.5.6.

9.5.7 Other Income and Expenses. All other income and ordinary operating expenses for or pertaining to the Property, including, but not limited to, public utility charges, maintenance, service charges, and license fees, will be prorated as of the Closing Date.

9.5.8 Post-Closing Adjustment. All adjustments for items to be prorated pursuant to Section 9.5 shall be completed within one hundred eighty (180) days after the Closing Date.

9.5.9 Seller Election Regarding Prorations. Notwithstanding anything contained herein to the contrary, at Seller's election, any one or more of the prorations that would otherwise be made by adjustment to the Purchase Price may instead be paid by Seller out of separate funds, without adjustment to the Purchase Price.

9.5.10 Survival. The provisions of this Section 9.5 shall survive Closing.

9.6 Management Agreement. Prior to Closing, Purchaser and BPLP will negotiate in good faith to reach agreement on the terms of a property management agreement pursuant to which BPLP would manage the Property from and after the Closing. Any failure of the parties to reach agreement on the terms of such property management agreement shall in no event affect the Closing or any other obligations of Purchaser and Seller hereunder.

9.7 Post-Closing. Following the Closing, Purchaser shall be responsible for obtaining novation agreements from the OCC and NASA as required by federal law, and Seller hereby agrees to cooperate with Purchaser in such endeavor.

10. RISK OF LOSS, DAMAGE, CONDEMNATION.

10.1 Damage. If, prior to the Closing, all or any portion of the Property is damaged by fire or any other cause whatsoever, Seller shall promptly give Purchaser written notice of such damage.

10.1.1 Minor Damage. If the cost for repairing such damage is less than Thirty Million Dollars ($30,000,000) (as determined by Seller's independent insurer), then Purchaser shall have the right at Closing to receive the amount of the deductible plus all insurance proceeds received by Seller as a result of such loss, or an assignment of Seller's rights to such insurance proceeds, and this Agreement shall continue in full force and effect with no reduction in the Purchase Price, and Seller shall have no further liability or obligation to repair such damage or to replace the Property.

10.1.2 Major Damage. If the cost for repairing such damage is greater than Thirty Million Dollars ($30,000,000) (as determined by Seller's independent insurer) or if the OCC or NASA has terminated its Lease, then Purchaser shall have the option, exercisable by written notice delivered to Seller within five (5) days after Seller's notice of damage to Purchaser, either (i) to receive the amount of the deductible plus all insurance proceeds received by Seller as a result of such loss, or an assignment of Seller's rights to such insurance proceeds, and this Agreement shall continue in full force and effect with no reduction in the Purchase Price, and Seller shall have no further liability or obligation to repair such damage or to replace the Property; or (ii) to terminate this Agreement. If Purchaser elects to terminate this Agreement, Purchaser shall give notice to Seller thereof, the Deposit shall be returned to Purchaser, and thereafter neither party will have any further rights or obligations hereunder, except for any obligations that expressly survive termination. If Purchaser fails to notify Seller within such five (5)-day period of Purchaser's intention to terminate this Agreement, then Purchaser shall be deemed to have elected option (i), and Purchaser and Seller shall proceed to Closing in accordance with the terms and conditions of this Agreement. Notwithstanding the foregoing, if, on account of such damage, the OCC or NASA has exercisable rights of termination under their respective Leases which have not been waived within such 5-day period, then such 5-day period shall be extended through the second (2nd) Business Day after the last of such rights has lapsed (whether by waiver thereof or expiration of the period in which such rights may be exercised), and if this Agreement is not terminated, the Closing Date shall be extended to the date that is five (5) Business Days after the last of such rights has lapsed.

10.2 Condemnation and Eminent Domain. In the event that any condemnation proceedings are instituted, or notice of intent to condemn is given, with respect to all or any portion of the Property, Seller shall promptly notify Purchaser thereof, in which event Purchaser shall consummate the purchase of the Property without reduction of the Purchase Price, and the right to collect any condemnation award or compensation for such condemnation shall be assigned by Seller to Purchaser at Closing; provided that, if the OCC or NASA has terminated its Lease as a result of such condemnation or taking, then Purchaser shall have the right to terminate

this Agreement and receive a full refund of the Deposit, and thereafter neither party will have any further rights or obligations hereunder, except for any obligations that expressly survive termination. If, on account of such condemnation or taking, the OCC or NASA has exercisable rights of termination under their respective Leases which have not been waived prior to the Closing Date, then the Closing Date shall be extended through the third (3rd) Business Day after the last of such rights has lapsed (whether by waiver thereof or expiration of the period in which such rights may be exercised).

10.3 Hazardous Substance Release. If Hazardous Substances are released at, on or beneath the Property at any time from the Effective Date and prior to the Closing, Seller shall promptly give Purchaser written notice of such release. If the estimated cost of remediating such release is less than Thirty Million Dollars ($30,000,000), as determined by Seller's environmental consultant, then Purchaser shall consummate the purchase of the Property without delay in the Closing Date or reduction of the Purchase Price, and Seller shall be responsible for promptly commencing and diligently pursuing remediation to completion in accordance with applicable Environmental Law, at Seller's cost and expense. If the estimated cost of remediating such release is equal to or greater than Thirty Million Dollars ($30,000,000), as determined by Seller's environmental consultant, then Purchaser shall have the option, exercisable by written notice delivered to Seller within five (5) days after Seller's notice of release of such Hazardous Substances, to terminate this Agreement. If Purchaser elects to terminate this Agreement, Purchaser shall give notice to Seller thereof, the Deposit shall be returned to Purchaser, and thereafter neither party will have any further rights or obligations hereunder, except for any obligations that expressly survive termination.

11. REMEDIES AND ADDITIONAL COVENANTS.

11.1 Seller Default. In the event that Seller breaches any of its representations or warranties or fails to perform any of its covenants in any material respect, other than a failure to consummate the Closing or a failure to satisfy a condition precedent to Closing, as set forth in Section 8.1 hereof, and such breach or failure continues for a period of ten (10) Business Days after notice thereof from Purchaser, then Purchaser shall be required to proceed to Closing notwithstanding such breach, Purchaser hereby waiving any right to terminate this Agreement on account of any such breach by Seller, and Purchaser's sole and exclusive remedy shall be the right to pursue a claim against Seller for Purchaser's actual monetary damages resulting from such breach, which may in no event exceed the sum of Ten Million Dollars ($10,000,000); provided that, notice of any such claim must be given within one (1) year following the Closing, and Purchaser shall be deemed to have waived any claim of breach of which Purchaser has knowledge as of Closing if Purchaser has not provided notice thereof to Seller (and an opportunity to cure) prior to Closing as provided in this Section 11.1. If Seller breaches its obligation to consummate the Closing hereunder or there is a failure in any material respect of any condition precedent to Closing hereunder, as set forth in Section 8.1 hereof, and such failure is not remedied within the time periods specified in Section 8.1, then Purchaser's sole and exclusive remedy shall be to terminate this Agreement by giving written notice thereof to Seller prior to or at the Closing, in which event the Deposit shall be returned to Purchaser, and, after the return to Purchaser of the Deposit, neither Seller nor Purchaser will have any further rights or obligations under this Agreement, except for any obligations that expressly survive termination, and Purchaser shall have the right to seek monetary damages to compensate Purchaser for

Purchaser's actual out-of-pocket costs and expenses incurred in connection with its evaluation and contemplated purchase of the Property, in an amount which shall in no event exceed the sum of Five Hundred Thousand Dollars ($500,000). In no event whatsoever shall Purchaser be entitled to specific performance or any damages, rights or remedies against Seller as a result of any default of Seller hereunder, other than as specifically set forth in this Section 11.1. BPLP, by its execution of this Agreement, hereby guaranties the obligations of Seller for any claim pursuant to this Section 11.1.

11.2 Purchaser Default. The parties acknowledge and agree that Seller should be entitled to compensation for any detriment suffered if Purchaser fails to consummate the purchase of the Property as required hereunder but agree that it would be extremely difficult to ascertain the extent of the actual detriment Seller would suffer as a result of such breach and/or failure. Consequently, if Purchaser fails to consummate the purchase of the Property on the Closing Date and otherwise in accordance with the requirements of Section 9 hereof, including payment of the Purchase Price and delivery of all documents or instruments required to be delivered by Purchaser at Closing as provided herein, then Seller shall be entitled to terminate this Agreement by giving written notice thereof to Purchaser prior to or at the Closing, in which event the Deposit shall be paid to Seller as fixed, agreed and liquidated damages, and, after the payment of the Deposit to Seller, neither Seller nor Purchaser will have any further rights or obligations under this Agreement, except for any obligations that expressly survive termination. Nothing contained herein shall constitute a waiver by Seller of any damages, rights or remedies which may be available to Seller against Purchaser at law or in equity as a result of any material breach of a representation or warranty or other material default of Purchaser hereunder, all of which are hereby expressly reserved by Seller; provided, however, nothing contained herein shall entitle Seller to consequential or punitive damages or any other sums in excess of Seller's actual damages.

11.3 Delivery of Materials. Notwithstanding anything contained in this Agreement to the contrary, if this Agreement is terminated for any reason whatsoever, then Purchaser shall promptly deliver to Seller all Property Information provided to Purchaser by Seller, including copies thereof in any form whatsoever, including electronic form, along with any and all tests and studies of the Property performed by or on behalf of Purchaser pursuant to this Article 5. The obligations of Purchaser under this Section 11.3 shall survive any termination of this Agreement.

12. BROKERAGE COMMISSION.

12.1 Brokers. Seller represents and warrants to Purchaser that Seller has not contacted or entered into any agreement with any real estate broker, agent, finder, or any party in connection with this transaction, except for Morgan Stanley Realty Incorporated (" **Seller's Broker"**) and that Seller has not taken any action which would result in any real estate broker's or finder's fees or commissions being due and payable to any party other than Seller's Broker with respect to the transaction contemplated hereby. Seller will be solely responsible for the payment of Seller's Broker's commission in accordance with the provisions of a separate agreement. Purchaser hereby represents and warrants to Seller that Purchaser has not contracted or entered into any agreement with any real estate broker, agent, finder, or any party in connection with this transaction and that Purchaser has not taken any action which would result

in any real estate broker's or finder's fees or commissions being due or payable to any party other than Seller's Broker with respect to the transaction contemplated hereby.

12.2 Indemnity. Each party hereby indemnifies and agrees to hold the other party harmless from any loss, liability, damage, cost, or expense (including, without limitation, reasonable attorneys' fees) paid or incurred by the other party by reason of a breach of the representation and warranty made by such party under this Article 12. Notwithstanding anything to the contrary contained in this Agreement, the indemnities set forth in this Section 12.2 shall survive the Closing.

13. NOTICES.

13.1 Written Notice. All notices, demands and requests which may be given or which are required to be given by either party to the other party under this Agreement must be in writing.

13.2 Method of Transmittal. All notices, demands, requests or other communications required or permitted to be given hereunder must be sent (i) by United States certified mail, postage fully prepaid, return receipt requested, (ii) by hand delivery, (iii) by Federal Express or a similar nationally recognized overnight courier service, or (iv) by facsimile with both telephonic confirmation and a confirmation copy delivered by another method set forth in this Section. All such notices, demands, requests or other communications shall be deemed to have been given for all purposes of this Agreement upon the date of receipt or refusal, except that whenever under this Agreement a notice is either received on a day which is not a Business Day or is required to be delivered on or before a specific day which is not a Business Day, the day of receipt or required delivery shall automatically be extended to the next Business Day.

13.3 Addresses. The addresses for proper notice under this Agreement are as follows:

Purchaser:

Wells Capital, Inc.
6200 The Corners Parkway
Suite 250
Norcross, GA 30092
Attn: Jeffrey A. Gilder
Phone: (770) 243-8445
Facsimile: (770) 243-8510

WITH A COPY TO:

Alston & Bird LLP
1201 W. Peachtree Street
Atlanta, Georgia 30309
Attn: William L. O'Callaghan, Jr., Esq.

Seller:

Southwest Market Limited Partnership
c/o Boston Properties, Inc.
111 Huntington Avenue
Suite 300
Boston, MA 02199-7610
Attn: Tom O'Connor
Phone: (617) 236-3316
Facsimile: (617) 236-3311

WITH A COPY TO:

Southwest Market Limited Partnership
c/o Boston Properties, Inc.
401 9th Street, N.W., Suite 700
Washington, D.C. 20004

Phone: (404) 881-7818
Facsimile: (404) 881-7777

Attn: Legal Department
Phone: (202) 585-0800
Facsimile: (202) 783-6482

and to:

Shaw Pittman LLP
2300 N Street, NW
Washington, D.C. 20037
Attn: Sheldon J. Weisel, Esq.
Phone: (202) 663-8096
Facsimile: (202) 663-8007

Escrow Agent:

Commercial Settlements, Inc.
1015 15th Street, NW
Suite 300
Washington, D.C. 20005
Attn: David Nelson
Phone: 202-737-4747
Facsimile: 202-737-4108

Either party may from time to time by written notice to the other party designate a different address for notices within the United States of America.

14. ASSIGNMENT.

Except for an assignment by Seller as permitted pursuant to Section 17.1 hereof, neither party shall have the right to assign this Agreement without the prior written consent of the other, which consent may be granted or withheld in the sole and absolute discretion of the party whose consent has been requested; provided that, Purchaser shall have the right to assign its interest in this Agreement to any entity controlled by, controlling, or under common control with, Purchaser so long as Seller is provided evidence satisfactory to Seller that the proposed assignee has the financial capability and other powers and authority necessary to perform the obligations of Purchaser hereunder and the original Purchaser remains fully liable for all obligations of Purchaser hereunder and under the documents required to be delivered by Purchaser at Closing.

15. MISCELLANEOUS.

15.1 Entire Agreement. This Agreement embodies the entire agreement between the parties and cannot be varied except by the written agreement of the parties and supercedes all prior agreements and undertakings.

15.2 Modifications. This Agreement may not be modified except by the written agreement of the parties.

15.3 Gender and Number. Words of any gender used in this Agreement will be construed to include any other gender and words in the singular number will be construed to include the plural, and vice versa, unless the context requires otherwise.

15.4 Captions. The captions used in connection with the Articles, Sections and Subsections of this Agreement are for convenience only and will not be deemed to expand or limit the meaning of the language of this Agreement.

15.5 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

15.6 Controlling Law. This Agreement will be construed under, governed by and enforced in accordance with the laws of the jurisdiction where the Property is located.

15.7 Exhibits. All exhibits, attachments, annexed instruments and addenda referred to herein will be considered a part hereof for all purposes with the same force and effect as if set forth verbatim herein.

15.8 No Rule of Construction. Seller and Purchaser have each been represented by counsel in the negotiations and preparation of this Agreement; therefore, this Agreement will be deemed to be drafted by both Seller and Purchaser, and no rule of construction will be invoked respecting the authorship of this Agreement.

15.9 Severability. In the event that any one or more of the provisions contained in this Agreement (except the provisions relating to Seller's obligations to convey the Property and Purchaser's obligation to pay the Purchase Price, the invalidity of either of which shall cause this Agreement to be null and void) are held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein, provided, however, that the parties hereto shall endeavor in good faith to rewrite the affected provision to make it (i) valid, and (ii) consistent with the intent of the original provision.

15.10 Time of Essence. Time is important to both Seller and Purchaser in the performance of this Agreement, and both parties have agreed that TIME IS OF THE ESSENCE with respect to any date set out in this Agreement.

15.11 Business Days. "**Business Day**" means any day on which business is generally transacted by banks in the District of Columbia and Georgia. If the final date of any period which is set out in any paragraph of this Agreement falls upon a day which is not a Business Day, then, and in such event, the time of such period will be extended to the next Business Day.

15.12 No Memorandum. Purchaser and Seller agree not to record this Agreement or any memorandum hereof.

15.13 Press Releases. Prior to Closing, any release to the public of information with respect to the matters set forth in this Agreement will be made only in the form approved by Purchaser and Seller and their respective counsel.

15.14 Attorneys' Fees and Costs. In the event either party is required to resort to litigation to enforce its rights under this Agreement, the prevailing party in such litigation will be entitled to collect from the other party all costs, expenses and attorneys' fees incurred in connection with such action.

15.15 Counterparts and Expiration of Offer. This Agreement may be executed in multiple counterparts which shall together constitute a single document. However, this Agreement shall not be effective unless and until all counterpart signatures have been obtained. Faxed or electronically scanned signatures shall have the same binding effect as original signatures. An unsigned draft of this Agreement shall not be considered an offer by either party and a draft of this Agreement that is signed by one party shall become null and void if not accepted by the other party on or before 11:59 P.M. on November 12, 2002.

15.16 Waiver of Jury Trial. EACH PARTY HEREBY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY EITHER PARTY IN CONNECTION WITH ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, THE RELATIONSHIP OF SELLER AND PURCHASER HEREUNDER, PURCHASER'S OWNERSHIP OR USE OF THE PROPERTY, AND/OR ANY CLAIMS OF INJURY OR DAMAGE.

16. CONFIDENTIALITY.

16.1 Prior to Closing and except as provided otherwise in this Section 16.1, Purchaser and Seller, for the benefit of each other, hereby agree that neither of them will release or cause or permit to be released to the public any press notices, publicity (oral or written) or advertising promotion relating to, or otherwise publicly announce or disclose or cause or permit to be publicly announced or disclosed, in any manner whatsoever, the terms, conditions or substance of this Agreement or the transactions contemplated herein, without first obtaining the consent of the other party hereto, which shall not be unreasonably withheld. Purchaser, being aware that the securities of Boston Properties, Inc. (" **BPI**"), the owner, directly or indirectly, of a controlling interest in Seller, are traded on the New York Stock Exchange, acknowledges that Seller and BPI may be compelled by legal requirements to issue a public press release announcing that it has entered into this Agreement and stating the material terms hereof. Seller agrees to send a copy of such press release directly to Purchaser at least 24 hours prior to the time when Seller issues such press release to the public, and Purchaser consents to the dissemination of such press release and to all such additional statements and disclosures Seller may reasonably make in responding to inquiries arising as a result of any such press release. Each party likewise consents to any disclosure of this Agreement which the other party reasonably believes is required by law or which is recommended in good faith by counsel to such other party.

16.2 It is understood that the foregoing shall not preclude any party from discussing the substance or any relevant details of the transactions contemplated in this Agreement on a confidential basis with such party's spouse or any of its attorneys, accountants, professional consultants, financial advisors, rating agencies, or potential lenders, as the case may be, or prevent any party hereto from complying with applicable laws, including, without limitation, governmental regulatory, disclosure, tax and reporting requirements.

16.3 Purchaser shall indemnify and hold Seller harmless, and Seller shall indemnify and hold Purchaser and the affiliates of Purchaser harmless, from and against any and all actual direct claims, demands, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, attorneys' fees and disbursements) suffered or incurred by the other party and proximately caused by a breach by Purchaser or Seller, as the case may be, of the provisions of this Article 16; but this Section 16.3 will not entitle either Purchaser, Seller, Purchaser's affiliates or Seller's affiliates, or any other person or entity, to recover consequential damages.

16.4 In addition to any other remedies available to Seller and Purchaser, Seller and Purchaser shall each have the right to seek equitable relief, including, without limitation, injunctive relief or specific performance, against the other party or its representatives in order to enforce the provisions of this Article 16.

16.5 Notwithstanding any other provision of this Agreement, the provisions of this Article 16 shall survive the termination of this Agreement for one (1) year following the Effective Date and shall survive Closing for one (1) year following the Closing.

17. LIKE-KIND EXCHANGE.

17.1 Seller shall have the right to structure the sale of the Property as a forward or reverse exchange thereof for other real property of a like-kind to be designated by Seller (including the ability to assign this Agreement to an entity established in order to effectuate such exchange), with the result that the exchange shall qualify for non-recognition of gain or loss under Section 1031 of the Internal Revenue Code of 1986, as amended, in which case Purchaser shall execute any and all documents reasonably necessary to effect such exchange, as reasonably approved by Purchaser's counsel, and otherwise assist and cooperate with Seller in effecting such exchange, provided that: (i) any costs and expenses incurred by Purchaser as a result of structuring such transaction as an exchange, as opposed to an outright sale, shall be borne by Seller; (ii) Seller shall indemnify and hold harmless Purchaser from and against any and all liabilities, costs, damages, claims or demands arising from the cooperation of Purchaser in effecting the exchange contemplated hereby; and (iii) such exchange shall not result in any delay in closing the transaction without Purchaser's prior written consent.

IN WITNESS WHEREOF, the parties have executed this Purchase and Sale Agreement as of the date first written above.

SELLER:

SOUTHWEST MARKET LIMITED PARTNERSHIP, a District of Columbia limited partnership

By: BP III LLC, its General Partner

By: Boston Properties Limited Partnership, its Managing Member

By: Boston Properties, Inc., its General Partner

By: /S/ TOM O'CONNOR (Seal)
Name: Tom O'Connor
Title: VP

PURCHASER:

WELLS CAPITAL, INC., a Georgia corporation

By: /s/ LEO F. WELLS, III
Name: Leo F. Wells, III
Title: President

Boston Properties Limited Partnership joins in this Agreement for the limited purpose of agreeing to the provisions applicable to it pursuant to Sections 7.7, 8.3.2 and 11.1 hereof.

BOSTON PROPERTIES LIMITED PARTNERSHIP

By: Boston Properties, Inc., its General Partner

By: /s/ TOM O'CONNOR (Seal)
Name: Tom O'Connor
Title: VP

EXHIBIT 10.91

LEASE AGREEMENT WITH THE OFFICE OF THE COMPTROLLER OF THE CURRENCY AND AMENDMENTS THERETO

LEASE AGREEMENT

SOUTHWEST MARKET LIMITED PARTNERSHIP

and

COMPTROLLER OF THE CURRENCY

ONE INDEPENDENCE SQUARE
WASHINGTON, D.C.

LEASE AGREEMENT

SOUTHWEST MARKET LIMITED PARTNERSHIP
and
COMPTROLLER OF THE CURRENCY

ONE INDEPENDENCE SQUARE
WASHINGTON, D.C.

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LEASE AGREEMENT

ONE INDEPENDENCE SQUARE

THIS LEASE AGREEMENT (this "Lease") is made as of the 21st day of August, 1989, by and between SOUTHWEST MARKET LIMITED PARTNERSHIP (hereinafter referred to as "Landlord"), and COMPTROLLER OF THE CURRENCY, an agency of the U.S. Government (hereinafter referred to as "Tenant").

RECITALS:

A. Landlord is the owner of an office complex known as Independence Square, being constructed at E Street between 2nd and 4th Streets, S.W., Washington, D.C., and consisting of two or more office buildings comprising approximately 810,000 usable square feet and below-grade parking garages. Said office complex is hereinafter referred to as the "Office Complex."

B. Tenant desires to lease office space in the building containing approximately 300,000 usable square feet known as One Independence Square (the "building'), located within the Office Complex, which building is located on a portion of the land more particularly described on Exhibit A-2 attached hereto, and Landlord is willing to rent space in the building to Tenant, upon the terms, conditions, covenants and agreements set forth herein.

NOW, THEREFORE, the parties hereto, intending legally to be bound, hereby covenant and agree as set forth below.

ARTICLE I
THE PREMISES

1.1 Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, for the term and upon the terms, conditions, covenants and agreements herein provided, approximately 260,783 square feet of usable area in the building, consisting of approximately 5,500 usable square feet on the lower level of the building, and the entire usable area on the first (1st), third (3rd), fourth (4th), fifth (5th), sixth (6th), seventh (7th), eighth (8th) and ninth (9th) floors of the building. The space which is the subject of this Lease is hereinafter referred to as the "Premises." The location and configuration of the Premises are outlined in red on Exhibit A attached hereto and made a part hereof, and the usable square footage of each full and partial floor demised hereunder is set forth on Exhibit A-1 attached hereto. The usable square footage of the Premises shall be determined by Landlord in accordance with Exhibit D attached hereto, subject to verification by the Contracting Officer (as defined in Exhibit B) prior to the Lease Commencement Date.

1.2 The Lease of the Premises includes the right, together with other tenants of the Office complex and members of the public, to use the common and public areas of the Office complex, but includes no other rights not specifically set forth herein. Landlord shall provide for Tenant's exclusive use a rooftop terrace located in the northeast corner of the roof of the building, and two terraces on the ninth (9 th) floor, the exact size, location and configuration of which shall be determined by Landlord and Tenant. The terraces shall be accessible to individuals in wheelchairs. The terraces, when initially delivered, will (at Landlord's expense) be landscaped as Landlord and Tenant may mutually agree. Tenant shall reimburse Landlord for the cost of any services or utilities furnished by Landlord to such terraces (including the cost of replacing or maintaining any landscaping).

ARTICLE II
TERM

2.1 The term of this Lease (hereinafter referred to as the "Lease Term") shall be for fifteen (15) years commencing on the Lease Commencement Date, as determined pursuant to Section 2.2 hereof, and shall continue for a period of fifteen (15) years thereafter (or until May 31, 2006, whichever is later), unless the Lease Term is renewed or terminated earlier in accordance with the provisions of this Lease. (However, if the Lease Commencement Date shall occur on a day other than the first day of a month, the Lease Term shall commence on such date and continue for the balance of such month and for a period of fifteen (15) years thereafter (or until May 31, 2006, whichever is later).) The term "Lease Term" shall include any and all renewals and extensions of the term of this Lease.

2.2 The Lease Commencement Date shall be either (i) the later of (a) June 1, 1991 and (b) the date on which Landlord substantially completes construction of the tenant improvements to be installed in the Initial Premises (as hereinbelow defined), as determined pursuant to the provisions of the document entitled Work Agreement attached hereto as Exhibit B and made a part hereof, or (ii) the date on which Tenant commences beneficial use of the entire Initial Premises, whichever event occurs first. For purposes hereof, the term "Initial Premises" shall mean the entire Premises excluding that portion of the Premises (31, 938 usable square feet) comprising the third (3 rd) floor of the building. The Lease Term with respect to the entire Premises (including the portion thereof comprising the third (3 rd) floor of the building) shall commence on the Lease Commencement Date. Notwithstanding anything in Paragraph 9 of Exhibit B hereto to the contrary, the Initial Premises shall not be deemed substantially completed unless and until operating certificates have been issued by the appropriate governmental authority for the passenger and freight elevators servicing the Initial Premises

and the garage. Tenant shall be deemed to have commenced beneficial use of the Initial Premises when Tenant begins to use the Initial Premises for the conduct of its business. No later than six (6) months prior to the earliest date in the Delivery Window (as hereinbelow defined), Landlord shall notify Tenant in writing of the sixty (60) day period (the "Delivery Window") within which Landlord in good faith anticipates being able to deliver possession of the Initial Premises to Tenant. Landlord shall notify Tenant in writing, no later than four (4) months prior to the earliest date in the revised Delivery Window, of a revised Delivery Window, which revised Delivery Window shall consist of no more than a thirty (30) day period. Landlord shall further notify Tenant in writing, no later than two (2) months prior to the earliest date in the further revised Delivery Window, of a further revised Delivery Window, which revised Delivery Window shall consist of no more than a fourteen (14) day period. As soon as practicable, but in no event later than thirty (30) days prior to the date of anticipated delivery, Landlord shall notify Tenant in writing of the exact date upon which Landlord in good faith anticipates being able to deliver possession of the Initial Premises to Tenant, and Landlord shall thereafter promptly inform Tenant of any change in such date of anticipated delivery. Notwithstanding the foregoing, if Landlord is delayed in completing construction of the Initial Premises as a result of any of the reasons set forth in Paragraph 9(b) of Exhibit B, then for purposes of determining the Lease Commencement Date, the Initial Premises shall be deemed to have been substantially completed on the date determined in accordance with Paragraph 9(b) of Exhibit B.

2.3 Promptly after the Lease Commencement Date is ascertained, Landlord and Tenant shall execute, in recordable form, a written declaration setting forth the Lease Commencement Date, the date upon which the initial term of this Lease will expire, and the other information set forth therein. The form of such declaration is attached hereto as Exhibit E and is made a part hereof.

2.4 (a) Landlord shall use all reasonable efforts to ensure that the Initial Premises will be ready for occupancy by Tenant on or about June 1, 1991, provided the Tenant Plans have been finalized on or before the Tenant Plan Delivery Date (as defined in Paragraph 6 o Exhibit B). In the event that construction of the Initial Premises or the delivery of possession of the Initial Premises to Tenant is delayed, regardless of the reasons or causes of such delay, this Lease shall not be rendered void or voidable as a result of such delay, and the term of this Lease shall commence on the Lease Commencement Date as determined pursuant to Section 2.2 hereof. Furthermore, except as otherwise provided herein, Landlord shall not have any liability whatsoever to Tenant on account of any such delay. Notwithstanding the

foregoing, in the event the Lease Commencement Date has not occurred on or before September 30, 1991, then, except to the extent such delay is attributable to any of the causes set forth in (and subject to the terms of) Section 28.18 hereof, for each full or partial day following September 30, 1991 through the date immediately preceding the Lease Commencement Date, Landlord shall pay to Tenant as final and liquidated damages (and as Tenant's sole remedy) on account of such delay the sum of Nine Thousand Five Hundred Dollars ($9,500); provided, however, that, if Tenant elects to take occupancy of the Initial Premises in incremental units, then (i) the foregoing damages shall not be reduced until Landlord has delivered more than fifty percent (50%) of the Initial Premises to Tenant, whereafter (ii) on the date that each incremental unit of the Initial Premises that is occupied by Tenant is substantially completed by Landlord as determined pursuant to the provisions of Exhibit B (or to the extent the same would have been substantially completed but for delays caused by Tenant and described in Paragraph 9(b) of Exhibit B), the foregoing damages shall be reduced (on a pro rata basis, based on the ratio of (a) the usable square feet of the Initial Premises in excess of fifty percent (50%) thereof that has been delivered to Tenant to (b) the usable square feet of the Initial Premises remaining to be delivered to Tenant) with respect to such portion of the Initial Premises in excess of fifty percent (50%) thereof as is delivered to Tenant. As an example of the foregoing, (i) if Tenant elects to occupy incremental units comprising forty percent (40%) of the Initial Premises, liquidated damages shall continue to accrue at the rate of $9,500 per day, and (ii) if Tenant elects to occupy incremental units comprising sixty percent (60%) of the Initial Premises, the liquidated damages shall thereafter be reduced by $1,900 and consequently accrue at the rate of $7,600 per day (.60-.50 = .10; 1.0-.60 = .40; .10 : .40 = 1 : 4 = $1,900 " $7,600). Such damages shall be credited by Landlord (at Tenant's option) either against the first installment(s) of rent falling due under this Lease or against the portion of the cost of the Tenant Work that is payable by Tenant pursuant to the terms of Exhibit B.

(b) Notwithstanding anything in the foregoing to the contrary, in the event the Lease Commencement Date has not occurred on or before April 1, 1992, either party may terminate this Lease by written notice delivered to the other party at any time thereafter prior to occurrence of the Lease Commencement Date. If this Lease is terminated by either party pursuant to the immediately preceding sentence, Landlord shall pay to Tenant within thirty (30) days after such termination the cash amount of the liquidated damages accruing between October 1, 1991 and April 1, 1992 on account of Landlord's failure to deliver possession of the Initial Premises to Tenant. Whether or not this Lease is terminated, Landlord shall not be obligated to pay any further damages to Tenant on account of any late delivery after

April 1, 1992. Notwithstanding the foregoing, in the event Tenant gives Landlord notice that it is terminating this Lease pursuant to the terms of this Section 2.4(b), Tenant's notice shall be ineffective if Landlord certifies to Tenant within five (5) business days following Landlord's receipt of Tenant's notice that Landlord will be able to deliver possession of the Initial Premises to Tenant within sixty (60) days following the date of Tenant's notice; however, in such event, Landlord shall continue to be liable for damages of $9,500 (or prorated portion thereof) per day for each day or part thereof from the date of Tenant's termination notice through the day immediately preceding the Lease Commencement Date. If Landlord has not delivered possession of the Initial Premises to Tenant by the end of such sixty (60) day period, this Lease shall terminate and Landlord shall pay to Tenant the cash amount of the liquidated damages accruing through the end of such period.

(c) Landlord agrees that it shall adhere to the following milestones in its construction of the building and the Initial Premises:

Commencement of sheeting, shoring and excavation	August 15, 1989
Commence pouring of concrete for ground floor (street level) of the building	April 15, 1990
"Topping off" of base building at the roof level	October 1, 1990
Commencement of installation of drywall studs	November 1, 1990
Substantial completion of installation of pre-cast concrete, stone and glazing	February 1, 1991
Substantial completion of entire Initial Premises in accordance with Exhibit B	June 1, 1991

In the event Landlord fails to meet any of the foregoing milestones by reason of a delay arising from factors within Landlord's reasonable control (i.e., any factor other than those described in Section 28.18 hereof), and if Landlord is not able to achieve such milestone within thirty (30) days following the date set forth in the foregoing schedule of target dates, then Landlord agrees to use all commercially practical efforts (including, without limitation, the use of overtime labor,

special manufacture of parts and expedited shipping) to ensure that the next succeeding milestone(s) are met. Landlord's failure to meet a construction milestone shall not be deemed a default by Landlord under this Lease, it being agreed that Tenant's sole remedy for delays in construction is as set forth in this Section 2.4

2.5 Notwithstanding any other provisions of this Article II, in the event Landlord is able to deliver possession of the Premises to Tenant in incremental units, Tenant may elect to take occupancy of such incremental units on a progressive basis. In such event, (i) rent and other obligations under this Lease shall commence on a pro rata basis upon the occupancy of each incremental unit, with the first payment being due on the first day of the month following the month in which an increment of space is occupied, except that should an increment of space be occupied after the fifteenth (15 th) day of the month then the payment due date shall be the first day of the second month following the month in which it was occupied, and (ii) the Lease Commencement Date shall be the date determined pursuant to Section 2.2 above, except that Tenant shall not be deemed to have commenced beneficial use of the Initial Premises until Tenant has occupied the final incremental unit of the Initial Premises.

2.6 For purposes of this Lease, the term "Lease Year" shall mean a period of twelve (12) consecutive calendar months, commencing on the first day of the month in which the Lease Commencement Date occurs and each successive twelve (12) month period; except that if the Lease Commencement Date shall occur on a date other than the first (1 st) day of a calendar month, then the first (1 st) Lease Year shall also include the period from the Lease Commencement Date until the first day of the following month.

2.7 Notwithstanding any other provision of this Lease, Tenant shall have the right to terminate this Lease effective as of the last day of the fifth (5 th) Lease Year, if (and only if) Tenant is the subject of a legislatively mandated restructuring and said restructuring, in Tenant's reasonable judgment, requires a relocation of Tenant. The foregoing right of termination shall be subject to the following terms and conditions:

(a) Tenant shall exercise its right of termination by written notice to Landlord no later than the last day of the fourth (4 th) Lease Year. In the event such notice is not timely given, Tenant's right of termination shall lapse and be of no further force and effect. Such notice shall specify the legislative action giving rise to Tenant's right of termination hereunder.

(b) At least thirty (30) days prior to the date on which Tenant is to vacate the Premises, Tenant shall pay to Landlord a termination fee equal to the sum of (i) one year's base rent payments, (ii) the additional rent that Tenant would have been required to pay during the sixth (6th) Lease Year on account of real estate taxes and operating costs pursuant to Article IV hereof, as reasonably estimated by Landlord (subject to adjustment when finally determined), (iii) 82.5116% of the Improvements Allowance granted to and used by Tenant pursuant to Exhibit B (which is the unamortized portion of the Improvements Allowance if it is amortized over a fifteen (15) year term with interest at the rate of eleven percent (11%) per annum), (iv) the unamortized portion of the cost of any systems or equipment installed by Landlord pursuant to paragraph 6 of Schedule I to Exhibit B hereto, and (v) the unamortized portion of the value of the rental abatement granted to Tenant with respect to the third (3rd) floor of the building during the first Lease Year (collectively, the "Termination Payment"). At Landlord's option, the notice described in Section 2.7(a) shall be ineffective if the Termination Payment is not received when due.

ARTICLE III
BASE RENT

3.1 During each Lease Year, Tenant shall pay to Landlord as annual base rent for the Premises, without demand, an amount equal to the sum of (i) the product of Thirty-Eight and 00/100 Dollars ($38.00) multiplied by the total number of square feet of usable area (as defined in Exhibit D) in the Premises, and (ii) the Escalating Component (as hereinafter defined). The term "Escalating Component" shall mean (i) in the first Lease Year, the sum of $583,500, and (ii) in each Lease Year thereafter, 105% of the Escalating Component in effect during the immediately-preceding Lease Year. The annual base rent payable hereunder during each Lease Year shall be divided into equal monthly installments and such monthly installments shall be due and payable in advance on the first day of each month during such Lease year. If the Lease Term begins on a date other than on the first (1st) day of a month, rent from such date until the first (1st) day of the following month shall be prorated on a per diem basis. Such prorated rent shall be payable in advance on the Lease Commencement Date.

3.2 All rent shall be paid to Landlord in legal tender of the United States by electronic funds transfer to Landlord's designated financial institution. If Landlord shall at any time accept rent after it shall become due and payable, such acceptance shall not excuse a delay upon subsequent occasions, or constitute or be construed as a waiver of any of Landlord's rights hereunder. All payments of rent and additional rent hereunder shall be made pursuant and subject to the Prompt Payment Act, 31

U.S.C. § 1801, et seq. (Supp. 1988) and to General Clauses 20, 22 and 23.

3.3 Notwithstanding any other provision of this Lease, Landlord hereby agrees to abate the Base Rent, other than the $11.02 per usable square foot per annum portion thereof that is attributable to operating costs and real estate taxes (which shall not be abated), due for the portion of the premises comprising the third (3rd) floor of the building $31,938 usable square feet) for the first twelve (12) months within the Lease Term.

ARTICLE IV
ADDITIONAL RENT

4.1 (a) As additional rent for the Premises, Tenant shall pay its share of increases in real estate taxes assessed against or paid in connection with the building during each calendar year falling entirely or partly within the Lease Term (with proration for any partial calendar year) over $1,169,483.10. Tenant's initial percentage of occupancy of the building for real estate taxes is agreed to be $88.75%. Accordingly, base year real estate $1,037,916.30 ($3.98 per usable square foot).

(b) Payment on account of real estate taxes shall be made by Tenant in lump sum payments following each semi-annual tax remittance by Landlord, each of which shall be compared to one-half of the base year real estate taxes to determine the increase allocable to such six-month period. Subject to Section 28.16 hereof, payments by Tenant shall be due on the first workday of the month following the month in which paid tax receipts are presented by Landlord to Tenant. Real estate taxes shall include reasonable attorneys' fees incurred by Landlord in challenging real estate taxes. In the event of any decreases in real estate taxes occurring with respect to the Lease Term, the additional rent will be reduced accordingly, but in no event will base rent be reduced below $38.00 per usable square foot. The amount of any such reductions will be determined in the same manner as increases in additional rent provided under this Section 4.1.

(c) Landlord shall use all reasonable efforts to deliver to Tenant copies of any notices of proposed or actual assessments and copies of any real estate tax bills within ten (10) business days after they are received by Landlord; however, Landlord's failure to furnish any such notice or bill to Tenant shall not constitute a default under this Lease and shall not excuse Tenant from paying any additional rent due hereunder. In the event Tenant desires to cause the real estate tax assessment upon the building to be challenged, Tenant shall so notify

Landlord in writing. Landlord shall have a period of fifteen (15) business days following its receipt of Tenant's notice to notify Tenant whether or not Landlord, in its discretion, has elected to contest the real estate tax assessment. In the event Landlord notifies Tenant that Landlord will not contest the real estate tax assessments, then Tenant shall have the right, at its sole cost and expense, to contest any real estate tax assessment upon the building by initiating legal proceedings on behalf of itself and Landlord, or on its own behalf alone. If Tenant is precluded from taking legal action its own name, then Landlord shall contest the assessment upon reasonable notice from Tenant; however, Landlord shall be required to execute documents in connection with such contest only if Landlord agrees with the accuracy of such documents. Tenant shall reimburse Landlord for all costs incurred by Landlord in such proceedings, and shall pay any interest, penalties or late charges assessed in connection therewith. In the event Tenant contests the assessments and obtains a reduction, then the reduction shall first be applied to reimburse Tenant for all costs incurred by Tenant in such proceedings, with the balance (if any) of such reduction to be allocated over the rentable area of the building pro rata. The undertaking of a contest shall not affect Tenant's obligation to pay additional rent on account of real estate taxes at the time and in the manner set forth in this Section 4.1; provided, however, that Tenant shall not be obligated to pay any contested portion of such taxes so long as Landlord has not paid such portion to the taxing authority. Tenant shall receive its share of any real estate tax refund.

4.2 (a) Commencing upon the first day of the second Lease Year, as additional rent for the Premises, Tenant shall make certain payments on account of changes in costs for cleaning services, supplies, materials, maintenance, trash removal, landscaping, water, sewer charges, heating, ventilating and air conditioning, electricity, and certain administrative expenses attributable to Tenant's occupancy. The amount of additional rent for each Lease Year shall be determined by multiplying the base rate (as defined in the last sentence of this Section 4.2(a)) by the percentage of change in the cost of living index (as defined in this Section 42(a)). The percent change shall be computed by comparing the index figure published for the month prior to the Lease Commencement Date with the index figure published for the month preceding the month which begins the applicable Lease Year ("Percentage of Change"). For example, a lease which commences in June of 1988 would use the index published for May of 1988 and that figure would be compared with the index published for May of 1989, May of 1990, and so on, to determine the Percentage of Change. The cost of living index shall be measured by the Consumer Price Index (the Revised Consumer Price Index for urban wage earners and clerical workers, 1982-84 Base Year, All Items, Washington, DC-MD-VA Metropolitan

Area wage earners and clerical). The base rate for operating costs allocable to the Premises is hereby agreed to be $1,835,912.30 ($7.04 per usable square foot).

(b) Payments of additional rent for operating costs shall be made with the monthly installments of base rent. Adjustments to additional rent shall be effective on the first day of each Lease Year commencing with the second Lease Year. Subject to Section 28.16 hereof, payment of the adjusted rental rate shall become due on the first workday of the month following the publication of the cost of living index for the month prior to the commencement of each such Lease Year. In the event of any decreases in the cost of living index occurring during the Lease Term, the additional rent will be reduced accordingly, but in no event will base rent be reduced below $38.00 per usable square feet. The amount of any such reductions shall be determined in the same manner as increases in additional rent provided in Section 4.2(a).

(c) Promptly after the adjustment in the additional rent pursuant to this Section 4.2 is determined for each Lease Year, Landlord shall submit to Tenant a statement setting forth the amount of such adjustment and the computations by which it was determined. Since the actual increase in the additional rent may not be determined until after the start of a new Lease Year, until the actual increase in the additional rent is determined, Tenant shall make monthly payments of additional rent on the basis of the adjusted additional rent payable during the immediately preceding Lease Year. After receipt of a statement from Landlord setting forth the deficiency (or overpayment) between the monthly installments of adjusted additional rent paid by Tenant and the actual amount determined to be owing for the months prior to such statement shall be paid as additional rent hereunder pursuant to Section 28.16, or if Tenant shall be due a refund then refunded to Tenant within thirty (30) days following determination.

(d) It is acknowledged and agreed by Tenant that the additional rent described in the foregoing provisions of this Section 4.2 is intended only to compensate Landlord for increases in the cost of providing services of the type and quantity described herein or in Exhibit F. If, at any time or from time to time during the Lease Term, Tenant requests that Landlord furnish services in addition to those described in the preceding sentence, Landlord’s obligation to furnish such new or increased services shall be conditioned upon Tenant’s agreement to reimburse Landlord upon demand, as additional rent, for the actual cost of furnishing such additional or increased services.

ARTICLE V
SECURITY DEPOSIT

[INTENTIONALLY OMITTED]

ARTICLE VI
USE OF PREMISES

6.1 Tenant shall use and occupy the Premises solely for general office purposes (with an employee cafeteria), and for no other use or purpose without the prior written consent of Landlord. Tenant shall not use or occupy the Premises for any unlawful purpose or in any manner that will constitute waste, nuisance or unreasonable annoyance to Landlord or other tenants of the Office Complex. Landlord and Tenant shall comply with all present and future laws, ordinances (including zoning ordinances and land use requirements), regulations, and orders of the United States of America, the District of Columbia, and any other public or quasi-public authority having jurisdiction over the Premises, concerning the use, occupancy and condition of the Premises and all machinery, equipment and furnishings therein. Landlord shall obtain a certificate of occupancy for Tenant's initial occupancy of the Premises. Tenant agrees to cooperate fully with Landlord in obtaining such certificate of occupancy. All repairs, substitutions, additions, replacements and/or alterations to the Premises or the building, or to any of the Building Equipment (as defined in Section 8.1 hereof), which are required by any such laws, ordinances, regulations and orders, and which are not necessitated by Tenant's particular use or design of its space, shall be done promptly by Landlord at Landlord's expense and subject to General Clause 6.

6.2 Tenant shall pay any business, rent or other taxes that are now or hereafter levied upon Tenant's use or occupancy of the Premises, the conduct of Tenant's business at the Premises or Tenant's equipment fixtures or personal property. In the event that any such taxes are enacted, changed or altered so that any of such taxes are levied against Landlord, or the mode of collection of such taxes is changed so that Landlord is responsible for collection or payment of such taxes, Tenant shall pay any and all such taxes to Landlord upon written demand from Landlord. If Tenant reasonably determines that it is entitled to an exemption from sales tax or other taxes with respect to improvements to be performed or materials to be purchased by Landlord pursuant to this Lease (including Exhibit B hereto), then Tenant shall so notify Landlord in writing simultaneously with Tenant's execution of this Lease, and Tenant shall furnish Landlord with any instruments or documents required to assert or establish that such exemption extends to the improvements to be performed and the materials to be purchased by Landlord hereunder. After receipt of such notice, Landlord shall use diligent and reasonable

efforts to cooperate with Tenant's assertion of such exemption. If a tax is ultimately determined to be due, then Tenant shall pay the tax, interest and penalties (if any).

6.3 Notwithstanding anything in the foregoing to the contrary, Tenant shall have the right to use a portion of the Premises as a cafeteria for use by Tenant's employees and visitors, but not for use by the general public. Such cafeteria shall be operated and maintained in a manner customary for such facilities in first class office buildings. Tenant shall comply with all present and future laws, ordinances (including zoning ordinances and land use requirements), regulations and orders of the United States of America, the District of Columbia and any other public or quasi-public authority having jurisdiction over the cafeteria, concerning the use, occupancy and conditions of the cafeteria and all machinery, equipment and furnishings therein.

ARTICLE VII
ASSIGNMENT AND SUBLETTING

7.1 Tenant shall have the right to assign, transfer, mortgage or otherwise encumber this Lease or its interest herein upon first obtaining the prior written consent of Landlord, which consent (subject to Section 7.3 hereof) shall not be unreasonably withheld or delayed. No assignment or transfer of this Lease or the right of occupancy hereunder may be effectuated by operation of law or otherwise without the prior written consent of Landlord as aforesaid. Any attempted assignment or transfer by Tenant of this Lease or its interest herein without Landlord's consent as aforesaid shall at Landlord's option be void.

7.2 Tenant shall have the right to sublease (which term, as used herein, shall include any type of subrental arrangement and any type of license to occupy) the Premises, or any part thereof, upon first obtaining the prior written consent of the Landlord, which consent (subject to Section 7.3 hereof) shall not be unreasonably withheld or delayed.

7.3 (a) In the event Tenant desires to assign or sublet to any entity other than an entity described in Section 7.6(a) or (b) a portion of the Premises that, in the aggregate with all other portions of the Premises ,that are then assigned or sublet to an entity or entities other than an entity described in Section 7.6(a), constitutes more than fifty percent (50%) of the usable area of the Premises, Tenant shall so notify Landlord at least ten (10) business days prior to the intended effective date of the proposed assignment or sublease, which notice shall specify such intended effective date. Landlord shall have the right, by written notice delivered to Tenant within ten (10) business days after the date Tenant's notice was given, to retake possession of the portion of the Premises proposed to be sublet or

assigned and thereby delete such portion of the Premises from the Premises being leased to Tenant hereunder. If Landlord elects to retake such portion of the Premises, Landlord shall retake possession of such portion on the date specified in Tenant's notice and Tenant's obligation to pay rent for such portion shall cease on such date. Thereafter, Tenant shall not have any further rights or obligations of any kind, including any rights of renewal, in or to the portion of the Premises so retaken. If Landlord does not elect to retake such portion of the Premises within the aforesaid ten (10) business day period, Tenant may enter into the assignment or sublease described in its notice upon obtaining Landlord's reasonable consent thereto as aforesaid. It shall not be unreasonable for Landlord to withhold its consent if Landlord has previously notified Tenant that it is in default hereunder and such default has not been cured, or if Landlord reasonably determines that the character of the proposed assignee or subtenant or the nature of the activities to be conducted by such proposed assignee or subtenant would adversely affect the other tenants of the Office Complex or would impair the reputation of the Office Complex as a first class office complex or that the financial history or credit rating of the proposed assignee or subtenant is unacceptable to Landlord.

(b) Tenant agrees to give Landlord at least ten (10) business days prior written notice of Tenant's intention to sublease or assign all or any portion of the Premises, along with sufficient information about the proposed subtenant or assignee to enable Landlord to make any determination called for by subsection (a) above. Landlord agrees, to advise Tenant of Landlord's decision to grant or withhold its consent to any sublease or assignment proposed by Tenant pursuant to this Article VII within ten (10) business days of receipt of Tenant's written request for such consent, and if Landlord fails to grant or withhold its consent within such ten (10) business day period then its consent shall be deemed granted.

(c) Tenant's right to sublease or assign all or any portion of the Premises (if Landlord's consent thereto is required) shall expire one hundred eighty (180) days after the date on which Landlord's recapture right lapsed or was waived with respect to the sublease or assignment referenced in Tenant's notice, unless Tenant shall have executed the sublease or assignment referenced in such notice. Thereafter, Tenant shall have no right to sublease or assign the portion of the Premises described in the notice furnished pursuant to subsection (b), unless Tenant shall have again complied with the procedures set forth in this Section 7.3.

(d) In the event Tenant or an entity described in Section 7.6(a) hereof shall at any time lease 100% of the usable area of the building, then, from the date of such 100% leasing,

Section 7.3(a) shall be deemed deleted from this Lease and shall have no force or application with respect to any sublease or assignment thereafter proposed or consummated by Tenant.

7.4 Notwithstanding the provisions of Section 7.1, 7.2 or 7.3 hereof to the contrary, if consent to any assignment or subletting is required by the holder of any mortgage on the building, no assignment of this Lease or sublease of all or any portion of the Premises shall be permitted without the prior written consent of such holder. Landlord agrees not to grant such a consent right to the holder of any mortgage upon the building (and, as to Tenant, any such grant shall be void) unless such holder agrees that its consent will not be unreasonably withheld and will be granted, withheld or deemed granted within ten (10) business days after its receipt of Tenant's written request for such consent, and then only with respect to assignments or subleases as to which Landlord itself has a consent right hereunder.

7.5 The consent by Landlord to any assignment or subletting shall not be construed as a waiver or release of Tenant from any and all liability for the performance of all covenants and obligations to be performed by Tenant under this Lease, nor shall the collection or acceptance of rent from any assignee, transferee or subtenant constitute a waiver or release of Tenant from any of its liabilities or obligations under this Lease. Landlord's consent to any assignment or subletting shall not be construed as relieving Tenant from the obligation of complying with the provisions of Sections 7.1, 7.2, 7.3 or 7.4 hereof, as applicable, with respect to any subsequent assignment or subletting. For any period during which Tenant is in default hereunder, Tenant hereby assigns to Landlord the rent due from any subtenant of Tenant and hereby authorizes each subtenant to pay said rent directly to Landlord. Tenant further agrees that any sublessee or assignee shall agree to be jointly and severally liable to Landlord, together with Tenant hereunder, for all obligations imposed on Tenant by this Lease as they apply to the portion of the Premises sublet or assigned.

7.6 Anything to the contrary contained in this Article VII notwithstanding:

(a) Landlord's consent shall not be required in the case of any assignment, subletting or other arrangement involving (i) any successor agency, bureau, department or similar U. S. Government entity succeeding to all or any part of Tenant's regulatory function, (ii) any agency, bureau, department or similar U. S. Government entity for which Tenant and/or any such successor entity may have or exercise control, supervision or oversight, or (iii) any other agency, bureau, department or similar U.S. Government entity one of whose primary or principal functions is the regulation, control, supervision or oversight of financial

institutions; and the foregoing shall not constitute an assignment, subletting or other disposition or transfer hereunder.

(b) Landlord's consent shall not be required in the case of any subletting or other similar arrangement (other than an assignment) involving a governmental (or quasi-governmental) agency, bureau, department or similar entity so long as the employees and invitees of such entity are comparable to the employees and invitees of Tenant and so long as Tenant reasonably determines that such entity is appropriate for a first-class office building and does not create an unreasonable level of pedestrian traffic in and out of the building.

(c) Tenant agrees to provide Landlord with notice of any assignment, subletting or other arrangement described in Section 7.6(a) or (b), together with copies of any assignments, subleases or other principal documents effecting same.

ARTICLE VIII
MAINTENANCE AND REPAIRS

8.1 (a) Except as otherwise provided herein, Landlord shall keep the exterior and demising walls, foundations, roofs and common areas that form a part of the building, and the mechanical, electrical, HVAC and plumbing systems, pipes, and conduits of the building (the "Building Equipment') in clean, safe, sanitary and operating condition, and will make all required repairs thereto.

(b) Notwithstanding anything to the contrary in this Section 8.1, maintenance and repair of special tenant equipment, including but not limited to special fire protection equipment, kitchen equipment, specially installed bathrooms and/or showers, security systems and supplementary air conditioning equipment serving only the Premises, shall be the sole responsibility of Tenant. Fire protection equipment, bathrooms, air conditioning equipment, and the like that would have been furnished by Landlord on multi-tenant floors as part of a base building system (whether or not contained in Schedule I to Exhibit B) shall in no event be deemed "special tenant equipment," even on floors fully occupied by Tenant.

8.2 Except as otherwise provided in Section 8.1, Landlord shall not be responsible for maintenance or repair of the improvements installed in the Premises pursuant to Exhibit B or Article IX hereof. At the expiration or other termination of the Lease Term, Tenant shall surrender the premises, broom clean, in the same order and condition in which they are on the Lease Commencement Date, ordinary wear and tear and unavoidable damage by the elements excepted. All bulbs and tubes for the Premises that would be utilized in the light fixtures that are designated by Landlord (and reasonably approved by Tenant) as standard for the Office Complex (although no light fixtures are being furnished to the Premises as part of the base building pursuant to Schedule I to Exhibit B) shall be provided and installed by Landlord at Landlord's cost and expense. In the event Tenant elects to use as its standard light fixture in the Premises a different light fixture from that designated by

Landlord pursuant to the immediately preceding sentence, Landlord shall furnish and install replacement bulbs and tubes for such fixtures, and any cost incurred in excess of the cost of furnishing replacement bulbs and tubes for Landlord's designated standard light fixture (taking into account any savings resulting from reduced energy consumption or less frequent replacement of bulbs and tubes) shall be borne by Tenant. All bulbs and tubes for light fixtures other than Tenant's standard fixture shall be furnished at Tenant's sole cost and expense

8.3 Except as otherwise provided in Section 13.4 or Article XVII hereof, all injury, breakage and damage to the Premises and to any other part of the Office Complex caused by any act or omission of Tenant, or of any agent, employee, subtenant, contractor, customer or invitee of Tenant, shall be repaired by and at the sole expense of Tenant, except that Landlord shall have the right, at its option, to make such repairs and to charge Tenant for all costs and expenses incurred in connection therewith as additional rent hereunder. The liability of Tenant for such costs and expenses shall be reduced by the amount of any insurance proceeds which Landlord would be entitled to receive from the policies required of it to be maintained hereunder (and without regard to any default by Landlord under any such policies) on account of such injury, breakage or damage.

8.4 Landlord's maintenance and repair obligations hereunder shall also apply to the retail level common area and outdoor common areas of the Office Complex, including, but not limited to, site and private access roads. It is the intention of the parties hereto, in fulfilling their respective maintenance and repair obligations hereunder, that the building and the Premises and all equipment and systems therein shall be maintained, repaired and/or replaced, as needed, to provide reliable, energy efficient service without unusual interruption, disturbing voices, exposure to fire or safety hazards, uncomfortable drafts, excessive air velocities or unusual emissions of dirt. Maintenance work must be done in accordance .with applicable codes and inspection certificates must be displayed as appropriate.

ARTICLE IX
TENANT ALTERATIONS

9.1 The initial tenant improvements in and to the Premises shall be installed by Landlord in accordance with Exhibit B attached hereto. It is understood and. agreed that Landlord will not make, and is under no obligation to make, any structural or other alterations, decorations, additions or improvements in or to the Premises, except as provided in Section 6.1 or Exhibit B.

9.2 Tenant shall not be required to obtain the consent of Landlord for the making of alterations, additions, improvements or decorations (collectively, "improvements") in or to the Premises, provided (i) such improvements do not involve any structural changes to any portion of the base building, (ii) such improvements will not change or alter the operation of the mechanical, electrical, HVAC, plumbing equipment or other systems serving the building or the Premises, (iii) such improvements are not visible from either the exterior of the building or the public areas of multi-tenanted floors in the building. Tenant shall be required to obtain the prior written consent of Landlord to the making of improvements that violate any of conditions (i), (ii) and (iii) above. Landlord's consent may be granted or withheld in Landlord's sole discretion with respect to improvements that (A) involve structural changes to the building, except that Landlord shall not unreasonably withhold its consent to core drilling for the purpose of installing wiring and cabling or to the movement of partitions (it being agreed that it shall be reasonable for Landlord to require that Tenant pay the cost of any survey or testing performed or commissioned by Landlord to determine the effect Tenant's core drilling or partition movement will or may have on the building, as well as the cost of any changes to the building necessitated by Tenant's core drilling or partition movement) or (B) change the exterior appearance of the building. Anything to the contrary contained herein notwithstanding, Landlord and Tenant shall share equally all costs and expenses associated with any addition, deletion and/or modification to the perimeter heat pumps resulting from the movement or relocation of any partitions within 'any portion of the Premises actually occupied by Tenant (and not by any assignee or subtenant (other than an entity described in Section 7.6(a) hereof)). Landlord's consent shall not be unreasonably withheld or delayed with respect to any other improvements for which Landlord's consent is required, but may be conditioned upon Tenant's agreement to compensate Landlord for any incremental costs incurred by reason of the making of the improvement. Tenant shall give Landlord prior written notice of Tenant's intention to make any improvements in or to the Premises, and shall furnish Landlord with copies of any plans or working drawings prepared by Tenant with respect thereto.

9.3 When Landlord's consent to the making of an improvement is required, Landlord may impose any conditions it reasonably deems appropriate, including, without limitation, the approval of plans and specifications, approval of the contractor or other persons who will perform the work, and the obtaining of required permits and specified insurance. It shall be reasonable for Landlord to insist that portions of the Premises visible to the public shall maintain a uniform appearance with the rest of the Office Complex. Tenant shall not make any improvements outside the Premises. All improvements must conform to all rules and regulations established from time to time by the Underwriters' Association of the District of Columbia and to all laws, regulations and requirements of the Federal and District of Columbia governments. All materials used by Tenant and all changes made by Tenant shall comply with all fire, safety, health and building code requirements imposed by any governmental authority .having jurisdiction over the building, and any contractor or subcontractor performing such improvements shall comply with the reasonable building work rules established by Landlord. If any mechanic's or materialmen's lien is filed against the Premises, the Office Complex and/or the land upon which it is situated, for work claimed to have been done for, or materials claimed to have been furnished to, the Premises pursuant to this Article IX, such lien shall be discharged by Tenant within ten (10) days thereafter, at Tenant's sole cost and expense, by the payment thereof or by the filing of a surety bond. Promptly upon the completion of any improvements performed in the Premises pursuant to this Article IX, Tenant agrees to obtain and deliver to Landlord written, unconditional waivers of mechanic's and materialmen's liens against the Office Complex and the land upon which it is situated from all contractors, subcontractors, laborers and material suppliers for all work, labor and services performed and materials furnished in connection with such improvements. If Tenant shall fail to discharge any such mechanic's or materialmen's lien, Landlord may, at its option, discharge such lien and treat the cost thereof (including reasonable attorneys 'fees incurred in connection therewith) as additional rent payable with the next monthly installment of base rent falling due; it being expressly agreed that such discharge by Landlord shall not be deemed to waive or release the default of Tenant in not discharging such lien. It is understood and agreed that any improvements to the Premises not made or paid for by Landlord shall be conducted on behalf, of Tenant and not on behalf of Landlord, and that Tenant shall be deemed to be the "owner" (and not the "agent" of Landlord) for purposes of the application of Section 38101 of the District of Columbia Code. It is further understood and agreed that in the event Landlord shall give its written consent to the making of any improvements to the Premises, such written consent shall not be deemed to be an agreement or consent by Landlord to subject its interest in the Premises, the Office Complex or the land upon which it is situated to any mechanic's or materialmen's liens which may be filed in connection therewith.

9.4 If any improvements for which Landlord's consent is required are made without the prior written consent of Landlord, Landlord shall have the right to remove and correct such improvements and restore the Premises to their condition immediately prior thereto, and Tenant shall be liable for all expenses incurred by Landlord in connection therewith. Tenant shall have the right to .remove, prior to the expiration of the Lease Term, all movable furniture, movable furnishings and movable equipment installed in the Premises. Such removal shall be solely at the expense of Tenant. Except as otherwise provided in Section 8.3 or 13.4, all damage and injury to the Premises or the Office Complex caused by such removal shall be repaired by Tenant, at Tenant's sole expense. If such property of Tenant is not removed by Tenant prior to the expiration or termination of this Lease (or such later date through which Tenant remains in occupancy of the Premises pursuant to Section 22.1, the same shall become the property of Landlord and shall be surrendered with the Premises as a part thereof. Landlord agrees that, upon Tenant's written request, Landlord will notify Tenant at the time an improvement or alteration that is not otherwise removable by Tenant under the terms of this Section 9.4 is approved for installation within the Premises (including, as the case may be, upon approving the initial installation of any improvements pursuant to Exhibit B) whether Landlord will require Tenant to remove such improvement or alteration from the Premises upon the expiration of the Lease Term. Notwithstanding the foregoing, the business records (including files and computer tapes), confidential information and other documents associated with Tenant's operations shall at all times remain the property of Tenant, and Tenant shall have the right to remove such materials from the Premises.

ARTICLE X
SIGNS AND FURNISHINGS

10.1 No sign, advertisement or notice referring to Tenant shall be inscribed, painted, affixed or otherwise displayed on any part of the exterior or common areas of the Office Complex or those portions of the Premises that are visible from outside the Premises, except on the directories and doors of offices and such other areas as are designated by Landlord, and then only in such place, number, size, color and style as are approved by Landlord in writing and are in accordance with any applicable District, of Columbia building code or zoning regulation. All of Tenant's signs that are approved by Landlord shall be installed by Landlord at Tenant's cost and expense. If any sign, advertisement or notice that has not been approved, by Landlord is exhibited or installed by Tenant, Landlord shall have the right to remove the same at Tenant's expense. Landlord reserves the right to affix, install and display signs, advertisements and notices on any part of the exterior or interior of the Office Complex: however, Landlord shall not have the right to install any signs within the

Premises (or on floors wholly occupied by Tenant) other than those required by law, necessary for the effective operation of the building. The foregoing notwithstanding, Tenant shall have the right (i) to affix identification and/or directional signs on all or any part of a floor on which Tenant has leased the entire usable area or is otherwise the sole occupant, and (ii) to affix on any other floor partially occupied by Tenant identification and directional signs which are not visible to the naked eye from the exterior of the Premises (or which, if visible from the exterior of the Premises, are consistent with Landlord's building standard signage design criteria). In addition, Landlord, at Tenant's expense (toward which expense Landlord agrees to contribute a sum not to exceed $l0,000), shall name the building after Tenant (and, upon later request by Tenant and at Tenant's expense, shall rename the building for any entity described in Section 7.6(a)), employing one or more signs, logos and/or other mediums reasonably acceptable to Landlord and Tenant. The costs of maintaining, replacing and removing such signage shall be borne by Tenant. So long as the original Tenant or an assignee or subtenant pursuant to Section 7.6(a) actually occupies any portion of the Premises, Landlord covenants not to name the Office Complex (but may name any other building therein) for any person or entity that is then the subject of regulation, control, supervision or oversight by Tenant.

10.2 Landlord shall have the right to prescribe the weight and position of safes and other heavy equipment and fixtures, which, if considered necessary by the Landlord, shall be installed in such manner as Landlord directs in order to distribute their weight adequately. Except as otherwise provided in Section 8.3 or 13.4, any and all damage or injury to the Premises or the Office Complex caused by moving the property of Tenant into or out of the Premises, or due to the same being in or upon the Premises, shall be repaired by and at the sole cost of Tenant. No furniture, equipment or other bulky matter of any description will be received into the building or carried in the elevators except as approved by Landlord, and all such furniture, equipment and other bulky matter shall be delivered only through the designated delivery entrance of the building and the designated freight elevator. All moving of furniture, equipment and other materials shall be under the supervision of Landlord, who shall not, however, be responsible for any damage to or charges for moving the same. Tenant agrees to remove promptly from the sidewalks adjacent to the Office Complex any of Tenant's furniture, equipment or other material there delivered or deposited.

ARTICLE XI
TENANT'S EQUIPMENT

11.1 Tenant will not install or operate in the Premises any electrically operated equipment or machinery that operates on greater than 110 volt power (other than photocopy machines in such quantity as is reasonable for first-class office space and/or equipment which is separately metered) without first obtaining the prior written consent of Landlord. Landlord shall not unreasonably withhold such consent, but if Landlord determines that it is appropriate to separately meter such equipment or machinery then Landlord may condition such consent upon the payment by Tenant of additional rent in compensation for the excess consumption of electricity and for the cost of any additional wiring or other apparatus (including any separate meters) that may be occasioned by the operation of such equipment or machinery. Tenant shall not install any equipment of any type or nature that will or may necessitate any changes, replacements or additions to, or in the use of, the water system, heating system, plumbing system, air conditioning system or electrical system of the Premises or the building, without first obtaining the prior written consent of Landlord. Landlord may condition its consent to any special installations (including, but not limited to, a cafeteria, a training facility, a computer facility or a fitness center) upon Tenant's payment of additional rent in compensation for the excess consumption of utilities that may be occasioned by the operation of such installations or equipment, and Landlord may at Tenant's expense, install a, separate electric and/or water meter or submeter to measure the consumption of electricity and/or water in or by such special installations or equipment. Business machines and mechanical equipment belonging to Tenant which cause noise or vibration that may be transmitted to the structure of the building or to any space therein to such a degree as to be objectionable to Landlord or to any tenant in the building shall be installed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to reduce such noise and vibration to a level reasonably satisfactory to Landlord.

ARTICLE XII
INSPECTION BY LANDLORD

12.1 Tenant will permit Landlord, or its agents or representatives, upon twenty-four (24) hours prior notice (except in emergency situations) (which notice need not be in writing), to enter the Premises, without charge therefor to Landlord and without diminution of the rent payable by Tenant, to examine, inspect and protect the Premises and the Office Complex, to make such alterations and/or repairs as in the reasonable judgment of Landlord may be deemed necessary, or to exhibit the same (other than any secure or security sensitive areas) to prospective tenants

during the last one hundred eighty (180) days of the Lease Term. In connection with any such entry, Landlord shall endeavor to minimize the disruption to Tenant's use of the Premises. In addition, except in cases of emergency, a representative of Tenant shall have the right to accompany Landlord during each such entry.

ARTICLE XIII
INSURANCE

13.1 Tenant shall not conduct nor permit to be conducted any activity, or place any equipment in or about the Premises or the Office Complex, which will in any way increase the rate of fire insurance or other insurance on the Office Complex. If any increase in the rate of fire insurance or other insurance is stated by any insurance company or by the applicable Insurance Rating Bureau to be due to any activity or equipment of Tenant in or about the Premises or the Office Complex, such statement shall be evidence that the increase in such rate is due to such activity or equipment and, as a result thereof, Tenant shall be liable for the amount of such increase. Tenant shall reimburse Landlord for such amount upon written demand from Landlord and such sum shall be considered additional rent payable hereunder.

13.2 Throughout the term of the Lease, Landlord shall insure the building, all Building Equipment, and other equipment, fixtures and systems therein belonging to or leased by Landlord against loss due to fire and other casualties included in broad form commercial property insurance policies in an amount equal to at least 90% of the replacement cost thereof (and, in any event, in an amount sufficient to avoid coinsurance), exclusive of architectural and engineering fees, excavations, footings and foundations, and with a deductible not exceeding $50,000 (or such greater deductible as may be commercially customary from time to time for the owners of comparable buildings). Landlord's commercial property insurance policy shall contain a waiver of the insurer's right of subrogation against Tenant. In addition, Landlord shall at all times maintain comprehensive general liability insurance (with contractual liability coverage) in an amount not less than $25,000,000. The insurers under all such policies shall agree that they will not cancel, modify, terminate or fail to renew such policies without endeavoring to provide Tenant with at least thirty (30) days' prior written notice.

13.3 Tenant has advised Landlord that, as an agency of the U. S. Government, Tenant self-insures for all purposes. In the event such policy of self-insurance is modified in the future to permit Tenant to purchase commercial insurance and Tenant elects to do so, or in the event this Lease is assigned or sublet to an entity that does not self-insure, it is understood and agreed that Landlord may require Tenant or such assignee or subtenant to

comply with the insurance coverage requirements generally imposed on tenants of the Office Complex. Tenant shall promptly notify Landlord of any change in its self-insurance policies.

13.4 Any other provision of this Lease to the contrary notwithstanding, Tenant, for itself and its insurer (if any), hereby waives and releases Landlord from any and all liabilities, claims and losses for which Landlord is or may be held liable to the extent Tenant would have received insurance proceeds on account thereof if Tenant had maintained all risks fire and casualty insurance with full replacement cost coverage upon all of its property within the Premises and commercial general liability insurance for injury to persons and damage to property. Any other provision of this Lease to the contrary notwithstanding, Landlord, for itself and its insurer, hereby waives and releases Tenant from any and all liabilities, claims and losses for which Tenant is or may be held liable to the extent Landlord either is required to maintain insurance pursuant to this Article, XIII or receives insurance proceeds on account thereof. The foregoing notwithstanding, nothing in this Lease shall be deemed to release any party hereto from liability for its gross negligence or willful misconduct.

ARTICLE XIV
SERVICES AND UTILITIES

14.1 Landlord shall furnish to the Premises ventilation, air conditioning and heat, electricity, water, elevator service, and char and janitorial service in the manner set forth in Exhibit F attached hereto. The services and utilities required to be furnished by Landlord, other than electricity and water, will be provided only during the normal hours of operation of the building (as set forth in such Exhibit), except as otherwise specified herein. It is agreed that if Tenant requires air conditioning or heat beyond the normal hours of operation set forth herein, Landlord will furnish such air conditioning or heat, provided Tenant gives Landlord's agent notice of such requirement by noon on any business day for after-hours service that same day or by noon on the immediately preceding business day for service on a Saturday, Sunday or holiday, and Tenant agrees to pay for the cost of such extra service in accordance with Landlord's then current schedule of costs and assessments for such extra service. The cost of after-hours air conditioning and heat during the first Lease Year shall be Eighty Dollars ($80.00) per hour per floor, and shall not thereafter be increased to exceed at any time the actual utility charges and administrative costs incurred by Landlord for such usage. Landlord agrees to provide an access control system in the building, which shall permit Tenant to have access to the Premises on a twenty-four (24) hour, seven-days-a-week basis. Such access control system shall be subject to the reasonable approval of Tenant. Landlord also agrees to provide a

building attendant in the lobby of the building during normal business hours and a security guard after normal business hours while the janitorial staff is present in the building.

14.2 Except as otherwise provided in this Section 14.2, it is understood and agreed that Landlord shall have no liability to Tenant whatsoever as a result of Landlord's non-willful failure or inability to furnish any of the utilities or services required to be furnished by Landlord hereunder, whether resulting from breakdown, removal from service for maintenance or repairs, strikes, scarcity of labor or materials, acts of God, governmental requirements or from any other cause whatsoever. Except as otherwise provided in this Section l4.2, or in General Clause 14 or Section 28.20, it is further agreed that any such failure or inability to furnish the utilities or services required hereunder shall not be considered an eviction, actual or constructive, of Tenant from the Premises, and shall not entitle Tenant to terminate this Lease or to an abatement of any rent payable hereunder. The foregoing notwithstanding, (i) if such failure or inability to furnish any of the utilities or services required to be furnished by Landlord hereunder (including, but not limited to, all electricity and water) is within Landlord's reasonable control to remedy or correct then Landlord shall proceed immediately and diligently to remedy or correct such situation and, except for an initial period not to exceed thirty (30) days in case the parts or equipment needed to effect such remedy or cure are not available (including by air shipment, special manufacture or otherwise), all rent shall abate hereunder with respect to any portion of the Premises rendered untenantable thereby, (ii) if such failure or inability to furnish any of such utilities or services is not within Landlord's reasonable control to remedy or correct then all rent shall abate hereunder with respect to any portion of the Premises rendered untenantable thereby (except that Tenant agrees to waive such abatement to the extent that the same is not or would not be reimbursable or otherwise compensable to Landlord through or under any policy or policies of insurance, including any policies required to be maintained hereunder), and (iii) unless such failure or inability is remedied or cured within one hundred twenty (120) days following the commencement thereof (and without regard to Section 28.18) then Tenant shall have the right to terminate this Lease at any time thereafter before such failure is remedied, effective upon not less than thirty (30), nor more than two hundred seventy (270), days prior written notice.

14.3 The parties hereto agree to comply with all mandatory and voluntary energy conservation controls and requirements applicable to office buildings that are imposed or instituted by the Federal or District of Columbia governments, including, without limitation, controls on the permitted range of temperature settings in office buildings, and requirements necessitating curtailment of the volume of energy consumption or the hours of

operation of the building. Any terms or conditions of this Lease that conflict or interfere with compliance with such controls or requirements shall be suspended for the duration of such controls, or requirements. It is further agreed that compliance with such controls or requirements shall not be considered an eviction, actual or constructive, of the Tenant from the Premises and shall not entitle Tenant to terminate this Lease or to an abatement of any rent payable hereunder.

14.4 Upon Tenant's request, Landlord shall permit Tenant to equip the building for the reception of C-Span and other satellite or cable television programming. Such permission may be withdrawn, however, if Landlord determines that the equipment necessary to permit such reception would materially and adversely interfere with other building facilities or services or would materially detract from the appearance of the building. With the prior reasonable written approval of Landlord, and subject to compliance with all applicable governmental requirements, Landlord will permit Tenant to install roof antennas, a satellite dish and other equipment appropriate or necessary for Tenant's operation of a telecommunications facility. Tenant shall be responsible for obtaining all necessary governmental permits and approvals for the installation of such equipment upon the building. Landlord agrees to cooperate with Tenant in obtaining any such permits. The equipment necessary to permit such reception shall be installed, maintained and removed at Tenant's expense (except that the cost of removal shall not be borne by Tenant if Tenant elects to abandon the same and Landlord thereupon elects to retain such equipment in place beyond the expiration or termination of this Lease), and Tenant shall pay all subscription fees, usage charges, and hookup and disconnection fees associated with Tenant's use thereof.

ARTICLE XV
LIABILITY OF LANDLORD

15.1 Except as otherwise provided herein, Landlord shall not be liable to Tenant, its employees, agents, business invitees, licensees, customers, clients, family members or guests for any damage, injury, loss, compensation or claim, including but not limited to claims for the interruption of or loss to Tenant's business, based on, arising out of or resulting from any cause whatsoever, including but not limited to the following: repairs to any portion of the Premises or the Office Complex; interruption in the use of the Premises (except as provided in Articles XIV and XVII); any accident or damage resulting from the use or operation (by Landlord, Tenant or any other person or persons) of elevators, or of the heating, cooling, electrical or plumbing equipment or apparatus; the termination of this Lease by reason of the destruction of the Premises or the building; any fire, robbery, theft, mysterious disappearance and/or any other

casualty; the actions of any other tenants of the Office Complex or of any other person or persons: and any leakage in any part of portion of the Premises or the Office Complex, or from water, rain or snow that may leak into, or flow from, any part of the Premises or the Office Complex, or from drains, pipes or plumbing fixtures in the Office Complex. Any goods, property or personal effects stored or placed by the Tenant or its employees in or about the Premises or Office Complex shall be at the sole risk of the Tenant, and Landlord shall not in any manner be held responsible therefor. It is understood that the employees of the Landlord are prohibited from receiving any packages or other articles delivered to the Office Complex for Tenant, and if any such employee receives any such package or articles, such employee shall be acting as the agent of the Tenant for such purposes and not as the agent of Landlord. Notwithstanding the foregoing provisions of this Section 15.1, but subject to Section 13.4, Landlord shall not be released from liability to Tenant for any damage or injury caused by the negligence or willful misconduct of Landlord; provided, however, that in no event shall Landlord have any liability to Tenant for any claims based on the interruption of or loss to Tenant's business.

15.2 [Intentionally Omitted.]

15.3 In the event that at any time Landlord shall sell or transfer the building, provided the purchaser or transferee assumes the obligations of the Landlord hereunder, the Landlord named herein shall not be liable to Tenant for any obligations or liabilities based on or arising out of events or conditions occurring after the date Landlord notifies Tenant in writing of the effectuation of such sale or transfer, but shall remain liable for any obligations or liabilities based on or arising out of events or conditions occurring on or before the effective date of such sale or transfer (which liability shall be joint and several with the purchaser, except in the case of third-party tort claims). Furthermore, Tenant agrees to attorn to any such purchaser or transferee upon all the terms and conditions of this Lease.

15.4 Subject to General Clause 14 and Section 28.20, in the event that at any time during the Lease Term Tenant shall have a claim against Landlord, Tenant shall not have the right to deduct the amount allegedly owed to Tenant from any rent or other sums payable to Landlord hereunder, it being understood that Tenant's sole remedy for recovering upon such claim shall be to institute an independent action against Landlord.

15.5 Tenant agrees that in the event Tenant is awarded a money judgment against Landlord, Tenant's sole recourse for satisfaction of such judgment shall be limited to execution against the estate and interest of Landlord in the building. In no event

shall any other assets of Landlord, any partner or employee of Landlord or any other person or entity be available to satisfy or be subject to, such judgment, nor shall any partner of Landlord or any other person or entity be held to have any personal liability of or satisfaction of any claims or judgments that Tenant may have against Landlord or any partner of Landlord in such partner's capacity as partner of Landlord. Notwithstanding the foregoing, it is agreed that Landlord and its general partners (including, indirectly, those individuals named in Section 23.3) shall be personally liable for any liquidated damages that become due to Tenant pursuant to Section 2.4 hereof.

ARTICLE XVI
RULES AND REGULATIONS

16.1 Tenant and its agents, employees, invitees, licensees, customers, clients, family members, guests and permitted subtenants shall at all times abide by and observe the rules and regulations attached hereto as Exhibit C. In addition, Tenant and its agents, employees, invitees, licensees, customers, clients, family members, guests and permitted subtenants shall abide by and observe all other reasonable rules or regulations that Landlord may promulgate from time to time for the operation and maintenance of the building, provided that notice thereof is given to Tenant and such rules and regulations are not inconsistent with the provisions of this Lease. If there is any inconsistency between this Lease and the Rules and Regulations set forth in Exhibit C, this Lease shall govern. Landlord agrees that it will not apply or enforce the Rules and Regulations in an arbitrary or discriminatory manner.

ARTICLE XVII
DAMAGE OR DESTRUCTION

17.1 If, during the Lease Term, the Premises or the building are totally or partially damaged or destroyed from any cause, thereby rendering the Premises totally or partially inaccessible or unusable, Landlord shall diligently (taking into account the time necessary to effectuate a satisfactory settlement with any insurance company involved) restore and repair the Premises and the building to substantially the same condition they were in prior to such damage; provided, however, if, in the reasonable judgment of the Contracting Officer, the repairs and restoration cannot be completed within two hundred seventy (270) days after the occurrence of such damage, Landlord and Tenant each shall have the right, at its respective sole option, to terminate this Lease by giving written notice of termination to the other within forty-five (45) days after the occurrence of such damage.

17.2 Notwithstanding the foregoing, if the act or omission of Tenant, or any of its employees, agents, licensees, subtenants

or guests, shall have caused the damage or destruction, then Tenant shall not have the right to terminate this Lease unless the period for repair and restoration, as determined in the reasonable judgment of the Contracting Officer, exceeds three hundred sixty-five (365) days.

17.3 If this Lease is terminated pursuant to Section 17.1 or Section 17.2 above, all rent payable hereunder shall be apportioned and paid to the date of the occurrence of such damage, and Tenant shall have no further rights or remedies against Landlord pursuant to this Lease or otherwise. If this Lease is not terminated as a result of such damage, until the repair and restoration of the Premises is completed Tenant shall be required to pay base rent and additional rent only for that part of the Premises that Tenant is able to use while repairs are being made, based on the ratio that the amount of usable rentable area bears to the total rentable area of the Premises; provided, however, that if such damage was caused by the negligence or misconduct of Tenant, or any of its employees, agents, licensees,. subtenants or guests, then rent shall be abated only to the extent that Landlord is entitled to be compensated for such abatement in the form of proceeds under rent loss insurance coverage (without regard to any default by Landlord or any waiver of such coverage by Landlord under the policy providing such coverage). Landlord shall bear the costs and expenses of repairing and restoring the Premises, except that if such damage or destruction was caused by the negligence or misconduct of Tenant, or any of its employees, agents, licensees, subtenants or guests, upon written demand from Landlord, Tenant shall pay to Landlord the amount by which such costs and expenses exceed the insurance proceeds, if any, which Landlord would be entitled to receive from the insurance policies required of it to be maintained hereunder (and without regard to any default by Landlord under any such policy).

17.4 If Landlord repairs and restores the Premises as provided in Section 17.1, Landlord shall not be required to repair or restore any decorations, alterations or improvements to the Premises that are Tenant's obligation to maintain pursuant to the terms of Article VIII hereof, or any trade fixtures, furnishings, equipment or personal property belonging to Tenant. It shall be Tenant's sole responsibility to repair and restore all such items.

ARTICLE XVIII
CONDEMNATION

18.1 If the whole or a substantial part (as hereinafter defined) of the building or the Premises, or the use or occupancy of the Premises, shall be taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose (including a sale thereof under threat of such a

taking), then this Lease shall terminate on the date title thereto vests in such governmental or quasigovernmental authority, and all rent payable hereunder shall be apportioned as of such date. If less than a substantial part of the Premises, or the use of occupancy thereof, is taken or condemned by any governmental or quasigovernmental authority for any public or quasi-public use or purpose (including a sale thereof under threat of such a taking), this Lease shall continue in full force and effect, but the base rent and additional rent thereafter payable hereunder shall be equitably adjusted (on the basis of the ratio of the number of square feet of usable area taken to the total usable area of the Premises prior to such taking) as of the date title vests in the governmental or quasigovernmental authority. For purposes of this Section 18.1, a substantial part of the building or the Premises shall be considered to have been taken if more than one-third (l/3) of the building or the Premises is rendered unusable as a result of such taking or if, pursuant to General Clause 4, Tenant determines that the Premises are untenantable.

18.2 All awards, damages and other compensation paid by the condemning authority on account of such taking or condemnation (or sale under threat of such a taking) shall belong to Landlord, and, Tenant hereby assigns to Landlord all rights to such awards, damages and compensation. Tenant agrees not to make any claim against Landlord or the condemning authority for any portion of such award or compensation attributable to damages to the Premises, the value of the unexpired term of this Lease, the loss of profits or goodwill, leasehold improvements or severance damages. Nothing contained herein, however, shall prevent Tenant from pursuing a separate claim against the condemning authority for the value of furnishings, equipment and trade fixtures installed in the Premises at Tenant's expense and for relocation expenses, provided that such claim does not in any way diminish the award or compensation payable to or recoverable by Landlord in connection with such taking or condemnation.

18.3 The foregoing notwithstanding, Landlord agrees to give Tenant written notice promptly upon becoming aware of any actual or threatened condemnation, taking or similar occurrence and Landlord further agrees not to settle or compromise (or to otherwise agree to a sale in lieu of such taking) if, at least ten (10) days prior to the date set for the final hearing or court appearance with respect to such condemnation, taking or other occurrence, Tenant shall agree to condemn or take the portion of the building or land so affected, whereupon Tenant agrees to sell the building back to Landlord and Landlord agrees to reacquire same from Tenant at the same price paid by Tenant to Landlord therefor; the party requesting such taking and resale shall bear the administrative or transactional costs (including transfer and/or recordation taxes) incurred by Landlord and Tenant in connection therewith.

ARTICLE XIX
DEFAULT BY TENANT

19.1 The occurrence of any of the following shall constitute a Default by Tenant under this Lease:

(a) If Tenant shall fail to pay any installment of base rent or additional rent when due, or shall fail to pay when due any other payment required by this Lease, and such failure shall continue uncured for a period of ten (10) days after Landlord notifies Tenant in writing of such failure.

(b) If Tenant shall violate or fail to perform any other term, condition, covenant or agreement to be performed or observed by Tenant under this Lease, and such violation or failure shall continue uncured for a period of thirty (30) days after Landlord notifies Tenant in writing of such violation or failure. If such violation or failure is not capable of being cured within such thirty (30) day period, Tenant shall not be deemed to be in default hereunder if Tenant commences curative action within such thirty (30) day period and proceeds diligently thereafter to cure such violation or failure.

(c) If Tenant shall abandon the Premises (i. e., vacate with an expressed written intention not to fulfill its future obligations under this Lease).

(d) An Event of Bankruptcy as defined in Section 20.2 (if this Lease has been assigned to a nongovernmental entity).

19.2 If Tenant shall be in Default under this Lease, Landlord shall have the right, at its sole option, to terminate this Lease. With or without terminating this Lease, Landlord may reenter and take possession of the Premises and the provisions of this Article. XIX shall operate as a notice to quit, any other notice to quit or of Landlord's intention to reenter the Premises being hereby expressly waived. If necessary, Landlord may proceed to recover possession of the Premises under and by virtue of the laws of the District of Columbia, or by such other proceedings, including reentry and possession, as may be applicable. If Landlord elects to terminate this Lease, everything contained in this Lease on the part of Landlord to be done and performed shall cease without prejudice, however, to the right of Landlord to recover from Tenant all rent and other sums due under this Lease. If this Lease is terminated by reason of Tenant's Default, Landlord agrees to use reasonable efforts to relet the Premises for such rent and upon such terms as are not unreasonable under the circumstances and, if the full rental provided herein plus the costs, expenses and damages hereafter described shall not be realized by Landlord, Tenant shall be liable for all damages sustained by Landlord, including, without limitation,

deficiency in base rent and additional rent, reasonable attorneys' fees, brokerage fees, and the expenses of placing the Premises in first-class rentable condition. Provided Landlord has used reasonable efforts to relet the Premises and mitigate its damages, Landlord shall in no way be responsible or liable for any failure to relet the Premises or any part thereof, or any failure to collect any rent due or accrued upon such reletting after Default by Tenant. Landlord shall be entitled to endeavor to lease all other vacant space in the Office Complex and in any other buildings in the vicinity owned by Landlord (or any entity affiliated with Landlord) prior to making any effort to relet the Premises. Any damages or loss of rent sustained by Landlord may be recovered by Landlord, at Landlord's option, at the time of the reletting, or in separate actions, from time to time, as said damage shall have been made more easily ascertainable by successive relettings, or, at Landlord's option, may be deferred until the expiration of the Lease Term, in which event Tenant hereby agrees that the cause of action shall not be deemed to have accrued until the date of expiration of the Lease Term. The provisions contained in this Section 19.2 shall be in addition to, and shall not prevent the enforcement of, any claim Landlord may have against Tenant for anticipatory breach of this Lease. Notwithstanding any other provision of this Lease, Landlord shall not be entitled to claim or recover from Tenant any consequential damages incurred by Landlord; however, the foregoing exclusion shall in no manner affect Landlord's ability to claim and recover its actual damages resulting from a Default, including but not limited to deficiency in rent.

19.3 All rights and remedies of Landlord set forth herein are in addition to all other rights and remedies available to Landlord hereunder or at law or in equity. All rights and remedies available to Landlord hereunder or at law or in equity are expressly declared to be cumulative. The exercise by Landlord of any such right or remedy shall not prevent the concurrent or subsequent exercise of any other right or remedy. No delay in the enforcement or exercise of any such right or remedy shall constitute a waiver of any Default by Tenant hereunder or of any of Landlord's rights or remedies in connection therewith. Landlord shall not be deemed to have waived any Default by Tenant hereunder unless such waiver is set forth in a written instrument signed by Landlord. If Landlord waives in writing any Default by Tenant, such waiver shall not be construed as a waiver of any covenant, condition or agreement set forth in this Lease except as to the specific circumstances described in such written waiver. Notwithstanding anything herein to the contrary, Landlord hereby waives any lien, right to distrain or similar lien or right, whether contractual, statutory or otherwise, and arising or which may arise with respect to any property of Tenant or anyone claiming by, through or under Tenant.

19.4 If Landlord shall institute proceedings against Tenant and a compromise or settlement thereof shall be made, the same shall not constitute a waiver .of any other covenant, condition or agreement set forth herein, nor of any of Landlord's rights hereunder. Neither the payment by Tenant of a lesser amount than the installments of base rent, additional rent or of any sums due hereunder nor any endorsement or statement on any check or letter accompanying a check for payment of rent or other sums payable hereunder shall 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 other sums or to pursue any other remedy available to Landlord. No reentry by Landlord, and no acceptance by Landlord of keys from Tenant, shall be considered an acceptance of a surrender of this Lease.

19.5 If Tenant Defaults in the making of any payment or in the doing of any act herein required to be made or done by Tenant, then Landlord may, but shall not be required to, make such payment or do such act. If Landlord elects to make such payment or do such act, all costs and expenses incurred by Landlord, plus interest thereon at the rate per annum which is two percent (2%) higher than the publicly announced "prime rate" then being charged by The Riggs National Bank of Washington, D. C., from the date paid by Landlord to the date of payment thereof by Tenant, shall be immediately paid by Tenant to Landlord; provided, however, that nothing contained herein shall be construed as permitting Landlord to charge or receive interest in excess of the maximum legal rate then allowed by law. The taking of such action by Landlord shall not be considered as a cure of such Default by Tenant or prevent Landlord from pursuing, any remedy it is otherwise entitled to in connection with such default.

19.6 If Tenant fails to make any payment of base rent or of additional rent on or before the date such payment is due and payable, Tenant shall pay to Landlord a late charge of five percent (5%) of the amount of such payment. In addition, such pay, payment shall bear interest at the rate per annum which is two percent (2%) higher than the publicly announced "prime rate" then being charged by The Riggs National Bank of Washington, D. C. from the date such payment became due to the date of payment thereof by Tenant; provided, however, that nothing contained herein shall be construed as permitting Landlord to charge or receive interest in excess of the maximum legal rate then allowed by law. Such late charge and interest shall constitute additional rent due and payable hereunder with the next installment of base rent due hereunder. The provisions of Section 19.5 and this Section 19.6 shall be subject to the Prompt Payment Act and General Clause 22.

ARTICLE XX
BANKRUPTCY

20.1 The provisions of this Article XX shall not apply to the original Tenant hereunder or to any governmental entity to which this Lease may be assigned or to any subtenant, but shall apply to any nongovernmental entity to which this Lease may be assigned.

20.2 The following shall be Events of Bankruptcy under this Lease:

(a) Tenant's becoming insolvent, as that term is defined in Title 11 of the United States Code (the "Bankruptcy Code"), or under the insolvency laws of any state, district, commonwealth, or territory of the United States (the "Insolvency Laws");

(b) The appointment of a receiver or custodian (not discharged within sixty (60) days) for any or all of Tenant's property or assets, or the institution of a foreclosure action upon any substantial part of Tenant's real or personal property;

(c) The filing of a voluntary petition under the provisions of the Bankruptcy Code or Insolvency Laws;

(d) The filing of an involuntary petition against Tenant as the subject debtor under the Bankruptcy Code or Insolvency Laws, which either (i) is not dismissed within ninety (90) days of filing, or (ii) results in the issuance of an order for relief against the debtor; or

(e) Tenant's making or consenting to an assignment for the benefit of creditors or a common law composition of creditors.

20.3 (a) Upon occurrence of an Event of Bankruptcy, Landlord shall have all rights and remedies available to Landlord pursuant to Article XIX; provided that while a case in which Tenant is the subject debtor under the Bankruptcy Code is pending and only for so long as Tenant or its Trustee in bankruptcy (hereinafter referred to as "Trustee") is in compliance with the provisions of Sections 20.3(b), (c) and (d) below, Landlord shall not exercise its rights and remedies pursuant to Article XIX.

(b) In the event Tenant becomes the subject debtor in a case pending under the Bankruptcy Code, Landlord's right to terminate this Lease pursuant to Section 20.3(a) shall be subject to the rights of Trustee to assume or assign this Lease. Trustee shall not have the right to assume or assign this Lease unless Trustee promptly (i) cures all defaults under this Lease, (ii)

compensates Landlord for monetary damages incurred as a result of such defaults, and (iii) provides adequate assurance of future performance on the part of Tenant as debtor in possession or on the part of the assignee tenant.

(c) Landlord and Tenant hereby agree in advance that adequate assurance of future performance, as used in Section 20.3(b) above, shall mean that all of the following minimum criteria must be met: (i) Tenant must pay its estimated pro rata share of the cost of all services provided by Landlord (whether directly or through agents or contractors and whether or not previously included as part of the annual base rent) in advance of the performance or provision of such services; (ii) Trustee must agree that Tenant's business shall be conducted in a first-class manner and that no liquidating sales, auctions, or other non-first-class business operations shall be conducted on the Premises; (iii) Trustee must agree that the use of the Premises as stated in this Lease will remain unchanged and that no prohibited use shall be permitted; (iv) Trustee must agree that the assumption or assignment of this Lease will not violate or affect the rights of other tenants in the Office Complex; (v) Trustee must pay to Landlord at the time the next monthly installment of annual base rent is due under this Lease in addition to such installment of annual base rent, an amount equal to the monthly installments of annual base rent and additional rent due under this Lease for the next six (6) months under this Lease, said amount to be held by Landlord in escrow until either Trustee or Tenant defaults in its payment of rent or other obligations under this Lease (whereupon Landlord shall have the right to draw on such escrowed funds) or until the expiration of this Lease (whereupon the funds shall be returned to Trustee or Tenant); and (vi) Tenant or Trustee must agree to pay to Landlord at any time Landlord is authorized to and does draw on the escrow account the amount necessary to restore such escrow account to the original level required by Section 20.3(c)(v).

(d) In the event Tenant is unable (i) to cure its defaults, (ii) to reimburse Landlord for its monetary damages, (iii) to pay the rent due under this, Lease and all other payments required of Tenant under this Lease on time (or within ten (10) days after written notice of the due date), or (iv) to meet the criteria and obligations imposed by Section 20.3(c) above, Tenant agrees in advance that it has not met its burden to provide adequate assurance of future performance and this Lease may be terminated by Landlord in accordance with Section 20.3(a) above.

ARTICLE XXI
SUBORDINATION

21.1 Subject to the next sentence, this Lease is subject and subordinate to the lien of any and all mortgages (which term "mortgages" shall include both construction and permanent financing and shall include deeds of trust and similar security instruments) which may now encumber the building, and to all and any renewals, extensions, modifications, recastings or refinancings thereof. Landlord shall obtain for Tenant a nondisturbance agreement in form reasonably acceptable to Tenant from the holder of any mortgage currently encumbering the building. Subject to compliance with the last sentence of this Section 21.1, this Lease shall also be made subject and subordinate to the lien of (i) any new first mortgage that hereafter may encumber the building, and (ii) any second or junior mortgages that may hereafter encumber the building, provided the holder of the first mortgage consents to such subordination. At any time after the execution of this Lease, the holder of any mortgage to which this Lease is subordinate shall have the right to declare this Lease to be superior to the lien of such mortgage and Tenant agrees to execute all documents reasonably required by such holder in confirmation thereof. Notwithstanding the above provisions hereof, the subordination of this Lease to any mortgage hereafter put in place encumbering or affecting the building, as provided above, is expressly subject to the condition precedent that the holder of any such mortgage shall execute a subordination, nondisturbance and attornment agreement with Tenant containing substantially the terms set forth in Exhibit G attached hereto.

21.2 Tenant agrees that in the event any proceedings are brought for the foreclosure of any mortgage encumbering the building, provided the holder of the foreclosed mortgage had either entered into a nondisturbance agreement with Tenant or acknowledged in writing reasonably satisfactory to Tenant that this Lease was superior to its mortgage, Tenant shall attorn to the purchaser at such foreclosure sale, and shall recognize such purchaser as the landlord under this Lease, and Tenant waives the provisions of any statute or rule of law, now or hereafter in effect, which may give or purport to give Tenant any right to terminate or otherwise adversely affect this Lease and the obligations of Tenant hereunder in the event any such foreclosure proceeding is prosecuted or completed. Tenant agrees that upon such attornment, provided the holder of the foreclosed mortgage had either entered into a nondisturbance agreement with Tenant or acknowledged in writing reasonably satisfactory to Tenant that this Lease 'was superior to its mortgage, such purchaser shall not be (a) bound by any payment of annual base rent or additional rent for more than one (1) month in advance, except prepayments in the nature of security for the performance by Tenant of its obligations under this Lease, but only to the extent such

prepayments have been delivered to such purchaser, (b) bound by any amendment of this Lease made without the consent of any lender providing construction or permanent financing for the building, (c) liable for damages for any act or omission of any prior landlord, or (d) subject to any offsets or defenses which Tenant might have against any prior landlord except to the extent a successor landlord would have had liability under Section 15.3; provided, however, that after succeeding to Landlord's interest under this Lease, such purchaser shall perform in accordance with the terms of this Lease all obligations of, Landlord arising after the date such purchaser acquires title to the building. Upon request by such purchaser, Tenant shall execute and deliver an instrument or instruments confirming its attornment.

21.3 (a) After receiving notice from any person, firm or other entity that it holds a mortgage, deed of trust or ground lease on the building, or the land on which the building is situated, no notice from Tenant to Landlord alleging .any default by Landlord shall be effective unless and until a copy of the same is given to such holder, trustee or ground lessor; provided, however, that Tenant shall have been furnished with the name and address of such holder, trustee or ground lessor. The curing of any of Landlord's defaults by such holder, trustee or ground lessor shall be treated as performance by Landlord.

(b) Any such holder, trustee, or ground lessor shall have an additional thirty (30) days for the cure of any such default after Tenant reasonably determines that the period allowed to Landlord to cure such default has expired, and Tenant has so notified such holder, trustee or ground lessor.

ARTICLE XXII
HOLDING OVER

22.1 In the event that Tenant shall not immediately surrender the Premises on the date of the expiration of the Lease Term, Tenant shall become a tenant by the month at a base rent and additional rent equal to one hundred twenty-five percent (125%) of the fair market rental value of the Premises, as reasonably determined by Landlord and Tenant, and all additional rent provided under the terms of this Lease. Said monthly tenancy shall commence on the first day following the expiration of the Lease Term. As a monthly tenant, Tenant shall be subject to all the terms, conditions, covenants and agreements of this Lease. Tenant shall give to Landlord at least thirty (30) days written notice of any intention to quit the Premises, and Tenant shall be entitled to thirty (30) days written notice to quit the Premises, unless Tenant is in default hereunder, in which event Tenant shall not be entitled to any notice to quit, the usual thirty (30) days notice to quit being hereby expressly waived. Notwithstanding the foregoing provisions of this Section 22.1, in the

event that Tenant shall hold over after the expiration of the Lease Term, and if Landlord shall desire to regain possession of the Premises promptly at the expiration of the Lease Term, then at any time prior to Landlord's acceptance of rent from Tenant as a monthly tenant hereunder, Landlord, at its option, may forthwith reenter and take possession of the Premises without process, or by any legal process in force in the District of Columbia.

ARTICLE XXIII
COVENANTS OF LANDLORD

23.1 Landlord covenants that it has the right to make this Lease for the term aforesaid, and that if Tenant shall pay all rent when due and punctually perform all the covenants, terms, conditions and agreements of this Lease to be performed by Tenant, Tenant shall, during the term of this Lease, freely, peaceably and quietly occupy and enjoy the full possession of the Premises without molestation or hindrance by Landlord or any party claiming through or under Landlord, subject to the provisions of Section 23.2 hereof. Tenant acknowledges and agrees that its leasehold estate in and to the Premises vests on the date this Lease is executed, notwithstanding that the term of this Lease will not commence until a future date.

23.2 Landlord hereby reserves to itself and its successors and assigns the following rights (all of which are hereby consented to by Tenant): (i) to change the street address or name of the Office Complex (provided that, if Tenant has already printed. stationery giving its address at the Premises, Landlord shall give Tenant at least sixty (60) days' prior written notice of any such change in name or address and shall reimburse up to $10,000 in expenses incurred by Tenant to print new stationery and to notify persons with whom Tenant does business) or the arrangement or, location of entrances; passageways, doors, doorways, corridors, elevators, stairs, toilets or other public parts of the Office Complex; (ii) to erect, use and maintain pipes and conduits in and through the walls and ceilings of the Premises (provided that the same is done upon reasonable prior notice to Tenant and at such time or times, and pursuant to such conditions, as Tenant may reasonably specify); (iii) to grant anyone the exclusive right to conduct any particular business or undertaking in the Office Complex (provided the same does not conflict or materially interfere with Tenant's permitted use of the Premises); and (iv) to grant anyone the exclusive right to use any portion of the common or public areas in and about the Office Complex (provided the same does not conflict with or materially interfere with Tenant's use of the Premises or general enjoyment of the common areas of the Office Complex). In addition, Landlord reserves to itself and its successors and assigns total dominion and control over the common and public areas in and

about the Office Complex. Landlord may exercise any or all of the foregoing rights and authority without being deemed to be .guilty of an eviction, actual or constructive, or a disturbance or interruption of the business of Tenant or of Tenant's use or occupancy of the Premises, provided Landlord takes all reasonable steps to minimize any interference with Tenant's use of the Premises.

23.3 Landlord agrees that it will not, without Tenant's prior written consent, sell or transfer its interest in the building or effect a change in the constituency of Landlord such that it is no longer controlled by Mortimer B. Zuckerman and/or Edward H. Linde or by one or more entities controlled by them, prior to the time at which construction of the building has been completed (including punch-list and long-lead items). Following completion of construction of the building, but subject to Section 15.3, Landlord's right to sell the building or its" interest therein or to effect a change in the constituency of Landlord shall be unrestricted, and Tenant shall have no right of approval or disapproval with respect thereto. The restriction on transfer set forth in this Section 23.3 shall not apply to a sale pursuant to a bankruptcy or foreclosure proceeding.

ARTICLE XXIV
PARKING

24.1 During the Lease Term (except as set forth in Section 24.4 below), Tenant shall have the exclusive right (subject to Section 24.3 below) to utilize and operate the parking garage in the building. Tenant shall bear all costs of operating, maintaining, managing, insuring (or self-insuring), repairing and restriping the garage (other than for repair or maintenance of structural elements or electrical or mechanical systems). It is understood and agreed that Landlord assumes no responsibility for, and shall, not be held liable for, any damage or loss to any automobiles parked in the garage or to any personal property located therein, or for any injury sustained by any person in or about the garage, unless resulting from Landlord's gross negligence or willful misconduct. Use of the garage shall be subject to all applicable laws and regulations. Tenant shall ensure that the garage is maintained and operated in a first-class manner, in keeping with the first-class nature of the Office Complex.

24.2 Upon Tenant's request, Landlord agrees that it will employ a third party contractor to manage the garage. If Landlord employs a third party contractor to manage the garage, Tenant shall reimburse Landlord for all fees and charges incurred by Landlord to such contractor with respect to its management of the garage.

24.3 (a) Tenant hereby agrees that it will permit Landlord or Landlord's designees to use up to thirty (30) spaces in the garage (the "Allocated Spaces") on an unreserved basis. For each Allocated Space, Landlord shall credit against the Base Rent an amount which shall equal $125 per month during the first Lease Year and which shall increase as of the first day of each Lease Year thereafter to equal 105% of the monthly credit in effect during the immediately preceding Lease Year. The sums payable by Tenant to Landlord pursuant to Section 24.1 and 24.2 above shall be reduced by the ratio of the number of Allocated Spaces to the total number of parking spaces in the garage. In the event Tenant at any time leases any of the usable area on the second (2nd) floor of the building, the number of Allocated Spaces shall thereupon be reduced in proportion to the percentage of the usable area on the second (2nd) floor thus leased by Tenant. In the event Landlord at any time recaptures any portion of the Premises pursuant to Section 7.3 hereof, the number of Allocated Spaces shall thereupon be increased by one (1) space for each 1,000 square feet of usable area recaptured by Landlord.

(b) So long as Landlord is entitled to any Allocated Spaces hereunder, Tenant agrees that the following provisions shall apply:

(i) The garage will be open Monday through Friday (excluding legal holidays) during at least the normal hours of operation of the Office Complex on such days. At all times when the garage is closed, permit holders shall be afforded access to the garage by means of a magnetic card or other procedure.

(ii) Tenant shall not act arbitrarily or discriminatorily with respect to the users of the Allocated Spaces relative to the other individuals utilizing the parking garage. In the event Tenant elects to designate an area of the garage as the location of the Allocated Spaces, such area shall not contain a disproportionate number of the less desirable spaces in the garage, but may at Tenant's option be grouped together with the spaces Tenant allocates to its subleased space.

24.4 If at any time Tenant has subleased or assigned fifty percent (50%) or more of the square feet of usable area of the Premises to an entity or entities other than an assignee, or subtenant of the type described in Section 7.6(a), the rights granted to Tenant pursuant to Sections 24.1, 24.2 and 24.3 shall, at Landlord's option, be terminated. If Landlord thus terminates Tenant's exclusive use and control of the garage, Landlord shall thereafter control the operation of the garage (and be required to maintain the same as if a common area pursuant to Section 8.1(a)), and Tenant shall be entitled to purchase one (1)

parking permit for each 1,000 square feet of usable area in the Premises, at prevailing market rates from time to time.

ARTICLE XXV
EXPANSION RIGHTS

25.1 Sometime between the first day in the eleventh (11th) Lease Year and the last day in the twelfth (12th) Lease Year, Tenant shall have the option (" Expansion Option") to lease the entire portion of the second (2nd) floor of the building not then being leased by Tenant ("Expansion Space"). The date on which the Expansion Space can be delivered to Tenant shall be specified by Landlord in a written notice furnished to Tenant no less than nine (9) months prior to such delivery date. Tenant shall exercise its option to lease .the Expansion Space by giving written notice to Landlord within thirty (30) days following its receipt of Landlord's notice. If Tenant fails to exercise its option within such thirty (30) day period, Tenant's right to lease the Expansion Space pursuant to this Section 25.1 shall irrevocably lapse. Upon delivery of the Expansion Space to Tenant, the Expansion Space shall become part of the Premises, subject to all the terms and conditions of this Lease. The base rent for the Expansion Space shall be ninety-five percent (95%) of the fair market rental value for such Expansion Space, determined in the manner set forth in Section 26.1 hereof.

25.2 If Tenant shall be in Default under this Lease on the date the notice is given to Tenant by Landlord or at any time thereafter prior to the date the Expansion Space is occupied by Tenant, then, at Landlord's option, Tenant's rights pursuant to Section 25.1 shall be of no force or effect during the pendancy of such Default.

25.3 Tenant's rights under Section 25.1 may be exercised only by Tenant and shall not be exercisable by any assignee of Tenant, other than an assignee described in Section 7.6(a) hereof.

25.4 If at any time Tenant has subleased or assigned fifty percent (50%) or more of the square feet of usable area of the Premises to an entity or entities other than an assignee or subtenant of the types described in Section 7.6(a) and (b), then Tenant's rights pursuant to Section 25.1 shall lapse and be of no further force or effect.

25.5 In the event any portion, of the Expansion Space becomes available for leasing (unless resulting from Tenant's failure to exercise its option pursuant to Section 25.1), Tenant shall have a first right to negotiate to lease such portion of the Expansion Space, subject to the following terms and conditions:

(a) At any time that Landlord becomes aware that any portion of the Expansion Space is becoming available for leasing (unless resulting from Tenant's failure to exercise its option pursuant to Section 25.1), and Landlord is about to commence actively marketing such space to the general public, Landlord will give Tenant notice that such Expansion Space will be becoming available, which notice will set forth the terms and conditions under which such space is to be offered to the general public.

(b) Tenant shall have a period of ten (10) days following receipt of such notice to notify Landlord in writing that Tenant desires to lease the Expansion Space described in Landlord's notice. If Tenant timely notifies Landlord that Tenant desires to lease such space, Tenant shall have twenty (20) days following its delivery of such notice to Landlord in which to negotiate with Landlord regarding the base rent and buildout allowance for such space. Such negotiations shall be carried out in good faith by both Landlord and Tenant in an effort to determine a base rent and buildout allowance for such space which are reasonably reflective of market conditions at the time of such negotiations. If during such twenty (20) day period the parties are unable, for any reason whatsoever, to agree upon the base rent and buildout allowance for such space, then Tenant's rights with respect to that particular offer of Expansion Space pursuant to this Section shall lapse and be of no further force or effect; provided, however, that unless Landlord shall, within one hundred eighty (180) days after the expiration of such twenty (20) day period, have entered into a fully-executed lease for such space on terms not substantially less favorable to Landlord than Landlord's final and best offer made to Tenant, then such right shall arise again. If during such twenty (20) day period the parties agree on the base rent and buildout allowance for such space, then they shall promptly execute such lease. Any lease of the Expansion Space by Tenant shall be coterminous with this Lease.

(c) If Tenant shall be in Default under this Lease on the date notice is given to Tenant by Landlord or at any time thereafter prior to the date Expansion Space is occupied by Tenant, then, at Landlord's option, Tenant's rights pursuant to this Section 25.5 shall be of no force and effect during the pendency of such Default.

(d) Tenant shall have no rights under this Section 25.5 with respect to the Expansion Space unless and until such Expansion Space has been leased by Landlord to an initial tenant, or until the second (2nd) anniversary of the Lease Commencement Date, whichever is earlier.

(e) Tenant's rights under this Section 25.5 are subject to (1) Landlord's right or obligation to continue to lease Expansion Space to the then-current tenant of such space beyond the expiration date of the lease term of such tenant's lease, and (2) the expansion rights of other tenants of the Building (whether now in effect or hereafter granted to such tenants in their leases as originally executed).

(f) Tenant's rights under this Section 25.5 inlay be exercised only by Tenant and shall not be exercisable by an assignee of Tenant, other than an assignee described in Section 7.6(a) hereof.

(g) If at any time Tenant has subleased or assigned fifty percent (50%) or more of the square feet of usable area of the Premises to an entity or entities other than an assignee or subtenant of the types described in Section 7.6(a) and (b), then Tenant's rights pursuant to this Section 25.5 shall lapse and be of no further force or effect.

ARTICLE XXVI
RIGHTS OF RENEWAL

26.1 Landlord hereby grants to Tenant the conditional right, exercisable at Tenant's option, to renew the term of this Lease for two (2) successive terms of five (5) years each. If exercised and if the conditions applicable thereto have been satisfied, the first such renewal term (the "First Renewal Term") shall commence immediately following the end of the initial term provided in Section 2.1 of this Lease, and the second renewal term (the "Second Renewal Term") shall commence immediately following the end of the First Renewal Term. The rights of renewal herein granted to Tenant shall be subject to, and shall be exercised in accordance with, the following terms and conditions:

(a) Tenant shall exercise its right of renewal with respect to each renewal term by giving Landlord written notice of the exercise thereof (the "renewal option notice") not later than twelve (12) months and not earlier than eighteen (18) months prior to the expiration of the then-current term of this Lease. In the event the renewal option notice is not given timely, Tenant's right of renewal with respect to such renewal term shall

lapse and be of no further force or effect. Notwithstanding the foregoing, Tenant's right of renewal shall not expire until and unless Landlord shall have given Tenant at least fifteen (15) days' prior written notice of such impending expiration. If Tenant is in Default under this Lease on the date the renewal option notice is given or any time thereafter on or before the commencement date of such renewal term, then, at Landlord's option, the renewal option notice shall be totally ineffective and Tenant's right of renewal as to such renewal term shall lapse and be of no further force or effect.

(b) Promptly following Landlord's timely receipt of the renewal option notice for each renewal term, Landlord and Tenant shall commence negotiations concerning the amount of annual base rent and additional rent which shall be payable during each year of such renewal term. The base rent during the First Renewal Term shall be ninety-five percent (95%) of the fair market rental value of the Premises, and the base rent during the Second Renewal Term shall be ninety percent (90%) of the fair. market rental value of the Premises. The parties shall have sixty (60) days after Landlord's receipt of the renewal option notice in which to agree on the base rent and additional rent which shall be payable during each year of such renewal term. Among the factors to be considered by the parties during such negotiations shall be the general office rental market in the Capitol Hill/Southwest Area of Washington, D.C. and the rental rates then being quoted by Landlord to prospective tenants for comparable office space in the Office Complex and in other buildings owned by Landlord or by entities affiliated with Landlord in the Capitol Hill/Southwest Area. In no event, however, shall the sum of the base rent and additional rent payable during each year of any renewal term be less than the sum of the base rent and additional rent in effect under this Lease during the Lease Year immediately preceding the commencement of such renewal term. If the parties agree on the base rent and additional rent payable during each year of such renewal term, they shall promptly execute an amendment to this Lease stating the rent so agreed upon. If, during such sixty (60) day period, the parties are unable to agree on the base rent and additional rent payable during such renewal term, the parties each shall appoint an appraiser who shall be a member of .the Washington, D. C. Association of Realtors who is knowledgeable in office rentals in the Capitol Hill/ Southwest Area market. The two (2) appraisers shall together appoint a third appraiser with the same qualifications. The three appraisers then shall each determine within thirty (30) days the then fair market value rental rate for the Premises. The average of the three figures arrived at by the appraisers shall be used as the basis for determining the annual base rent for such renewal term, which in no event shall be less than the minimums specified in this Section 26.1(b); provided, however, that if any appraiser's estimate is either (a) less than ninety

percent (90%) of the average figure, or (b) more than one hundred ten percent (110%) of such average, then the figure used as the basis for determining the annual base rent will be the average of the remaining figures falling within such a range of percentages: ‘ provided, however, that if none of the appraisals fall within such range, then Landlord and Tenant shall expand the definition of the Capitol Hill/Southwest Area, or otherwise agree upon a different method for determining the base rent. It is understood that the appraisers also shall agree on a formula for additional rent. If they cannot agree on such a formula by the time the annual base rent is determined, the formula for additional rent in this Lease shall continue to be used. It is agreed that no delay in arriving at the appraised fair market rental value of the Premises beyond the time periods set forth in this Section 26.1(b), unless resulting from Tenant’s failure timely to appoint an appraiser or the failure of, Tenant’s appraiser timely to report its appraisal, shall revoke or otherwise affect Tenant’s right to renew the term of this Lease as set forth above. Landlord and Tenant shall each bear the cost of its appraiser and shall share equally the cost of the third appraiser. As used herein, the term “Capitol Hill/Southwest Area” shall mean the area bounded by the Southwest Freeway on the south, 2 nd Street, S.W., on the east, Constitution Avenue, on the north, and 10th Street, N. W., on the west.

(c) During each renewal term, all the terms, conditions, covenants and agreements set forth in this Lease shall continue to apply and be binding upon Landlord and Tenant, except that (i) the base rent and additional rent payable during each year of each renewal term shall be the amount agreed upon by ‘Landlord and Tenant in the manner provided in Section 26.1(b) above, and (ii) in no event shall Tenant have the right to renew the term of this Lease beyond the expiration of the Second Renewal Term.

(d) In the event that” Tenant’s right of renewal with respect to the First Renewal Term shall lapse for any reason, Tenant’s right of renewal with respect to the Second Renewal Term shall similarly lapse and be of no further force or effect.

(e) Tenant’s rights under this Section may be exercised only by Tenant and shall not be exercisable by any assignee of Tenant, other than an assignee described in Section 7.6(a) hereof.

(f) If at any time Tenant has subleased or assigned fifty percent (50%) or more of the square feet of usable area of the Premises to an entity or entities other than an assignee or subtenant of the types described in Section 7.6(a) and (b), then Tenant’s rights pursuant to this Section shall lapse and be of no further force or effect.

ARTICLE XXVII
OFFICE COMPLEX ENVIRONMENT

27.1 In leasing the retail portions of the Office Complex, Landlord agrees to include among the tenants in such areas retail users (including, without limitation, banks, restaurants, and delicatessens) that would be viewed by Tenant as amenities to the Office Complex. Promptly after the date of this Lease, Landlord and Tenant shall agree upon a list of retail uses that Tenant acknowledges as being such amenities ("Approved Retail Uses"). Tenant agrees that, at Landlord's request, Tenant will from time to time consider (in the exercise of its reasonable judgment) adding additional uses to the list of Approved Retail Uses. Landlord agrees to designate, subject to Tenant's reasonable approval, an area of no less than ten thousand (10,000) rentable square feet in the retail portion of the Office Complex (the "Amenity Area") which shall not initially be leased for any purposes other than Approved Retail Uses. Each initial lease of space in the Amenity Area shall be for a term of at least five (5) years. If any portion of the Amenity Area becomes available for leasing following the initial leasing thereof, Landlord agrees to use its best efforts to lease such space for an Approved Retail Use, provided such a lease can be consummated on terms Landlord (in its reasonable judgment) deems commercially acceptable. In the event Landlord is not able, within twenty-four (24) months after such space is put on the market, to consummate a lease (following the initial tenancy) for an Approved Retail Use on commercially acceptable terms, then Landlord may lease such portion of the Amenity Area to any retail user, or, if no retail user offering commercially acceptable terms (in Landlord's reasonable judgment) is found within such twenty-four (24) month period, to any office user. Except as set forth above, it is expressly agreed and understood that Tenant shall have no right to review, approve or designate tenants for any portion of the retail areas of the Office Complex.

27.2 Landlord agrees to expend up to Seventy-Five Thousand Dollars ($75,000) for the purpose of improving the environment immediately adjacent to the Office Complex. Landlord's efforts shall include all of the following: (i) refinishing those portions of the two railroad bridges spanning Second and Third Streets, S.W. adjoining the public walkways; (ii) installing lighting under the above-described railroad bridges; (iii) cleaning and/or upgrading the appearance of the adjacent power substation; and (iv) landscaping the approach to the Office Complex from the Federal Center Metrorail station. Landlord's performance of any of the foregoing actions shall be subject to Landlord's ability to obtain any necessary permits or approvals, including the consent of any landowner on whose property such work is to be performed. In the event Landlord, after using its best efforts, is unable to obtain .any consent necessary to

perform the work described above, Landlord shall pay to Tenant the $75,000 sum described above (or such portion thereof as Landlord has not expended in actually performing the obligations described in this Section 27.2). Tenant shall then use its best efforts to obtain the necessary consent(s), and, if it is successful in obtaining such consent(s), shall use the funds furnished by Landlord to perform the work described in this Section 27.2. If Tenant, after using its best efforts, is unable to obtain the necessary consent(s) to perform such work, Tenant may retain the funds furnished by Landlord. Landlord shall use reasonable efforts to enter into arrangements for the periodic maintenance and renewal of the work required to be performed by Landlord pursuant to this Section 27.2, and the cost of such maintenance and renewal shall be prorated among the rentable area of the Office Complex and reimbursed to Landlord by the tenants therein (including Tenant).

27.3 Landlord shall have the obligation to cause a first-class, permanent and fully equipped (including separate men's and women's showers) fitness center to be located in the Office Complex. Such fitness center may be installed and operated either by Landlord, by a licensee or concessionaire of Landlord, or by a commercial operator that leases the space occupied by the fitness center. Landlord shall ensure that the fitness center is made available for use by Tenant's employees, upon payment, by Tenant or by the individual users, of the applicable membership and/or user fees. In the event such fitness center has not been completed within twelve (12) months following the Lease Commencement Date, Landlord shall pay to Tenant, monthly in advance, until the fitness center has been completed and is available for use by Tenant, the sum of $2,500, which Tenant may apply toward the cost (at Tenant's option) either of equipping the Premises with fitness equipment or of purchasing memberships for Tenant's employees at commercial fitness centers.

ARTICLE XXVIII
GENERAL PROVISIONS

28.1 Tenant acknowledges that, neither Landlord nor any broker, agent or employee of Landlord has made any representations or promises with respect to the Premises or the Office Complex except as herein (or in the Exhibits attached hereto or in the General Clauses expressly made a part hereof) expressly set forth, and no rights, privileges, easements or licenses are being acquired by Tenant except as herein expressly set forth.

28.2 Nothing contained in this Lease shall be construed as creating a partnership or joint venture of or between Landlord and Tenant, or to create any other relationship between the parties hereto other than that of landlord and tenant.

28.3 Landlord and Tenant each represents and warrants to the other that neither of them has employed or dealt with any broker, agent or finder in carrying on the negotiations relating to this Lease. Tenant employed Cushman & Wakefield to perform certain specified consulting services pursuant to a fixed fee contract which imposes criminal liability for seeking or arranging for any further compensation (including, but not limited to, commissions). Tenant has paid the entire fee due under such contract. Each party shall indemnify and hold the other harmless from and against any claim or claims for brokerage or other commissions asserted by any other broker, agent or finder engaged by such indemnifying party or with whom such indemnifying party has dealt in connection with this Lease.

28.4 Tenant agrees, at any time and from time to time, upon not less than fifteen (15) business days prior written notice by Landlord, to execute, acknowledge and deliver to Landlord a statement in writing: (i) certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the Lease is in full force and effect as. modified and stating the modifications); (ii) stating the dates to which the rent and any other charges hereunder have been paid by Tenant; (iii) stating whether or not, to the best knowledge of Tenant, Landlord is in default in the performance of any covenant, .agreement or condition contained in this Lease, and if so, specifying the nature of such default; (iv) stating the address to which notices to Tenant are to be sent; and (v) stating such other information as Landlord may reasonably request. Any such statement delivered by Tenant may be relied upon by any owner of the building or the land upon which it is situated, any prospective purchaser of the building or the land, any mortgagee or prospective mortgagee of the building or such land or of Landlord's interest therein, or any prospective assignee of any such mortgagee.

28.5 Landlord and Tenant each hereby waives trial by jury in any action, proceeding or counterclaim brought by either of them against the other in connection with any matter arising out of or in any way connected with this Lease, the relationship of landlord and tenant hereunder, Tenant's use or occupancy of the Premises, and/or any claim of injury or damage.

28.6 All notices or other communications required hereunder shall be in writing and shall be deemed duly given if delivered in person (with receipt therefor), or if sent by certified or registered mail, return receipt requested, postage prepaid, or by other commercial courier against receipt, to the following addresses: (i) if to Landlord at Boston Properties, 500 E Street, S.W., Washington, D.C. 20024, with a copy to Boston Properties, 8 Arlington Street, Boston, Massachusetts 02116; (ii) if to Tenant, at the Premises (to the attention of the Real

Property Management Division, with a copy to the General Counsel), except that prior to the Lease Commencement Date, notices to the Tenant shall be sent to such address as Tenant shall designate and inform Landlord. Either party may change its address for the giving of notices by notice given in accordance with this Section. Notices shall be effective upon receipt.

28.7 If any provision of this Lease or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and enforced to the fullest extent permitted by law.

28.8 Feminine or neuter pronouns shall be substituted for those of the masculine form, and the plural shall be substituted for the singular number, in any place or places herein in which the context may require such substitution.

28.9 The provisions of this Lease shall be binding upon, and shall inure to the benefit of, the parties hereto and each of their respective representatives, successors and assigns, subject to the provisions hereof restricting assignment or subletting by Tenant.

28.10 This Lease (including the Exhibits hereto and the General Clauses expressly made a part hereof) contains and embodies the entire agreement of the parties hereto and supersedes all prior agreements, negotiations and discussions between the parties hereto. Any representation, inducement or agreement that is not contained in this Lease shall not be of any force or effect. This Lease may not be modified or changed in whole or in part in any manner other than by an instrument in writing duly signed by both parties hereto.

28.11 This Lease shall be governed by and construed in accordance with the laws of the District of Columbia and of the United States of America.

28.12 Article and section headings are used herein for the convenience of reference and shall not be considered when construing or interpreting this Lease.

28.13 The submission of an unsigned copy of this document to Tenant for Tenant’s consideration does not constitute an offer to lease the Premises or an option to or for the Premises. This document shall become effective and binding only upon the execution and delivery of this Lease by both Landlord and Tenant.

28.14 Time is of the essence of each provision of this Lease.

28.15 This Lease shall not be recorded, except that upon the request of either party, the parties agree to .execute, in recordable form, a short-form memorandum of this Lease, provided that such memorandum shall not contain any of the specific rental terms set forth herein. Such memorandum may be recorded in the land records of the District of Columbia and the party desiring such recordation shall pay all recordation costs.

28.16 Any additional rent owed by Tenant to Landlord, and any cost, expense, damage, or liability shall be paid by Tenant to Landlord no later than the later of (i) twenty (20) days after the date Landlord notifies Tenant of the amount of such additional rent or such cost, expense, damage or liability, or (ii) the day the next monthly installment of base rent is due. If any payment hereunder is due after the end of the Lease Term, such additional rent or such cost, expense, damage or liability shall be paid by Tenant to Landlord not later than twenty (20) days after Landlord notifies Tenant of the amount of such additional rent or such cost, expense, damage or liability.

28.17 All of Landlord's and Tenant's duties and obligations hereunder, including but not limited to duties and obligations to pay or refund base rent, additional rent and the costs, expenses, damages and liabilities incurred by either party for which the other is liable, shall survive the termination of this Lease for any reason whatsoever.

28.18 In the event Landlord or Tenant is in any way delayed, interrupted or prevented from performing any of its obligations under this Lease (other than any monetary obligation), and such delay, interruption or prevention is due to fire, act of God, governmental act, strike, labor dispute, inability to procure materials, or any other cause beyond Landlord's or Tenant's (as the case may be) reasonable control (whether similar or dissimilar to the above-listed causes), then Landlord or Tenant (as the case may be) shall be excused from performing the affected obligations for the period of such delay, interruption or prevention. The party claiming excuse from or extension of performance pursuant to this Section shall give the other party written notice of the nature of the delaying condition and the period of delay resulting therefrom within thirty (30) days after the period of such delay is known, and shall furnish to the other party such documentation of the delaying condition as may reasonably be required.

28.19 The ownership structure of the original Landlord hereunder is set forth in Exhibit H attached hereto.

28.20 Tenant agrees that it will not exercise its self-help remedies under General Clause 14 unless Landlord has failed to commence to perform an obligation undertaken by Landlord pursuant to this Lease within thirty (30) days after written notice from Tenant that such obligation has not been performed, or if, in Tenant's reasonable judgment, Landlord fails thereafter diligently to pursue such performance.

28.21 Landlord will submit to Tenant, as soon as available, a complete set of as-built drawings for the Premises.

28.22 Section 28.10 notwithstanding, but subject to the provisions of Article IX hereof, at any time, the Contracting Office may make changes within the scope of this Lease by written order. If a change causes an increase or decrease in the cost of or the time required for work performance, an equitable adjustment shall be made by lump sum payment and/or change in delivery schedule. Any change in the base or additional rental, or in the delivery schedule, shall be made by written modification to the Lease by the Contracting Officer. Failure to agree to any such adjustment, or to other matters requiring Landlord's or Tenant's agreement under this Lease, shall constitute a dispute under and shall be resolved in accordance with General Clause 18 and the "Contract Disputes Act of 1978", 41 U. S. C. SS 601613 (Supp. 1988); provided, however, that Landlord shall not hereby or thereby be excused from promptly proceeding as directed by the Contracting Officer.

28.23 Anything to the contrary contained in this Lease notwithstanding, all work in performance of or subject to this Lease (including, but not limited to, Exhibit B), whether performed by Landlord or by Tenant, must be done by skilled workers or mechanics. Work performed by Landlord must be acceptable to the Contracting Officer, exercising his reasonable judgment. Work performed by Tenant must be acceptable to 'Landlord, exercising its reasonable judgment.

28.24 Except as otherwise expressly provided herein, whenever Landlord's or Tenant's consent .or approval is required by the terms of this Lease, Landlord and Tenant each do hereby covenant and agree that such consent or approval shall not be unreasonably withheld or unreasonably delayed and shall be deemed given unless denied in writing within ten (10) business days following the written request therefor. As used herein, the phrase "not unreasonably withheld", "reasonable approval" or similar such phrase shall not entitle either party to request any payment or other consideration therefor not expressly provided for herein.

28.25 Landlord and Tenant each hereby covenant and agree that each and every provision of this Lease, with the exception

of the General Clauses, has been jointly and mutually authored by both Landlord and Tenant; and, in the event of any dispute arising out of any provision of this Lease, with the exception of the General Clauses, Landlord and Tenant do hereby waive any claim of authorship against the other party.

28.26 Except as provided in the next succeeding sentences, in the event any dispute between Landlord and Tenant arises under this Lease and is referred for resolution pursuant to the terms of the Contract Disputes Act, the Board of Contract Appeals (or successor entity) ("BCA") shall resolve such dispute by designating the outcome or resolution that the BCA determines is the most reasonable in light of the facts presented, without deference to the judgment of either party; in particular, the determination of the Contracting Officer shall not be affirmed on the ground that such determination was reasonable if the BCA determines that another outcome or resolution is more reasonable. Notwithstanding the foregoing, in the event the Contracting Officer determines that Tenant's right of termination pursuant to Section 2.7 hereof has arisen by reason of a legislative action, and if Landlord disputes such determination, the BCA shall affirm the Contracting Officer's determination if it determines that such determination was reasonable, regardless of whether a different determination would in the BCA's view have been more reasonable.

28.27 This Lease includes and incorporates Exhibits A, B, C, D, E, F and G attached hereto. Except to the extent modified by the terms hereinabove contained, this Lease also includes and incorporates the following provisions of the General Clauses attached hereto: Paragraphs 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 28, 29, 30, 31 and 32. All other provisions of the General Clauses are superseded by the foregoing provisions, of this Lease and shall not form any part of this Lease. In the event of any conflict or

inconsistency between the foregoing provisions of this Lease and the provisions of the General Clauses, the foregoing provisions of this Lease shall be controlling.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease under seal on or as of the day and year first above written.

LANDLORD:

WITNESS:

SOUTHWEST MARKET LIMITED PARTNERSHIP, a District of Columbia limited partnership

By: BOSTON SOUTHWEST ASSOCIATES LIMITED PARTNERSHIP, a Massachusetts limited partnership, General Partner

By: BOSTON SOUTHWEST GENERAL ASSOCIATES, a Massachusetts general partnership, General Partner

/s/ **[ILLEGIBLE]**

By: /s/ Mortimer B. Zuckerman

Mortimer B. Zuckerman
General Partner

/s/ Karen M. Teutsel

By: /s/ Edward H. Linde

Edward H. Linde
General Partner

TENANT:

COMPTROLLER OF THE CURRENCY,
an agency of the U.S. Government

/s/ Robert E. **[ILLEGIBLE]**

By: /s/ Douglas B. Foster

Title:

[DOUGLAS B. FOSTER STAMP]

AMENDMENT NO. 2
TO
LEASE AGREEMENT

THIS AMENDMENT NO. 2 TO LEASE AGREEMENT (this "Amendment") dated as of the 1st day of December, 1995, by and between SOUTHWEST MARKET LIMITED PARTNERSHIP, a district of Columbia limited partnership ('Landlord"), and COMPTROLLER OF THE CURRENCY, AN AGENCY OF THE UNITED STATES OF AMERICA ("Tenant").

WITNESSETH

WHEREAS, Landlord and Tenant have previously entered into a certain Lease Agreement dated August 21, 1989, as modified by letters dated July 18, 1989, August 28, 1989, December 18, 1989 and June 29, 1990 (two letters), and as further amended pursuant to a certain Amendment No. 1 to Lease Agreement dated March 24, 1992 and a certain side letter in connection therewith dated March 11, 1992 (collectively, the "Initial Lease") pursuant to which Tenant leases from Landlord the garage, approximately 5,500 square feet of usable area on the P-3 level of the garage and the first, third, fourth, fifth, sixth, seventh, eighth and ninth floors of the office building known as One Independence Square located at 250 E Street, S.W., Washington, D.C., as more particularly described in the Lease.

WHEREAS, Tenant desires to lease from Landlord and Landlord desires to lease to Tenant additional space constituting all of the usable area on the second floor of the building (the "Expansion Space"), whereupon Tenant shall lease from Landlord all of the usable area in the building; and

WHEREAS, Landlord and Tenant desire to modify the Initial Lease to (i) add the Expansion Space to the Premises, and (ii) amend certain other terms and conditions of the Initial Lease, all as hereinafter more fully set forth.

NOW, THEREFORE, for and in consideration of Ten Dollars ($10.00) in hand paid, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. DEFINITIONS. Defined terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Initial Lease. Except as otherwise provided herein, references to Sections or Articles are to the corresponding such Section or Article number as set forth in the Initial Lease (as such provision may have been amended in any of the letters and/or amendments described above as comprising a part of the Initial Lease). As used herein, the term "First Amendment" means that certain Amendment No. 1 to Lease Agreement described above. As used herein, the term "Lease" means the Initial Lease as amended by this Amendment. The

"Lease Execution Date" shall mean the date this Amendment is executed by Tenant and delivered to Landlord (which, for purposes of establishing the Lease Execution Date, may include by facsimile copy thereof).

2. PREMISES EXPANSION SPACE.

(a) (1) Effective upon the Expansion Space Commencement Date (as hereinafter defined), the Premises (as defined in Section 1.1 of the Initial Lease) shall be amended to add thereto the Expansion Space. The term "Expansion Space Commencement Date" shall mean the earlier to occur of (i) the date on which Landlord substantially completes construction of the Expansion Space Tenant Work (as defined in Paragraph 2(a) of Attachment B), as determined pursuant to Attachment B, or (ii) the date on which Tenant commences business operations in any portion of the Expansion Space (except that Tenant's use and occupancy of any telecommunications equipment room on the second (2nd) floor shall not (by itself) be deemed to constitute conducting "business operations". It is presently anticipated that the Expansion Space will be delivered to Tenant on or about April 1, 1996 (the "Anticipated Occupancy Date"); provided, however, that if Landlord does not substantially complete construction of the Expansion Space Tenant Work and deliver possession of the Expansion Space by such date, Landlord shall not have any liability whatsoever, and this Amendment shall not be rendered void or voidable as a result thereof, except in either case as specifically set forth in this Agreement to the contrary. Tenant acknowledges that the Expansion Space is currently leased to the General Services Administration (the "GSA"). Landlord shall negotiate in good faith with the GSA to terminate the existing lease therefor (the "GSA Lease") prior to the expiration date set forth in the GSA Lease and shall deliver to GSA a proposed lease termination within one (1) business day after the Lease Execution Date. The extent Landlord determines that Landlord has such a right Landlord shall withhold its consent to any assignment, subletting or other change in occupancy of the Expansion Space proposed by GSA. Landlord agrees to advise Tenant promptly in writing (the "Availability Notice") when the existing improvements in the Expansion space have been demolished as required by Attachment B and the Expansion Space is available for construction. Landlord shall advise Tenant in writing upon full execution of a binding agreement with the GSA, if any, effecting such termination. Landlord shall not deliver the Availability Notice before Landlord has received the aforesaid lease termination from GSA. Tenant acknowledges that GSA has no obligation to execute any such lease termination agreement and that, except as otherwise expressly set forth herein, Landlord shall incur no liability whatsoever if GSA and Landlord fail to agree to the terms of such a lease termination agreement or if for any reason whatsoever GSA decides not to execute such an agreement in a form acceptable to Landlord.

(2) Notwithstanding the foregoing, if Tenant has not received the Availability Notice on or before the Tenant Kickout Date (as defined below), then during the period (the "Kickout Election Period") commencing on the day immediately succeeding the Tenant Kickout Date and continuing through the day before the Availability Notice is delivered to Tenant, Tenant shall have the right to elect not to lease the Expansion Space by delivering written notice to Landlord during the Kickout Election Period. If Tenant timely elects not to lease the Expansion Space as aforesaid, then neither party shall have any further obligations or liability to the other party with respect to the Expansion Space (except as set forth in the immediately succeeding sentence and

except that Tenant's expansion rights pursuant to Article XXV of the Initial Lease, as amended, shall continue to apply). Promptly after any such timely termination, Landlord shall pay to Tenant the Tenant Plans Reimbursement. The Tenant Plans Reimbursement shall be an amount equal to the actual cost incurred by Tenant in preparing Tenant's Plans (as defined in Paragraph 2 of Attachment B), but in no event more than one hundred twenty-five thousand dollars ($125,000.00). If Tenant fails to timely exercise such election during the Kickout Election Period, then Tenant's right to elect not to lease the Expansion Space pursuant to this Paragraph 2(a)(2) shall immediately lapse and expire and have no further force or effect. The Tenant Kickout Date shall be January 1, 1996; provided, however, if the Lease Execution Date is not on or before November 30, 1995, then the Tenant Kickout Date shall be extended by one day for each day in the period (the "Lease Execution Delay Period") commencing on November 30, 1995 and continuing until the Lease Execution Date.

(3) (A) Notwithstanding anything herein to the contrary, if the Expansion Space Commencement Date has not occurred on or before the Outside Delivery Date (as defined below), then Tenant may elect not to lease the Expansion Space by delivering written notice (the "Expansion Space Termination Notice") to Landlord. Such election may be made by Tenant only during the five (5) business day period commencing on the Outside Delivery Date (as the same may be extended as specifically provided in this Amendment). Upon any such timely election by Tenant, neither party shall have any further obligations or liability to the other party with respect to the Expansion Space, except that promptly after any such termination, Landlord shall pay to Tenant the Tenant Plans Reimbursement and Tenant's expansion rights pursuant to Article XXV of the Initial Lease, as amended, shall continue to apply. If Tenant fails to timely exercise such election during such five (5) business day period, then Tenant's right to elect not to lease the Expansion Space pursuant to this Paragraph 2(a)(3) shall immediately lapse and expire and have no further force or effect. The Outside Delivery Date shall be August 1, 1996; provided, however, that the Outside Delivery Date shall be extended by one (1) day for each day in the Lease Execution Delay Period and by one (1) day for each day of Tenant Delay; and further provided, that if, as of the Outside Delivery Date (as so extended), the Expansion Space Tenant Work is not substantially complete, but is at least eighty-five percent (85%) complete and/or Landlord certifies in writing and in good faith to Tenant within three (3) business days after Landlord's receipt of an Expansion Space Termination Notice from Tenant, that the Expansion Space Commencement Date will occur not later than thirty (30) days after the date of the Expansion Space Termination Notice, then the Outside Deliver Date shall be extended for an additional thirty (30) days (plus the number of days of Tenant Delay occurring after the date of the Expansion Space Termination Notice); provided, however, that Landlord shall not have the right to extend to Outside Delivery Date for more than one (1) such 30-day period.

(B) In the alternative, if the Expansion Space Commencement Date has not occurred on or before the Outside Deliver Date (as so extended), then, in lieu of Tenant electing, pursuant to Paragraph 2 (a)(3)(A) above, not to lease the Expansion Space Tenant shall have the right (but only during the 5-business-day election period described in Paragraph 2(a)(3)(A) above) to take over construction of the Expansion Space Tenant Work by written notice to Landlord and the parties shall in good faith negotiate all documents necessary to effectuate the same, it being understood that in such event Landlord shall not be liable to Tenant for any

amount in excess of the then unused or unapplied portion of the Expansion Space Allowance, plus any actual, direct costs to Tenant associated with any default by Landlord under the Lease with respect to the Expansion Space (which default was not cured within any applicable cure period), which costs Tenant would have been otherwise entitled to under the Lease and which costs are caused by acts of Landlord occurring prior to the date of any such transfer of construction activities to Tenant, plus any costs in excess of the Expansion Space Tenant Work Costs incurred through the date of transfer, claimed by the General Contractor as having accrued or been incurred prior to such transfer.

(4) Landlord has provided Tenant with one (1) full calendar month of rental abatement pursuant to Paragraph 2(d)(H) below (the "Rent Abatement Period") notwithstanding anything to the contrary contained in this Amendment, if the Expansion Space Commencement Date has not occurred by the Anticipated Occupancy Date, then the Rent Abatement Period shall be reduced by one (1) day for each day of Tenant Delay ("Tenant's Rental Abatement Set-Off"); provided, however, that in the event that any portion of the Rent Abatement Period is remaining (after being reduced by Tenant Delay, as aforesaid), then any remaining portion of the Rent Abatement Period shall be further reduced by the number of days of any Landlord Delay. For example, if the Expansion Space is substantially complete on May 7 th and there were 35 days of Tenant Delay and 5 days of Landlord Delay, then the Expansion Space Commencement Date shall be May 7 th, the Rent Abatement Period shall be applied to the first 30 days of Tenant Delay and T shall pay 5 days of rent pursuant to Paragraph 2(a)(5) below. Notwithstanding the foregoing, the Anticipated Occupancy Date shall, at Tenant's option, be extended by one (1) days for each day after December 1, 1995 that Tenant has not received the Availability Notice.

(5) Notwithstanding anything herein to the contrary, if (i) there shall occur Tenant Delay and (ii) the Expansion Space Commencement Date does not occur by the Anticipated Occupancy Date (as the same may be extended by one (1) day for each day of Landlord Delay (as defined in Paragraph 3(b) of Attachment B hereto), then Tenant shall pay to Landlord within thirty (30) days following the final determination of the number of days of Tenant Delay, an amount of rent on account of such Tenant Delay equal to the product of (A) the aggregate number of days of Tenant Delay occurring from and after the Amendment No. 2 Effective Date, multiplied by (B) the per diem rental rate (with respect to both base rent and additional rent) payable during the first Lease Year with respect to the Expansion Space (without regard to any abatement period). Any rent payable by Tenant pursuant to the preceding sentence shall be net of any Tenant's Rental Abatement Set-Off.

(b) Tenant shall have the right to move furniture, furnishings, inventory, equipment, or trade fixtures into the Expansion Space during the Move-In Period. The "Move-In Period" shall commence on the thirtieth (30 th) day prior to the projected Expansion Space Commencement Date (as determined by Landlord in its reasonable discretion) and continue through the day before the Expansion Space Commencement Date. Landlord shall notify Tenant in writing at least ten (10) days prior to commencement of the Move-In Period. Notwithstanding the foregoing, neither Tenant nor any invitee of Tenant shall enter the Expansion Space during the Move-In Period during those times that Landlord determines, in its reasonable discretion, that such entry will unreasonably interfere with activities of Landlord or Landlord' s agents or

employees in the Expansion Space. In such event, Landlord shall notify Tenant of specific times during which Tenant may make such entry. During the Move-In Period, neither Tenant nor any of its invitees shall unreasonably delay or otherwise inhibit the work being performed in the Expansion Space by Landlord or Landlord's agents or employees. Landlord shall have no responsibility with respect to any items placed in the Expansion Space by Tenant or any invitee prior to the Expansion Space Commencement Date. Notwithstanding anything in this Lease to the contrary, all of the provisions of the Lease (including, without limitation, all insurance and utility provisions) shall apply during the Move-In Period, except that during such period (a) Tenant shall not be obligated to pay Expansion Space Base Rent or additional rent under Article IV of the Initial Lease, and (b) Landlord shall not be obligated to provide any utility, service or other item in excess of those customarily provided to or for the benefit of a premises in order for Landlord to perform the Expansion Space Tenant Work and for Tenant to perform its equipment and furniture installation, start-up and testing.

(c) Landlord hereby leases to Tenant and Tenant hereby rents from Landlord the Expansion Space upon the terms and conditions of this Amendment. Landlord and Tenant agree that the Expansion Space contains thirty-two thousand nine hundred fifty-three (32,953) square feet of usable area. Therefore, from and after the Expansion Space Commencement Date the actual number of square feet of usable area in the Premises shall be two hundred ninety-five thousand seven hundred eighty-three (295,783); provided, however, that for all purposes under the Lease, including without limitation, the calculation of (a) annual base rent and additional rent for the Premises, and (b) any allowance, concession or other abatement provided (or to be provided) by Landlord to Tenant, the number of square feet of usable area in the premises is deemed to be two hundred ninety-three thousand seven hundred thirty-six (293,736) and that such number of square feet shall govern and control and shall be the current number of square feet of usable area for the initial Lease Term, but not including any Renewal Term. From and after the Expansion Space Commencement Date, the Expansion Space shall be subject to all of the terms and conditions of the Lease, except that (A) the annual base rent payable under the Lease shall be increased to Eleven Million One Hundred Sixty-One Thousand Nine Hundred Sixty-Eight Dollars (11,161,968.00) (which amount is based on Thirty Eight Dollars ($38.00) per square feet of usable area in the Premises without regard to the rental abatement set forth in Section 3.3 of the Initial Lease (which abatement shall not apply with respect to the Expansion Space), (B) the base year real estate taxes for the Premises pursuant to Section 4.1(a) of the Lease shall be One Million One Hundred Sixty-Nine Thousand Sixty-Nine and 28/100 Dollars ($1,169,069.28), (C) Tenant's percentage pursuant to Section 4.1(a) of the Lease shall be increased to 100%, (D) the base rate for operating expenses for the Premises pursuant to Section 4.2(a) of the Lease shall be Two Million Sixty-Seven Thousand Nine Hundred One and 44/100 Dollars ($2,067,901.44), (E) no concessions or abatements of any kind shall apply with respect to the Expansion Space unless specifically set forth in this Amendment, (F) Exhibit A to the Initial Lease shall include Attachment A attached hereto, (G) Exhibit A-1 to the Initial Lease shall be modified to reflect the addition of the Expansion Space and (H) Landlord shall abate all rent due in respect of the Expansion Space for the first full calendar month following the Expansion Space Commencement Date. All payments due from Tenant to Landlord hereunder shall be prorated by Landlord to reflect that the Expansion Space Commencement Date may not be the first day of a calendar year or the first day of a calendar month. Promptly after the Expansion Space Commencement Date as ascertained,

Landlord and Tenant shall execute a Certificate of Confirmation in the form attached hereto as Attachment C.

(d) The Expansion Space Tenant Work shall be done in accordance with the Expansion Space Tenant Work Rider attached hereto as Attachment B. Notwithstanding anything to the contrary, Landlord agrees that an entity controlled by Mortimer B. Zuckerman and/or Edward H. Linde shall be responsible for completion of the Expansion Space Tenant Work as set forth on Attachment B.

(e) Effective as of Tenant's receipt of the Availability Notice, and subject to Landlord's rights and obligations set forth in the Lease, Tenant shall, at no additional cost to Tenant, be entitled to the sole and exclusive use and control of the public areas of the building, and, except as otherwise expressly set forth hereinto the contrary, Tenant shall have the right to deal with all portions thereof as though they were part of the Premises. Such entitlement shall include the right to close the building to persons not authorized admission by Tenant; provided, however, that Landlord and its agents, employees and contractors shall at all times have access to its management office located in the building and to other areas in the building to which access is necessary in order for Landlord to exercise its rights and satisfy its obligations under the Lease; provided, however, that Tenant may, after written notice to Landlord, prescribe reasonable security-related restrictions with respect to entry into any area(s) used or occupied by Tenant. The foregoing shall not be deemed to abrogate or amend any provisions of the Lease expressly entitling Landlord to additional rent or reimbursement on account of extra costs incurred by Landlord as a result of any such use by Tenant.

(f) Section 2.7 of the Lease (regarding Tenant's right to terminate the Lease) is hereby deleted in its entirety.

3. LIGHTING CREDIT.

(a) In consideration of Tenant's having assumed responsibility with respect to replacing lighting in the Premises pursuant to Paragraph 5(a) of this Amendment (both before and after the Amendment No. 2 Effective Date), Tenant shall be entitled throughout the Lease Term (including any renewals or extensions) to an annual credit (the 'Lighting Credit") equal to the product obtained by multiplying ten cents (10¢) (as escalated as provided in Paragraph 3(b) below, the "Lighting Credit Rate") by two hundred twenty-eight thousand eight hundred forty-five (228,845) (i.e., the number of square feet of usable area in the Premises other than the portion thereof located on the third (3 rd) floor); provided, however, that from and after the Expansion Space Commencement Date the Lighting Credit shall be determined and computed on the basis of a square footage figure equal to two hundred ninety-three thousand seven hundred thirty-six (293,736). The Lighting Credit shall be pro-rated for any partial calendar years on the basis of the actual number of days in such year falling within the Term. Tenant may apply all or any portion of the Lighting Credit as Tenant may determine by providing written notice thereof to Landlord (including, but not limited to, for reimbursing Landlord for the cost of improvements and/or alterations constructed or installed by Landlord in or to the Premises and/or the building). Notwithstanding anything herein to the contrary, any portion of the Lighting Credit which is not expended

or applied by Tenant prior to September 1st of the Lease Year immediately succeeding the Lease Year in which such portion of the Lighting Credit accrued may, after notice from Landlord to Tenant, be applied by Landlord toward the next monthly installment(s) of base rent coming due under the Lease; provided, however, that the portion of the Lighting Credit accruing on or before May 31, 1996 shall not be so applied unless the same is not expended or applied by Tenant on or before April 1, 1997.

(b) Paragraph 3(a) above notwithstanding, commencing on June 1, 1995 and continuing on each June 1 thereafter during the Lease Term, the Lighting Credit Rate shall be subject to increase by multiplying ten cents (10¢) by the percentage of change in the cost of living index (as defined in Section 4.2(a) of the Initial Lease); provided, however, that the base index shall be the index figure published for the month immediately prior to the Amendment No. 2 Effective Date. The aggregate Lighting Credit which has accrued through May 31, 1995 is Ninety-One Thousand five Hundred Thirty-Eight Dollars ($91,538.00).

4. ADDITIONAL RENT.

(a) Landlord and Tenant confirm and agree that the base index for purposes of Section 4.2(a) of the lease is the index therein described for May 1991 (i.e., 139.6), with successive adjustment indices being the successive published May indices. In the event that at any time in the future no adjustment index is published for the month of May, then (i) the adjustment index shall be a composite of the most recent available indices both before and after the month of May, and (ii) the base index shall be adjusted similarly with the intent being that the period of measurement and comparison shall be divisible by twelve (12).

(b) The last sentence of Section 4.2(d) is hereby deleted and replaced with the following sentences: "If, at any time or from time to time during the Lease Term, Tenant requests that Landlord furnish services in addition to those described in the preceding sentence, Landlord's obligation to furnish such new or increased services shall be conditioned upon Tenant's agreement to reimburse Landlord on demand, as additional rent, in accordance with the Landlord Services Agreement. The foregoing terms of this Section 4.2(d) shall not affect additional rent expressly provided for under the Lease and for which specific dollar rates and/or methods of adjustment are presently set forth in the Lease (e.g., overtime heating and cooling)."

5. USE OF PREMISES. Landlord shall obtain, at Tenant's sole cost and expense, the initial certificate of occupancy for the Expansion Space, provided Tenant reasonably cooperates with Landlord in connection therewith.

6. MAINTENANCE AND REPAIRS.

(a) Section 8.2 of the Initial Lease is amended and restated as follows:

Except as otherwise provided in Section 8.1 and/or Article XVII of the Lease, Landlord shall not be responsible for maintenance or repair of any Tenant Work installed in the Premises nor any tenant "improvements"

installed pursuant to Article IX of the Lease (including, not limited to, any Expansion Space Tenant Work). Subject to the provisions of Articles XVII and XVIII, at the expiration or other termination of the Lease Term, Tenant shall surrender the Premises, broom clean, in the same order and condition in which they existed upon completion of the initial construction thereof, improvements which Tenant is not obligated to remove or restore in accordance with Article IX of the Lease, ordinary wear and tear, and unavoidable by the elements excepted. Landlord shall have no obligation to maintain or replace any light bulbs or tubes in the building other than any bulbs or tubes (i) attached to any Building Equipment, (ii) located in any mechanical, electrical or similar closets in the building and/or located in the telephone room on the P-1 level of the building, (iii) located in any restrooms in the building (except that this subpart (iii) shall not apply to the existing restroom at the far west end of the ninth (9th) floor, to the restrooms in the fitness facility or to any restrooms which may hereafter be added by or at the request of Tenant), (iv) located in the main entrance lobby for the building, (v) located in any stairwells, (vi) located in the elevators, in the garage elevator lobbies (including, but not limited to, the elevator lobby off the main building entrance lobby and currently serving the elevators going to the garage) and/or in the elevator lobby off of the main building entrance lobby and currently serving the elevators going to the second (2 nd and third (3rd) floors of the building, (vii) providing any lighting on or from the roof or in the loading dock area, and/or (viii) required by applicable legal requirements (e.g., fire strobe lights, emergency exit lights, etc.). If Tenant alters the type or quantity of the fixtures in more than a de minimus way or by installing fixtures that are not building-standard type in first-class office buildings in Washington, D.C. and/or in the Complex in any of the locations described in clauses (i) through (viii) above after the Amendment No. 2 Effective Date, then, notwithstanding the foregoing, Tenant shall, at Tenant's sole cost and expense, maintain and replace any light bulbs or tubes used in such new or altered fixtures. All bulbs and tubes for fixtures that Landlord is not obligated to maintain and repair shall be maintained and repaired by Tenant's sole cost and expense.

(b) The first sentence of Section 8.3 of the Initial Lease is amended and restated as follows:

Except as otherwise provided in Section 13.4 or Article XVII of the Lease, all injury, breakage and damage to the Premises and to any other part of the Office Complex caused by any act or omission of Tenant, or of any agent, employee, subtenant, contractor, subcontractor, customer or invitee of Tenant, shall be repaired by and at the sole expense of Tenant; provided, however, that, in the case of injury, damage or breakage to the Premises, if Tenant promptly notifies Landlord of such injury, breakage or damage in

writing and Tenant requests in writing that Landlord repair the same, then Landlord shall make such repairs and charge Tenant the reasonable costs and expenses incurred in connection therewith as additional rent. In addition, if Tenant fails to promptly make such repairs (or request that Landlord do so), and such failure continues for at least five (5) business days after Tenant's receipt of written notice thereof from Landlord (and without regard to any other notice or cure period), Landlord may, but shall not be obligated to, make such repairs and charge Tenant the reasonable costs and expenses incurred in connection therewith as additional rent. Tenant shall promptly notify Landlord of any such injury, breakage or damage of which Tenant is aware and shall promptly notify Landlord of Tenant's intended course of conduct with respect thereto. Landlord acknowledges that in the case of injury, breakage or damage to portions of the Premises (excluding the first floor lobby and first floor elevator areas) which does not have an operational adverse effect upon other portions of the building or Office Complex (as determined by Landlord, in its reasonable discretion), then, as to any floor on which Tenant (and/or any subtenant of Tenant) is the sole occupant of the floor, Tenant may elect not to restore same, in which case Tenant shall demolish the affected area and restore same simply to a slightly appearance.

7. TENANT ALTERATIONS.

(a) From and after the Amendment No. 2 Effective Date, Section 9.1 of the Lease (as previously amended by Paragraph 7 of the First Amendment) is amended and restated in its entirety as follows:

It is understood and agreed that Landlord will not make, and is under no obligation to make, structural or other alterations, decorations, additions or improvements in or to the Premises, except as otherwise provided in Section 6.1, Article VIII, Section 9.5, Article XVII of the Lease or Attachment B to this Amendment.

(b) From and after the Amendment No. 2 Effective Date, Section 9.2 of the Lease is amended and restated in its entirety as follows:

9.2 (a) Tenant shall give Landlord prior written notice (the "Improvements Notice") of Tenant's intention to make any alterations, additions, improvements or decorations (collectively, "improvements") in or to the Premises or the building. The Improvements Notice shall (i) be accompanied by copies of any plans or working drawings with respect thereto (which, if Landlord's consent to such improvement is required, shall be preliminary drawings in sufficient detail to convey design intent), and shall indicate whether core drilling is anticipated; (ii) request Landlord to identify those portions of the improvements that Landlord shall be entitled to (and

shall) require Tenant to remove at the end of the Lease Term and the condition to which Tenant shall be required to restore the affected area; (iii) request Landlord to identify whether any portion of the improvements will be designated as a "special installation" or any equipment as "special tenant equipment;" and (iv) with respect to those improvements for which Landlord's consent is not required, the Improvements Notice shall be accompanied by a certification from an authorized representative of Tenant that the extent and nature of the proposed improvements are such that Landlord's consent is not required pursuant to this Lease. Notwithstanding anything in the Lease to the contrary, if Landlord's consent to any improvement is required, then any consent granted by Landlord based on preliminary drawings shall be subject to Landlord's reasonable approval of final drawings that are sufficient in detail to permit a contractor to price and construct the proposed improvement without significant verbal or written explanation of the design by Tenant or its architect (it being understood that Landlord shall not have the right to object to the final plans to the extent consistent with the previously approved preliminary drawings)) Tenant shall also furnish to Landlord following completion of any improvements a copy of any final plans and working drawings which Tenant may have with respect thereto.

(b) Tenant shall not be required to obtain the consent of Landlord for the making of improvements in or to the Premises, unless (i) such improvements are structural in nature and involve more than Minor Structural Changes (as defined below), or (ii) such improvements will materially and adversely affect the mechanical, electrical, HVAC or plumbing equipment or other similar systems serving the building or the Premises, or (iii) such improvements are made to or affect the exterior of the building. Tenant shall be required to obtain the prior written consent of Landlord with respect to any improvements describe din clauses (i), (ii) and (iii) immediately preceding. Landlord shall not unreasonably withhold or delay its consent to any improvement described in clauses (i) and (ii). Landlord may grant or withhold its consent with respect to any improvement described in clause (iii) above in its sole and absolute discretion. Minor Structural Changes shall mean non-load-bearing partition movement, moving doors, relocating light fixtures, core drilling and similar minor structural changes. If Landlord withholds its consent with respect to any such improvement then Landlord shall specify its reasons therefor in reasonable detail. Landlord shall use reasonable efforts to respond to each Improvements Notice within ten (10) business days after Landlord's receipt thereof. If, with respect to any improvements described in clauses (i) and (ii) above only, Landlord fails to affirmatively withhold or deny its consent in writing within such ten (10) business day period, then (A) provided Tenant shall have delivered to Landlord with such Improvements Notice plans or working drawings in the form required by Section 9.2(a) Landlord shall be

deemed to have consented to such improvements, (B) Tenant shall not be required to remove any of such improvements or restore the affected areas to its pre-existing condition at the end of the Lease Term, and (C) no portion of such improvements shall be designated as a "special installation" and no equipment specified therein shall be designated as "special tenant equipment". Landlord shall use reasonable efforts to review any resubmissions by Tenant within five (5) business days after Landlord's receipt thereof. Notwithstanding that Landlord's consent may not be required for core drilling, Tenant nevertheless agrees to arrange for preconstruction x-raying of the affected slab areas provided that Landlord requests the same by written notice received by Tenant within ten (10) business days following Landlord's receipt of the applicable Improvements Notice.

(c) All improvements to the first floor lobby and first floor elevator areas shall be consistent with the design intent of the building (recognizing the same as a first-class building) using similar quality of materials as used in the Complex.

(d) Subject to the provisions of Articles XVII and XVIII, Tenant agrees to restore any improvement requiring Landlord's consent pursuant to Section 9.2(b)(i) through (iii) (other than improvements in existence as of the date hereof, the Expansion Space Tenant Work and those alterations and improvements for which Landlord's consent is not required) to a condition reasonably approximating its pre-existing condition (taking into account any ordinary wear and tear which might reasonably have been expected to occur) or to such lesser condition as Landlord shall specify in connection with granting its consent to the construction or installation of any such improvement (except that Tenant shall not be required to demolish or remove any slab reinforcement). Notwithstanding that Landlord's consent may not be required prior to the installation or construction thereof, Tenant shall, at Landlord's request, restore to its pre-existing condition any material change or alteration made or requested by Tenant to the mechanical, electrical, HVAC or plumbing equipment or other systems serving the building or the Premises provided that Landlord indicated such requirement within ten (10) business days after Landlord's receipt of the applicable Improvements Notice therefor. All restoration required by the Lease shall be accomplished prior to the expiration or earlier termination of the Lease Term; provided, however, that, unless Landlord has notified Tenant in writing at least one hundred eighty (180) days prior to the expiration of the Lease Term that Landlord has leased (or is actively negotiating a lease for) one or more particular portions of the Premises or the building to another tenant or prospective tenant (such affected portions being referred to herein as the "Committed Portions"), then Tenant may perform its restoration obligations on the floors on which there are no Committed Portions for up to ninety (90) days after expiration or earlier termination of the

Lease Term. If Tenant is permitted to perform such restoration after expiration of the Lease Term, then Tenant shall use reasonable efforts to complete any such restoration work as soon as reasonably practicable and shall in any event complete same within ninety (90) days following such expiration of the Term and Tenant's presence in the Premises for such purposes shall not be deemed to constitute holding over pursuant to the terms of the Lease (including, but not limited to, Article XXII of the Initial Lease). In addition, in the event that Tenant performs any such restoration (after expiration or earlier termination of the Lease Term) and does not utilize Landlord therefor, then Tenant shall be responsible for such work and for the persons performing same to the same extent as though the Lease had not expired. Except as otherwise provided herein, Landlord shall not have any responsibility fore an Tenant alterations.

(e) Anything to the contrary contained herein notwithstanding, Landlord and Tenant shall share equally all costs and expenses associated with any addition, deletion and/or modification to the perimeter heat pumps resulting from the movement or relocation of any partitions within any portion of the Premises actually occupied by Tenant (and not by any assignee or subtenant other than an entity described in Section 7.6(a) of the Lease).

(f) Notwithstanding anything to the contrary set forth in this Section 9.2, effective from and after the Expansion Space Commencement Date, Tenant shall have the right, subject to the other provisions of the Lease (i) subject to Landlord's consent (which shall not be unreasonably withheld) if and to the extent required pursuant to this Section 9.2, to make improvements (including, but not limited to, structural alterations) to all or any part of the first floor of the building, including, but not limited to, reconfiguration of the elevator lobbies off of the main building lobby and which currently serve the elevators going to the garage and/or to the second (2nd) and third (3rd) floors of the building, as well as reconfiguration of the main building lobby itself (e.g., to configure the main building lobby to serve as Tenant's entrance lobby and reception area and to provide for security/access control in such main building lobby), and (ii) subject to Landlord's consent, if and to the extent required pursuant to this Section 9.2, to make alterations to the loading dock area and/or to the rooftop terrace; provided, however, that Landlord shall not unreasonably withhold its consent to nonstructural alterations described in this clause (ii) (even though the same may be exterior alterations), but Landlord may grant or deny its consent with respect to structural alterations described in this clause (ii) in its sole and absolute discretion).

(c) Section 9.3 of the Lease is amended to delete the second (2nd) and third (3rd) sentences thereof and to provide that the sixth (6th) seventh (7th) and eighth (8th) sentences thereof (as in effect on the date of this Amendment) shall not apply to any improvements

being undertaken by Landlord pursuant to Section 9.5 of the Lease to the Extent that Tenant has made payments for such work as required under the terms of the Lease, the Landlord Services Agreement and any amendment to either.

(d) The following new Section 9.5 is hereby added to the Lease:

9.5 (a) Subject to Tenant obtaining Landlord's consent thereto as (and if) required pursuant to the terms of the Lease, Landlord may be requested to perform alterations to the Premises and/or the building (any such alterations also being deemed to be "improvements" as defined in the Lease). Such improvements shall be performed, and the method for causing same to be performed and the costs and charges in connection therewith shall be, as further set forth in that certain Landlord Services Agreement (the "Landlord Services Agreement") attached hereto as Attachment C.

(b) Tenant shall have the right to request modifications in the services being and/or to be provided by Landlord to or for the Premises (e.g., elimination of janitorial services in the Premises, addition of other cleaning services, etc.). Such modifications to be performed, and the method for causing same to be performed and the costs and charges in connection therewith, shall be as further set forth in the Landlord Services Agreement. Notwithstanding anything in this Amendment or in the Landlord Services Agreement to the contrary, (1) in no event shall Tenant have the right to replace any property management company or reduce the amount of insurance Landlord maintains with respect to the building (other than the Additional Obligations Insurance, as more fully discussed in Section 13.5 below) and (2) with respect to a reduction and/or elimination of any particular service (such as janitorial or electric services), Landlord shall have the right to require that Tenant eliminate such service (or have such reduction apply) with respect to the entire Premises (and not in part), and (3) if all or any portion of any service is reduced and such service is a building operations (as hereinafter defined), then Landlord shall not be obligated to thereafter provide or arrange for such service (or portion thereof) under the Landlord Services Agreement, and (4) in the case of building operations services Landlord and Tenant shall reasonably agree upon the level of such reduction (which agreement may include agreement that such service nevertheless be provided, at some level, by some person even if not by Landlord). As used herein, the term "buildings operations service" means any service provided by Landlord to the building (including, but not limited to, the Premises) and which service is necessary to the continued safe operation of the building and/or to maintain the value of the building (it being agreed, however, that services maintaining or enhancing the value of the building to less than a material degree, e.g., the interior landscaping) shall not be deemed to be a "building operations service". In addition, no consent shall be required for any reduction or elimination of

any service (or any previously increased level of service) to the extent that such service (or increase) was initiated by Tenant (e.g., increased guard service) or to the extent that such service, although being performed by Landlord, is being performed in satisfaction of a request initiated by Tenant under this Lease. If services are reduced (or eliminated) and such reduction (or elimination) results in an actual decrease in costs to Landlord, then Landlord shall make a corresponding reduction in payments due from Tenant on account of such service in any amount as reasonably determined by Landlord and Tenant. Notwithstanding the foregoing, with respect to the reduction or elimination of any service which was provided by Landlord from the commencement of the Initial Lease and which shall apply to the entire Premises (and not in part), Landlord shall calculate the reduction in the $7;.04 base provided in Section 4.2(a) of the Initial Lease to Tenant as follows: (x) Landlord shall calculate the cost of providing the service to be eliminated (or the portion of service to be reduced) during the full calendar year immediately preceding the calendar year in which the elimination (or reduction) shall take effect, (y) such amount shall be discounted by the Increase in the CPI Index (defined in paragraph 11(a) below) from August 1989, and (z) such discounted amount shall be subtracted (based on a per usable square foot figure) from $7.04 (the per square foot base rate for operating expenses). In addition to the foregoing, if any such reduction takes effect on other than the first day of a calendar year then Landlord shall make a one-time adjustment to reflect that fact.

(c) Except as otherwise expressly provided in the Lease or in the Landlord Services Agreement, Landlord shall not be entitled to charge Tenant any fee, mark-up or similar amount in excess of Landlord's cost therefor in connection with any service or work performed by Landlord under or in connection with this Lease.

(d) Landlord and Tenant shall cooperate reasonably at all times in connection with the parties' respective responsibilities pursuant to this Section 9.5 and the Landlord Services Agreement. Landlord's and Tenant's respective rights and responsibilities under the Landlord Services Agreement shall be considered to be rights and responsibilities arising under the Lease.

8. SIGNS AND FURNISHINGS. Effective as of Tenant's receipt of the Availability Notice, Section 10.2 of the Lease is amended to delete the third (3rd) and fourth (4th) sentences thereof. The terms of this Paragraph 8 shall not apply as to any floor on which Tenant (and/or any subtenant of Tenant) is not the sole occupant of such floor.

9. TENANT'S EQUIPMENT.

(a) Landlord shall, within sixty (60) days following the Amendment No. 2 Effective Date, furnish to Tenant at Landlord's expense plans or drawings prepared by an independent professional engineer identifying (i) the location of each electrical and/or other utility meter, submeter, checkmeter or similar device (collectively, "meters") in the building, and (ii) which outlets are measured by each meter (or, in the case of items of machinery, equipment or other item (and/or area) which are not powered through outlets, then such other identification as Tenant may reasonably require).

(b) Notwithstanding anything to the contrary contained in the Lease, all demands for additional rent or other additional charges from Tenant and in connection with any excess electricity, water, gas or other utility consumption of such excess (and, in the case of electricity, in connection with any excess connected load) shall be based upon demonstrated and actual metered consumption as verified to Tenant in Tenant's reasonable judgment. Excess usage shall be determined by the power at which a device or piece of equipment consumes such type of utility above that of a standard piece of office equipment. Any invoice to Tenant requesting any such payment shall also set forth the prior and current meter reading therefor and upon which such invoice is based.

(c) Anything to the contrary contained in the Lease notwithstanding, from and after the Amendment No. 2 Effective Date, if Landlord at any time in accordance with the Lease designates an area of the Premises as a "special installation", or any equipment as "special tenant equipment" such designation must be made at the time that Landlord's consent to the construction or installation thereof is granted and Tenant shall, in such event, be responsible for reimbursing only the excess utility consumption for any such special installation or special tenant equipment. For purposes of determining such excess utility consumption, Tenant shall pay for the entire metered usage for such installation or equipment but shall be entitled to a monthly fixed credit for the "base" consumption, in an amount reasonably agreed to by Landlord and Tenant at the time Landlord's consent therefor is granted (in the case of special tenant equipment, in accordance with Paragraph 9(b)(i) above). Any invoices presented to Tenant regarding any such reimbursement shall adequately differentiate between such excess and other use and shall separately reflect the credit described in the preceding sentence. Such credit shall then become part of the Excess Utility Consumption Credit (as defined in Paragraph 9(d) of this Amendment).

(d) (1) Landlord acknowledges that Tenant has been overcharged in connection with Landlord's excess utility consumption billing through May 31, 1995 and Tenant acknowledges that Landlord has undercharged Tenant (by a lesser amount) in connection with Tenant's water usage, but the precise amounts therefor have not been finally determined as of the date hereof. Landlord and Tenant shall (within thirty (30) days after the date hereof) determine the precise amounts of such utility overcharges and undercharges and Landlord shall grant to Tenant a credit in the net amount of any overcharge to Tenant (the "Excess Utility Consumption Credit"). Tenant may apply all or any portion of the Excess Utility Consumption Credit as Tenant may determine by providing written notice thereof to Landlord (including, but not limited to, for reimbursing Landlord for the cost of improvements and/or alterations constructed or installed by

Landlord in or to the Premises and/or the building). Notwithstanding anything herein to the contrary, any portion of the Excess Utility Consumption Credit which is not expended or applied by Tenant prior to September 1st of the Lease Year immediately succeeding the Lease Year in which such portion of the Excess Utility Consumption Credit accrued may, after notice from Landlord to Tenant, be applied by Landlord toward the next monthly installment(s) of base rent coming due under the Lease; provided, however, that the portion of the Excess Utility Consumption Credit accruing on or before May 31, 1996 shall not be so applied unless the same is not expended or applied by Tenant on or before April 1, 1997.

(2) From and after June 1, 1995, Tenant shall continue to receive an Excess Utility Consumption Credit. The parties have not yet determined the amount of such credit; however, the parties shall attempt to agree to an amount which approximates the cost in 1995 that is attributable to the electricity that would be consumed for standard office usage in the areas metered and paid directly by Tenant as special tenant installations and by standard office equipment at the outlets metered and paid directly by Tenant as special tenant equipment as of the date hereof (it being the intention that because Tenant pays for all electricity consumed in special tenant installations and by special tenant equipment, Tenant shall receive a credit for the base amount of electricity that would otherwise have been used by Tenant and provided by Landlord to Tenant at no additional charge above the additional rent described in Section 4.2(a) of the Initial Lease). Commencing on June 1, 1996 and continuing on each June 1st thereafter during the Lease Term, the Excess Utility Consumption Credit so determined for the period from June 1, 1995 to May 31, 1996 (the "1995 Amount") shall be subject to increase by multiplying the 1995 Amount so determined, by the percentage of change in the cost of living index (as defined in Section 4.2(a) of the Initial Lease); provided, however, that the base index shall be the index figure published for May 1995. Appropriate adjustments will be made in the amount of Excess Utility Consumption Credit as special installations and/or special tenant equipment are added to or deleted from the Premises. The Excess Utility Consumption Credit shall be pro-rated for ay partial calendar year on the basis of the actual number of days in such year falling within the Term.

10. INSPECTION BY LANDLORD. The following clause is inserted at the end of the first sentence of Section 12.1:

"or to exhibit the same to prospective purchasers and lenders from time to time."

11. INSURANCE.

(a) The reference in Section 13.2 of the Lease to "broad form commercial property insurance policies" is amended to read "all risk insurance policies ("Property Insurance")". The Property Insurance shall include Property Insurance in an amount equal to the Escalated Improvements Allowance (as defined below) in effect from time to time (the "Base Tenant Work Insurance") it being intended generally that Landlord (at no additional cost to Tenant above the base rent) insure the tenant improvements made to the building in an amount generally equivalent to the aggregate construction allowances previously and/or in the future provided to Tenant, as escalated to account for the potential increased replacement costs of such improvements over

time, as hereinafter more particularly provided. The term "Escalated Improvements Allowance" shall mean an amount equal to the sum of (A) the Improvements Allowance as defined in Paragraph 4 of Exhibit B to the Initial Lease, escalated by one hundred percent (100%) of the increase in the CPI index described in Section 4.2(a) of the Lease (the "Increase in the CPI Index"), such escalation to be measured from the index published for July, 1989 through and including the index published immediately prior to the date of the last calculation o the Escalated Improvements Amount, (B) the Expansion Space Allowance (as defined in Paragraph 1 of Attachment B), escalated by the Increase in the CPI Index, such escalation to be measured from the index published for July, 1989 through and including the index published immediately prior to the date of the last calculation of the Escalated Improvements Amount, and (C) in the case of any future alterations or other work for which an improvements allowance is provided by Landlord, the amount of such allowance (as agreed to in writing by Landlord and Tenant), escalated by the Increase in the CPI Index, such escalation to be measured from the index published immediately prior to the date of such writing through and including the date of the last calculation of the Escalated Improvements Amount. Landlord shall recalculate the amount of the Base Tenant Work Insurance (and the Escalated Improvements Allowance) on an annual basis as its insurance policy rolls over and shall promptly notify Tenant of the same in writing.

(b) Section 13.3 of the Lease is amended and restated in its entirety as follows:

Tenant has advised Landlord that, as an agency of the U.S. Government, Tenant may elect to self-insure for one or more risks or types of risks. In the event such policy of self-insurance is modified in the future to permit Tenant to purchase commercial insurance and Tenant elects to do so (and further in such event provided that Tenant is generally complying with similar private-sector Normal Tenant Insurance Procedures (as hereinafter defined) in any of its other locations), or in the event this Lease is assigned or sublet to another governmental entity that does not self-insure, it is understood and agreed that Landlord may require Tenant (in the case of a self-insurance policy change) or such assignee (in the case of an assignment) or any subtenant (in the case of a sublease) to comply with the insurance coverage requirement generally imposed by Landlord and/or its affiliates upon other private sector office tenants in Washington, D.C. (the "Normal Tenant Insurance Procedures"). Tenant shall promptly notify Landlord of any applicable change in its self-insurance policies. Landlord shall, from time to time upon written request from Tenant, furnish Tenant with a written description of the Normal Tenant Insurance Procedures. Whether or not Tenant elects or is required to comply with Normal Tenant Insurance Procedures any insurance maintained by Tenant will be deemed to contain a mutual waiver of subrogation and, in the case of policies first bid and procured (as distinguished from renewals or extensions or existing policies) from and after the Amendment No. 2 Effective Date, shall not, in the case of property insurance, be primary for any property required to be insured by Landlord (including, but not limited to, any Base Tenant Work Insurance).

(c) The following new section 13.5 is hereby added to the Lease:

13.5 (a) Landlord agrees, at Tenant's request from time to time, to purchase, at Tenant's sole cost and expense (including any third party cost incurred by Landlord to secure a bid therefor), Property Insurance (or insurance similar in type to the Property Insurance) covering the cost, as estimated by Tenant, to replace the tenant improvements made by or for Tenant in the building (or the portions thereof which Tenant determines from time to time that it may desire to replace (or that it may be required to replace) in the event of a fire or other casualty) to the extent that such cost exceeds the Escalated Improvements Allowance (such excess replacement cost being herein referred to as the "Excess Tenant Work Cost" and such insurance in respect of such Excess Tenant Work Cost being herein referred to as the "Additional Obligations Insurance"). Landlord and Tenant acknowledge that Tenant is not requesting that Landlord purchase Additional Obligations Insurance (or any other insurance) for Tenant but, rather, is reserving the right to require that Landlord obtain such Insurance, at Tenant's sole cost, in consideration for the increased replacement, repair and/or restoration obligations that would hereafter be assumed by Landlord pursuant to the terms of Section 17.5 of the Lease. Landlord and Tenant agree that the assumed Excess Tenant Work Cost initially used for purposes of the Additional Obligations Insurance shall be Seven Million Two Hundred Thirty-Five Thousand Dollars ($7,235,000), based upon the equipment and work in place on the Amendment No. 2 Effective Date. If Landlord shall be charged to secure a bid for any insurance as requested by Tenant, then Landlord shall notify Tenant in writing of Landlord's good-faith projected cost thereof. If Tenant does not approve such cost in writing within three (3) business days after Tenant's receipt thereof, then Landlord shall not be obligated to secure such bid. If Tenant approves such cost within such three (3) business day period, then Landlord shall be deemed to be directed by Tenant to secure the applicable bid and Tenant shall reimburse Landlord for the actual approved costs incurred by Landlord therefor.

(b) Tenant shall have the right, from time to time, upon forty-five (45) days prior written notice to Landlord, to make or cancel any election described in this Section 13.5. Such right includes the right to modify the amount of additional Obligations Insurance then in effect. If Tenant desires Landlord to purchase any Additional Obligations Insurance or to modify the amount of any such Insurance then in effect, then Tenant shall so notify Landlord in writing (the "Insurance Modification Inquiry"), which Insurance Modification Inquiry shall identify in reasonable detail as may be required by Landlord or its insurance carrier the items to be insured (or dropped from the insurance) and the dollar value of such additional (or reduced) insurance desired by Tenant, and the effective date desired therefor.

Landlord shall, within thirty (30) days following receipt of any Insurance Modification Inquiry furnish to Tenant a written quote for the cost or credit to Landlord (the "Additional Insurance Cost/Credit") of providing same and/or of effecting such modification. Tenant shall, within ten (10) days following receipt of such quote, notify Landlord if Tenant still desires to have Landlord purchase such requested insurance or effect such modification. If Tenant does not timely notify Landlord that Tenant so desires that such insurance be purchased or modified, then Landlord shall not be obligated to purchase or modify same. If Tenant does timely notify Landlord (the "Insurance Election Notice") that Tenant so desires that such insurance be purchased or modified, then (i) Landlord shall be obligated to purchase or modify same, as the case may be, and, anything to the contrary contained herein notwithstanding, shall from and after the tenth (10 th) day following Landlord's receipt of the Insurance Election Notice (or, if later, the desired effective date set forth in the applicable Insurance Election Notice) be deemed to carry and to have effected same and (ii) Tenant shall pay to Landlord or Landlord shall credit Tenant as Tenant may direct, as the case may be, within thirty (30) days following Landlord's receipt of the Insurance election Notice, the Additional Insurance Cost/Credit therefor which in the case of additional cost owed by Tenant to Landlord shall constitute additional rent hereunder. Landlord shall, prior to the commencement of any new policy year, advise Tenant of the amount of any increase or decrease in the cost of the Additional Obligations Insurance proposed by the insurance company or companies providing same and Tenant shall within thirty (30) days following its receipt of such invoice (and any backup documentation reasonably requested by Tenant and reasonably available to Landlord) remit the proper amount to Landlord.

(c) The Additional Obligations Insurance shall be maintained pursuant to one or more policies or forms as customarily maintained by Landlord for its own similar insurance obligations or in such other form as Landlord, Tenant and the applicable insurer may agree. Landlord shall promptly upon request deliver to Tenant a certified copy of such policy or policies for the Additional Obligations Insurance. Such policy or policies shall also provide that such Additional Obligations Insurance shall not be modified, amended, canceled or allowed to lapse or be extinguished for any reason without thirty (30) days prior written notice to Tenant and that such insurance may be canceled or reduced at any time by Landlord (upon Tenant's written request) with a pro-rata refund of any premium (it being understood, however, that there may be a breakage fee or other charge for early cancellation to the extent previously approved in writing by Tenant; provided, however, that under no circumstances shall Landlord be obligated to pay any such fee). Any such premium refund shall inure to the benefit of Tenant and shall be used by, or reimbursed to, Tenant as Tenant may determine. Tenant shall not be named as additional insured under any insurance

policies carried by Landlord (other than the Additional Obligations Insurance) and Tenant shall have no right to participate in the prosecution or settlement of any claims or discussions relating thereto except as otherwise set forth in paragraph (d) below. At Tenant's request from time to time Landlord shall apprise Tenant of the status of any such claims or settlement discussions.

(d) Notwithstanding the foregoing, in the event that the Lease is terminated pursuant to Sections 17.1, 17.2 and/or 17.5 hereof, and to the extent that there was at the applicable time any Additional Obligations Insurance in force then Landlord shall (i) make and diligently prosecute a separate claim for the full amount of such Insurance (permitting Tenant, if requested by Tenant, to participate in such claim and cooperating with Tenant in prosecuting such claim) and (ii) execute all further assurances as are reasonably necessary to cause the insurance company or companies to pay same directly to or for the benefit of Tenant (or its designees) and Tenant shall be entitled to retain any proceeds recovered in connection therewith (less any out-of-pocket costs incurred by Landlord, to the extent previously approved in writing by Tenant, in connection with performing Landlord's obligations under this Section 13.5(d) and not otherwise necessary in connection with Landlord's settlement of other insurance claims).

(e) Landlord and Tenant shall cooperate with each other in securing any necessary consents and/or other written agreements with any mortgagees from time to time as are necessary to give effect to the foregoing provisions of this Section 13.5. Notwithstanding anything herein to the contrary, under no circumstances shall Landlord be responsible or liable to Tenant for guaranteeing the availability in the market or the market cost of any Additional Obligations Insurance.

12. RULES AND REGULATIONS. Effective as of Tenant's receipt of the Availability Notice, the Rules and Regulations attached as Exhibit C to the Lease (the "Rules") are amended as follows:

(a) Paragraph 3 of the Rules is amended to delete the following: ", nor place in the halls, corridors or vestibules".

(b) Paragraph 5 of the Rules is amended to delete everything after the first sentence.

(c) The first sentence of Paragraph 10 of the Rules is amended to eliminate the need for Landlord's approval thereunder.

(d) Paragraph 12 of the Rules is deleted.

(e) Paragraph 13 of the Rules is deleted.

(f) Paragraph 15 of the Rules is amended to delete everything after the first sentence.

(g) Paragraph 18 or the Rules is deleted with respect to all areas of the building other than the first floor lobby area. Landlord shall continue to be responsible for placing rain mats, as necessary, in the first floor lobby and in all elevator lobbies below the second floor of the building.

The terms of Paragraphs 12(a), (b), and (e) and the terms of the first sentence of Paragraph 12(g) shall not apply as to any floor on which Tenant (and/or any subtenant of Tenant) is not the sole occupant.

13. DAMAGE OR DESTRUCTION.

(a) The first sentence of Section 17.3 of the Initial Lease is amended and restated as follows (and the last sentence of Section 17.3 of the Initial Lease is hereby deleted):

> If this Lease is terminated pursuant to Section 17.1 or Section 17.2 above or pursuant to Section 17.5 below, then all rent (and additional rent) payable hereunder shall be apportioned and paid to the date of the occurrence of such damage and, except as otherwise provided in Section 13.5(d) or in this Section 17.3, neither Landlord nor Tenant shall have any further claim or liability to the other. In the event of such a termination, Landlord shall refund to Tenant (or as Tenant may otherwise direct) any then unexpended or unapplied balance of any Lighting Credit and any Excess Utility Consumption Credit and shall continue to cooperate with Tenant in effecting the payment pursuant to section 13.5(d) of the Lease.

(b) Section 17.4 of the Lease is amended and restated as follows:

> 17.4 If Landlord is required to repair and/or restore the Premises as provided in Sections 17.1, 17.2, and/or 17.5, then, unless Tenant has elected to have Landlord purchase Additional Obligations Insurance in accordance with this Amendment (or, if Tenant has not so elected then unless Tenant otherwise agrees in writing pursuant to Section 17.5(b) of the Lease to compensate Landlord for the excess repair and/or restoration costs in excess of the Escalated Improvements Allowance), Landlord shall not be required to expend any sums in excess of the Escalated Improvements Allowance in restoring the Premises. In no event shall Landlord be required to repair or restore any trade fixtures, furnishings, office equipment or personal property belonging to Tenant, it being Tenant's sole responsibility and option to repair or restore any such trade fixtures, furnishings, office equipment or personal property.

(c) The following is added as a new Section 17.5 to the Lease:

17.5 (a) If Tenant has elected to have Landlord purchase the Additional Obligations Insurance, Landlord's restoration and repair obligations pursuant to Section 8.1 and/or this Article XVII of the Lease include, subject to the terms of Section 17.5(c) below, the obligation to expend in such restoration and repair up to an amount equal to the sum of the Escalated Improvements Allowance and the amount of the Additional Obligations Insurance in effect or required to be in effect as of the date of the casualty, and subject to the foregoing, to restore and repair the Tenant Work, the Expansion Space Tenant Work, the special tenant equipment, and all alterations, decorations, additions or improvements to any of the foregoing and/or to the Premises and/or the building and (i) as to which Tenant has previously given Landlord notice of an/or any plans or working drawings therefor and/or (ii) which Landlord performed or arranged to have performed.

(b) If Landlord is required to repair and/or restore the Premises as provided in Sections 17.1, 17.2 and/or 17.5 of the Lease, and if Tenant has not elected to have Landlord purchase the Additional Obligations Insurance (or applicable component thereof), then. upon Tenant's request, such repair or restoration to the extent that the cost therefor exceeds the Escalated Improvements Allowance, shall be accomplished by Landlord in accordance with the Landlord Services Agreement, except that Landlord may use the same general contractor in effecting any such repair and/or restoration as is performing the balance thereof. Landlord agrees, in such case, to require competitive bidding at the subcontractor or trade level, but only if Landlord reasonably determines the same to be appropriate under the circumstances.

(c) Landlord and Tenant shall cooperate in determining the precise restoration and repair to be done by Landlord, and in resolving any pricing issues arising in connection with Section 17.5(a) and (b) above, with the intent being that the Escalated Improvements Allowance shall be spread equitably over the Premises (or affected portions thereof) to construct standard tenant improvements of a first-class building, with Tenant reserving the right to modify items or components comprising, or the scope of, the required work. In the event that Landlord shall reasonably believe that any such modifications shall increase the aggregate cost required to be borne by Landlord without reimbursement by Tenant or from insurance maintained or required to be maintained hereunder then Landlord shall advise Tenant of such belief (and of the amount of such excess costs) promptly following Landlord's receipt of such modification(s) and Tenant shall, in the event Tenant still desires to have Landlord proceed with such modification(s), agree to reimburse Landlord for such excess costs. In the

event that Landlord shall reasonably believe that any such modifications shall likely delay Landlord's completion of its required restoration and repair obligations under this Article XVII, then Landlord shall notify Tenant prior to undertaking any such modification(s) and Landlord and Tenant shall reasonably agree upon particular time extensions therefor.

(d) In the event that Tenant does not terminate this Lease pursuant to Section 17.1(a) of this Lease and that Landlord is obligated to undertake the restoration and/or repair required pursuant to this Article XVII, then Landlord and Tenant shall agree upon a reasonable schedule for completion of such restoration and repair. In the event that all required restoration and repair is not completed within one hundred twenty-five percent (125%) of the time originally agreed to for same plus the number of days of delay attributable to Tenant Delay, then Tenant shall have the right to terminate this Lease, and except as otherwise provided in Section 13.5(d) of this Lease, neither party shall have any further liability to the other; provided, however, that in the event that all required restoration and repair has been substantially completed with respect to at least eighty-five percent (85%) of the Premises (or affected area) within such original time period as so extended, then Landlord's time period for the remaining portions of the Premises (or affected area) and within which to complete all required restoration and repair thereof shall be extended for an additional thirty (30) days. Landlord's deadlines pursuant to this Section 17(d) shall not be subject to extension pursuant to Section 28.18 of the Lease.

(e) Any termination of the Lease by Tenant pursuant to this Article XVII shall be by written notice to Landlord. Such notice shall specify a termination effective date which date shall not be later than one hundred eighty (180) days following the date of such notice.

14. COVENANTS OF LANDLORD. Effective as of Tenant's receipt of the Availability Notice, no part of the building shall be considered as a "public part", "public area" or "common area" for purposes of Section 23.2 of the Lease and Landlord shall no longer be permitted, without Tenant's prior written consent, to change the arrangement or location of any entrances, passageways, doors, doorways, corridors, elevators, stairs or toilets in the building (except as may be necessary to comply with any applicable law, rule or regulation or to comply with Landlord's obligations under this Lease); provided, however, that in such event Landlord shall take all reasonable steps to minimize any interference with Tenant's use of the Premises. The foregoing terms of this Paragraph 12 shall not apply as to any floor on which Tenant (and/or any subtenant of Tenant) is not the sole occupant of such floor.

15. PARKING.

(a) Notwithstanding Paragraph 9 of the First Amendment, Landlord and Tenant agree that (i) Landlord waives any and all right to any Allocated Spaces and relinquishes all of

such right and spaces to Tenant and (ii) all but the first three sentences in the quoted text of such Paragraph 9 are, except for any definitions therein, hereby deleted; provided, however, that such three sentences shall once again apply, and Landlord shall have a right once again to Allocated Spaces as provided in the Lease, in the event that Tenant ceases to lease the entire usable area of the building, or in the event Landlord exercises any recapture right pursuant to Section 7.3 of the Initial Lease, in which event (A) the term "Allocated Spaces" shall be deemed to mean that number of spaces which is equal to one (1) space for each one thousand (1,000) usable square feet of space no longer leased by Tenant or included in the recaptured space (except that, at Landlord's option exercised by written notice received by Tenant prior to such recapture or to Tenant's ceasing to lease the entire usable area of the building, Landlord may reduce the number of Allocated spaces to a fixed number set forth in such written Notice, in which event the term "Allocated Spaces" shall refer to such reduced number), (B) Landlord shall provide Tenant with at least sixty (60) days prior written notice of the date upon which Landlord desires to commence to use such Allocated Spaces (Landlord being obligated to commence such use on all such Spaces at one time), and (C) effective as of the date specified in item (B) immediately preceding, Landlord shall commence to credit Tenant with the Escalating Component credit described in Section 24.3(a) of the Initial Lease (as amended pursuant to Paragraph 9 of the First Amendment). Landlord and Tenant acknowledge that the foregoing references to the right of Landlord to recapture a portion or portions of the Premises pursuant to Section 7.3 of the Initial Lease is subject to the recapture right as set forth in and limited by such Section, and Landlord and Tenant further acknowledge that pursuant to Section 7.3(d) of the Initial Lease such right of recapture shall cease from and after the Expansion Space Commencement Date.

(b) The second sentence of Section 24.1 of the Lease is amended and restated as follows:

Except as otherwise specifically provided in Sections 8.1, 8.2 and/or 13.4 of the Lease, and/or in Article XVII of the Lease, and/or below in this Section 24.1, Tenant shall bear all costs of operating, maintaining, managing, insuring (or self-insuring), repairing and restriping the garage. Landlord shall be responsible for repair or maintenance of structural elements of the garage except for any portion of the garage converted by Tenant for storage purposes, and except for structural, electrical, plumbing and/or mechanical systems or fixtures or elements relating to or affected by Tenant's special equipment or special installations or Tenant's exercise facility. Landlord's maintenance and repair obligations specifically include maintenance and repair of electrical, plumbing and/or mechanical systems or fixtures serving the garage, including, but not limited to, the sump pump, as well as preventive measures with respect to such structural, electrical, plumbing and/or mechanical systems or fixtures.

(c) Section 24.2 of the Lease is amended and restated as follows:

Upon Tenant's request from time to time, Landlord agrees that it will enter into one or more separate contracts, as determined by Tenant, with one or

more separate contactor(s), to assist Tenant with the performance of any or all of Tenant's responsibilities under or in connection with section 24.1 of the Lease. Such contract(s) and contractor(s) shall be reasonably acceptable to Landlord and Tenant. Tenant shall reimburse Landlord for all approved fees and charges paid by Landlord to any such contractor(s) and pursuant to the terms of any such contract(s). Tenant shall not be charged any mark-up or similar amount in connection with such reimbursement except to the extent that (i) Landlord is requested to (and does) enter into multiple contracts during any overlapping period and (ii) such contractors are not then already providing other services in the Complex. In the event that Landlord becomes entitled to charge a mark-up pursuant to the terms of the preceding sentence, then Tenant shall pay a Landlord Property Management Services Fee thereon in accordance with the terms of the Landlord Services Agreement.

(d) Effective as of the Expansion Space Commencement Date, Section 24.3 of the Lease is hereby deleted; provided, however, that the terms of such Section 24.3 of the Lease shall once again apply in the event that Landlord becomes entitled to (and does) request Allocated Spaces pursuant to Paragraph 15(a) of this Amendment.

16. EXPANSION RIGHTS.

(a) Effective as of the Expansion Space Commencement Date, Article XXV of the Lease is deleted in its entirety.

(b) Section 25.5(e) is hereby deleted.

17. RIGHTS OF RENEWAL. The following sentence is inserted at the end of Section 26.1(b): "Notwithstanding anything herein to the contrary, in determining the fair market rent to be payable during each renewal term, the parties (and the appraisers, if any) shall consider all relevant factors, including, but not limited to, the fact that the Lighting Credit shall continue to apply during any such renewal term. In addition, in determining an Escalating Component for any renewal or extension period, if such Escalating Component is to be applicable to such period, the parties (and the appraisers, if any) shall also take into account each party's responsibilities and obligations with respect to the garage ("Garage Obligations") with the effect that any new such Escalating Component shall be equal to a market annual rate for the garage parking spaces less the projected annual amount of Tenant's Garage Obligations."

18. GENERAL PROVISIONS.

(a) Section 28.26 of the Lease notwithstanding, the reference to "the Board of Contract Appeals (or successor entity) ("BCA")", and all references therein to "the BCA", are hereby deleted and the phrase "any authority permissible under the Act" substituted in their place.

(b) Section 28.27 of the Lease is amended to delete the reference to General Clauses Paragraph 12 and such General Clauses Paragraph 12 is also hereby deleted.

(c) All calculations of usable area permitted or required by this Amendment shall be made in accordance with Exhibit D to the Initial Lease.

(d) Notwithstanding anything to the contrary in the Lease, unless otherwise sooner terminated in accordance with the Lease the initial term of the Lease shall expire on May 31, 2006.

(e) Except as otherwise expressly modified by the terms of this Amendment, the Lease shall remain unchanged and continue in full force and effect. All terms, covenants and conditions of the Lease not expressly modified herein are hereby confirmed and ratified and remain in full force and effect. To the best knowledge of Tenant, Landlord is not in default of its obligations under the Lease (it being understood that Landlord owes to Tenant the Excess Utility Consumption Credit described in Paragraph 9(d) above).

(f) All of the covenants contained in this Amendment, including, but not limited to, all covenants of the Lease as modified hereby, shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, and permitted successors and assigns.

(g) Each of the persons executing this Amendment on behalf of Tenant and Landlord hereby covenants and warrants that Landlord or Tenant, as the case may be, has full right and authority to enter into this Amendment, and that the person signing on behalf of Tenant and Landlord, as the case may be, is authorized to do so.

(h) This Amendment may be executed in multiple counterparts, each of which shall be an original, but all of which shall constitute one and the same Amendment.

(i) Landlord and Tenant each represents and warrants that it has not entered into any agreement with, or otherwise had any dealing with, any broker, agent or finder in connection with the negotiation or execution of this Amendment which could form the basis of any claim by any such broker, agent or finder for a brokerage fee or commission, finder's fee, or any other compensation of any kind or nature.

(j) Landlord and Tenant hereby confirm that the other party has satisfied all of its obligations under Section 27.3 of the Lease (as set forth in the First Amendment).

(k) The terms and conditions of this Amendment are subject to the approval of the Sumitomo Bank, Limited, new York Branch, holder of the beneficiary's interest under the deed of trust secured by the building ("Sumitomo"). If Sumitomo does not approve Tenant's leasing of the Expansion Space substantially on the terms of this Amendment, then Landlord shall reimburse Tenant for Tenant's Plan Reimbursement and other reasonable, actual, third party, out-of-pocket costs incurred by Tenant in connection with leasing the Expansion Space.

19. EFFECTIVE DATE. This Amendment shall take effect upon the execution hereof by Landlord and Tenant and upon the consent to or approval of same (or the deemed such consent or approval) by Sumitomo Bank, Limited (the "Amendment No. 2 Effective Date"). Except as otherwise expressly provided herein, each provision hereof shall be deemed to take effect as of the Amendment No. 2 Effective Date.

IN WITNESS WHEREOF, Landlord and Tenant have affixed their signatures and seals as of the date first above written.

ATTEST:

/s/ [ILLEGIBLE]

Assistant Secretary
[Corporate Seal]

WITNESS:

/s/ Patricia S. Grady

SOUTHWEST MARKET LIMITED PARTNERSHIP

By: Boston Southwest Associates Limited Partnership
Its Managing General Partner

By: Independence Square, Inc.
Its Managing General Partner

By: /s/ Edward H. Linde

Edward H. Linde
Its Vice President

COMPTROLLER OF THE CURRENCY

By: /s/ Peter D. Prendergast

Peter D. Prendergast
Associate Director for Real Estate And Design Services

AMENDMENT NO. 2
TO
MEMORANDUM OF LEASE

THIS AMENDMENT NO. 2 TO MEMORANDUM OF LEASE (the "Amendment") made this 15 th day of May, 1996, effective for all purposes as of December 1, 1995, by and between Southwest Market Limited Partnership, a District of Columbia limited partnership ("Landlord"), and the Comptroller of the Currency, an agency of the United States Government ("Tenant").

WHEREAS, Landlord and Tenant have previously entered into a certain Lease Agreement dated August 21, 1989, as modified by letters dated July 18, 1989, August 28, 1989, December 18, 1989, and June 29, 1990 (two letters) and as further amended pursuant to a certain Amendment No. 1 to Lease Agreement dated March 24, 1992, and a certain side letter in connection therewith dated March 11, 1992 (collectively, the "Initial Lease"), pursuant to which Tenant leased from Landlord the garage, approximately 5,500 square feet of usable area on the P-3 level of the garage and the first, third, fourth, fifth, sixth, seventh, eighth and ninth floors of the office building known as One Independence Square located at 250 E Street, S.W., Washington, D.C., as more particularly described in the Lease;

WHEREAS, the Initial Lease contained an option for Tenant to lease certain space referred to therein as the "Expansion Space', and Tenant has leased same and, as a result thereof, now leases all of the usable area in the building;

WHEREAS, such option was exercised pursuant to a certain Amendment No. 2 to Agreement of Lease dated December 1, 1995 ("Lease Amendment No. 2") (the Initial Lease, as amended by Lease Amendment No. 2, herein the "Lease");

WHEREAS, Landlord and Tenant have previously executed and recorded a certain Memorandum of Lease dated May 2, 1990 (the "Initial Memorandum"), which Initial Memorandum was recorded on June 20, 1990, as Instrument No. 9000034930, in the Office of the Recorder of Deeds for the District of Columbia (the "Land Records");

WHEREAS, the Initial Memorandum was subsequently amended pursuant to a certain Amendment No. 1 to Memorandum of Lease dated September 27, 1990 (the "Amended Memorandum") (the Initial Memorandum, as amended by the Amended Memorandum, herein the "Memorandum"), which Amended Memorandum was recorded on November 6, 1990, as Instrument No. 9000059865, in the Land Records; and

When recorded, please return to:

Gary K. Bahena, A Professional Corporation
The Homer Building, Suite 320 North
601 Thirteenth Street, N.W.
[ILLEGIBLE]

WHEREAS, Landlord and Tenant desire to further amend the Memorandum to reflect the execution of Lease Amendment No. 2.

NOW, THEREFORE, in consideration of Ten Dollars ($10.00), of the premises and covenants contained herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby agree as follows:

1. The Memorandum is amended to reflect the execution of Lease Amendment No. 2, together with any and all other instruments, agreements, letters and the like referenced herein as constituting a part of the "Lease".

2. The Amendment does not alter, amend, modify or change the Lease or the exhibits thereto in any respect. The Lease and exhibits thereto are hereby incorporated by reference in this Amendment, and the parties hereby ratify and confirm the Lease and the Memorandum (as such Memorandum is modified hereby). In the event of any conflict between the provisions of this Amendment, the Memorandum and the Lease, the provisions of the Lease shall control.

IN WITNESS WHEREOF, as of the date and year first above written: Southwest Market Limited Partnership, as Landlord, has caused these presents to be executed by its general partner, Boston Southwest Associates Limited Partnership, which has caused these presents to be executed by its general partner, Independence Square, Inc., which has caused these presents to be executed by Edward H. Linde, its Vice President, attested by Debra G. Moses, its Asst Secy, and its corporate seal to be hereunto affixed, and does hereby constitute and appoint said Edward H. Linde as its true and lawful attorney-in-fact for it and in its name to acknowledge and deliver these presents as its act and deed; and the Comptroller of the Currency, as Tenant, has caused these presents to be signed in its name by Peter D. Prendergast, its Associate Director for Real Estate and Design Services, and witnessed by Karen R. Furst, and does hereby constitute and appoint said

Peter D. Prendergast as its true and lawful attorney-in-fact for it and in its name to acknowledge and deliver these presents as its act and deed.

LANDLORD:

ATTEST:

SOUTHWEST MARKET LIMITED PARTNERSHIP

By: Boston Southwest Associates
Limited Partnership
Its General Partner

By: Independence Square, Inc.
Its General Partner

ILLEGIBLE
Assistant Secretary

By: /S/ EDWARD H. LINDE
Edward H. Linde
Its Vice President

TENANT:

COMPTROLLER OF THE CURRENCY

KAREN R. FURST
Karen R. Furst

By: /S/ PETER D. PRENDERGAST
Peter D. Prendergast
Its Associate Director for Real
Estate and Design Services

COUNTY OF SUFFOLK)
) ss:
STATE OF MASSACHUSETTS)

I, Kathryn R. Stevenson, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Edward H. Linde, who is personally well known to me as the person named as Vice President of Independence Square, Inc., as general partner of Boston Southwest Associates Limited Partnership, as general partner of Southwest Market Limited Partnership, the party named in the foregoing instrument bearing date as of the 15th day of May, 1996, and hereto annexed, personally appeared before me in said jurisdiction and as such, and by virtue of the power vested in him, acknowledged the same to be his act and deed as such and in such capacity, and that he delivered the same as such and in such capacity.

GIVEN under my hand this 28th day of May, 1996.

[SEAL] /s/ KATHRYN R. STEVENSON
Notary Public

My commission expires: 8/26/99

CITY OF WASHINGTON)
) ss:
DISTRICT OF COLUMBIA)

I, Darlene L. McNeice, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Peter D. Prendergast, who is personally well known to me as the person named as the Associate Director for Real Estate and Design Services for the Comptroller of the Currency, the party named in the foregoing instrument bearing date as of the 15th day of May, 1996, and hereto annexed, personally appeared before me in said jurisdiction and as such, and by virtue of the power vested in him, acknowledged the same to be his act and deed as such and in such capacity, and that he delivered the same as such and in such capacity.

GIVEN under my hand this 22nd day of May, 1996.

[SEAL] /s/ DARLENE L. MCNEICE
Notary Public

My commission expires: 1-1-97

Certificate of Confirmation

This Attachment C is attached to and made a part of that certain Amendment No. 2 to Lease Agreement dated December 1, 1995 (the "Amendment"), between SOUTHWEST MARKET LIMITED PARTNERSHIP ("Landlord") and COMPTROLLER OF THE CURRENCY ("Tenant"). The terms used in this Attachment that are defined in the Amendment shall have the same meaning as provided in the Amendment. This Certificate of Confirmation is executed pursuant to Paragraph 2(a) of the Amendment. Parties to this Amendment desire to confirm the following terms which are defined in the Lease:

1. The Expansion Space Commencement Date is April 1, 1996.

2. At the date hereof the Lease has not been further modified or amended and is in full force and effect and to the best of Tenant's knowledge there are no defaults thereunder.

3. The net Excess Utility Consumption (as defined in Paragraph 9(d)(1) of the Amendment) accrued through May 31, 1995 is _____. The 1995 Amount (as defined in Paragraph 9(d)(2) is _____. The net Excess Utility Consumption Credit will be agree to at a future date.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Certificate under seal on April 22, 1996.

LANDLORD:

WITNESS:

SOUTHWEST MARKET LIMITED PARTNERSHIP

By: Boston Southwest Associates
Limited Partnership
Its Managing General Partner

By: Independence Square, Inc.
Its Managing General Partner

ILLEGIBLE
Assistant Secretary

By: /S/ EDWARD H. LINDE
Edward H. Linde
Its Vice President

TENANT:

COMPTROLLER OF THE CURRENCY

KAREN R. FURST
Karen R. Furst

By: /S/ PETER D. PRENDERGAST
Peter D. Prendergast
Its Associate Director for Real
Estate and Design Services

EXHIBIT 10.92

LEASE AGREEMENT WITH THE UNITED STATES OF AMERICA (NASA) AND AMENDMENTS THERETO

STANDARD FORM 2
FEBRUARY 1965 EDITION
GENERAL SERVICES
ADMINISTRATION
FPR (41 CFR) 1016.601

U.S. GOVERNMENT
LEASE FOR REAL PROPERTY

DATE OF LEASE: 6/1/90

LEASE NO.: GS-11B-00111 "Negotiated"

THIS LEASE, made and entered into this date by and between Southwest Market Limited Partnership
c/o Boston Properties

whose address is 500 E. Street, SW
Washington, DC 20024

and whose interest in the property hereinafter described is that of owner.

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WITNESSETH: The parties hereto for the considerations hereinafter mentioned, covenant and agree as follows:

1. The Lessor hereby leases to the Government the following described premises: 488,374 net usable square feet (nusf) of office and related space in the building located at 300 E Street, SW; Washington, DC 20024.

   The leased premises consists of 59,770 nusf on the concourse level, as identified on Exhibit VIII; 32,978 nusf on the ground floor, as identified on Exhibit VIII and floors two through nine, in their entirety.

   In addition to the aforementioned, the lessor hereby leases to the Government fifty (50) reserved parking spaces consisting of 25 spaces on the P1 Level and 25 spaces on the P2 Level as identified on Exhibit X and an additional one hundred (100) parking permits within the garage of the building to be used for such purposes as determined by the Government.

2. TO HAVE AND TO HOLD the said premises with their appurtenances for the term of twenty (20) years subject to termination and renewal rights as may be hereinafter set forth. The lease commencement date shall be established pursuant to Paragraph 45, Layout & Finishes, of the SFO.

3. The Government shall pay the Lessor annual rent of $ 19,143,013.94

at the rate of $1,595,251.16 per month in arrears.

Rent for a lesser period shall be prorated. Rent checks shall be made payable to:
Southwest Market Limited Partnership c/o Boston Properties
500 E Street, SW
Washington, DC 20024

4. Intentionally deleted.

5. This lease may be renewed at the option of the Government, for the following terms and at the following rentals:
   One term of ten (10) years at an annual rental of $31,255,936.00 at a rate of $2,604,661.33 per month, in arrears, in addition to any accrued tax and operating expense escalations.

provided notice be given in writing to the Lessor at least 547 days before the end of the original lease term
or any renewal term: all other terms and conditions of this lease shall remain the same during any renewal term.
Said notice shall be computed commencing with the day after the date of mailing.

6. The Lessor shall furnish to the Government, as part of the rental consideration, the following:

a. All services, utilities and repairs and maintenance pursuant to Solicitation for Offers (SFO) 89-047;
b. All alterations pursuant to SFO 89-047 excluding the special requirements in Paragraph 103, Attachment I to the SFO;
c. Cleaning to be performed during tenant working hours as defined in Paragraph 85 of SFO 89-047;
d. The use of the public lobby pursuant to Paragraph 1 of SFO 89-047;
e. The use of the roof pursuant to Paragraph 1 of SFO 89-047.

6a. The lessor shall provide all alternations pursuant to SFO 89-047 Paragraph 103, Attachment I, to the SFO for the amount of $5,939,953.00; payable as the individual special use areas are delivered and accepted by the Government.

7. The following are attached and made a part hereof:

1.	GSA Form 1217	Lessor's Annual Cost Statement
2.	Solicitation for Offers	(SFO) No. 89-047
3.	Attachment I Paragraph 103,	Special Requirements of SFO 89-047
4.	Exhibit I	Special Requirements Cost Summary and documentation
5.	Exhibit II	Unit Cost Statement
6.	Exhibit III	Supplementary Parking Permits
7.	Exhibit IV	Alternate Proposal – Raised Floor
8.	Exhibit V	Small Business Subtracting Plan
9.	Exhibit VI	List of Partners
10.	Exhibit VII	Amenities Statement
11.	GSA Form 3516	Solicitation Provisions
12.	GSA Form 3517	General Clauses
13.	GSA Form 3518	Representations & Certifications
14.	Exhibit VIII	Plan indicating space on partial floors
15.	Exhibit IX	Plan indicating space for daycare play area
16.	Exhibit X	Plan indicating location of reserved parking
17.		Firesafety Compliance – Certification

8. The following changes were made in this lease prior to its execution:

Paragraph 4 of this SF-2 has been deleted in it's entirety.

IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their names as of the date first above written.

LESSOR Southwest Market Limited Partnership

BY ILLEGIBLE .

(Signature) *(Signature)*

IN PRESENCE OF:

ILLEGIBLE ILLEGIBLE

(Signature) *(Address)*

UNITED STATES OF AMERICA

BY ILLEGIBLE Contracting Officer

(Signature) *(Official Title)*

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDING SERVICE
LESSOR'S ANNUAL COST STATEMENT
IMPORTANT – Read "Instructions" on reverse of form.

1. LEASE OR NO.	2. STATEMENT DATE
89-	2/12/90

3. NET RENTABLE AREA (Sq. ft.)	3a. ENTIRE BUILDING	3b. LEASED BY GOV'T.
	558,231	549,968

4. BUILDING NAME AND ADDRESS (No., street, city, State and zip code no.)
TWO INDEPENDENCE SQUARE, 300 E Street, S.W., Washington, D.C. 20024

SECTION 1 – ESTIMATED ANNUAL COST OF SERVICES AND UTILITIES FURNISHED BY LESSOR AS PART OF RENTAL CONSIDERATION

SERVICES AND UTILITIES	LESSOR'S ANNUAL COST FOR (a) ENTIRE BUILDING	(b) GOV'T. LEASED AREA	FOR GOVERNMENT USE ONLY (c)
A. CLEANING, JANITOR AND/OR CHAR SERVICE	66,987.72	65,996.16	
5. SALARIES			
6. SUPPLIES (Wax, cleansers, cloths, etc.) (Incl. in A.5)			
7. CONTRACT SERVICES (Window washing, waste and snow removal) (A.5)			
B. HEATING			
8. SALARIES (Incl. in G.22)			
9. FUEL ("X" one) ☐ OIL ☐ GAS ☐ COAL ☒ ELECTRIC			
10. SYSTEM MAINTENANCE AND REPAIR (Incl. in E.19)			
C. ELECTRICAL (See Attachment A)	2,221,759.38	2,188,872.64	
11. CURRENT FOR LIGHT AND POWER (including elevators)			
12. REPLACEMENT OF BULBS, TUBES, STARTERS	22,329.24	21,998.72	
13. POWER FOR SPECIAL EQUIPMENT (Incl. in C.11)			
14. SYSTEM MAINTENANCE AND REPAIR (Ballasts, fixtures, etc.)	39,076.17	38,497.76	
D. PLUMBING	117,228.51	115,493.28	
15. WATER (For all purposes) (Include sewage charges)			
16. SUPPLIES (Soap, towels, tissues not in 6 above) (A.5)			
17. SYSTEM MAINTENANCE AND REPAIR	22,329.24	21,998.72	
E. AIR CONDITIONING			
18. UTILITIES (Include electricity, if not in C.11) (C.11)			
19. SYSTEM MAINTENANCE AND REPAIR	94,899.27	93,494.56	
F. ELEVATORS			
20. SALARIES (Operators, starters, etc.)			
21. SYSTEM MAINTENANCE AND REPAIR	94,899.27	93,494.56	
G. MISCELLANEOUS (To the extent not included above)	586,142.55	577,466.40	
22. BUILDING ENGINEER AND/OR MANAGER			
23. SECURITY (Watchman, guards, not janitors)			
24. SOCIAL SECURITY TAX AND WORKMEN'S COMPENSATION INSURANCE (G.22)			
25. LAWN AND LANDSCAPING MAINTENANCE	27,911.55	27,498.40	
26. OTHER (Explain on separate sheet) (SEE ATTACHMENT B)			
27. TOTAL	$ 3,533,602.23	$ 3,481,297.44	$

SECTION II – ESTIMATED ANNUAL COSTS OF OWNERSHIP EXCLUSIVE OF CAPITAL CHARGES

28. REAL ESTATE TAXES	2,534,368.74	X X X X	
29. INSURANCE (Hazard, liability, etc.)	100,481.58	X X X X	
30. BUILDING MAINTENANCE AND RESERVES FOR REPLACEMENT	83,734.65	X X X X	
31. MANAGEMENT	446,584.80	X X X X	
32. TOTAL	$ 6,698,772.00	X X X X	$

LESSOR'S CERTIFICATION – The amounts entered in Columns (a) and (b) represent my best estimate as to the annual costs of services, utilities and ownership.

33. SIGNATURE OF ☒ OWNER ☐ LEGAL AGENT

SECTION III – APPROVAL OF STATEMENT BY AUTHORIZED GOVERNMENT REPRESENTATIVES

The undersigned certify that the amount shown in Item 27(c) represents the reasonable value of the services and utilities which amount may be properly deducted in determining net rent for the purposes of the Economy Act.

TYPED NAME AND TITLE	SIGNATURE	DATE
34A. SOUTHWEST MARKET LIMITED PARTNERSHIP	34B.	34C.
35A. SEE ATTACHED PAGE FOR SIGNATURES	35B.	35C.

ATTACHMENT A

Electrical

The electrical operating cost of $3.98 per rentable square foot (RSF), which has been included on the enclosed Lessor's Annual Cost Statement, is based upon the operation of the building, as defined below, at the temperature specifications provided in the SFO. This cost is in line with the discussion we had at our meeting concerning GSA acceptable operating cost estimates.

However, as we have stated previously, the electrical operating loads outlined in the SFO are substantially above what is considered normal and as a result, the building's electrical operating base has been increased to reflect the abnormal conditions being specified. As outlined below, we have tried to reflect our understanding of the requirements specified in the SFO and restated in your letter dated November 7, 1989.

- Normal building (based upon GSA temperature specifications)

  2w lights
  2w power
  4w for HVAC design $2.30/RSF

- Operating increase due to 900 ton separate system

  900 Ton system will handle 3164 Kw of equipment.

900 Ton Loop Assumptions

Weekdays

8am — Noon	20 hrs per week off peak ($.04) at 75% load	
	3164Kw x 75% x 20hrs per week x $.04 per Kw x 50 weeks (excl. holidays)	$ 94,920
Noon — 4PM	20 hrs per week on peak ($.092) at 75% load	
	3164Kw x 75% x 20hrs per week x $.092 per Kw x 50 weeks	$218,316

4PM — 8PM	20 hrs per week on peak ($.092) at 40% load	
	3164Kw x 40% x 20hrs per week x $.092 per Kw x 50 weeks	$ 116,435
8PM — 8AM	60 hrs per week off peak ($.04) at 40% load	
	3164Kw x 40% x 60hrs per week x $.04 per Kw x 50 weeks	$151,872
	Total Weekdays	581,543
Weekends		
	24hrs x 2 days = 48hrs off peak at 40% load	
	3164Kw x 40% x 48hrs per week x $.04 per Kw x 52 weeks	
	Total Weekends	$126,358
Holidays		
	10 x 24hrs = 240hrs off peak at 40% load	
	3164Kw x 40% x 240hrs x $.04 per Kw	
	Total Holidays	$ 12,150
	Total Yearly Cost	$ 720,051
	$720,051 (1989) increased at 4% per year to 1993 = $842,358	
	842,358 ÷ 550,446 sf = $1.68/RSF	

- Total electrical rate based upon SFO specifications

  $ 2.30/RSF (Base for normal building operations)
  $ 1.68/RSF (Increase for additional electrical loads)
  $ 3.98/RSF (Total rate based on SFO specifications)

Attachment B

Other Expense Category		Per Rentable Square Foot
—	Water Treatment – includes 900 ton system and legionella testing	$ .030
—	Fire/sprinkler/security alarm monitoring and service	.070
—	Tools and equipment – includes repair, calibration and replacements	.015
—	Pest control	.010
—	Building supplies – includes door and window hardware, office supplies, ceiling tiles, keys	.015
—	Miscellaneous – includes diesel fuel for emergency generator, uniforms, special training, association fees, signage	.020
—	Energy management – includes service, repair, and computer software updates	.020
—	Telephone and beeper – includes telephone lines for security and fire alarm and remote energy management	.030
—	General building – includes exterior caulking, flashing repair, window replacement, exterior door repair and replacement, loading dock door service	.040
—	Carpet repair – this is the estimate of the yearly expense required to maintain the carpet on a daily basis as required in the SFO.	.070
—	Wall repair – this is the estimate of the yearly expense required to maintain the wall finishes (paint and wall covering) on a daily basis as required in the SFO.	.040
—	Garage expenses – this expense estimate is for the garage electricity, maintenance and cleaning required for 150 permits.	.070
Total Other Expenses		$ .430

SOUTHWEST MARKET LIMITED PARTNERSHIP, a District of Columbia limited partnership

By: Boston Southwest Associates Limited Partnership, a Massachusetts limited partnership, its general partner

By: Independence Square, Inc., a Delaware corporation, its general partner

ATTEST:

By: "ILLEGIBLE"

Assistant Secretary

By: "ILLEGIBLE"

Edward H. Linde
Vice President

[CORPORATE SEAL]

Date: February 12, 1990

SOLICITATION FOR OFFERS NO. 89-047

486,000 TO 504,000

NET USABLE SQUARE FEET

OF

OFFICE AND RELATED SPACE

WITHIN THE DISTRICT OF COLUMBIA

THE CONSOLIDATION OF

THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[NASA LOGO]

SOUTHWEST MARKET LIMITED PARTNERSHIP

BOSTON PROPERTIES

ONE INDEPENDENCE SQUARE

LEASE NO. GS-11B

SOLICITATION FOR OFFERS
NUMBER 89-047
REPRESENTING THE REQUIREMENT FOR:

486,000 TO 504,000
NET USABLE SQUARE FEET

OFFICE AND RELATED SPACE

NAME: ROY W. ECKERT
TITLE: CONTRACTING OFFICER

THE INFORMATION COLLECTION REQUIREMENTS CONTAINED IN THIS SOLICITATION/CONTRACT, THAT ARE NOT REQUIRED BY REGULATION, HAVE BEEN APPROVED BY THE OFFICE OF MANAGEMENT AND BUDGET PURSUANT TO THE PAPERWORK REDUCTION ACT AND ASSIGNED THE OMB CONTROL NO. 3090-0163.

INITIALS: ILLEGIBLE & ILLEGIBLE
INDEPENDENCE SQUARE Lessor Government

SECTION: 1

SUMMARY OF SOLICITATION

1 AMOUNT AND TYPE OF SPACE (As Amended 01/30/90)

(A) The General Services Administration (GSA) is leasing 488,374 net usable square feet of office and related space. A minimum of seven thousand (7,000) net usable square feet of the space must be located on the entry level of the building.

If the offeror is not offering a daycare facility as an amenity of the complex or building exclusive of the space to be leased to the Government, then three thousand eight hundred and fifty (3,850) square feet of space must be offered on the entry level of the building with a direct exit to the outside. (See Paragraph 103, SR 3.1). This space is included in the seven thousand (7,000) square feet previously specified in this subsection.

The prospective tenant would prefer locating an additional 2,350 square feet of space consisting of the Security Office, SR 6.12, on the first floor. Offerors should bear in mind that if the loading dock is on the first floor, Shipping and Receiving, SR 1.1, must also be located on the first floor, The Mail Room, SR 5.1, must also be located proximate to the loading dock.

Offers must be for space located in a quality building of substantial construction as described in this Solicitation for Offers, have a potential for efficient layout, and offer at least the minimum but no more than the maximum amount of space stated above.

The offeror must also grant the Government an option to acquire any remaining office space in the building, not leased by GSA, under the same terms and conditions as the base lease with the exception of approximately 10,000 rentable square feet on the first floor to be reserved for retail. If not exercised theretofore, this option will expire six months after the base lease is executed by the Government.

(B) The building must also have at least one privately owned and operated food establishment located on the entry level of the building, capable of servicing a luncheon clientele or approximately three hundred (300) persons. The service should provide a combination of carry-out as well as on-site seating.

The Government reserves the right to approve any retail tenants proposed for the building. The aforementioned approval shall not be unreasonably withheld.

(C) Within the negotiated rental rate, the Offeror shall:

1. allow the Government to utilize the roof for such purposes as deemed necessary,

2. permit the Government to utilize the public lobby for such purposes as deemed necessary,

3. provide a reserved parking area within the garage, capable of accommodating fifty (50) vehicles.

4. provide an additional one hundred (100) non-reserved parking permits for spaces within the garage. These spaces may be stacked.

(D) Offerors must submit a separate proposal for an additional three hundred and fifty (350) parking permits, on site. The Government reserves the right to use the permits prior to the composite lease commencement date established pursuant to Paragraph 45(VII), on a rent free basis. The contract for the 350 permits will be for a term of twenty years with a ten year renewal option at a rate to be mutually agreed upon and established at a later date.

The three hundred and fifty (350) parking permits, previously specified in this paragraph, may be stacked and parked by an attendant or attendants. The offeror shall provide as many attendants as are necessary to park and relocate vehicles as within the garage.

(E) The parking area for fifty (50) vehicles previously specified in this paragraph, must be designated available for self park and shall not be stacked. The spaces will be counted as individual lined spaces with vehicular circulation in conformance with code requirements.

(F) If the offeror is offering a daycare facility and/or a physical fitness facility as an amenity of the complex or building exclusive of the space to be leased to the Government, then the Government reserves the first right of refusal to utilize the facility or facilities, at market rate(s), for the services provided.

2 AREA OF CONSIDERATION (As Amended 09/21/89)
AREA:
*****

The building offered must be located in downtown Washington, DC within the boundaries of New York Avenue, NW from Fourteenth Street, NW to Ninth Street, NW and Massachusetts Avenue from Ninth Street, NW to First Street NW, on the North; the Southwest Freeway to the South; First Street NW/SW, to the East; and 14th Street NW/SW, to the West.

3 LOCATION: CITY CENTER (As Amended 01/24/90)

CITY CENTER NEIGHBORHOOD:
****

SPACE MUST BE LOCATED IN A PRIME COMMERCIAL OFFICE DISTRICT WITH ATTRACTIVE, PRESTIGIOUS, PROFESSIONAL SURROUNDINGS WITH A PREVALENCE OF MODERN DESIGN AND/OR TASTEFUL REHABILITATION IN MODERN USE. STREETS AND PUBLIC SIDEWALKS SHOULD BE WELL MAINTAINED.

PARKING AND TRANSPORTATION:
****

Regularly scheduled public transportation and/or employee parking within two blocks sufficient to cover commuting needs of employees. The parking to square foot ratio available on-site must meet local code requirements.

LOCATION AMENITIES:
****

A VARIETY OF INEXPENSIVE AND MODERATELY PRICED FAST FOOD AND/OR EAT-IN RESTAURANTS MUST BE LOCATED WITHIN FOUR BLOCKS, AND OTHER EMPLOYEE SERVICES SUCH AS RETAIL SHOPS, CLEANERS, BANKS, ETC., SHOULD BE LOCATED WITHIN THREE BLOCKS.

4 TYPES OF OFFERS (As amended 01/24/89)

At a minimum, Offerors must submit proposals as outlined under No. 1 below.

1. An operating lease in conformance with this SFO for a firm twenty (20) year period, with one ten (10) year renewal.

   To be responsive, Offerors must submit their rental rate for both the initial term as well as any and all options for the base lease as a level rent. There shall not be a one time or an incremental increase in the annual rental at any time during the term of this lease aside from adjustments for operating cost and tax escalations pursuant to the provisions of this SFO.

   The rental rate for the additional three hundred and fifty (350) parking spaces requested in Paragraph 1(D) must also be submitted as a flat rate. This rate however, shall be subject to an escalation of five (5) percent on each anniversary date of the commencement of the parking lease.

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5 LEASE TERM (As Amended 01/24/90)

The lease term will be for twenty (20) years with one ten (10) year renewal option and will consider lease-purchase alternatives for a thirty (30) year period.

The lease may be renewed for the additional ten (10) year period, at the option of the Government, provided notice be given at least five hundred and forty seven (547) days prior to the expiration of the original lease term; all other terms and conditions of the original lease shall remain the same during the renewal term. Said notice shall be computed commencing with the day after the date of mailing.

6 OFFER DUE DATES (As Amended 12/18/89)

Offerors must submit proposals in three phases as outlined below:

Due Date	Requirement
May 1, 1989	2 signed copies of this Amendment 1 (See page 16)
May 17, 1989	General information as requested under Section I of the cover letter, transmitting this document, if applicable.
May 31, 1989	Documentation of the offered building's features as related to the source selection criteria. Also see Paragraph 8, page 5.

June 05, 1989 Cost Proposals: With regard to the Twenty (20) year operating lease, offerors must submit the following documents:

1. Proposal to Lease Space (GSA Form 1364)
2. Proposal to Lease Parking Space (GSA Form 1364P)
3. Proposal to Lease Space – Alternate Proposal (GSA Form 1364B)

[SECTION INTENTIONALLY DELETED]

Offers must remain open until April 27, 1990.

7 OCCUPANCY DATE (As Amended 04/25/89)

To be responsive, offerors must have completed their base building to the point that phased tenant buildout can commence no later than September of 1991. (Also see Paragraph 45)

8 HOW TO OFFER (As Amended 09/21/89)

ALL DOCUMENTS REQUIRED TO BE SUBMITTED UNDER THE PROVISIONS OF THIS SFO MUST BE DELIVERED TO MR. ROY ECKERT, CONTRACTING OFFICER, AT THE ADDRESS BELOW BY 3:00 P.M. ON THE DAY SPECIFIED:

MR. ROY ECKERT
CONTRACTING OFFICER
GENERAL SERVICES ADMINISTRATION
7TH AND D STREETS, S.W. ROOM 7931
WASHINGTON, DC 20407

[SECTION INTENTIONALLY DELETED]

There will be no public opening of offers and all offers will be confidential until the lease has been awarded; however, the Government may release proposals outside the Government to a Government support contractor to assist in the evaluation of offers. Such Government contractors shall be required to protect the data from unauthorized disclosure. Offerors who desire to maximize protection of information in their offers may apply the restrictive notice to their offers as proscribed in the provision entitled “52.215-12, Restriction on Disclosure and Use of Data”. (See GSA Form 3516, Solicitation Provisions, Attachment Dated 7/89)

The evaluation of the quality factors will be based in part on the supporting documentation submitted by each offeror. Accordingly, offerors are requested to submit any and all information they wish to have considered as part of the evaluation process.

[SECTION INTENTIONALLY DELETED]

8a. Offerors must submit six sets of 1/8" scaled blueline prints with dimensions noted on all prints and sketches of design concepts, including the site plan, floor plans, building elevations and sections as well as "thumbnail" perspectives. Critical dimensions must be indicated on all site and floor plans. Photostatic copies are not acceptable, as the Government intends to scale the drawing in order to calculate square footage.

The floorplans, building elevations and sections shall clearly and accurately identify all architectural features including the following:

Plans

1. Column locating and spacing,
2. Bay configuration,
3. Core space location, use and configuration,
4. Location and number of elevators,
5. Location and number of shafts and stairwells, (to include all wet stacks)
6. Location, size and configuration of public corridors,
7. Location, size and configuration of lobbies as well as any proposed public space,
8. Location and nature of any other tenant egress and ingress as well as travel patterns through the building,
9. Indicate which area or areas which could accommodate increased floor load or which bays are designed to be structurally reinforced and
10. Indicate any floor(s) or specific areas where the ceiling height deviates from the building standard.

Sections and Elevations

1. Fenestration detail.

8b. Offerors, if they have not already done so, must submit detailed design criteria for the following building systems:

Heating, ventilation and air conditioning and

Electrical distribution system (to include the primary and any secondary service into the building).

8c. Offerors must submit to the Government exhibits to include but not limited to the following base building materials:

Exterior curtain wall,

Interior entrance and elevator lobby,

Elevator cab,

Restroom and

Building Standard wall, floor, ceiling and window.

If actual samples of the proposed building materials are not available, color reproductions of the aforementioned samples will suffice.

8d. Offerors must submit 1/8 inch scale typical building section and exterior elevation prints with dimensions noted.

8e. Offerors, if they have no already done so, must submit to the Government, as a minimum, Complete Design Development Documents[1]. The Design Development documents shall include:

* Site plans indicating General location and nature of site improvements.

* Plans, elevations, sections, schedules and notes as required to fix and describe the project as to architectural, structural, mechanical and electrical systems.

* Outline specifications of the Preliminary Project Manual.

Drawings at a further state of completion are acceptable. If the aforementioned documents have been forwarded in response to this SFO, as part of an earlier submission, then offerors need not re-submit the drawings and specifications. However, they should identify the date of submission as well as the date on the plans themselves.

[1] Reference: AIA Architect's Handbook of Professional Practice Project Procedures & Specifications.

9. NEGOTIATIONS

[SECTION INTENTIONALLY DELETED]

10 PRICE EVALUATION (PRESENT VALUE) (As Amended 01/30/90)

Evaluation of lease offers will be conducted on the basis of the annual price per square foot, including the ten (10) year option period.

I. Evaluation of Lease Proposals

(A) The Offeror must submit his or her offer in sufficient detail for the Government to evaluate the following:

1. The annual price per net usable square foot for the initial twenty (20) year term including the price for the 150 parking spaces. (This price shall not include any amount for services and utilities i.e., operating expenses).

2. The base price per net usable square foot for services and utilities (i.e., operating expenses).

3. The price per net usable square foot for the special requirements specified in Paragraph 103 of the SFO.

4. The price for the base year for the 350 parking permits per Paragraph 01(D) of the SFO.

5. The annual price per net usable square foot for the ten (10) year renewal term specified in Paragraph 05 of the SFO.

Items 1, 2, 3, and 4 of this paragraph (A) combined are the total price per square foot offered. If the offer includes annual Consumer Price Index (CPI) adjustments in operating expenses, the net and base prices combined are the total gross annual per square foot price offered. If the offer includes annual adjustments in operating expenses, the base price from which adjustments are made will be the base price for the term of the lease, including any option periods.

Item 5 will be evaluated along with the total price per square foot offered for the initial term to determine which offer is the most economically advantageous to the Government.

Each element of total annual price per square foot, described above, will be evaluated by the Government, and the Government reserves the right to reject any offer if it is determined that the price offered for any element of total annual price per square foot is determined to be unreasonable.

(B) The Government will conduct a discounted cash flow analysis and reduce prices offered to a composite annual square foot price, as follows:

1. Parking and wareyard areas will be excluded from the total square footage, but not from the price. For different types of space, the gross annual per square foot price will be determined by dividing the total annual rental by the total square footage and subtracting the amount for parking and wareyard areas.

2. If annual adjustments in operating expenses will not be made, the gross annual per square foot price will be discounted annually at 8% to yield a gross present value life cycle cost (PVLOC) per square foot.

3. If annual adjustments in operating expenses will be made, the annual price per square foot, minus the cost of operating expenses and the initial year "1" cost for the three hundred and fifty (350) parking permits, will be discounted annually at 8% to yield a net PVLOC per square foot. The operating expenses will be both escalated at 4% compounded annually and discounted annually at 8% then added to the net PVLOC to yield the gross PVLOC.

The initial year "1" cost for the three hundred and fifty (350) parking permits will also be escalated at 5% compounded annually, and discounted annually at 8%, then added to the net PVLOC to yield the gross PVLOC.

4. To the gross PVLOC will be added;

a. The cost of Government-provided services not included in the rental escalated at 4% compounded annually and discounted annually at 8%.

b. The annualized (over the full term) per square foot cost of any items which are to be reimbursed in a lump-sum payment (the cost of these items is present value; therefore, it will not be discounted.)

(C) The sum of the above will be the per square foot present value of the offer for price evaluation purposes.

11 HISTORIC PREFERENCE GSAR 552.270-4(JUNE 1985)

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12 AWARD (As Amended 04/25/89)

After conclusion of negotiations, the Contracting officer will require the Offeror selected for award to execute the proposed lease or lease purchase agreement prepared by GSA which reflects the agreement of the parties.

A. The proposed lease shall consist of:
(1) Standard Form 2, U.S. Government Lease for Real Property
(2) GSA Form 3517, General Clauses
(3) GSA Form 3518, Representations and Certifications
(4) The Pertinent Provisions of the Offer, and
(5) The Pertinent Provisions of the SFO.

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The Government reserves the right to accept or reject any offers, and an award may be made for either a standard operating lease as in A above, or a Lease/Purchase Agreement as in B above.

The award of this contract is subject to Congressional review and other Governmental reviews, clearance, etc.

13 ORGANIZATION OF SOLICITATION

THE PARAGRAPHS OF THIS SOLICITATION ARE SUBDIVIDED INTO MAJOR TOPICS OR "SECTIONS." PARAGRAPH TITLES ARE SHOWN ALPHABETICALLY BY SECTION AND PARAGRAPH NUMBER IN THE INDEX.

14 FIRE PROTECTION, OCCUPATIONAL HEALTH, AND ENVIRONMENTAL SAFETY

BUILDINGS IN WHICH SPACE IS OFFERED FOR LEASE SHALL COMPLY WITH THE REQUIREMENTS OF THE GSA FIRE PROTECTION, OCCUPATIONAL HEALTH, AND ENVIRONMENTAL SAFETY STANDARDS AS DESCRIBED IN THIS SOLICITATION AND THE AGENCY HANDBOOK NUMBERED PBS P 5900.2C. EQUIVALENT PROTECTION, AS REQUIRED BY THE APPLICABLE STANDARDS, SHALL BE APPROVED BY THE CONTRACTING OFFICER.

ADDITIONALLY, OFFERS WHICH INCLUDE ALTERNATE FIRE PROTECTION FEATURES MUST INCLUDE A WRITTEN ANALYSIS OF A CERTIFIED FIRE PROTECTION ENGINEER FULLY DESCRIBING ANY EXCEPTIONS TAKEN TO THE FIRE PROTECTION REQUIREMENTS OF THIS SOLICITATION (SEE PARAGRAPH ENTITLED "ALTERNATIVE FIRE PROTECTION FEATURES" FOR MORE DETAILED REQUIREMENTS).

SECTION: 2
AWARD FACTORS

15 GENERAL

THE CONTRACTING OFFICER WILL CONDUCT ORAL OR WRITTEN NEGOTIATIONS WITH ALL RESPONSIBLE OFFERORS THAT ARE WITHIN THE COMPETITIVE RANGE. THE COMPETITIVE RANGE WILL BE ESTABLISHED BY THE CONTRACTING OFFICER ON THE BASIS OF COST OR PRICE AND OTHER FACTORS THAT ARE STATED IN THIS SOLICITATION AND WILL INCLUDE ALL OFFERS THAT HAVE A REASONABLE CHANCE OF BEING SELECTED FOR AWARD. THE OFFERORS WILL BE PROVIDED A REASONABLE OPPORTUNITY TO SUBMIT ANY COST OR PRICE, TECHNICAL OR OTHER REVISIONS TO THEIR OFFERS THAT MAY RESULT FROM THE NEGOTIATIONS. NEGOTIATIONS WILL BE CLOSED WITH SUBMISSION OF BEST & FINAL OFFERS.

16 HANDICAPPED

ALL OFFERS RECEIVED IN RESPONSE TO THE REQUEST FOR “BEST AND FINAL” OFFERS WILL BE INITIALLY EVALUATED TO DETERMINE WHETHER THE OFFERS MEET THE UNIFORM FEDERAL ACCESSIBILITY STANDARDS AS A REQUIREMENT OF THIS SOLICITATION. IF OFFERS ARE RECEIVED WHICH FULLY MEET HANDICAPPED REQUIREMENTS, OTHER OFFERS WHICH DO NOT FULLY MEET THESE REQUIREMENTS WILL NOT BE CONSIDERED UNLESS THE CONTRACTING OFFICER REQUESTS A WAIVER OF HANDICAPPED REQUIREMENTS AND THE ADMINISTRATOR OF GSA GRANTS THE WAIVER IN ACCORDANCE WITH THE ARCHITECTURAL BARRIERS ACT OF 1968, AS AMENDED.

IF NO OFFERS ARE RECEIVED WHICH FULLY MEET HANDICAPPED ACCESSIBILITY REQUIREMENTS BUT OFFERS ARE RECEIVED WHICH SUBSTANTIALLY MEET THE REQUIREMENTS, OTHER OFFERS WHICH DO NOT SUBSTANTIALLY MEET THESE REQUIREMENTS WILL NOT BE CONSIDERED. “SUBSTANTIALLY MEETS” AS USED HEREIN WITH RESPECT TO THE HANDICAPPED REQUIREMENTS MEANS THE OFFER COMPLIES WITH THE REQUIREMENTS STATED IN THE UNIFORM FEDERAL ACCESSIBILITY STANDARDS AS NOTED IN THE FOLLOWING PARAGRAPHS:

“HANDICAPPED ACCESSIBILITY”, SUBPARAGRAPH ON WALKS, PARKING, RAMPS AND ENTRANCES; “DOORS”, SUBPARAGRAPH ON INTERIOR DOORS; “STAIRS”, SUBPARAGRAPH ON HANDRAILS; “FLOORS AND FLOORLOAD”, “RESTROOMS”; SUBPARAGRAPH ON HANDICAPPED FACILITIES, LAVATORY AND OTHER; “DRINKING FOUNTAINS”; “ELEVATORS”, SUBPARAGRAPH ON ENTRANCE AND CALL BUTTONS.

IF NO OFFER MEETS THE MODIFIED HANDICAPPED REQUIREMENTS DESCRIBED ABOVE, THE CONTRACTING OFFICER MAY MAKE AN AWARD CONSISTENT WITH THE OTHER REQUIREMENTS OF THE SOLICITATION WITH DUE CONSIDERATION TO THE EXTENT OFFERS CAN MEET ACCESSIBILITY STANDARDS FOR ENTRANCES, ELEVATORS, TOILETS AND WATER FOUNTAINS. (SEE “OTHER FACTORS” PARAGRAPH BELOW).

17 HANDICAPPED AND SEISMIC SAFETY

ALL OFFERS RECEIVED IN RESPONSE TO THE REQUEST FOR "BEST AND FINAL" OFFERS WILL BE INITIALLY EVALUATED TO DETERMINE WHETHER THE OFFERS MEET THE SEISMIC SAFETY AND HANDICAPPED ACCESSIBILITY REQUIREMENTS OF THIS SOLICITATION. IF OFFERS ARE RECEIVE WHICH FULLY MEET BOTH SEISMIC SAFETY AND HANDICAPPED REQUIREMENTS, OTHER OFFERS WHICH DO NOT FULLY MEET THESE REQUIREMENTS WILL NOT BE CONSIDERED UNLESS THE CONTRACTING OFFICER REQUESTS A WAIVER OF HANDICAPPED REQUIREMENTS AND THE ADMINISTRATOR OF GSA GRANTS THE WAIVER IN ACCORDANCE WITH THE ARCHITECTURAL BARRIERS ACT OF 1968, AS AMENDED.

FULL COMPLIANCE
****

"FULLY MEETS" WITH REGARD TO HANDICAPPED MEANS MEETING ALL OF THE HANDICAPPED REQUIREMENTS OF THIS SOLICITATION.

"FULLY MEETS" WITH REGARD TO SEISMIC SAFETY MEANS THE OFFER CONTAINS A CERTIFICATION BY A REGISTERED STRUCTURAL ENGINEER THAT THE BUILDING CONFORMS TO THE SEISMIC REQUIREMENTS FOR NEW CONSTRUCTION OF THE CURRENT (AS OF THE DATE OF THIS SOLICITATION) EDITION OF THE UNIFORM BUILDING CODE (UBC) OR THE APPLICABLE SECTIONS OF THE APPLICABLE BUILDING OFFICIALS AND CODE ADMINISTRATORS CODE (BOCA) OR THE 1970 EDITION IF THE LATERAL LOAD RESISTING SYSTEM IS OF STEEL CONSTRUCTION OR THE 1976 EDITION IF THE LATERAL LOAD RESISTING SYSTEM IS OF CONCRETE OR MASONRY CONSTRUCTION.

SUBSTANTIAL COMPLIANCE:
****

IF NO OFFERS ARE RECEIVED WHICH FULLY MEET BOTH SEISMIC SAFETY AND HANDICAPPED ACCESSIBILITY REQUIREMENTS BUT OFFERS ARE RECEIVED FOR PROPERTIES WHICH SUBSTANTIALLY MEET THE REQUIREMENTS, OTHER OFFERS WHICH DO NOT SUBSTANTIALLY MEET THESE REQUIREMENTS WILL NOT BE CONSIDERED.

"SUBSTANTIALLY MEETS" WITH REGARD TO SEISMIC SAFETY MEANS THE OFFEROR HAS PROVIDED AN ANALYSIS BY A REGISTERED STRUCTURAL ENGINEER THAT SPECIFICALLY DESCRIBES ALL EXCEPTIONS TO FULL UBC AND/OR BOCA COMPLIANCE AND A STATEMENT THAT THE BUILDING HAS ADEQUATE STRENGTH TO RESIST THE MAXIMUM CREDIBLE EARTHQUAKE WITHOUT COLLAPSE. STRUCTURAL CALCULATIONS MAY BE REQUIRED.

"SUBSTANTIALLY MEETS" AS USED HEREIN WITH RESPECT TO THE HANDICAPPED REQUIREMENTS MEANS THE OFFER COMPLIES WITH THE REQUIREMENTS STATED IN THE FOLLOWING PARAGRAPHS:

"HANDICAPPED ACCESSIBILITY", SUBPARAGRAPH ON WALKS, PARKING, RAMPS AND ENTRANCES; "DOORS", SUBPARAGRAPH ON INTERIOR DOORS' "STAIRS", SUBPARAGRAPH ON HANDRAILS; "FLOOR AND FLOOR LOAD"; "RESTROOMS", SUBPARAGRAPH ON HANDICAPPED FACILITIES, LAVATORY AND OTHER; "DRINKING FOUNTAINS"; "ELEVATORS", SUBPARAGRAPH ON ENTRANCE AND CALL BUTTONS.

LESS THAN SUBSTANTIAL:
****

IF NO OFFER MEETS THE MODIFIED HANDICAPPED REQUIREMENTS DESCRIBED ABOVE, THE CONTRACTING OFFICER MAY MAKE AN AWARD CONSISTENT WITH THE OTHER REQUIREMENTS OF THE SOLICITATION WITH DUE CONSIDERATION TO THE EXTENT OFFERS CAN MEET ACCESSIBILITY STANDARDS FOR ENTRANCE, ELEVATORS, TOILETS AND WATER FOUNTAINS. (SEE "OTHER FACTORS" PARAGRAPH BELOW).

IF NO OFFER MEETS THE MODIFIED SEISMIC SAFETY REQUIREMENTS DESCRIBED ABOVE, THE CONTRACTING OFFICER WILL MAKE AN AWARD CONSISTENT WITH THE OTHER REQUIREMENTS OF THE SOLICITATION WITH DUE CONSIDERATION TO THE EXTENT OFFERS CAN MEET SEISMIC SAFETY. (SEE "OTHER FACTORS" PARAGRAPH BELOW).

18 OTHER FACTORS (As Amended 12/18/89)

Evaluation Factors for Award

A. After the review of "Best and Final" offers is completed, the Government will make an award to the responsible offeror(s) whose offer conforms to the Solicitation and is most advantageous to the Government, cost or price and quality factors considered. The quality factors are specified in section "B" of this paragraph. For this solicitation, technical quality is more important than cost or price. As proposals become more equal in their technical merit, the evaluated cost or price becomes more important.

B. The technical evaluation factors listed below are in order of descending importance insofar as factor "I" is of most importance; Factor "II" is of lessor importance; factors "III-V" are equal to each other but as individual factors not as important as factor "II"; and factor "VI" is of lessor value than any other factor. The final technical rating and the final price will not be combined/evaluated on a percentage basis. The technical factors are as follows:

I. Qualification of Offeror

Offerors will be evaluated based on the following:

1. Performance in servicing and maintaining commercial buildings, based on input from previous and current clients (in the absence of previous experience an Operations and Maintenance Plan will be reviewed).

2. Technical expertise relating to the qualifications of subcontractors, personnel directing the project, prior performance, experience in meeting project budgets and preestablished schedules.

3. Detail of offer submitted. Each offeror will be evaluated based on the level of experience of the firms and individual they identify. Should a firm or individual whose credentials were considered as part of the technical evaluation be replaced prior to complete occupancy by the Government of the space leased under the provisions of this solicitation, the offeror shall replace the firm or individual with a firm or individual with a commensurate level of expertise.

II. Special Facilities

Buildings will be evaluated to assess their adaptability to the Governments special facilities which include the following areas:

1. an auditorium proximate to the lobby with as few columns as possible,
2. a loading dock capable of accommodating large tractor trailers,
3. a lobby suitable for display purposes,
4. other special features.

III Safety and Security

Buildings will be evaluated to assess both internal and external security features.

IV Physical Attributes

Buildings will be evaluated based upon their design as relating to the Governments needs. This evaluation will include the following:

1. the percent of the total building that the National Aeronautics and Space Administration would occupy,
2. the layout efficiency ratio,
3. the uniformity of column and module spacing,
4. other features of the building offered.

V Energy Conservation

Buildings will be evaluated based upon the quality, texture and permanency of materials used in the construction of the exterior of the building, energy conservation features, design of the exterior curtain wall of the building, insulation value of the curtain wall and the components of which it is composed and the siting of the building.

VI Attributes of Site

Buildings will be evaluated based on their site being situated in a location most befitting the mission of the National Aeronautics and Space Administration, including but not limited to consideration of the surrounding neighborhood, availability of public transportation, proximity to public parking and any other preferable features.

SECTION: 3
MISCELLANEOUS

19 UNIT COSTS FOR ADJUSTMENTS (As amended 12/18/89)

SEVERAL PARAGRAPHS IN THIS SFO SPECIFY MEANS FOR DETERMINING QUANTITIES OF MATERIALS. THESE ARE GOVERNMENT PROJECTIONS TO ASSIST THE OFFEROR IN COST ESTIMATING. ACTUAL QUANTITIES MAY NOT BE DETERMINED UNTIL AFTER THE LEASE IS AWARDED AND THE SPACE LAYOUT COMPLETED. TO ENABLE AN EQUITABLE SETTLEMENT IF THE GOVERNMENT LAYOUT DEPARTS FROM THE PROJECTION, THE OFFEROR MUST LIST A UNIT COST FOR EACH OF THESE MATERIALS. GSA WILL USE EACH UNIT COST TO MAKE A LUMP SUM PAYMENT OR RENTAL INCREASE IF THE AMOUNT OF MATERIAL REQUIRED BY THE LAYOUT IS MORE THAN SPECIFIED OR TAKE CREDIT FROM THE INITIAL RENTAL PAYMENT IF THE AMOUNT IS LESS THAN SPECIFIED. OFFERORS ARE REQUIRED TO STATE IN THE OFFER OR IN AN ATTACHMENT:

* THE COST PER LINEAR FOOT OF OFFICE SUBDIVIDING CEILING-HIGH PARTITIONING.

* THE COST PER LINEAR FOOT OF OFFICE SUBDIVIDING SLAB TO SLAB PARTITIONING WITH SOUND ATTENUATION BATTS.

* THE COST PER FLOOR MOUNTED DUPLEX ELECTRICAL OUTLET.

* THE COST PER WALL MOUNTED DUPLEX ELECTRICAL OUTLET.

* THE COST PER FLOOR MOUNTED FOURPLEX (DOUBLE DUPLEX) ELECTRICAL OUTLET.

* THE COST PER WALL MOUNTED FOURPLEX (DOUBLE DUPLEX) ELECTRICAL OUTLET.

* THE COST PER FLOOR MOUNTED TELEPHONE OUTLET.

* THE COST PER WALL MOUNTED TELEPHONE OUTLET.

* THE COST PER INTERIOR DOOR.

* THE COST PER SUITE ENTRY DOOR. (DOUBLE DOOR)

* THE COST PER SQUARE FOOT OF VINYL WALL COVERING

* THE COST PER SQUARE FOOT OF PAINTING (2 COATS PLUS PRIMER)

* THE COST PER SQUARE YARD OF SOLICITATION GRADE CARPET TILES

* The cost per wall-mounted dedicated clean electrical computer receptacle.
(No more than five outlets per homerun)

* The cost per floor-mounted dedicated clean electrical computer receptacle.
(No more than five outlets per homerun).

* The cost per key-operated lockset (see paragraph 52, Doors: Hardware)

20 ALTERATIONS COSTING $25,000 OR LESS

(A) THE UNIT PRICES WHICH THE OFFEROR IS REQUIRED TO LIST WILL BE USED, UPON ACCEPTANCE BY GSA, DURING THE FIRST YEAR OF THE LEASE TO PRICE ALTERATIONS COSTING $25,000 OR LESS. THESE PRICES MAY BE INDEXED OR RENEGOTIATED TO APPLY TO SUBSEQUENT YEARS OF THE LEASE UPON MUTUAL AGREEMENT OF THE LESSOR AND GOVERNMENT.

(B) WHERE UNIT PRICES FOR ALTERATIONS ARE NOT AVAILABLE, THE LESSOR MAY BE REQUESTED TO PROVIDE A PRICE PROPOSAL FOR THE ALTERATIONS. ORDERS WILL BE PLACED BY ISSUANCE OF A GSA FORM 276, SUPPLEMENTAL LEASE AGREEMENT, A GSA FORM 300, ORDER FOR SUPPLIES OR SERVICES, OR A TENANT AGENCY APPROVED FORM. THE CLAUSES ENTITLED “GSAR 552.232-70 (A) (APRIL 1984) PAYMENT DUE DATE” AND “GSAR 552.232-72 (DECEMBER 1984), INVOICE REQUIREMENTS” (SEE GSA FORM 3517), APPLY TO ORDERS FOR ALTERATIONS. ALL ORDERS ARE SUBJECT TO THE TERMS AND CONDITIONS OF THIS LEASE.

(C) ORDERS MAY BE PLACED BY THE CONTRACTING OFFICER, THE GSA BUILDINGS MANAGER OR TENANT AGENCY OFFICIALS WHEN SPECIFICALLY AUTHORIZED TO DO SO BY THE CONTRACTING OFFICER. THE CONTRACTING OFFICER WILL PROVIDE THE LESSOR WITH A LIST OF AGENCY OFFICIALS AUTHORIZED TO PLACE ORDERS AND WILL SPECIFY ANY LIMITATIONS ON THE AUTHORITY DELEGATED TO TENANT AGENCY OFFICIALS. THE TENANT AGENCY OFFICIALS ARE NOT AUTHORIZED TO DEAL WITH THE LESSOR ON ANY OTHER MATTERS.

(D) PAYMENTS FOR ALTERATIONS ORDERED BY TENANT AGENCIES WILL BE MADE DIRECTLY BY THE AGENCY PLACING THE ORDER.

21 ALTERNATE PROPOSALS (As amended 04/25/89)

This Solicitation specifies one item for which an alternate proposal is required. The Offeror must prepare his or her proposal to address the option as specified below:

Option A
As part of the initial proposal, the Offeror will provide an access floor system only in the areas specified in Paragraph 103 of this SFO. The balance of the Building will have standard flooring and electrical distribution as specified in Paragraph 70A.

This Proposal should be prepared on GSA Form 1364, “Proposal to Lease Space”. The cost of any access flooring should be included in the total amount to be entered on line 9 of the form, entitled “Specials”.

If you are submitting a lease/purchase offeror, your proposal reflecting the foregoing buildout should be submitted on Exhibit A (GSA Form A2010).

Option B
As part of the initial proposal, the Offeror will provide an alternate proposal for an access floor system throughout the building, except as specifically stated to the contrary, to meet the specifications stated in Paragraph 39 of this SFO. This proposal should also take into account the alternate electrical distribution requirements as specified in Paragraph 70B, of this SFO.

This Proposal should be prepared on GSA Form 1364A, Proposal to Lease Space (Access Flooring). The cost for all 5-inch raised access flooring should be included in the rate per net usable square foot for office space, (line 7).

If you are submitting a lease/purchase offer, your proposal reflecting the foregoing buildout should be submitted on Exhibit A (GSA Form A2010A).

GSA may elect the option it deems most favorable.

22. TAX ADJUSTMENT GSAR 552.270-24 (JUNE 1985)
(Not Applicable in the Event of Lease Purchase) (As Amended 01/24/90)

(A) The Government shall pay additional rent during both the initial term and any option periods, if exercised; for its share of increases in real estate taxes over taxes paid for the calendar year in which its lease commences (base year). PAYMENT WILL BE IN A LUMP SUM AND BECOME DUE ON THE FIRST WORKDAY OF THE MONTH FOLLOWING THE MONTH IN WHICH PAID TAX RECEIPTS FOR THE BASE YEAR AND THE CURRENT YEAR ARE PRESENTED, OR THE ANNIVERSARY DATE OF THE LEASE, WHICHEVER IS LATER.

THE GOVERNMENT WILL BE RESPONSIBLE FOR PAYMENT ONLY IF THE RECEIPTS ARE SUBMITTED WITHIN 60 CALENDAR DAYS OF THE DATE THE TAX PAYMENT IS DUE. IF NO FULL TAX ASSESSMENT IS MADE DURING THE CALENDAR YEAR IN WHICH THE GOVERNMENT LEASE COMMENCES, THE BASE YEAR WILL BE THE FIRST YEAR OF A FULL ASSESSMENT.

A “full assessment” shall be deemed to be an assessment based upon the income stream approach to the assessment of buildings. Neither an assessment based upon the cost approach to assessment, nor an assessment based upon the income stream approach which grants allowances for lease up periods, shall be deemed a “full assessment” for the purposes of determining a tax base in accordance with the provisions of this clause. The percentage of Government occupancy for the purpose of this clause is hereby fixed at 98.5%.

Lessors are hereby required to submit documentation from their local jurisdiction’s tax assessor’s office attesting that their tax base has been developed in accordance with the above requirements.

(B) THE GOVERNMENT'S SHARE OF THE TAX INCREASE WILL BE BASED ON THE RATIO OF rentable SQUARE FEET leased BY THE GOVERNMENT TO THE TOTAL RENTABLE SQUARE FEET IN THE BUILDING. IF THE GOVERNMENT'S LEASE TERMINATES BEFORE THE END OF A CALENDAR YEAR, PAYMENT WILL BE BASED ON THE PERCENTAGE OF THE YEAR IN WHICH THE GOVERNMENT OCCUPIED SPACE. THE PAYMENT WILL NOT INCLUDE PENALTIES FOR NONPAYMENT OR DELAY IN PAYMENT. IF THERE IS ANY VARIANCE BETWEEN THE ASSESSED VALUE OF THE GOVERNMENT'S SPACE AND OTHER SPACE IN THE BUILDING, THE GOVERNMENT MAY ADJUST THE BASIS FOR DETERMINING ITS SHARE OF THE TAX INCREASE.

(C) THE GOVERNMENT MAY CONTEST THE TAX ASSESSMENT BY INITIATING LEGAL PROCEEDINGS ON BEHALF OF THE GOVERNMENT AND THE LESSOR OR THE GOVERNMENT ALONE. IF THE GOVERNMENT IS PRECLUDED FROM TAKING LEGAL ACTION, THE LESSOR SHALL CONTEST THE ASSESSMENT UPON REASONABLE NOTICE BY THE GOVERNMENT. THE GOVERNMENT SHALL REIMBURSE THE LESSOR FOR ALL COSTS AND SHALL EXECUTE ALL DOCUMENTS REQUIRED FOR THE LEGAL PROCEEDINGS. THE LESSOR SHALL AGREE WITH THE ACCURACY OF THE DOCUMENTS. THE GOVERNMENT SHALL RECEIVE ITS SHARE OF ANY TAX REFUND. IF THE GOVERNMENT ELECTS TO CONTEST THE TAX ASSESSMENT, PAYMENT OF THE ADJUSTED RENT SHALL BECOME DUE ON THE FIST WORKDAY OF THE MONTH FOLLOWING CONCLUSION OF THE APPEAL PROCEEDINGS.

(D) IN THE EVENT OF ANY DECREASES IN REAL ESTATE TAXES OCCURRING DURING THE TERM OF OCCUPANCY UNDER THE LEASE, THE RENTAL AMOUNT WILL BE REDUCED ACCORDINGLY. THE AMOUNT OF ANY SUCH REDUCTIONS WILL BE DETERMINED IN THE SAME MANNER AS INCREASES IN RENT PROVIDED UNDER THIS CLAUSE.

23 OPERATING COSTS GSAR 552.270-23 (JUNE 1985) (As Amended 01/30/90)

(A) Beginning with the second year of the lease and each year thereafter including any renewal periods, if exercised; the Government shall pay adjusted rent for changes in costs for cleaning as outlined in Paragraph 85, supplies, materials, maintenance, trash removal, landscaping, water, sewer charges, hearing, electricity, and certain administrative expenses attributable to occupancy. APPLICABLE COSTS LISTED ON GSA FORM 1217, LESSOR'S ANNUAL COST STATEMENT, WHEN NEGOTIATED AND AGREED UPON, WILL BE USED TO DETERMINE THE BASE RATE FOR OPERATING COSTS ADJUSTMENT.

(B) THE AMOUNT OF ADJUSTMENT WILL BE DETERMINED BY MULTIPLYING THE BASE RATE BY THE PERCENT OF CHANGE IN THE COST OF LIVING INDEX. THE PERCENT CHANGE WILL BE COMPUTED BY COMPARING THE INDEX FIGURE PUBLISHED FOR THE MONTH PRIOR TO THE LEASE COMMENCEMENT DATE WITH THE INDEX FIGURE PUBLISHED FOR THE MONTH WHICH BEGINS EACH SUCCESSIVE 12-MONTH PERIOD.

FOR EXAMPLE, A LEASE WHICH COMMENCES IN JUNE OF 1985 WOULD USE THE INDEX PUBLISHED FOR MAY OF 1985 AND THAT FIGURE WOULD BE COMPARED WITH THE INDEX PUBLISHED FOR MAY OF 1986, MAY OF 1987, AND SO ON, TO DETERMINE THE PERCENT CHANGE. The Cost of Living Index will be measured by the U.S. Department of Labor Revised Consumer Price Index for Wage Earners and Clerical Workers, U.S. City Average all items figure, (1982-84 = 100) published by the Bureau of Labor Statistics. The base rate for the escalation of operating costs is hereby fixed at $3,481,297.44.

PAYMENT WILL BE MADE WITH THE MONTHLY INSTALLMENT OF FIXED RENT. RENTAL ADJUSTMENTS WILL BE EFFECTIVE ON THE ANNIVERSARY DATE OF THE LEASE. PAYMENT OF THE ADJUSTED RENTAL RATE WILL BECOME DUE ON THE FIRST WORKDAY OF THE SECOND MONTH FOLLOWING THE PUBLICATION OF THE COST OF LIVING INDEX FOR THE MONTH PRIOR TO THE LEASE COMMENCEMENT DATE.

(C) IF THE GOVERNMENT EXERCISES AN OPTION TO EXTEND THE LEASE TERM AT THE SAME RATE AS THAT OF THE ORIGINAL TERM, THE OPTION PRICE WILL BE BASED ON THE ADJUSTMENT DURING THE ORIGINAL TERM. ANNUAL ADJUSTMENTS WILL CONTINUE.

(D) IN THE EVENT OF ANY DECREASES IN THE COST OF LIVING INDEX OCCURRING DURING THE TERM OF THE OCCUPANCY UNDER THE LEASE, THE RENTAL AMOUNT WILL BE REDUCED ACCORDINGLY. THE AMOUNT OF SUCH REDUCTIONS WILL BE DETERMINED IN THE SAME MANNER AS INCREASES IN RENT PROVIDED UNDER THIS CLAUSE.

(E) THE OFFER MUST CLEARLY STATE WHETHER THE RENTAL IS FIRM THROUGHOUT THE TERM OF THE LEASE OR IF IT IS SUBJECT TO ANNUAL ADJUSTMENT OF OPERATING COSTS AS INDICATED ABOVE. IF OPERATING COSTS WILL BE SUBJECT TO ADJUSTMENT, IT SHOULD BE SPECIFIED ON BLOCK 19 OF GSA FORM 1364, PROPOSAL TO LEASE SPACE, CONTAINED ELSEWHERE IN THIS SOLICITATION.

24 NET USABLE SPACE (As Amended 09/21/89)

Net usable space is the method of measurement for the area for which the Government will pay a square foot rate. It is determined as follows:

If the space is on a single tenancy floor, compute the inside gross area by measuring between the inside finish of the permanent exterior building walls from the face of the convectors (pipes or other wall hung fixtures), if a convector occupies at least 50 percent of the length of the exterior walls.

If the space is on a multiple tenancy floor, measure from the exterior building walls as above and to the room side finish of the fixed corridor and/or shaft walls and/or the center of the partition separating tenants.

In all measurements, make no deductions for columns and projections enclosing the structural elements of the building and deduct the following from the gross area including their enclosing walls, if relevant.

* Toilets and lounges,
* Stairwells,
* Elevators and escalator shafts,
* Building equipment and service areas,
* Entrance and elevator lobbies,
* Stacks and shafts, and
* Aisles, corridors, passageways and hallways in place or required by local codes and ordinances.

Unless otherwise noted, all references in this solicitation to square feet shall mean net usable square feet.

25 APPURTENANT AREAS

THE RIGHT TO USE APPURTENANT AREAS AND FACILITIES IS INCLUDED. THE GOVERNMENT RESERVES THE RIGHT TO POST GOVERNMENT RULES AND REGULATIONS WHERE THE GOVERNMENT LEASES SPACE.

26 LIQUIDATED DAMAGES GSAR 552.270-22 (JUNE 1985) (As Amended 12/18/89)

In case of failure on the part of the lessor to complete an individual phase within the time fixed in the lease contract or letter of award, the lessor shall pay the Government as fixed and agreed liquidated damages, pursuant to this clause, the sum of $0.05 per square foot per phase for each and every calendar day that the delivery is delayed beyond the date specified for delivery of that specific phase.

27 VENDING FACILITIES

APPROXIMATELY 1200 SQUARE FEET OF THE SPACE IN PARAGRAPH NO. 1 WILL BE USED FOR THE OPERATION OF A VENDING FACILITY(IES) BY THE BLIND UNDER THE PROVISIONS OF THE RANDOLPH-SHEPPARD ACT (20 USC 107 ET. SEG.).

GSA WILL CONTROL THE NUMBER, KIND, AND LOCATIONS OF VENDING FACILITIES AND WILL CONTROL AND RECEIVE INCOME FROM ALL AUTOMATIC VENDING MACHINES. THE LESSOR IS REQUIRED TO PROVIDE NECESSARY UTILITIES AND TO MAKE RELATED ALTERATIONS. THE COST OF THE IMPROVEMENTS WILL BE NEGOTIATED AND PAYMENT WILL BE MADE BY THE GOVERNMENT EITHER ON A LUMP-SUM BASIS OR A RENTAL INCREASE.

GSA WILL ASSURE THAT THE FACILITY(IES) DOES NOT COMPETE WITH OTHER FACILITIES HAVING EXCLUSIVE RIGHTS IN THE BUILDING. OFFERORS MUST ADVISE GSA IF SUCH RIGHTS EXIST.

28 ADJUSTMENT FOR VACANT PREMISES GSAR 552.270-25

IF THE GOVERNMENT FAILS TO OCCUPY ANY PORTION OF THE LEASED PREMISES OR VACATES THE PREMISES IN WHOLE OR IN PART PRIOR TO EXPIRATION OF THE FIRM TERM OF THE LEASE, THE RENTAL RATE SHALL BE REDUCED AS FOLLOWS:

THE RATE SHALL BE REDUCED BY THAT PORTION OF THE COSTS PER SQUARE FOOT OF OPERATING EXPENSES NOT REQUIRED TO MAINTAIN THE SPACE. SAID REDUCTION SHALL OCCUR AFTER THE GOVERNMENT GIVES 30 DAYS PRIOR NOTICE TO THE LESSOR, AND SHALL CONTINUE IN EFFECT UNTIL THE GOVERNMENT OCCUPIES THE PREMISES OR THE LEASE EXPIRES OR IS TERMINATED.

29 RELOCATION ASSISTANCE ACT

IF AN IMPROVED SITE IS OFFERED AND NEW CONSTRUCTION WILL RESULT IN THE DISPLACEMENT OF INDIVIDUALS OR BUSINESSES, THE SUCCESSFUL OFFEROR SHALL BE RESPONSIBLE FOR PAYMENT OF RELOCATION COSTS FOR DISPLACED PERSONS IN ACCORDANCE WITH THE UNIFORM RELOCATION ASSISTANCE AND REAL PROPERTY ACQUISITION POLICIES ACT OF 1970 (PL 91-646), AND THE FEDERAL PROPERTY MANAGEMENT REGULATIONS SUBPARTS 101-6.1 AND 101-18.3 (41 CFR SUBPART 101-6.1 AND 41 CFR SUBPART 101-18.3, RESPECTIVELY).

30 EVIDENCE OF CAPABILITY TO PERFORM

(A) AT THE TIME OF SUBMISSION OF OFFERS, OFFERORS SHALL SUBMIT TO THE CONTRACTING OFFICER:

(1) SATISFACTORY EVIDENCE OF AT LEAST A CONDITIONAL COMMITMENT OF FUNDS IN AN AMOUNT NECESSARY TO PREPARE THE SPACE. SUCH COMMITMENTS MUST BE SIGNED BY AN AUTHORIZED BANK OFFICER AND AT A MINIMUM MUST STATE: AMOUNT OF LOAN; TERM IN YEARS; ANNUAL PERCENTAGE RATE; LENGTH OF LOAN COMMITMENT.

(2) THE NAME OF THE PROPOSED CONSTRUCTION CONTRACTOR, AS WELL AS EVIDENCE OF HIS EXPERIENCE, COMPETENCY, AND PERFORMANCE CAPABILITIES WITH CONSTRUCTION SIMILAR IN SCOPE TO THAT WHICH IS REQUIRED HEREIN.

(3) THE LICENSE OR CERTIFICATION OF THE INDIVIDUAL(S) AND/OR FIRM(S), PROVIDING ARCHITECTURAL AND ENGINEERING DESIGN SERVICES, TO PRACTICE IN THE STATE WHERE THE FACILITY IS LOCATED.

(4) COMPLIANCE WITH LOCAL ZONING LAWS OR EVIDENCE OF VARIANCES, IF ANY, APPROVED BY THE PROPER LOCAL AUTHORITY.

(5) EVIDENCE OF OWNERSHIP OR CONTROL OF SITE.

AFTER AWARD:
****

WITHIN 120 DAYS AFTER AWARD, THE SUCCESSFUL OFFEROR/LESSOR SHALL PROVIDE TO THE CONTRACTING OFFICER EVIDENCE OF:

(1) A FIRM COMMITMENT OF FUNDS IN AN AMOUNT SUFFICIENT TO PERFORM THE WORK.

(2) AWARD OF A CONSTRUCTION CONTRACT WITH A FIRM COMPLETION DATE.

(3) ISSUANCE OF A BUILDING PERMIT COVERING CONSTRUCTION OF THE IMPROVEMENTS.

31 CONSTRUCTION SCHEDULE

WITHIN 14 DAYS AFTER AWARD OF THE LEASE CONTRACT, THE SUCCESSFUL OFFEROR SHALL SUBMIT TO THE CONTRACTING OFFICER A TENTATIVE CONSTRUCTION SCHEDULE GIVING THE DATES ON WHICH THE VARIOUS PHASES OF CONSTRUCTION WILL BE COMPLETED TO COINCIDE WITH THE GOVERNMENT'S REQUIRED OCCUPANCY DATE (SEE PARAGRAPH ENTITLED "OCCUPANCY DATE").

THE SCHEDULE IS TO INCLUDE TIMING FOR COMPLETION OF DESIGN AND CONSTRUCTION MILESTONES, INCLUDING BUT NOT LIMITED TO:

(1) SUBMITTAL OF PRELIMINARY PLANS AND SPECIFICATIONS,
(2) SUBMITTAL OF OTHER WORKING DRAWINGS,
(3) ISSUANCE OF A BUILDING PERMIT,
(4) COMPLETED CONSTRUCTION DOCUMENTS,
(5) START OF CONSTRUCTION,
(6) COMPLETION OF PRINCIPAL CATEGORIES OF WORK,
(7) PHASED COMPLETION, AND AVAILABILITY FOR OCCUPANCY OF EACH PORTION OF THE GOVERNMENT SPACE (BY FLOOR, BLOCK, OR OTHER APPROPRIATE CATEGORY), AND
(8) FINAL CONSTRUCTION COMPLETION.

32 PROGRESS REPORTS (As Amended 01/30/90)

AFTER START OF CONSTRUCTION, THE SUCCESSFUL OFFEROR SHALL SUBMIT TO THE CONTRACTING OFFICER, WRITTEN PROGRESS REPORTS AT INTERVALS OF 30 DAYS. THE REPORT SHALL INCLUDE INFORMATION AS TO PERCENTAGE OF THE WORK COMPLETED BY PHASE AND TRADE, A STATEMENT AS TO EXPECTED COMPLETION AND OCCUPANCY DATE, CHANGES INTRODUCED INTO THE WORK, AND GENERAL REMARKS ON SUCH ITEMS AS MATERIAL SHORTAGES, STRIKES, WEATHER, ETC.

The lessor is required to provide continuing (day-to-day) notification to GSA of any anticipated modifications to the Government's design intent drawing during all phases of building design, development, construction, and tenant alterations.

The lessor shall provide technical information and meet with the Governments representatives as required to clarify building and system design, and to facilitate the design-build process.

The Government shall likewise provide the necessary personnel to interpret the Design Intent Drawings and assist the lessor's architects during the working drawing phase.

33 CONSTRUCTION INSPECTIONS

(A) CONSTRUCTION INSPECTIONS WILL BE MADE PERIODICALLY BY THE CONTRACTING OFFICER AND/OR DESIGNATED TECHNICAL REPRESENTATIVES TO REVIEW COMPLIANCE WITH THE SOLICITATION REQUIREMENTS AND THE FINAL WORKING DRAWINGS.

(B) PERIODIC REVIEWS, TESTS, AND INSPECTIONS BY THE GOVERNMENT ARE NOT TO BE INTERPRETED AS RESULTING IN ANY APPROVAL OF THE LESSOR'S APPARENT PROGRESS TOWARD MEETING THE GOVERNMENT'S OBJECTIVES BUT ARE INTENDED TO DISCOVER ANY INFORMATION WHICH THE CONTRACTING OFFICER MAY BE ABLE TO CALL TO THE LESSOR'S ATTENTION TO PREVENT COSTLY MIS-DIRECTION OF EFFORT. THE LESSOR WILL REMAIN COMPLETELY RESPONSIBLE FOR DESIGNING, CONSTRUCTING, OPERATING, AND MAINTAINING THE BUILDING IN FULL ACCORDANCE WITH THE REQUIREMENTS OF THIS SOLICITATION.

SECTION: 4
GENERAL ARCHITECTURAL

34 QUALITY & APPEARANCE OF BUILDING EXTERIOR

THE SPACE OFFERED SHOULD BE LOCATED IN A NEW OR MODERN OFFICE BUILDING WITH FACADE OF STONE, MARBLE, BRICK, STAINLESS STEEL, ALUMINUM OR OTHER PERMANENT MATERIALS IN GOOD CONDITION ACCEPTABLE TO THE CONTRACTING OFFICER. THE BUILDING SHOULD BE COMPATIBLE WITH ITS SURROUNDINGS. OVERALL THE BUILDING SHOULD PROJECT A PROFESSIONAL AND AESTHETICALLY PLEASING APPEARANCE INCLUDING AN ATTRACTIVE FRONT AND ENTRANCE WAY.

THE BUILDING SHOULD HAVE ENERGY EFFICIENT WINDOWS OR GLASS AREAS CONSISTENT WITH THE STRUCTURAL INTEGRITY OF THE BUILDING, UNLESS NOT APPROPRIATE FOR INTENDED USE. THE FACADE, DOWNSPOUTS, ROOF TRIM AND WINDOW CASING ARE TO BE CLEAN AND IN GOOD CONDITION. IF NOT IN A NEW OR MODERN OFFICE BUILDING, THE SPACE OFFERED SHOULD BE IN A BUILDING THAT HAS UNDERGONE, OR WILL COMPLETE BY OCCUPANCY, FIRST CLASS RESTORATION OR ADAPTIVE REUSE FOR OFFICE SPACE WITH MODERN CONVENIENCES. IF THE RESTORATION WORK IS UNDERWAY OR PROPOSED, THEN ARCHITECTURAL PLANS ACCEPTABLE TO THE CONTRACTING OFFICER MUST BE SUBMITTED AS PART OF THE OFFER.

35 WORK PERFORMANCE

ALL WORK IN PERFORMANCE OF THIS LEASE MUST BE DONE BY SKILLED WORKERS OR MECHANICS AND BE ACCEPTABLE TO THE CONTRACTING OFFICER. CERTIFICATION OF SKILLS MAY BE ACCOMPLISHED BY PROVIDING EVIDENCE OF LICENSES, TRAINING CERTIFICATES, CERTIFICATES OF STANDING IN TRAINING PROGRAMS, OR SIMILAR DOCUMENTATION TO THE CONTRACTING OFFICER AT THE TIME THE SCHEDULE IS PROVIDED IN ACCORDANCE WITH PARAGRAPH 31: “CONSTRUCTION SCHEDULE.”

36 BUILDING SYSTEMS CERTIFICATION

WHENEVER REQUESTED, THE LESSOR SHALL FURNISH AT NO COST TO GSA A CERTIFICATION BY A REGISTERED PROFESSIONAL ENGINEER(S) THAT THE BUILDING AND ITS SYSTEMS AS DESIGNED AND CONSTRUCTED WILL SATISFY THE REQUIREMENTS OF THIS LEASE.

37 SPACE EFFICIENCY AND GOOD UTILIZATION (As Amended 07/31/89)

The design of the space offered must be conducive to efficient layout. Due to the potentially significant loss of usable square footage to circulation requirements specified by local codes and ordinances, each offeror is hereby required to submit an 1/8 inch scaled/dimensioned floorplan identifying a schematic circulation pattern for a typical floor, in accordance with the District of Columbia Building Code corridor and egress requirements. Specific attention should be paid to the limit of common path of travel to 100’ and the maximum length of a dead end corridor of 20’.

The floorplan should be prepared based on the following assumptions:

— one hundred percent open plan office occupancy, and
— one hundred percent systems furniture workstations.

In addition to the aforementioned, a square footage breakdown should be provided for the following:

— interior gross,

— core, and

— net usable

The net usable measurement should specifically quantify, pursuant to Paragraph 24 of the SFO, the deductions made for corridors required by local codes and ordinances.

In light of this requirement for layout efficiency, the offeror's blue line plans will be scaled by GSA to determine the net usable measurement of the space offered. Subsequently, primary circulation requirements will be identified in accordance with the District of Columbia Building Code corridor and egress requirements.

The net usable measurement of the space offered will then be calculated based on the definition provided in Paragraph 24 of this Solicitation. The floorplans and figures calculated by GSA will be compared with the floorplans and figures prepared by the respective offerors. Any dissimilarities between the two will be reconciled during the negotiation period.

38 FLOOR PLANS AFTER OCCUPANCY (As Amended 04/25/89)

Within 60 days after occupancy, 1/8-inch as-built reproducible mylar full floor plans, showing the space under lease as configured, walls and electrical outlets, as well as corridors, stairways and core areas, must be provided to the contracting officer.

39 FLOORS AND FLOOR LOAD

ALL ADJOINING FLOOR AREAS MUST BE OF A COMMON LEVEL, NON-SLIP, AND ACCEPTABLE TO THE CONTRACTING OFFICER. UNDERFLOOR SURfaceS MUST BE SMOOTH AND LEVEL. OFFICE AREAS SHALL HAVE A MINIMUM LIVE LOAD CAPACITY OF 60 POUNDS PER SQUARE FOOT LIVE LOAD PLUS 20 POUNDS PER SQUARE FOOT FOR MOVEABLE PARTITIONS. STORAGE AREAS SHALL HAVE A MINIMUM LIVE LOAD CAPACITY OF 100 POUNDS PER SQUARE FOOT INCLUDING MOVEABLE PARTITIONS.

WRITTEN CERTIFICATION OF THE FLOOR LOAD CAPACITY, AT NO COST TO THE GOVERNMENT, BY A REGISTERED PROFESSIONAL ENGINEER MAY BE REQUIRED. CALCULATIONS AND STRUCTURAL DRAWINGS ARE REQUIRED WITHIN 30 DAYS AFTER OCCUPANCY.

ACCESS FLOORING:
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AS A PRICE OPTION, PROVIDE AN ALTERNATE PROPOSAL TO FURNISH AN ACCESS FLOOR SYSTEM THROUGHOUT THE BUILDING, EXCEPT AS SPECIFICALLY STATED TO THE CONTRARY, TO MEET THE FOLLOWING SPECIFICATIONS.

THE ACCESS FLOOR SYSTEM SHALL BE A 5-INCH RAISED ACCESS FLOOR AND SHALL PROVIDE A ROLLING LOAD CAPACITY OF 400 POUNDS PER SQUARE FOOT AND 1000 POUNDS PER SQUARE FOOT FOR CONCENTRATED LOADS. THE ULTIMATE LOAD SHALL BE 2000 POUNDS PER SQUARE FOOT. FLOOR PANELS SHALL BE ALL-STEEL WITH POSITIVE ATTACHMENT AT THE CORNERS AND/OR SIDES.

FLOOR PANELS SHALL BE CONSTRUCTED TO AFFORD AN ACCEPTABLE ACOUSTICAL QUALITY AND SHALL BE FINISHED WITH STATIC-DISSIPATIVE CARPET TILES.

ONE FLOOR PANEL WITH A CUTOUT TO MATCH THE FLOOR OUTLETS BEING PROVIDED AS PART OF THE ELECTRICAL DISTRIBUTION SYSTEM SHALL BE PROVIDED ON THE BASIS OF ONE PANEL FOR EVERY 75 SQUARE FEET OF ACCESS FLOOR WITH A MINIMUM OF ONE PER SPACE.

ALL ACCESS FLOORS SHALL BE CONNECTED TO THE BUILDING GROUNDING SYSTEM. FLOOR PANEL SHALL BE NOMINAL 24 INCH BY 24 INCH, PLUS OR MINUS 0.015 INCH, WITH A SQUARENESS TOLERANCE OF PLUS OR MINUS 0.015 INCH. FLATNESS OF PANELS SHALL BE WITHIN 0.020 INCH MEASURED ON A DIAGONAL ACROSS TOP OF PANEL. FORMED STEEL PANELS SHALL BE MANUFACTURER'S STANDARD ALL-STEEL PANEL CONSTRUCTION, WITH DIE-CUT FLAT COLD-ROLLED STEEL SHEET AND DIE-FORMED AND STIFFENED COLD-ROLLED STEEL BOTTOM SHEET FABRICATED ENTIRELY OF NONCOMBUSTIBLE MATERIAL. ALL EXPOSED SURfaceS UNDER FLOORING TO BE TREATED TO PREVENT CORROSION AND FLAKING.

PEDESTAL AND STRINGER SYSTEM TO BE MANUFACTURER'S STANDARD, WITH INTEGRAL VIBRATION-PROOF LEVELING MECHANISM, STEEL CONSTRUCTION, AND PEDESTAL HEAD DESIGNED EITHER FOR DIRECT BOLTING OF PANELS TO PEDESTAL HEAD OR FOR BOLTING OR STRINGERS TO PEDESTAL HEAD. PROVIDE FOUR BOLT HOLES PER PEDESTAL HEAD.

PROVIDE ALL NECESSARY ACCESSORIES, INCLUDING RAILING, STAIRS, CUTOUTS, SERVICE OUTLETS, FLOOR GRILLES, PERFORATED PANELS, PLENUM DIVIDERS, FASCIA AND PANEL LIFTING DEVICES.

40 EXITS & ACCESS

ALL EXITS, STAIRS, CORRIDORS, AISLES, AND PASSAGEWAYS THAT MAY BE USED BY THE GOVERNMENT SHALL COMPLY WITH NFPA STANDARD NO. 101, EXCEPT THAT THERE MUST BE AT LEAST 2 SEPARATE EXITS AVAILABLE FROM EVERY FLOOR. THE MINIMUM WIDTH OF ANY CORRIDOR OR PASSAGEWAY SERVING AS A REQUIRED EXIT OR MEANS OF TRAVEL TO OR FROM A REQUIRED EXIT MUST BE NOT LESS THAN 44 INCHES CLEAR WIDTH. SCISSOR STAIRS ONLY COUNT AS ONE EXIT. THE TWO MOST REMOTE EXITS ON EACH FLOOR MUST BE SEPARATED BY A DISTANCE EQUAL TO AT LEAST 2/3 THE LONG RECTANGULAR DIMENSION OF THE FLOOR, AND THE MAXIMUM LENGTH OF DEAD-END CORRIDORS AND COMMON PATHS OF TRAVEL IS 50 FEET.

VESTIBULES SHALL BE PROVIDED AT PUBLIC ENTRANCES AND EXITS WHEREVER WHETHER CONDITIONS AND HEAT LOSS ARE IMPORTANT FACTORS FOR CONSIDERATION. IN THE EVENT OF NEGATIVE AIR PRESSURE CONDITIONS, PROVISIONS SHALL BE MADE FOR EQUALIZING AIR PRESSURE.

41 WINDOWS

OFFICE SPACE MUST HAVE WINDOWS IN EACH EXTERIOR BAY UNLESS WAIVED BY THE CONTRACTING OFFICER.

WINDOWS SHALL BE FIXED ALUMINUM WINDOW, WINDOW WALL OR CURTAIN WALL AND SHALL BE A HEAVY COMMERCIAL GRADE COMPLYING WITH AAMA 101-85 OR AAMA CURTAIN WALL STANDARD.

WINDOWS SHALL BE WEATHERTIGHT AND SHALL COMPLY WITH ALL APPLICABLE CODES FOR WIND LOADING. FINISH IS TO BE A COLORED ANODIZED FINISH AS PER NAAMM AA-M12.C22-A44, CLASS I, 0.7 MIL. THICK. GLAZING TO BE SEALED DOUBLE-GLAZED, AND SHALL COMPLY WITH ALL APPLICABLE CODES FOR TYPE AND WIND LOADING. ALL WINDOWS LESS THAN 18 INCHES ABOVE FINISH FLOOR SHALL BE PROVIDED WITH A SAFETY BAR TO MATCH ALUMINUM FRAME, APPROXIMATELY 3 FEET ABOVE FINISH FLOOR.

42 WINDOWS ANTIINTRUSION

OFF-STREET, non-retail GROUND-LEVEL, WINDOWS AND THOSE ACCESSIBLE FROM FIRE ESCAPES AND ADJACENT ROOFS on the side of the building facing the Southeast/Southwest Freeway MUST HAVE EXTERIOR GRILLES OR ANTIINTRUSION ALARM SYSTEMS TO DETER FORCIBLE ENTRY.

43 HANDICAPPED ACCESSIBILITY (As Amended 10/26/89)

PARKING:
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Two of the one hundred parking permits specified under Paragraph 1of this SFO, as amended, shall be designated for use by the physically handicapped. These spaces shall be located immediately adjacent to building entrances.

These spaces shall be at least eight feet wide with a five-foot-wide access aisle to a walk or ramp. Two spaces may share a common aisle. These spaces shall be designed so the disabled are not compelled to wheel or walk behind parked cars. If necessary, curb cuts or ramps shall be provided.

WALKS:
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AT LEASE ONE ACCESSIBLE ROUTE HAVING NO STEPS OR ABRUPT CHANGES IN LEVEL SHALL BE PROVIDED FROM THE ACCESSIBLE PARKING SPACE(S), PUBLIC SIDEWALK(S) AND TRANSPORTATION STOP(S), IF PROVIDED, INTO EACH ACCESSIBLE PRIMARY BUILDING ENTRANCE. PUBLIC WALKS IN THESE ACCESS PATHS SHOULD BE AT LEAST 36 INCHES WIDE WITH A SLOPE NO GREATER THAN ONE FOOT RISE IN 20 FEET. IF AN ACCESSIBLE WALK IS LESS THAN 60 INCHES IN WIDTH THEN IT SHALL HAVE LEVEL PASSING ZONES, SPACED AT NO MORE THAN 200 FEET APART, MEASURING A MINIMUM OF 60 INCHES BY 60 INCHES. IT SHALL BE STABLE, FIRM AND SLIP RESISTANT. CHANGES IN LEVEL UP TO ¼ INCH MAY BE VERTICAL AND WITHOUT EDGE TREATMENT.

LEVEL CHANGES BETWEEN ¼ INCH AND LESS THAN ½ INCH SHALL BE BEVELED WITH A SLOPE NO GREATER THAN 1:2. CHANGES EXCEEDING ½ INCH SHALL BE TREATED AS A RAMP. WHENEVER POSSIBLE, GRATINGS SHOULD NOT BE LOCATED WITHIN OR ALONG WALKS. WALKS SHALL HAVE A LEVEL PLATFORM AT THE TOP IN ACCORDANCE WITH "DOORS: MANEUVERING CLEARANCE".

RAMPS:
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WHERE RAMPS ARE NECESSARY OR DESIRED, THEY SHALL BE OF A NON-SLIP SURface FACE, WITH A SLOPE NO GREATER THAN ONE FOOT RISE IN 12 FEET. THEY MUST HAVE A MINIMUM CLEAR WIDTH OF 3 FEET WITH LEVEL LANDINGS AT THE TOP AND BOTTOM OF EACH RAMP RUN.

EACH LANDING SHALL BE AS WIDE AS THE WIDEST RAMP RUN LEADING INTO IT. LANDINGS ON A STRAIGHT RUN RAMP SHALL BE 5 FEET MINIMUM. INTERMEDIATE LANDINGS FOR TURNING RAMPS SHALL BE A MINIMUM OF 5 FEET BY 5 FEET. CONTINUOUS HANDRAILS SHALL BE PROVIDED ON BOTH SIDES OF ALL RAMPS WITH A VERTICAL RISE GREATER THAN 6 INCHES.

RAMPS WITH VERTICAL DROP-OFFS GREATER THAN 6 INCHES SHALL HAVE CURBS, WALLS, RAILINGS OR PROJECTING SURfaceS.

ENTRANCES:
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AT LEAST ONE MAIN ENTRANCE SHALL BE ACCESSIBLE. IT SHALL BE CONNECTED BY AN ACCESSIBLE WALK TO HANDICAPPED PARKING, PUBLIC STREET(S), ACCESSIBLE ELEVATOR(S), AND OTHER ACCESSIBLE ELEMENTS AND SPACES THROUGHOUT THE BUILDING.

IF POWER-OPERATED ENTRANCE DOORS ARE PROVIDED, THEY SHALL COMPLY WITH ANSI 156.10 (1979). WHERE VESTIBULES ARE PROVIDED, DOORS IN A SERIES, IN A STRAIGHT LINE, SHALL SWING IN THE SAME DIRECTION AND BE AT A DISTANCE OF 48 INCHES PLUS THE WIDTH OF ANY DOOR SWINGING INTO THE SPACE.

STAIRS:
****

IF FLOORS ARE SERVICED BY AN ACCESSIBLE ELEVATOR, STAIRS CONNECTING THESE FLOORS NEED NOT MEET THE ACCESSIBILITY REQUIREMENTS IN "STAIRS" AND "HANDRAILS". ALL STEPS ON A SINGLE FLIGHT OF STAIRS SHALL HAVE UNIFORM RISER HEIGHTS AND UNIFORM TREAD WIDTHS. OPEN RISER STAIRS ARE NOT PERMITTED.

STAIR TREADS SHALL NOT HAVE ABRUPT NOSING. THE RADIUS OF CURVATURE AT THE LEADING EDGE OF THE TREAD SHALL BE NO GREATER THAN ½ INCH. THE MAXIMUM NOSING PROJECTION SHALL BE NO GREATER THAN 1-1/2 INCH.

HANDRAILS:
****

STAIRS SHALL HAVE CONTINUOUS HANDRAILS ON BOTH SIDES THAT EXTEND A MINIMUM OF 12 INCHES ON ONE SIDE BEYOND THE TOP RISER AND 12 INCHES PLUS THE WIDTH OF ONE TREAD ON ONE SIDE BEYOND THE BOTTOM RISER. AT THE TOP, THE 12 INCH EXTENSION SHALL BE PARALLEL WITH THE FLOOR.

AT THE BOTTOM, THE HANDRAIL SHALL CONTINUE TO SLOPE FOR A DISTANCE OF ONE FLOOR TREAD WIDTH FROM THE BOTTOM RISER WITH THE 12 INCH REMAINDER BEING HORIZONTAL AND PARALLEL WITH THE FLOOR. CARE SHOULD BE USED SO THE EXTENSION ITSELF DOES NOT PRESENT A HAZARD.

OTHER:
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THE ROOF AND THE PENTHOUSE OF THE BUILDING NEED NOT BE ACCESSIBLE TO THE HANDICAPPED.

44 LANDSCAPING

WHERE TOPOGRAPHICAL CONDITIONS PERMIT, THE SITE SHALL BE LANDSCAPED WITH TREES AND SHRUBBERY. THE CONTRACTING OFFICER SHALL APPROVE THE LANDSCAPING TO BE PROVIDED.

SECTION: 5
ARCHITECTURAL FINISHES

45 LAYOUT AND FINISHES (As Amended 12/18/89)

WITHIN 30 DAYS FOLLOWING AWARD OF THE LEASE, THE OFFEROR MUST SUBMIT TO THE CONTRACTING OFFICER ALL REQUIRED FINISH SAMPLES.

I. Preface

The time period within the body of this paragraph are specified in working days. Unless otherwise noted, all references within this document to square footage shall mean net usable square feet as defined within the body of Solicitation for Offers (SFO) 89-047, Paragraph 24. The time frames, specified within the body of this Paragraph 45, for either the Government or the lessor may be accelerated at the option of the lessor should the time frame pertain to performance of obligations by the lessor and the Government, should the time frame pertain to performance of obligations by the Government.

Prior to notification to award, the proposed successful offeror shall, if requested, provide additional information, drawings, specifications and Architectural/Engineering (A/E) technical consultation as required to support the Government's design intent effort.

Should an offeror be noticed by the Contracting Officer of the Government's intent to award the lease and proceed according to the immediately preceding paragraph and fail to receive the actual award, the Government shall reimburse the offeror for fair and reasonable costs associated with such work.

Due to the potential for significant design revision by the lessor and loss of usable square footage during refinement of the base building design development specifications and drawings, the Government will be excused from its obligations under this paragraph to redesign the leased premises.

No claim of a party for delay shall lie unless the party asserting the delay has met the following conditions.

1. The party has notified the other party in writing of the impending delay and

2 The other party has not corrected the problem causing the delay within twenty-four (24) hours of receipt of the notice of delay.

The Government shall accept the locations identified by the Lessor for the computer room, S.R. 6.1, and the Auditorium, S.R. 4.6, if the locations do not conflict with/or hinder the program requirements of the tenant agency.

II. Base Building Blocking

The General Services Administration (GSA) will provide blocking diagrams to the lessor with an exact location for the following special requirements, within thirty five (35) days after lease execution by the Government:

Special Use Area	S.R. No.
Shipping & Receiving	1.1
Libraries	2.1
Child Care Center	3.1
Mail Room	5.1

III. Design Intent Drawings

The government shall prepare design intent drawings in increments of approximately sixty thousand (60,000) square feet. The Government reserves the right to modify the size of each phase to proximate the size of a typical floor in the building.

Phase One

Phase one shall be subdivided into two phases of approximately 30,000 square feet each. These phases for the purpose of this document shall be known as Phase "1A", and Phase "1B".

Phase 1A

Within fifteen (15) days after award the Government shall deliver blocking diagrams to the lessor establishing, as a minimum, the locations of the following special use areas:

Special Use Area	S.R. No.
Computer Center	6.1
Program Support Communications Gateway	6.4
Communications Center	6.5
Cable Headend	6.10
UPS Room	6.16

GSA will not provide to the Lessor design intent drawings for the tenant improvements to be made to the leased premises for Phase 1A. The Lessor shall be responsible for the A/E design of these special use areas.

The Government shall provide the necessary program support and assistance for the lessor to accomplish this task. The Lessor shall conduct meetings with Government personnel to develop and refine the tenant work for the spaces in question.

The lessor shall prepare the necessary documents and plans for the Government to conduct a formal review of the design effort at 50 percent and 75 percent completion. The lessor shall notify GSA at least ten (10) days prior to the anticipated date for Government review. The government shall complete its final review within fifteen (15) days of receipt by the Government of the necessary documents and plans. Should revisions to the working drawings be necessary, the Lessor shall have ten (10) days to correct all errors and omissions and deliver said revisions to the Government.

Phase 1B

Within one hundred (100) days after award the Government shall deliver design intent drawings to the lessor for the remaining block of "Phase One" which shall consist of approximately thirty thousand (30,000) square feet.

Successive Phases

GSA shall deliver to the Lessor design intent drawings for the tenant improvements to be made to the leased premises for each successive phase within eighty (80) days of the established due date of design intent drawings for the immediately preceding phase. Should the base building drawings prove inaccurate, as determined by GSA, the eighty (80) day period will be extended to provide for redesign. The design intent drawings shall be prepared pursuant to Paragraph 45a of SFO No 89-047.

IV. Working Drawings

Phase 1A

The Lessor shall prepare and deliver, at the Lessor's own expense, final working plans and complete construction drawings for both building standard and above standard tenant improvements for Phase "1A" within ninety (90) days of the receipt by the lessor of blocking diagrams from GSA.

Phase 1B

The Lessor shall prepare and deliver, at the Lessor's own expense, final working plans and complete construction drawings for both building standard and above standard tenant improvements for Phase "1B" within forty-five (45) days of the receipt by the lessor of design intent drawings from GSA.

Successive Phases

The Lessor shall prepare and deliver, at the Lessor's own expense, final working plans and complete construction drawings for both building standard and above standard tenant improvements within sixty (60) days of the receipt by the lessor of each successive phase of design intent drawings from the General Services Administration (GSA).

Each time frame shall commence upon receipt by the lessor of the respective design intent drawings from GSA.

The lessor shall also submit pricing data for each phase for any items included in the proposed tenant improvements which are above the minimum requirements and performance specifications of this SFO within fifteen (15) days of the Government's approval of working drawings pursuant to subparagraph 45(IV). In the event that the anticipated cost of the items are in excess of one hundred thousand dollars ($100,000), the lessor shall submit pricing data consistent with Paragraph 18c of The General Clauses (GSA Form 3517).

V. Government Approval

For each and every phase the Government shall have fifteen (15) days after the receipt of complete working drawings and specifications to review the drawings and the supporting documentation and to either:

1. Approve the working drawings and specifications and issue a notice to the lessor to proceed with all work pursuant to the aforementioned; or

2. Provide the Lessor, within fifteen (15) days with written comments setting forth defects and omissions to the plans, working drawings and specifications with the understanding that the referenced modifications reflect errors and omissions due to misinterpretation of design intent drawings or other Government input.

Within ten (10) days after receipt of the written comments, the Lessor shall submit the revised plans, working drawings and specifications incorporating the revisions and/or corrections made by the Government to GSA for reconsideration pursuant to the provisions contained within this Paragraph 45, subparagraph "IV" section 2.

If the revised working drawings and specifications submitted by the lessor to GSA are acceptable, GSA shall approve the working drawings and specifications within ten (10) days of receipt of the aforementioned from the lessor.

In the event that the lessor fails to submit the required revisions to GSA within the ten (10) day period or if such revisions significantly deviate from the written comments provided by GSA, the rent commencement date shall be postponed one day for each and every day such failure continues.

Should the revisions, made by GSA include modifications to the working drawings and specifications for purposes other than correction of errors, omissions or misinterpretation, the Government shall be responsible for any reasonable delay and the date for rent start shall not be affected.

The Government shall not be liable for any costs due to changes or revisions in the requirements of this project which would increase the scope of this contract as originally negotiated and agreed to unless such changes or revisions are authorized and approved by the Contracting Officer in writing. Any request for changes or revisions received by the Contractor shall, therefore, be referred to the Contracting Officer for his approval.

VI. Construction Schedule

Actual construction of the tenant improvements to be made to the leased premises for Phase One shall commence no later than September 1, 1991.

Upon the earlier of either:

1. Issuance of a written notice, by GSA, authorizing the lessor to proceed with building standard and above standard improvements presuming the base building is completed to a stage where tenant improvements can commence, or

2. September 1, 1991 and issuance of a written notice, by GSA, authorizing the lessor to proceed with building standard and above standard improvements,

the lessor shall complete each phase within the following time frame:

Phase 1A - one hundred and thirty (130) days

Phase 1B - forty-five (45) days

Successive Phases - sixty (60) days each.

To the extent the Government issues a notice to proceed for more than one phase simultaneously, the time frames for completion outlined above shall be consecutive. For example, if on September 01, 1990 the Government issues a notice to proceed for Phase 1B, Phase 2 and Phase 3, the lessor shall complete Phase 1B within forty-five (45) days. Following the forty-five (45) day period for Phase 1B, the lessor shall have sixty days to complete Phase 2 and sixty (60) days following the end of the sixty-day period for Phases 2 to complete Phase 3.

The lessor shall not be obligated to commence tenant buildout unless the Government has approved the working drawings and issued written notice to the lessor to proceed with building standard and above standard work.

The Government reserves the right to access any space within the building for the purpose of installing equipment. GSA shall coordinate, within reason, the activity of Government contractors in order to minimize conflicts with/disruption to other contractors on site.

Access shall not be denied to authorized Government officials including, but not limited to, Government contractors, subcontractors or consultants acting on the behalf of the General Services Administration with respect to this specific project.

If an extended completion schedule is proposed due to the complexity of any given phase or the availability of materials necessary to meet the requirements specified by the Government, the Lessor shall provide to GSA a written request explaining the rationale for the extension and any additional documentation supporting the need for additional time to complete the tenant improvements.

The time frames specified earlier in this subparagraph for the completion of tenant improvements shall not be extended unless the extension of the completion schedule is approved by the GSA, in writing. It will be the Government's sole determination as to whether said extension shall delay rent commencement, or whether rent will commence as if the extension had not been granted.

VII. Acceptance of Space

The Government shall accept and occupy the space on a phase-by-phase basis. The Government shall pay pro-rata rent for space as soon as the space is accepted as substantially complete by the Government. Following the acceptance by the Government of all phases, a Supplemental Lease Agreement will be issued to establish a composite lease commencement date and fix the twenty (20) year term.

This composite lease commencement date will also become the anniversary date for the purpose of tax and operating cost escalations. The composite lease commencement date shall be the weighted mean of the acceptance dates for the various phases.

The Lessor shall notify the Government in writing at least five (5) days before the space will be complete and ready for inspection. The Government shall then have until the ninth (9th) day following said notification to inspect the space for acceptance.

The entire phase must be substantially complete in order for the Government to accept the space, except for minor "punch list" items. The punch list items, identified by the Government, shall be completed by the lessor within thirty (30) days following acceptance of phase in question. The Government reserves the right to occupy each phase upon acceptance.

The phrase "substantially complete" shall mean the tenant improvements, the common and other areas of the building, and all other things necessary for the Government's access to the Premises and occupancy, possession, use and enjoyment thereof, as provided in this lease, have been completed or obtained, excepting only such minor matters as do not interfere with or materially diminish such access, occupancy, possession, use or enjoyment.

VIII. Slippage

The Government anticipates that each phase will be completed within the time period established. Failure to complete a phase within the required time frame will constitute slippage.

The Lessor is required to report immediately, in writing, to the Contracting Officer when slippage in the schedule is evident. A revised schedule shall be submitted for approval within five (5) working days of agreement between the Lessor and the Contracting Officer.

To the extent that the lessor is late in meeting any of the time obligations referenced herein, the commencement of rent shall be proportionally postponed by the period of delay.

In the event the Government is late in meeting any of its time obligations as reference herein, the commencement of rent shall occur as if the Government had met its obligations in a timely manner.

Furthermore, in the event the Government fails to award the lease prior to April 30, 1990; rent will commence, pursuant to subparagraph "VI" of this paragraph, as if lease award had occurred on June 1, 1990.

* * * * * * * *

a. Design Intent Drawings

The Government prepares design intent drawings that include basic architectural wall layout and finishes, telephone and electrical outlet locations, furniture layouts and related information.

Any modifications and commensurate costs associated with any modifications to the Governments design intent drawings required due to errors and/ or omissions in the lessor's construction/working drawings, differing site conditions, failure to meet code requirements or field changes to meet performance requirements shall be the responsibility of the lessor.

b. Base Building Drawings

Within five (5) working days of GSA's Contracting Officer's technical representative's request, the Lessor is required to submit two (2) complete blueline sets of the most current base building drawings (with written notice of percent of design completion) to serve as the basis for the Government's design intent effort.

Each set of drawings shall include all professional disciplines (architectural, structural, mechanical, electrical, and plumbing). The lessor shall provide the following drawings prior to start of construction of each phase:

1. Construction/working drawings for each phase, consisting of 12 sets of blue lines and one set of reproducible sepias. Each set will include at a minimum: a legend noting detail sheets, architectural, electrical, mechanical, plumbing, structural, and reflective ceiling plans.

2. In addition with each submission (phase), the lessor must submit one set of sepias for each discipline showing quantity takeoff deviations from the SFO/above standard alterations under the lease along with summation sheets for quantity takeoffs identifying deviation amounts from the above standard alterations. Structural elevation sheets may be required to show alterations for increased floor loading.

c. Relation of Design Concept Drawings to Construction Drawings

Design development after award will not only be in accordance with the specific solicitation requirements, but also a direct extension of the submitted design concept. The further design development shall retain the functional and basic physical characteristics of that concept.

The Contracting Officer shall reserve the right to reject any aspect of subsequent design development which varies from the concept and which would adversely affect the Government's use and occupancy of the space in the building as set forth or implied in the body of this solicitation.

The Offeror may propose for the Contracting Officer's acceptance, or the Contracting Officer may propose for the Offeror's acceptance, evolutionary adaptations or changes to the concept. Neither party will unreasonably withhold such acceptance of demonstrably beneficial design adaptations of the concept which would not measurably increase the cost of construction, operation or maintenance of the facility.

d. Phases for Interior Design and Construction

The Government intends to complete Design Intent Drawings in increments of approximately sixty thousand (60,000) net usable square feet. Therefore, the Government anticipates completion of the tenant buildout and complete occupancy in approximately eight (8) phases.

46 CEILINGS AND INTERIOR FINISHES

CEILINGS MUST BE AT LEAST 8'0" AND NO MORE THAN 11'0" CLEAR FROM FLOOR TO THE LOWEST OBSTRUCTION. WITH THE EXCEPTION OF SERVICE AREAS, THEY MUST HAVE ACOUSTICAL TREATMENT ACCEPTABLE TO THE CONTRACTING OFFICER, A FLAMESPREAD OF 25 OR LESS, AND A SMOKE DEVELOPED RATING OF 50 OR LESS (ASTM E-84). PROTRUSIONS OF FIXTURES INTO TRAFFIC WAYS SHALL BE AVOIDED.

IN BUILDINGS PROTECTED THROUGHOUT BY A SPRINKLER SYSTEM MEETING THE GOVERNMENT'S APPROVAL, CEILINGS AND INTERIOR FINISHES IN AREAS NOT PART OF THE NORMAL EXIT MAY HAVE FLAMESPREAD AND SMOKE DEVELOPMENT LIMITS OF 200, IN LIEU OF 25 FOR THE FLAMESPREAD AND 50 FOR SMOKE DEVELOPMENT (ASTM E-84).

IN SPRINKLER PROTECTED EXITS OR ENCLOSED CORRIDORS LEADING TO EXITS, CEILING AND INTERIOR FINISHES MAY BE COMPOSED OF MATERIALS HAVING A FLAMESPREAD RATING OF 75 OR LESS AND A SMOKE DEVELOPMENT RATING OF 100 OR LESS IN LIEU OF 25 FOR FLAMESPREAD AND 50 FOR SMOKE DEVELOPMENT (ASTM E-84).

CEILINGS MUST BE A FLAT PLANE IN EACH ROOM AND SUSPENDED WITH FLUORESCENT RECESSED FIXTURES AND FINISHED AS FOLLOWS UNLESS AN ALTERNATE FINISH IS APPROVED BY THE CONTRACTING OFFICER:

* RESTROOMS: PLASTER OR POINTED AND TAPED GYPSUM BOARD
* OFFICES AND CONFERENCE ROOMS: MINERAL AND ACOUSTICAL TILE OR LAY IN PANELS WITH TEXTURED OR PATTERNED SURface AND CONCEALED or exposed GRID, REGULAR EDGES OR EQUIVALENT QUALITY TO BE APPROVED BY THE CONTRACTING OFFICER.
* CORRIDORS: PLASTER OR POINTED AND TAPED GYPSUM BOARD OR MINERAL ACOUSTICAL TILE.

47 WALL COVERINGS (As Amended 06/16/ 89)

PHYSICAL REQUIREMENTS:
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ALL WALL FINISHES MUST HAVE A FLAMESPREAD OF 25 OR LESS, AND A SMOKE DEVELOPED RATING OF 50 OR LESS. HOWEVER, WHEN THE BUILDING IS PROTECTED THROUGHOUT BY A SPRINKLER SYSTEM MEETING THE GOVERNMENT'S APPROVAL, WALL FINISHES IN ALL AREAS, EXCEPT THOSE AREAS WHICH ARE PART OF THE NORMAL EXITS, MAY HAVE A FLAMESPREAD AND SMOKE DEVELOPMENT LIMITS OF 200 (ASTM E-84)

Prior to occupancy, walls surrounding core areas and elevator lobbies shall be covered with vinyl wallcoverings, not less than 13 ounces per square yard, as specified in FS CCC-W-408, or equivalent quality finish approved by the contracting officer.

SELECTED OFFICES AND CONFERENCE ROOMS ARE TO BE COVERED WITH WOOD VENEER-BONDED WALLCOVERING as specified in Paragraph 103, Special Requirements. LESSOR SHALL PROVIDE FIVE SAMPLES TO BE APPROVED BY THE CONTRACTING OFFICER.

PRIOR TO OCCUPANCY ALL RESTROOMS MUST HAVE CERAMIC TILE IN SPLASH AREAS AND VINYL WALL COVERING NOT LESS THAN 13 OUNCES PER SQUARE YARD AS SPECIFIED IN FS CCC-W-408 ON REMAINING WALL AREAS OR EQUIVALENT QUALITY AS APPROVED BY THE CONTRACTING OFFICER, UNLESS AN ALTERNATE FINISH IS APPROVED BY THE CONTRACTING OFFICER.

KITCHEN AREAS TO HAVE CERAMIC TILE FROM FLOOR TO 6 INCHES ABOVE FINISHED CEILING.

CERAMIC TILE TO BE GLAZED WALL TILE 2-INCH BY 2-INCH OR 4 1/4-INCH BY 4 1/4-INCH WITH PLAIN faceS. FURNISH TRIM UNITS TO MATCH. SETTING SHALL COMPLY WITH ANSI A118.1 FOR DRY-SET PORTLAND CEMENT MORTAR.

PRIOR TO OCCUPANCY, ALL ELEVATOR AREAS WHICH ACCESS THE GOVERNMENT'S LEASED SPACE, HALLWAYS WITHIN OR WHICH ACCESS THE GOVERNMENT'S LEASED SPACE, AND EATING/GALLEY AREAS WITHIN THE GOVERNMENT'S LEASED SPACE ARE TO BE COVERED WITH VINYL WALLCOVERINGS NOT LESS THAN 22 OUNCES PER SQUARE YARD AS SPECIFIED IN FS CCC-W-408, OR EQUIVALENT QUALITY AS APPROVED BY THE CONTRACTING OFFICER, UNLESS AN ALTERNATIVE IS APPROVED BY THE CONTRACTING OFFICER.

REPLACEMENT:
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ALL WALLCOVERING IS TO BE MAINTAINED IN "LIKE NEW" CONDITION FOR THE LIFE OF THE LEASE. WALLCOVERING MUST BE REPLACED OR REPAIRED AT THE LESSOR'S EXPENSE, INCLUDING MOVING AND REPLACING FURNISHINGS, (EXCEPT WHERE WALLCOVERING HAS BEEN DAMAGED DUE TO THE NEGLIGENCE OF THE GOVERNMENT), ANYTIME DURING THE OCCUPANCY BY THE GOVERNMENT IF IT IS TORN, PEELING OR PERMANENTLY STAINED; THE CERAMIC TILE IN THE RESTROOMS MUST BE REPLACED OR REPAIRED IF IT IS LOOSE, CHIPPED, BROKEN OR PERMANENTLY DISCOLORED. ALL REPAIR AND REPLACEMENT WORK IS TO BE DONE AFTER WORKING HOURS.

SAMPLES:
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THE LESSOR IS TO PROVIDE AT LEAST FIVE SAMPLES OF EACH TYPE OF WALL COVERING TO BE INSTALLED FOR SELECTION BY THE CONTRACTING OFFICER.

48 PAINTING

PRIOR TO OCCUPANCY ALL SURfaceS DESIGNATED BY GSA FOR PAINTING MUST BE NEWLY PAINTED IN COLORS ACCEPTABLE TO GSA. ALL PAINTED SURFACES, INCLUDING ANY PARTITIONING INSTALLED BY THE GOVERNMENT OR THE LESSOR AFTER GOVERNMENT OCCUPANCY, MUST BE REPAINTED AFTER WORKING HOURS AT LESSOR EXPENSE AT LEAST EVERY 5 YEARS. THIS INCLUDES MOVING AND RETURN OF FURNITURE INCLUDING SYSTEMS FURNITURE. PUBLIC AREAS MUST BE PAINTED AT LEAST EVERY 3 YEARS.

49 DOORS

EXTERIOR DOORS:
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EXTERIOR PUBLIC ENTRANCE DOORS SHALL BE ALUMINUM MEDIUM STILE WITH TEMPERED GLASS, IN ALUMINUM FRAME SIMILAR TO WINDOWS. FINISH TO BE ANODIZED TO MATCH WINDOWS. PROVIDE VESTIBULES WITH DOORS IN SERIES.

EXTERIOR SERVICE DOORS AND FRAMES SHALL BE STEEL, COMPLYING WITH "RECOMMENDED SPECIFICATIONS: STANDARD STEEL DOORS AND FRAMES" (SDI-100). DOORS SHALL BE GRADE III, EXTRA HEAVY DUTY, MODEL 2, WITH MINIMUM 16-GAUGE faceS. EXPOSED FACES OF DOORS SHALL BE FABRICATED FROM COLD-ROLLED STEEL, GALVANIZED. DOOR AND FRAME ASSEMBLIES SHALL BE THERMALLY INSULATED WITH U-FACTOR OF 0.25 BTUH OR BETTER, WHEN TESTED IN ACCORDANCE WITH ASTM C 236.

WHERE FIRE-RATED DOOR ASSEMBLIES ARE REQUIRED, PROVIDE FIRE- RATED FRAM ASSEMBLIES THAT COMPLY WITH NFPA 80 AND HAVE BEEN TESTED, LISTED, AND LABELED IN ACCORDANCE WITH ASTM E 152 BY A NATIONALLY RECOGNIZED INDEPENDENT TESTING AND INSPECTION AGENCY ACCEPTABLE TO AUTHORITIES HAVING JURISDICTION.

EXTERIOR DOORS SHALL BE WEATHERTIGHT, EQUIPPED WITH AUTOMATIC DOOR CLOSURES AND OPEN OUTWARD.

EXTERIOR LOADING DOCK DOORS:
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PROVIDE A MINIMUM OF TWO OVERHEAD COILING DOORS. DOORS SHALL BE ELECTRICALLY OPERATED WITH OVERHEAD COILING DOOR CURTAINS OF INTERLOCKING STEEL SLATS COMPOSED OF AN OUTER 22-GAUGE face SLAT WITH AN INNER 24-GAUGE BACK COVER, WITH FORMED-IN-LACE POLYURETHANE INSULATION BETWEEN. SLATS SHALL BE ASTM A 446, GRADE A STEEL WITH 90 ZINC COATING ASTM A 25, PHOSPHATE-TREATED AND PRIMED. DOORS SHALL HAVE CURTAIN JAMB GUIDES FABRICATED OF MINIMUM 3/16-INCH THICK STEEL SECTIONS (ANGLES & CHANNELS), WITH ENDLOCKS, WINDLOCKS, WEATHER SEALS, AND A BOTTOM BAR CONSISTING OF TWO 1/2-INCH BY 1½ BY 1/8-INCH GALVANIZED STEEL ANGLES.

50 DOORS: INTERIOR (As Amended 11/28/89)

INTERIOR DOORS SHALL BE HOLLOW METAL OR SOLID-CORE WOOD DOORS. PROVIDE STEEL DOORS WHICH COMPLY WITH STEEL DOOR INSTITUTE “RECOMMENDED SPECIFICATIONS: STANDARD STEEL DOORS AND FRAMES: (SDI-100). STEEL DOORS SHALL BE GRADE II, HEAVY DUTY, MODEL 1, MINIMUM 18-GAUGE faceS.

Provide solid-core flush wood doors with wood veneer faces which comply with the National Wood Window and Door Association (NWWDA) Quality Standard: I.S. 1 “Industry Standard for Wood Flush Doors”. Wood doors shall also comply with the AWI quality standard: “Architectural Woodwork Quality Standards”. All frames shall be steel. Wood doors shall be furnished with birch plain sliced face panels.

WHERE FIRE-RATED DOOR ASSEMBLIES ARE REQUIRED, PROVIDE FIRE-RATED FRAME ASSEMBLIES THAT COMPLY WITH NFPA 80 AND HAVE BEEN TESTED, LISTED, AND LABELED IN ACCORDANCE WITH ASTM E 152 BY A NATIONALLY RECOGNIZED IN DEPENDENT TESTING AND INSPECTION AGENCY ACCEPTABLE TO AUTHORITIES HAVING JURISDICTION.

Construction shall be SLC-5 of SLC-7 (Glued Block Core, 5 or 7 ply) or glued particle/chip board core. Wood doors shall be stained and varnished. An open grain finish with satin-medium rubbed effects shall be provided. Submit door manufacturer’s warranty to repair or replace defective doors for the life of the installation.

Doors must have a minimum opening of 36 inches by 80 inches. They shall be operable by a single effort and must be in accordance with national building code requirements. Doors shall be provided at a ratio of one per 300 square feet of space provided.

51 DOORS: MANEUVERING CLEARANCES

THE WALK LANDING OR FLOOR AREA FOR DOORS THAT OPEN ONTO WALKWAYS, RAMPS, CORRIDORS, AND OTHER PEDESTRIAN PATHS OF TRAVEL, SHALL BE CLEAR AND LEVEL, WITH A SLOPE NO GREATER THAN 1:50 AND EXTEND A MINIMUM OF 5 FEET FROM THE SWING SIDE OF THE DOOR, 4 FEET FROM THE OPPOSITE SIDE AND A MINIMUM OF 1½ FEET PAST THE LATCH SIDE (PULL SIDE) AND A MINIMUM OF 1 FOOT PAST THE LATCH SIDE (PUSH SIDE) OF THE DOOR.

52 DOORS: HARDWARE (As Amended 12/18/89)

ALL DOOR HARDWARE SHALL BE FIRST-GRADE QUALITY. TYPES OF FINISH HARDWARE REQUIRED INCLUDE: HINGES, LOCK CYLINDERS AND KEYS, LOCK AND LATCH SETS, BOLTS, EXIT DEVICES, PUSH-PULL UNITS, CLOSERS, OVERHEAD HOLDERS, DOOR CONTROL DEVICES, DOOR TRIM UNITS, PROTECTION PLATES, WEATHER-STRIPPING FOR EXTERIOR DOORS, SOUND STRIPPING FOR INTERIOR DOORS, AUTOMATIC DROP SEALS, ASTRAGALS, THRESHOLDS, AND SECURITY PRODUCTS. OBTAIN EACH TYPE OF HARDWARE FROM A SINGLE MANUFACTURER. PROVIDE HARDWARE FOR FIRE-RATED OPENINGS IN COMPLIANCE WITH NFPA STANDARD NO. 80 AND LOCAL BUILDING CODE REQUIREMENTS. PROVIDE ONLY HARDWARE WHICH HAS BEEN TESTED AND LISTED BY UL OR FM FOR TYPES AND SIZES OF DOORS AND DOORFRAME LABELS.

PROVIDE HARDWARE UNITS OF NO LESS QUALITY THAN SPECIFIED BY APPLICABLE ANSI A156 SERIES FOR EACH TYPE OF HARDWARE ITEM AND WITH ANSWI A156.18 FOR FINISH DESIGNATIONS. PROVIDE HARDWARE MANUFACTURED TO CONFORM TO PUBLISHED TEMPLATES, GENERALLY PREPARED FOR MACHINE SCREW INSTALLATION. PROVIDE CONCEALED FASTENERS EXCEPT TO EXTENT NO STANDARD UNITS ARE AVAILABLE WITH CONCEALED FASTENERS.

ALL PUBLIC USE DOORS MUST BE EQUIPPED WITH PUSH PLATES OR MUST BE FLUSH UP TO A MINIMUM HEIGHT OF 9 INCHES MEASURED FROM THE FLOOR, PULL BARS OR HANDLES, AND AUTOMATIC DOOR CLOSERS. DOOR CLOSERS MUST BE CONCEALED.

HINGES SHALL BE STEEL, BALL-BEARING, SWAGED, FULL MORTISE, FIVE KNUCKLE TYPE WITH NONRISING PINS. HINGES FOR EXTERIOR DOORS AND FOR OUTSWING CORRIDOR DOORS SHALL BE FURNISHED WITH NONREMOVABLE PINS.

All doors within the tenant space shall be equipped with a key operated lockset. The locksets shall be a high security commercial lock with interchangeable cores such as a best lock or equivalent.

All interior hallway doors which are equipped with lock hardware shall not be keyed or have cores installed. The Government shall install all cores to conform to the master-keying scheme developed by the Headquarters Security Office. All locks shall comply with the requirements of NFPA 101, section 5-2.

JANITOR CLOSETS, ELECTRICAL CLOSETS, TELECOMMUNICATION SWITCH ROOMS, WIRE CLOSETS, AND RELATED SPACES SHALL BE PROVIDED WITH AUTOMATIC DEADLOCKING LATCH BOLTS WITH A MINIMUM THROW OF 1/2 INCH.

Seldom used doors to areas posing danger to the blind must have knurled or acceptable plastic abrasive handles.

53 DOORS: IDENTIFICATION (As Amended 12/18/89)

The Government shall contract for, install and maintain signage both within the leased premises, and within appurtenant areas which are under the exclusive control of the Government.

54 WALLS AND PARTITIONS: GENERAL

WALLS, PARTITIONS AND DIVIDERS MUST BE PROVIDED AS OUTLINED BELOW.

PARTITIONS SHALL BE TAPED AND PAINTED, OR PREPARED FOR WALLCOVERING.

FIRE-RESISTANT-RATED PARTITIONS AND FIRE SEPARATIONS SHALL BE AS REQUIRED BY NFPA 101 AND LOCAL CODES. TWO-HOUR PARTITIONS SHALL BE UL DESIGN NUMBERS U411 AND U438 FOR SHAFTS, AND 1-HOUR PARTITIONS SHALL BE U448 AND U456 WHERE ONE face IS NOT EXPOSED.

IN AREAS SUCH AS TOILETS, KITCHENS, JANITOR'S CLOSETS, ETC., THAT ARE TO RECEIVE CERAMIC TILE FINISHES, THE OUTER LAYER OF DRYWALL SHALL CONSIST OF TILE BACKERBOARD CONFORMING TO ASTM C 630.

PARTITIONING REQUIREMENTS MAY BE MET WITH EXISTING PARTITIONS IF THEY MEET THE GOVERNMENT'S STANDARDS AND LAYOUT REQUIREMENTS.

SERVICE AREA WALLS:
****

WHEREVER SERVICE AREA WALL CONSTRUCTION IS STIPULATED, WALLS SHALL BE CONSTRUCTED OF 8-INCH MINIMUM CONCRETE MASONRY UNITS. UNITS MUST MEET ASTM C 129 FOR HOLLOW NONLOAD-BEARING MASONRY UNITS AND ASTM C 90 FOR HOLLOW LOAD-BEARING CONCRETE MASONRY UNITS.

SERVICE AREA WALL CONSTRUCTION WILL BE REQUIRED IN ALL STORAGE/SUPPLY AREAS, LIGHT INDUSTRIAL AREAS (WITH THE EXCEPTION OF DUPLICATION ROOMS), AND IN ALL BUILDING SUPPORT SERVICE SPACES SUCH AS BUILDING MECHANICAL, ELECTRICAL, AND TELEPHONE EQUIPMENT ROOMS.

INTERIOR PARTITIONS – GENERAL:
****

INTERIOR PARTITIONS IN GENERAL WILL BE GALVANIZED STEEL STUDS AND GYPSUM BOARD AS OUTLINED BELOW.

55 PARTITIONS: PERMANENT

PERMANENT PARTITIONS MUST BE PROVIDED AS NECESSARY TO SURROUND STAIRS, public CORRIDORS, ELEVATOR SHAFTS, TOILET ROOMS AND JANITOR CLOSETS. THEY SHALL HAVE A FLAMESPREAD RATING OF 25 OF LESS AND A SMOKE DEVELOPED RATING OF 50 OR LESS (ASTM E-84).

STAIRS, ELEVATORS AND OTHER FLOOR OPENINGS SHALL BE ENCLOSED BY PARTITIONS AND HAVE THE FIRE RESISTANCE REQUIRED BY NFPA NO. 101.

56 PARTITIONS: SUBDIVIDING

OFFICE SUBDIVIDING PARTITIONS SHALL COMPLY WITH BOCA AND LOCAL REQUIREMENTS. THEY MUST BE PROVIDED AT A RATIO OF ONE LINEAR FOOT FOR EACH FIFTEEN (15) SQUARE FEET OF SPACE PROVIDED. PARTITIONING OVER INTERIOR OFFICE DOORS IS INCLUDED IN THE MEASUREMENT. THEY MUST EXTEND FROM THE FINISHED FLOOR TO THE FINISHED CEILING AND HAVE A FLAMESPREAD RATING OF 25 OR LESS AND A SMOKE DEVELOPMENT RATING OF 50 OR LESS (ASTM E-84-TEST).

PARTITIONS WILL BE TAPED AND PAINTED.

HVAC MUST BE REBALANCED AND LIGHTING REPOSITIONED, AS APPROPRIATE, AFTER INSTALLATION OF PARTITIONS.

57 FLOOR COVERING AND PERIMETERS (As Amended 06/16/89)

Exposed concrete floor slabs, including those under access floors, shall receive a liquid sealer/hardener finish confirming to ASTM C 309-74. Finish shall be of the penetrating type, filling voids in the concrete surface.

FLOOR COVERING WILL BE CARPET TILES, EXCEPT AS OTHERWISE SPECIFIED IN THIS SOLICITATION. FLOOR PERIMETERS AT PARTITIONS MUST HAVE WOOD, RUBBER, VINYL, OR CARPET BASE. ANY EXCEPTIONS MUST BE APPROVED BY THE CONTRACTING OFFICER.

OFFICE AREAS:
****

PRIOR TO OCCUPANCY CARPET TILES MUST COVER ALL OFFICE AREAS PARTITIONED OR UNPARTITIONED, INCLUDING INTERIOR HALLWAYS AND CONFERENCE ROOMS. THE USE OF EXISTING CARPET MAY BE APPROVED BY THE CONTRACTING OFFICER; HOWEVER, EXISTING CARPET MUST BE SHAMPOOED BEFORE OCCUPANCY AND MUST MEET THE STATIC BUILDUP AND FLAMMABILITY REQUIREMENTS FOR NEW CARPET WHICH FOLLOW IN THIS SOLICITATION.

SPECIALTY AREAS:
****

RESILIENT FLOORING IS TO BE USED IN REPRODUCTION ROOMS, STORAGE, FILE AND OTHER SPECIALTY ROOMS SPECIFIED ELSEWHERE IN THIS SOLICITATION.

TOILET AND SERVICE AREAS:
****

UNGLAZED CERAMIC TILE AND/OR QUARRY TILE SHALL BE USED IN ALL TOILET AND SERVICE AREAS UNLESS ANOTHER COVERING IS APPROVED BY THE CONTRACTING OFFICER.

CARPET: PHYSICAL REQUIREMENTS:
****

ANY CARPET TO BE NEWLY IN STALLED MUST MEETING THE FOLLOWING SPECIFICATIONS:

* PILE YARN CONTENT: 100-PERCENT ZEFTRON 500 ZX NYLON (SOLUTION-DYED).

* CARPET PILE CONSTRUCTION: CUT PILE.

* PILE WEIGHT AND HEIGHT: 38 ONCE face WEIGHT, 1/10 GAUGE, 0.250-INCH PILE HEIGHT, AND 12.5 STITCHES PER INCH.

* BACKING: PRIMARY BACKING SHALL BE WOVEN SYNTHETIC; SECONDARY BACKING SHALL BE PVC OR URETHANE.

* TOTAL WEIGHT: 115 OUNCES PER SQUARE YARD MINIMUM.

* TILE SIZE: 18 BY 18 INCHES OR 24 BY 24 INCHES.

* ADHESIVE: RELEASABLE-TYPE ADHESIVE WHICH COMPLIES WITH FLAMMABILITY REQUIREMENTS FOR INSTALLED CARPET TILE.

* FLAMMABILITY AND SMOKE DEVELOPMENT:

FOR UNSPRINKLERED CORRIDORS AND OFFICES:

FLAMMABILITY: A CRITICAL RADIANT FLUX (CRF) OF 0.22 WATTS

SMOKE DEVELOPMENT: NOT OVER 450 (SPECIFIC OPTICAL DENSITY)

FOR SPRINKLERED CORRIDORS AND OFFICES:

FLAMMABILITY: CPSC FF 1-70 (PILL TEST)

SMOKE DEVELOPMENT: NO REQUIREMENT

* STATIC BUILDUP: MAXIMUM STATIC RESISTANCE OF 1.5 KV WHEN TESTED AT 20-PERCENT RELATIVE HUMIDITY AND 70 DEGREES F IN ACCORDANCE WITH AATCC 134.

* ACCESSORIES: PROVIDE EXTRUDED OR MOLDED HEAVY DUTY VINYL OR RUBBER CARPET EDGE GUARD WHERE APPLICABLE.

CARPET TILE: SAMPLES:
****

WHEN CARPET TILE MUST BE NEWLY INSTALLED OR CHANGED, THE OFFEROR SHALL PROVIDE THE GOVERNMENT WITH A MINIMUM OF THREE COLOR SAMPLES. THE SAMPLE AND COLOR MUST BE APPROVED IN WRITING BY GSA PRIOR TO INSTALLATION. NO SUBSTITUTES MAY BE MADE BY THE OFFEROR AFTER SAMPLE SELECTION.

CARPET TILE: INSTALLATION:
****

CARPET TILE MUST BE INSTALLED IN ACCORDANCE WITH MANUFACTURING INSTRUCTIONS TO LAY SMOOTHLY AND EVENLY.

CARPET TILE: REPLACEMENT:
****

CARPET SHALL BE REPLACED AT LEAST EVERY 10 YEARS DURING GOVERNMENT OCCUPANCY OR ANY TIME DURING THE LEASE WHEN:

* BACKING OR UNDERLAYMENT IS EXPOSED.

* THERE ARE NOTICEABLE VARIATIONS IN SURface COLOR OR TEXTURE.

REPLACEMENT INCLUDES MOVING AND RETURN OF FURNITURE. ALL REPLACEMENT WILL BE DONE AFTER WORKING HOURS.

RESILIENT FLOORING: PHYSICAL REQUIREMENTS:
****

RESILIENT FLOORING SHALL BE ASBESTOS-FREE VINYL COMPOSITION TILES, FS SS-T-312, TYPE IV, COMPOSITION 1. GAUGE SHALL BE EITHER 1/8 INCH OR 3/32 INCH AND SIZE SHALL BE 12-INCHES BY 12 INCHES. ADHESIVE SHALL BE WATERPROOF, STABILIZED TYPE. FLOOR SLAB PRIMER SHALL BE NON-STAINING TYPE. LEVELING AND PATCHING COMPOUNDS SHALL BE LATEX TYPES. PROVIDE MATCHING RESILIENT EDGE STRIPS WHERE APPLICABLE. MANUFACTURER'S SPECIFICATIONS FOR INSTALLATION AND MAINTENANCE WILL APPLY.

RESILIENT FLOORING SAMPLES:
****

THE OFFEROR SHALL PROVIDE THE GOVERNMENT A MINIMUM OF TEN COLOR SAMPLES. THE SAMPLE AND COLOR MUST BE APPROVED IN WRITING BY GSA PRIOR TO INSTALLATION. NO SUBSTITUTES MAY BE MADE BY THE OFFEROR AFTER SAMPLE SELECTION.

RESILIENT FLOORING: REPLACEMENT:
****

THE FLOORING SHALL BE REPLACED BY THE LESSOR AT NO COST TO THE GOVERNMENT PRIOR TO OR DURING GOVERNMENT OCCUPANCY WHEN IT HAS:

* BROKEN, CURLED, UPTURNED EDGES, CHIPPED, OR OTHER NOTICEABLE VARIATIONS IN TEXTURE. ALL REPLACEMENT WILL BE DONE AFTER WORKING HOURS.

CERAMIC TILE, QUARRY TILE, AND PAVERS: PHYSICAL REQUIREMENTS:
****

PROVIDE MATERIALS OBTAINED FROM ONE SOURCE FOR EACH TYPE AND COLOR OF TILE, GROUT, AND SETTING MATERIALS. COMPLY WITH ANSI A137-1 FOR TYPES AND GRADES OF TILE INDICATED.

UNGLAZED CERAMIC MOSAIC TILE SHALL BE PORCELAIN, WITHOUT ABRASIVE CONTENT. SIZE SHALL BE 2 INCHES BY 2 INCHES WITH THICKNESS OF ¼ INCH. face SHALL BE PLAIN WITH ALL-PURPOSE EDGES. FURNISH CERAMIC MOSAIC TRIM IN SIZE, COLOR, AND SHADE TO MATCH CERAMIC MOSAIC-FIRED TILE. PROVIDE SETTING MATERIALS TO COMPLY WITH ANSI A108.1 FOR PORTLAND CEMENT MORTAR INSTALLATIONS. PROVIDE SAND-PORTLAND CEMENT GROUT TO COMPLY WITH ANSI A118.6.

UNGLAZED QUARRY TILE SHALL BE PLAIN face, SQUARE-EDGED, FLAT TILE WITH NONABRASIVE SURFACE. SIZE SHALL BE 6 INCHES BY 6 INCHES WITH THICKNESS OF ½ INCH. FURNISH QUARRY TILE TRIM OF SIZE, COLOR, AND SHADE TO MATCH FLOOR TILE. PROVIDE SETTING MATERIALS TO COMPLY WITH ANSI A108.1 FOR PORTLAND CEMENT MORTAR INSTALLATIONS. PROVIDE SAND-PORTLAND CEMENT GROUT TO COMPLY WITH ANSI A118.6.

UNGLAZED PAVER TILE SHALL BE PORCELAIN, FLAT TILE, WITH PLAIN face AND CUSHION EDGES. SIZE SHALL BE 12 INCHES BY 12 INCHES WITH THICKNESS OF ½ INCH. FURNISH TILE TRIM UNITS TO MATCH PAVER TILE. PROVIDE SETTING MATERIALS TO COMPLY WITH ANSI A108.1 FOR PORTLAND CEMENT MORTAR INSTALLATION. PROVIDE SAND-PORTLAND CEMENT GROUT TO COMPLY WITH ANSI A118.6.

PROVIDE MARBLE THRESHOLDS COMPLYING WITH ASTM C 503.

TILE SAMPLES:
****

THE OFFEROR SHALL PROVIDE THE GOVERNMENT A MINIMUM OF TEN COLOR SAMPLES. THE SAMPLE AND COLOR MUST BE APPROVED BY GSA PRIOR TO INSTALLATION. NO SUBSTITUTES MAY BE MADE BY THE OFFEROR AFTER SAMPLE SELECTION.

CERAMIC TIME, QUARRY TILE, AND PAVER REPLACEMENT:
****

ALL TILE IS TO BE MAINTAINED IN “LIKE NEW” CONDITION FOR THE LIFE OF THE LEASE AND MUST BE REPLACED OR REPAIRED AT THE LESSOR’S EXPENSE, INCLUDING MOVING AND REPLACING FURNISHINGS, (EXCEPT WHERE TILE HAS BEEN DAMAGED DUE TO THE NEGLIGENCE OF THE GOVERNMENT), ANYTIME DURING THE OCCUPANCY BY THE GOVERNMENT IF IT IS LOOSE, CHIPPED, BROKEN, OR PERMANENTLY DISCOLORED. ALL REPAIR AND REPLACEMENT WORK IS TO BE DONE AFTER WORKING HOURS.

58 ACOUSTICAL REQUIREMENTS

REVERBERATION CONTROL:
****

CEILINGS IN CARPETED SPACE SHALL HAVE A NOISE-REDUCTION COEFFICIENT (NRC) OF NOT LESS THAN 0.55 IN ACCORDANCE WITH ASTM C 423. CEILINGS IN OFFICES, CONFERENCE ROOMS, AND CORRIDORS HAVING RESILIENT FLOORING SHALL HAVE AN NRC OF NOT LESS THAN 0.65.

AMBIENT NOISE CONTROL:
****

AMBIENT NOISE FROM MECHANICAL EQUIPMENT SHALL NOT EXCEED NOISE CRITERIAL CURVE (NC) 35 IN ACCORDANCE WITH THE ASHRAE HANDBOOK IN OFFICES AND CONFERENCE ROOMS;

NC 40 IN CORRIDORS, CAFETERIAS, LOBBIES, AND TOILETS; NC 50 IN OTHER SPACES.

NOISE ISOLATION:
****

ROOMS SEPARATED FROM ADJACENT SPACES BY CEILING-HIGH PARTITIONS (NOT INCLUDING DOORS) SHALL NOT BE LESS THAN THE FOLLOWING NOISE ISOLATION CLASS (NIC) STANDARDS WHEN TESTED IN ACCORDANCE WITH ASTM E 336:

CONFERENCE ROOMS:	NIC-40
OFFICES:	NIC-35

CERTIFICATION:
****

THE CONTRACTED OFFICER MAY REQUIRE AT NO COST TO THE GOVERNMENT, A CERTIFICATION ATTESTING THAT ACOUSTICAL REQUIREMENTS HAVE BEEN MET. CERTIFICATION MUST BE ACCOMPANIED BY TEST REPORTS BY A QUALIFIED ACOUSTICAL CONSULTANT VERIFYING REQUIREMENTS FOR CONTROL OR AMBIENT NOISE AND NOISE ISOLATION.

THE REQUIREMENTS OF THIS PARAGRAPH SHALL TAKE AS A MINIMUM ADDITIONAL SPECIFICATIONS IN THE SPECIAL REQUIREMENTS WHICH SHALL GOVERN ONLY WHERE APPLICABLE.

59 WINDOW COVERING

WINDOW BLINDS:
****

ALL EXTERIOR WINDOWS SHALL BE EQUIPPED WITH WINDOW BLINDS. THE BLINDS MAY BE ALUMINUM OR PLASTIC VERTICAL BLINDS OR HORIZONTAL BLINDS WITH ALUMINUM SLATS OF 1-INCH WIDTH OR LESS FOR HORIZONTAL BLINDS AND 3 INCHES FOR VERTICAL BLINDS. THE USE OF ANY OTHER MATERIAL MUST BE APPROVED BY THE CONTRACTING OFFICER. THE WINDOW BLINDS MUST HAVE NONCORRODING MECHANISMS AND SYNTHETIC TAPES. COLOR SELECTION; WILL BE MADE BY THE CONTRACTING OFFICER IN WRITING.

DRAPERIES:
****

DRAPERIES WILL PROVIDED IN THE FOLLOWING AREAS: ADMINISTRATOR'S SUITE OF OFFICES, HEADS OF PROGRAM AND STAFF OFFICES AND DEPUTIES, THE INFORMATION CENTER, AND THE MAIN LIBRARY.

DRAPERY FABRIC MUST BE FLAME-RETARDANT. FABRICS SHALL BE LINED WITH EITHER WHITE OR OFF-WHITE PLAIN LINING FABRIC SUITED TO THE DRAPERY FABRIC WEIGHT. DRAPERY FABRIC SHALL CONFORM TO NFPA NO. 701. DRAPERIES SHALL BE EITHER FLOOR-, APRON-, OR SILL-LENGTH, AS SPECIFIED BY THE GOVERNMENT, AND SHALL BE WIDE ENOUGH TO COVER WINDOW AND TRIM. DRAPERIES SHALL BE HUNG WITH DRAPERY HOOKS ON WELL-ANCHORED HEAVY-DUTY TRAVERSE RODS. TRAVERSE RODS SHALL DRAW FROM EITHER THE CENTER, RIGHT, OR LEFT SIDE.

CONSTRUCTION:
****

DRAPERIES MUST BE MADE AS FOLLOWS:

* ONE-HUNDRED-PERCENT FULLNESS, INCLUDING OVERLAP, 1-1/2 INCH SIDE HEMS AND NECESSARY RETURNS.

* FOUR-INCH DOUBLE HEADINGS TURNED OVER A 4-INCH PERMANENTLY FINISHED STIFFENER.

* FOUR-INCH DOUBTED AND BLIND-STITCHED BOTTOM HEMS.

* THREEFOLD PINCH PLEATS.

* SAFETY STITCHED INTERMEDIATE SEAMS.

* MATCHED PATTERNS

* TACKED CORNERS.

* NO RAW EDGES OR EXPOSED SEAMS.

USE OF EXISTING DRAPERIES MUST BE APPROVED BY THE CONTRACTING OFFICER.

SAMPLES:
****

A MINIMUM OF SIX PATTERNS AND COLORS SHALL BE MADE AVAILABLE TO THE GOVERNMENT FOR SELECTION; SHADING OF SAMPLE FABRIC SHALL NOT VARY MARKEDLY FROM THAT OF THE FINAL PRODUCT.

60 BUILDING DIRECTORY (As Amended 12/18/89)

A directory for the exclusive use of the Government shall be provided pursuant to the specifications included in Paragraph 103; SR 7.1.

61 FLAGPOLE

A FLAGPOLE SHALL BE PROVIDED AT A LOCATION TO BE APPROVED BY THE CONTRACTING OFFICER. THE FLAG WILL BE PROVIDED BY THE GOVERNMENT. THIS REQUIREMENT MAY BE WAIVED IF DETERMINED INAPPROPRIATE BY GSA.

SECTION: 6
MECHANICAL, ELECTRICAL, PLUMBING

62 GENERAL (As Amended 06/16/89)

THE LESSOR SHALL PROVIDE AND OPERATE ALL BUILDING EQUIPMENT AND SYSTEMS IN ACCORDANCE WITH APPLICABLE TECHNICAL PUBLICATIONS, MANUALS, AND STANDARD PROCEDURES. MAINS, LINES, AND METERS FOR UTILITIES SHALL BE PROVIDED BY THE LESSOR. EXPOSED DUCTS, PIPING, AND CONDUITS ARE NOT PERMITTED IN OFFICE SPACE, PUBLIC CIRCULATION AREAS, AND OTHER GOVERNMENT-OCCUPIED AREAS EXCEPT AS SPECIFICALLY STATED.

Plumbing shall be provided in accordance with local code requirements.

63 DRINKING FOUNTAINS

THE LESSOR SHALL PROVIDE DRINKING FOUNTAINS PER LOCAL CODE REQUIREMENTS BUT NOT LESS THAN ONE DRINKING FOUNTAIN ON EACH FLOOR OF OFFICE SPACE. UNIT SHALL BE LOCATED SO NO PERSON WILL HAVE TO TRAVEL MORE THAN 150 FEET TO REACH IT. THE WATER SHALL BE CHILLED. ALL WATER FOUNTAINS SHALL BE ACCESSIBLE TO AND USABLE BY THE PHYSICALLY DISABLED. THEY SHALL HAVE AN UPFRONT SPOUT AND CONTROL WHICH IS LOCATED NO HIGHER THAN 36 INCHES ABOVE THE FINISHED FLOOR. CONTROLS SHALL BE HAND OR HAND- AND FOOT-OPERATED. CONVENTIONAL, FLOOR-MOUNTED WATER FOUNTAINS CAN BE SERVICEABLE TO INDIVIDUALS IN WHEELCHAIRS IF A CLEAR FLOOR SPACE OF 30 INCHES BY 48 INCHES IS PROVIDED ADJACENT TO THE FOUNTAIN. A WALL-MOUNTED, HAND-OPERATED COOLER MAY SERVE THE ABLE-BODIED AND PHYSICALLY DISABLED EQUALLY WELL WHEN THE BUBBLER IS MOUNTED NO HIGHER THAN 36 INCHES AND THERE IS CLEAR KNEE SPACE BETWEEN THE BOTTOM OF THE APRON OF THE COOLER AND THE FLOOR AT LEAST 27 INCHES HIGH, 30 INCHES WIDE, AND 17 TO 19 INCHES DEEP. A FULLY RECESSED WATER FOUNTAIN IS NOT RECOMMENDED. THE WATER FOUNTAIN SHOULD NOT BE SET INTO AN ALCOVE UNLESS THE ALCOVE IS WIDER THAN 30 INCHES AND NOT MORE THAN 2 FEET DEEP. THE LESSOR SHALL PROVIDE WRITTEN CERTIFICATION THAT DRINKING FOUNTAIN WATER MEETS THE MINIMUM ACCEPTABLE ENVIRONMENTAL PROTECTION AGENCY OR OTHER MORE STRINGENT LIMITS OR LEAD OR ANY OTHER CONTAMINATION PROHIBITED OR LIMITED BY REGULATIONS. THE LESSOR SHALL BE RESPONSIBLE TO PROVIDE A RECERTIFICATION ON AN ANNUAL BASIS TO THE CONTRACTING OFFICER THAT THE DRINKING WATER IS IN COMPLIANCE WITH APPLICABLE STANDARDS.

64 RESTROOMS

SEPARATE TOILET FACILITIES FOR MEN AND WOMEN SHALL BE PROVIDED ON EACH FLOOR IN THE BUILDING. THE FACILITIES MUST E LOCATED SO THAT EMPLOYEES WILL NOT BE REQUIRED TO TRAVEL MORE THAN 150 FEET ON ONE FLOOR TO REACH THE TOILETS. EACH TOILET ROOM SHALL HAVE SUFFICIENT WATER CLOSETS ENCLOSED WITH MODERN; STALL PARTITIONS AND DOORS, URINALS (IN MEN'S ROOM), AND HOT (SET AT 105 DEGREES) AND COLD WATER. WATER CLOSETS AND URINALS SHALL NOT BE VISIBLE WHEN THE EXTERIOR DOOR IS OPEN. EACH SEPARATE TOILET FACILITY FOR WOMEN SHALL BE PROVIDED WITH A 64 SQUARE FOOT (MINIMUM) LOUNGE. EACH MAIN TOILET ROOM SHALL CONTAIN:

EQUIPMENT:
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* A MIRROR ABOVE EACH LAVATORY.

* A TOILET PAPER DISPENSER IN EACH WATER CLOSET STALL, THAT WILL HOLD AT LEAST TWO ROLLS AND ALLOW EASY UNRESTRICTED DISPENSING.

* A COAT HOOK ON INSIDE face OF DOOR TO EACH WATER CLOSET STALL AND ON SEVERAL WALL LOCATIONS BY LAVATORIES

* AT LEAST ONE MODERN PAPER TOWEL DISPENSER, SOAP DISPENSER, AND WASTE RECEPTACLE FOR EVERY TWO LAVATORIES.

* A COIN-OPERATED SANITARY NAPKIN DISPENSER IN WOMEN'S TOILET ROOMS WITH WASTE RECEPTACLE FOR EVERY TWO LAVATORIES.

* CERAMIC TILE OR COMPARABLE WAINSCOT FROM THE FLOOR TO A MINIMUM HEIGHT OF 4 FEET 6 INCHES.

* A DISPOSABLE TOILET SEAT COVER DISPENSER.

* A COUNTER AREA OF AT LEAST 2 FEET IN LENGTH, EXCLUSIVE OF THE LAVATORIES. (HOWEVER, IT MAY BE ATTACHED TO THE LAVATORIES) WITH A MIRROR ABOVE AND A GROUND-FAULT INTERRUPT-TYPE CONVENIENCE OUTLET LOCATED ADJACENT TO THE COUNTER AREA.

TOILET PARTITIONS TO BE OVERHEAD BRACED TYPE, BAKED-ENAMEL FINISH ON GALVANIZED STEEL, WITH CONCEALED ANCHORAGE COMPLETE WITH MANUFACTURER'S STANDARD HEAVY-DUTY CHROME-PLATED HARDWARE AND ACCESSORIES. STEEL SHEETS FOR METAL PARTITIONS TO BE ASTM A 591 CLASS C GALVANIZED, 20 GAGE FOR PILASTERS, PANELS, AND SCREENS; 22 GAGE FOR DOORS. CORE MATERIAL TO BE MANUFACTURER'S STANDARD SOUND-DEADENING HONEYCOMB OF IMPREGNATED KRAFT PAPER, 1 INCH MINIMUM FOR DOORS, PANELS, AND SCREENS; 1-1/4 INCH MINIMUM FOR PILASTERS.

HANDICAPPED:
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ALL PUBLIC TOILET ROOMS SHALL BE LOCATED ALONG AN ACCESSIBLE PATH OF TRAVEL AND MUST HAVE ACCESSIBLE FIXTURES, ACCESSORIES, DOORS AND ADEQUATE MANEUVERING CLEARANCES. THE INTERIOR SHALL ALLOW AN UN-OBSTRUCTED FLOOR SPACE OF 5 FEET IN DIAMETER, MEASURED 12 INCHES ABOVE THE FLOOR. AT LEAST ONE MEN'S AND ONE WOMEN'S TOILET ROOM ON EACH FLOOR WHERE THE GOVERNMENT LEASES PART OF THE FLOOR, OR ALL PUBLIC TOILET ROOMS WHERE THE GOVERNMENT LEASES THE ENTIRE FLOOR, SHALL HAVE ONE TOILET STALL THAT:

* IS 60 INCHES WIDE

* HAS A MINIMUM DEPTH OF 56 INCHES WHEN WALL-MOUNTED CLOSETS ARE USED OR 59 INCHES WHEN FLOOR-MOUNTED CLOSETS ARE USED.

* HAS A CLEAR FLOOR AREA.

* HAS A DOOR THAT IS 32 INCHES WIDE AND SWINGS OUT.

* HAS HANDRAILS ON EACH SIDE, (FLOOR TRANSFER STALL) OR ON THE SIDE AND BACK (SIDE TRANSFER STALL). THEY SHALL BE 33 TO 36 INCHES HIGH AND PARALLEL TO THE FLOOR, 1-1/4 TO 1-1/2 INCHES IN OUTSIDE DIAMETER, WITH 1-1/2 INCH CLEARANCE BETWEEN RAIL AND WALL, AND FASTENED SECURELY AT ENDS AND CENTER. THEY SHALL HAVE NO SHARP EDGES AND MUST PERMIT THE CONTINUOUS SLIDING OF HANDS.

* HAS A WATER CLOSET MOUNTED AT A HEIGHT FROM 17 TO 19 INCHES, MEASURED FROM THE FLOOR TO THE TOP OF THE SEAT. HAND-OPERATED OR AUTOMATIC FLUSH CONTROLS SHALL BE MOUNTED NO HIGHER THAN 44 INCHES ABOVE THE FLOOR.

ALTERNATE ACCESSIBLE TOILET STALLS:
****

A STALL MEASURING 36 INCHES OR 48 INCHES WIDE BY 66 INCHES, BUT PREFERABLY 72 INCHES DEEP, MAY BE ACCEPTABLE AS DETERMINED BY THE CONTRACTING OFFICER.

HANDICAPPED LAVATORY:
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AT LEAST ONE LAVATORY SHALL BE MOUNTED WITH THE RIM OR COUNTER SURface NOT HIGHER THAN 34 INCHES (865MM) ABOVE THE FINISHED FLOOR. PROVIDE A CLEARANCE OF AT LEAST 29 INCHES (735MM) FROM THE FLOOR TO THE BOTTOM OF THE APRON.

FAUCETS SHALL BE LEVER-OPERATED, PUSH-TYPE, OR ELECTRONICALLY ACTIVATED FOR ONE-HAND OPERATION WITHOUT THE NEED FOR TIGHT PINCHING OR GRASPING. DRAIN PIPES AND HOT-WATER PIPES UNDER A LAVATORY MUST BE COVERED, INSULTED, OR RECESSED FAR ENOUGH SO THAT WHEELCHAIR INDIVIDUALS WITHOUT SENSATION WILL NOT BURN THEMSELVES.

HANDICAPPED OTHER REQUIREMENTS:
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ONE MIRROR WITH SHELF SHALL BE PROVIDED ABOVE THE LAVATORY AT A HEIGHT AS LOW AS POSSIBLE AND NO HIGHER THAN 40 INCHES ABOVE THE FLOOR, MEASURED FROM THE TOP OF THE SHELF AND THE BOTTOM OF THE MIRROR. A COMMON MIRROR PROVIDED FOR BOTH THE ABLE THE DISABLED MUST PROVIDE A CONVENIENT VIEW FOR BOTH. TOILET ROOMS FOR MEN SHALL HAVE A WALL-MOUNTED URINAL WITH AN ELONGATED LIP, WITH THE BASIN OPENING NO MORE THAN 17 INCHES ABOVE THE FLOOR. ACCESSIBLE FLOOR-MOUNTED STALL URINALS WITH BASINS AT THE LEVEL OF THE FLOOR ARE ACCEPTABLE. THE TOILET ROOMS SHALL HAVE AT LEAST ONE TOWEL RACK, TOWEL DISPENSERS, AND OTHER DISPENSERS AND DISPOSAL UNITS MOUNTED NO HIGHER THAN 48 INCHES FROM THE FLOOR OR 54 INCHES IF A PERSON IN A WHEELCHAIR HAS TO APPROACH IT FROM THE SIDE.

65 RESTROOMS: FIXTURE SCHEDULE

THE TOILET FIXTURE SCHEDULES SPECIFIED BELOW SHALL BE APPLIED TO EACH FULL FLOOR BASED ON ONE PERSON FOR EACH 135 SQUARE FEET OF OFFICE SPACE IN A RATIO OF 50 PERCENT MEN AND 50 PERCENT WOMEN.

REFER TO THE SCHEDULE SEPARATELY FOR EACH SEX.

NUMBER OF MEN*/WOMEN	WATER CLOSETS	LAVATORIES
1-15	1	1
16-35	2	2
36-55	3	3
56-60	4	3
61-80	4	4
81-90	5	4
91-110	5	5
111-125	6	5
126-150	6	**
OVER 150	***	

* IN MEN'S FACILITIES, URINALS MAY BE SUBSTITUTED FOR ONE-THIRD OF THE WATER CLOSETS SPECIFIED.

** ADD ONE LAVATORY FOR EACH 45 ADDITIONAL EMPLOYEES OVER 125.

*** ADD ONE WATER CLOSET FOR EACH 40 ADDITIONAL EMPLOYEES OVER 150.

66 JANITOR CLOSETS

JANITOR CLOSETS WITH SERVICE SINK, HOT AND COLD WATER, AND AMPLE STORAGE FOR CLEANING EQUIPMENT, MATERIALS, AND SUPPLIES SHALL BE PROVIDED ON ALL FLOORS. JANITOR CLOSETS SHALL BE PHYSICALLY SEPARATE FROM RESTROOMS.

67 HEATING AND AIR CONDITIONING

THERMOSTATS SHALL BE SET TO MAINTAIN A TEMPERATURE OF 68 DEGREES F DURING THE HEATING SEASON AND 78 DEGREES F DURING THE COOLING SEASON. THESE TEMPERATURES MUST BE MAINTAINED THROUGHOUT THE LEASED PREMISES AND SERVICE AREAS, REGARDLESS OF OUTSIDE TEMPERATURES, DURING THE HOURS OF OPERATION SPECIFIED IN THE LEASE.

DURING NONWORKING HOURS, HEATING TEMPERATURES SHALL BE SET NO HIGHER THAN 55 DEGREES F AND AIR CONDITIONING WILL NOT BE PROVIDED. THERMOSTATS SHALL BE SECURED FROM MANUAL OPERATION BY KEY OR LOCKED CAGE. A KEY SHALL BE PROVIDED TO THE GSA FIELD OFFICE MANAGER.

HEATING SYSTEMS SHALL NOT BE OPERATED TO MAINTAIN TEMPERATURES ABOVE 68 DEGREES F, AND COOLING SYSTEMS SHALL NOT BE OPERATED TO ACHIEVE TEMPERATURES BELOW 78 DEGREES F. HEATING ENERGY SHALL NOT BE USED TO ACHIEVE THE TEMPERATURE SPECIFIED FOR COOLING, AND COOLING ENERGY SHALL NOT BE USED TO ACHIEVE THE TEMPERATURE SPECIFIED FOR HEATING.

AREAS HAVING EXCESSIVE HEAT GAIN OR HEAT LOSS, OR AFFECTED BY SOLAR RADIATION AT DIFFERENT TIMES OF THE DAY, SHALL BE INDEPENDENTLY CONTROLLED.

PROVIDE HEAT TO MAINTAIN 40 DEGREES F IN SPACES WHICH ARE NOT HEATED, VENTILATED, AND AIR-CONDITIONED, BUT WHICH ARE LOCATED ON THE EXTERIOR OF THE BUILDING WHERE THERE IS A POSSIBILITY OF SPRINKLER PIPING FREEZING.

FOR AREAS TO BE HEATED AND VENTILATED ONLY, MAINTAIN 60 DEGREES F WITH AIR CIRCULATION CFM RATE BASED ON ROOM HEAT GAIN AT 20 DEGREES TEMPERATURE DIFFERENCE OR 2 CFM/SQ. FT., WHICHEVER IS GREATER.

EXHAUST TOILETS AT 2 CFM/SQ. FT. OR 50 CFM, WHICHEVER IS GREATER. SUPPLY LOCKER ROOMS AT 2 CFM/SQ. FT. EXHAUST 100 PERCENT OF SUPPLY AIR FROM LOCKER ROOM AND FROM NEARBY TOILETS TO BUILDING EXHAUST.

ZONE CONTROL:
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INDIVIDUAL THERMOSTAT CONTROL SHALL BE PROVIDED FOR ALL OFFICE SPACE WITH CONTROL AREAS NOT TO EXCEED 2000 SQUARE FEET. AREAS WHICH ROUTINELY HAVE EXTENDED HOURS OF OPERATION SHALL BE ENVIRONMENTALLY CONTROLLED THROUGH DEDICATED HEATING AND AIR-CONDITIONING EQUIPMENT. SPECIAL-PURPOSE AREAS (SUCH AS PHOTOCOPY CENTERS, LARGE CONFERENCE ROOMS, ETC.) WITH AN INTERNAL LOAD IN EXCESS OF 5 TONS SHALL BE INDEPENDENTLY CONTROLLED. CONCEALED PACKAGE AIR-CONDITIONING EQUIPMENT SHALL BE PROVIDED TO MEET LOCALIZED SPOT COOLING OF TENANT SPECIAL EQUIPMENT. PORTABLE SPACE HEATERS ARE PROHIBITED FROM USE.

HEATING/COOLING PLANT:
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A HEATING AND COOLING PLANT SHALL BE PROVIDED FOR THE BUILDING. HEATING AND COOLING PLANT SHALL HAVE ADEQUATE REDUNDANCY TO ALLOW FOR NORMAL MAINTENANCE OF EQUIPMENT AND/OR REPAIR OF EQUIPMENT FAILURE WITHOUT INTERRUPTION OF SERVICE TO OFFICE AND CRITICAL EQUIPMENT AREAS OF THE BUILDING.

REFRIGERATION SYSTEM SHALL BE DESIGNED TO ACCOMMODATE AN ELECTRICAL LOAD OF 6 WATTS PER SQUARE FOOT FOR ALL OFFICE AREAS.

A SECONDARY CHILLED-WATER SYSTEM OR A SECONDARY CONDENSER WATER SYSTEM INCLUDING DEDICATED TWO-CELL COOLING TOWER, PUMPS, AND SECONDARY CHILLED-WATER OR CONDENSER WATER PIPING RISERS WITH VALVED CONNECTIONS AT EACH FLOOR FOR SELF-CONTAINED COMPUTER AIR-CONDITIONING EQUIPMENT INSTALLATIONS SHALL BE PROVIDED. SYSTEM SHALL BE OPERATIONAL 24 HOURS PER DAY, 365 DAYS PER YEAR, AND SHALL HAVE ADEQUATE REDUNDANCY TO ALLOW FOR NORMAL MAINTENANCE OF EQUIPMENT AND/OR REPAIR OF EQUIPMENT FAILURE WITHOUT INTERRUPTION OF SERVICE TO CRITICAL EQUIPMENT FACILITIES. A WATER TREATMENT SYSTEM SHALL BE PROVIDED FOR THE SECONDARY WATER SYSTEM. THE SECONDARY CHILLED-WATER SYSTEM OR THE SECONDARY CONDENSER WATER SYSTEM SHALL BE SIZED FOR 900 TONS OF COOLING. THE SECONDARY CHILLED-WATER RISERS AND VALVES OR CONDENSER WATER RISERS AND VALVED CONNECTIONS SHALL BE SIZED TO ALLOW ANY FLOOR FULL DESIGN LOAD FOR THE FLOOR PLUS 100-PERCENT ADDITIONAL DESIGN LOAD FOR THE FLOOR.

EQUIPMENT PERFORMANCE:
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TEMPERATURE CONTROL FOR OFFICE SPACES SHALL BE ASSURED BY CONCEALED CENTRAL HEATING AND AIR-CONDITIONING EQUIPMENT. THE EQUIPMENT SHALL MAINTAIN SPACE TEMPERATURE CONTROL OVER A RANGE OF INTERNAL LOAD FLUCTUATIONS OF PLUS 0.5 WATT/SQ. FT. TO MINUS 1.5 WATTS/SQ. FT. FROM INITIAL DESIGN REQUIREMENTS OF THE TENANT. HVAC SYSTEM DESIGN AND CAPACITY MUST ACCOMMODATE THE EXTRA HEAT LOAD INHERENT IN THE GOVERNMENT'S EXPECTED OCCUPANCY RATE OF ONE PERSON PER 135 SQUARE FEET OF SPACE AND OFFICE AUTOMATION EQUIPMENT PLANNED AT A RATE OF ONE OFFICE AUTOMATION WORK STATION PER EVERY EMPLOYEE.

68 VENTILATION (As Amended 10/26/89)

Outside air shall be provided to all office space for a minimum of twenty (20) cubic feet per minute (CFM) for each person or 0.2 CFM per square foot, whichever is greater. Economizer cycle-free cooling, using outside air may be used for cooling. Where the Government pays utilities, an automatic air economizer cycle must be provided to all air-handling equipment. Conference rooms of one hundred and twenty (120) square feet or greater shall be provided with a dedicated source of ventilation air or be fitted with air-handling equipment with smoke/odor-removing filters. Within the scope of this lease, the only conference rooms to receive a dedicated source of ventilation air or be fitted with air-handling equipment with smoke/odor removing filters are specified in Paragraph 103 of this SFO. Should any additional rooms require supplementary ventilation, the necessary materials and installation shall be provided at the Government expense.

WHERE THE LESSOR PROPOSES THAT THE GOVERNMENT SHOULD PAY UTILITIES, THE BUILDING SHALL HAVE A FULLY FUNCTIONAL BUILDING AUTOMATION SYSTEM (BAS) CAPABLE OF CONTROL REGULATION AND MONITORING OF ALL ENVIRONMENTAL CONDITIONING EQUIPMENT. THE BAS SHALL BE FULLY SUPPORTED BY A SERVICE AND MAINTENANCE CONTRACT.

69 ELECTRICAL: GENERAL (As Amended 01/30/90)

THE LESSOR SHALL BE RESPONSIBLE FOR MEETING THE APPLICABLE REQUIREMENTS OF THE NATIONAL ELECTRIC CODE, THE NATIONAL ELECTRIC SAFETY CODE; STANDARDS OF THE NATIONAL ELECTRIC MANUFACTURERS' ASSOCIATION, INSULATED POWER CABLE ENGINEERS' ASSOCIATION, THE AMERICAN INSTITUTE OF ELECTRICAL ENGINEERS, AND LOCAL CODES AND ORDINANCES. WHEN CODES CONFLICT, THE MORE STRINGENT STANDARD SHALL APPLY. MAIN SERVICE FACILITIES WILL BE ENCLOSED. THE ENCLOSURE MAY NOT BE USED FOR STORAGE OR OTHER PURPOSES AND SHALL HAVE DOORS OUTFITTED WITH AN AUTOMATIC DEADLOCKING LATCH BOLT WITH A MINIMUM THROW OF ½ INCH. DISTRIBUTION PANELS MUST BE CIRCUIT-BREAKER TYPE WITH 10-PERCENT SPARE POWER LOAD AND CIRCUITS. COPPER WIRE SHALL BE USED FOR ALL POWER WIRING LOCATED IN AND SERVICING THE SPACE LEASED, IF THE FULL BUILDING IS TO BE LEASED THAN ALL BUILDING WIRING MUST BE COPPER UNLESS APPROVED IN WRITING BY THE CONTRACTING OFFICER.

69A PRIMARY DISTRIBUTION (As Amended 01/30/90)

A single spot network system shall be used with three (3) or more primary feeders to ensure a high degree of service continuity. All such feeders shall enter the site and continue to the building below grade.

69B SYSTEM CAPACITY

Capacity shall be provided in the building electrical switchgear to accommodate the actual lighting and HVAC loads, the computer equipment rooms based on 50 watts per square foot for a minimum of 5-percent of the total gross floor area, of the building, general equipment load based on 6 watts per square foot of the total gross floor area, plus 25-percent spare capacity.

69C SECONDARY DISTRIBUTION

Electrical 480Y/277-volt, 3-phase, 4-wire distribution feeders shall be designed for the actual lighting and HVAC loads, plus 6 watts per square foot for general equipment load. Other 208Y/120-volt, 3-phase, 4-wire feeders, transformers, and panels shall be designed for 6 watts per square foot for general equipment load. Panels shall be sized for at least 30-percent spare circuit capacity. Feeders for HVAC and elevator equipment shall be designed to meet operating loads.

69D STANDBY POWER SUPPLY (As Amended 01/24/90)

The building shall be provided with a standby emergency generator. Capacity shall be capable of supporting all required emergency lighting; exit lighting (signs), fire alarm panels, fire protection systems, including engineered smoke control, security systems, and elevators.

69E GROUNDING

An underground grounding grid shall be provided to ground the electrical substation equipment, electric metal raceways, transformer neutrals, shielding, metallic enclosure of all equipment for life safety, all building steel columns, raised floors, and down leaders from the lightning protection system. Copper-clad steel ground rod at least 10 feet long and ¾ inch in diameter shall be driven around the periphery of the building's ground loop. The grounding grid will consist of a loop of stranded annealed copper wire of minimum 4/0 AWG.

Equipment ground wire (Green Insulated Type TW) shall be installed in all feeder and branch circuit conduit for receptacle and lighting circuits and shall be connected to an insulating ground bus in each panelboard.

69F LIGHTNING PROTECTION

Lightning protection for this facility shall be provided in accordance with the NFPA.

The complete installation shall conform in all respects to the current requirements of the Underwriters Laboratories, Inc. and all legal, labor, insurance, or other authorities having jurisdiction. The installing contractor, such as Bonded Lightning, Rockville, Maryland, and Norfolk, Virginia, shall have a minimum of 5 years experience in this specialized work and shall be listed and approved by the Underwriters Laboratories, Inc.

All materials used shall be furnished and recommended for their intended use by reputable lightning protection manufacturers. Upon completion of this system, the lightning protection contractor shall furnish to the owner and architect a ground resistance test report. Resistance shall not exceed 10 ohms, and it must have the Underwriters Laboratories, Inc. Master Labeled C Plate of Approval."

70A ELECTRICAL: DISTRIBUTION

PROVIDE AN ELECTRICAL DISTRIBUTION PLAN WHICH WILL PROVIDE ADEQUATE FLEXIBILITY TO ENSURE A UNIFORM PATTERN IN THE SPACE. POWER POLES ARE NOT ACCEPTABLE.

70B ELECTRICAL: DISTRIBUTION (ALTERNATIVE)

AREAS WITH ACCESS FLOOR

THE FOLLOWING SHALL BE PROVIDED AS A SPECIFICALLY PRICED OPTION FOR USE WITH ACCESS FLOORING.

ONE GENERAL POWER DISTRIBUTION BOX SHALL BE PROVIDED FOR EVERY 400 SQUARE FEET OF ACCESS FLOOR AREA. DISTRIBUTION BOXES SHALL HAVE TWO CIRCUITS AND SIX OUTLETS AND SHALL BE LOCATED ON THE CONCRETE SLAB BELOW THE RAISED ACCESS FLOOR SYSTEM. FLOOR OUTLETS FOR INSTALLATION IN RAISED ACCESS FLOOR PANELS SHALL BE PROVIDED ON THE BASIS OF ONE PER 75 SQUARE FEET OF ACCESS FLOOR. EACH OUTLET SHALL HAVE A FOURPLEX (DOUBLE DUPLEX) RECEPTACLE WITH A 15 FOOT LONG BX CABLE WITH A CONNECTOR COMPATIBLE WITH THE GENERAL POWER DISTRIBUTION BOXES AND PROVISIONS FOR TELECOMMUNICATIONS (VOICE AND DATA). DUPLEX WALL OUTLETS SHALL BE PROVIDED ON THE BASIS OF ONE PER 100 SQUARE FEET.

THE LESSOR MUST ENSURE THAT OUTLETS AND ASSOCIATED WIRING (FOR ELECTRICITY, VOICE, AND DATA) TO THE WORKSTATION WILL BE SAFELY CONCEALED UNDER THE RAISED ACCESS FLOORING. CABLE ON THE FLOOR SURface MUST BE MINIMIZED. POWER POLES ARE NOT ACCEPTABLE. WIRING MUST BE CONCEALED UNDER THE FLOOR. ALL FLOORS MUST HAVE 220-VOLT, SINGLE-PHASE, 60-HERTZ ELECTRIC SERVICE AVAILABLE. DUPLEX OUTLETS MUST BE CIRCUITED SEPARATELY FROM THE LIGHTING. THE ELECTRICAL SYSTEM MUST HAVE AN ALLOWANCE OF 5.0 WATTS PER NET USABLE SQUARE FOOT TO ACCOMMODATE OFFICE AUTOMATION EQUIPMENT THROUGHOUT THE SPACE.

71 ELECTRICAL DISTRIBUTION (As Amended 11/28/89)

AREAS WITHOUT ACCESS FLOOR

Duplex floor or wall outlets shall be provided in areas without raised access floor on the basis of one per 100 square feet for duplex wall outlets and one per 300 square feet for floor outlets. Telecommunications (voice and data) floor or wall outlets shall also be provided on a basis of one per 300 square feet for telecommunications wall outlets and one per 300 square feet for floor outlets with a minimum of one per enclosed space.

The lessor must ensure that outlets and wiring will be safely concealed by a method acceptable to the Contracting Officer. Cable on the floor surface shall be minimized; and power poles are not acceptable. All floors shall have 220-volt, single-phase, 60-hertz electric service available; duplex outlets shall be circuited separately from the lighting. The electrical system must have an allowance of 6.0 watts per net usable square foot, to accommodate office automation equipment throughout the space.

72 ELECTRICAL: ADDITIONAL DISTRIBUTION SPECIFICATIONS

IF THE OFFEROR PROPOSES THAT BUILDING MAINTENANCE WILL BE THE RESPONSIBILITY OF THE GOVERNMENT, THE LESSOR SHALL PROVIDE DUPLEX UTILITY OUTLETS IN TOILETS, CORRIDORS, AND DISPENSING AREAS FOR MAINTENANCE PURPOSES AT NO COST TO THE GOVERNMENT. FUSES AND CIRCUIT BREAKERS SHALL BE PLAINLY MARKED OR LABELED TO IDENTIFY CIRCUITS OR EQUIPMENT SUPPLIED THROUGH THEM.

73 TELEPHONE EQUIPMENT

THE GOVERNMENT RESERVES THE RIGHT TO PROVIDE ITS OWN TELECOMMUNICATION (VOICE AND DATA) SERVICE IN THE SPACE TO BE LEASED. THE GOVERNMENT MAY CONTRACT WITH ANOTHER PARTY TO HAVE INSIDE WIRING AND TELEPHONE EQUIPMENT INSTALLED OR USE WIRING PROVIDED BY THE LESSOR, IF AVAILABLE. IN ANY CASE, SPACE FOR TELECOMMUNICATION EQUIPMENT SHALL BE PROVIDED BY THE LESSOR.

TELECOMMUNICATION SWITCH ROOMS, WIRE CLOSETS, AND BELATED SPACES SHALL BE ENCLOSED. THE ENCLOSURE MAY NOT BE USED FOR STORAGE OR OTHER PURPOSES.

PUBLIC TELEPHONES:
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A MINIMUM OF SIX PUBLIC TELEPHONES SHALL BE PROVIDED IN THE AREA OF THE LOBBY subject to C&P telephone or another vendor agreeing to provide said equipment. The lessor may designate specific areas for the installation of public telephones. A MINIMUM OF ONE PUBLIC TELEPHONE SHALL BE EQUIPPED FOR THOSE WITH HEARING DISABILITIES. A MINIMUM OF ONE SHALL BE MADE ACCESSIBLE TO PERSONS IN WHEELCHAIRS BY WALL MOUNTING THEM SO THE TOP OF THE PHONE IS NO MORE THAN 48 INCHES FROM THE FLOOR (FRONTAL APPROACH) OR 54 INCHES (PARALLEL APPROACH) THE LENGTH OF THE CORD FROM THE TELEPHONE TO THE HANDSET SHOULD BE AT LEAST 29 INCHES.

74 LIGHTING: INTERIOR

MODERN, DIFFUSED FLUORESCENT FIXTURES USING NO MORE THAN 2.0 WATTS PER SQUARE FOOT SHALL BE PROVIDED. SUCH FIXTURES SHALL BE CAPABLE OF PRODUCING AND MAINTAINING A UNIFORM LIGHT LEVEL OF 50 FOOTCANDLES AT WORKING SURface HEIGHT THROUGHOUT THE SPACE. WHEN THE SPACE IS NOT IN USE BY THE GOVERNMENT, INTERIOR AND EXTERIOR LIGHTING, EXCEPT THAT ESSENTIAL FOR SAFETY AND SECURITY PURPOSES, SHALL BE TURNED OFF.

BUILDING ENTRANCES AND PARKING AREAS MUST BE LIGHTED. BALLASTS ARE TO BE RAPID-START, THERMALLY PROTECTED, VOLTAGE REGULATING TYPE, UL-LISTED AND ETL APPROVED.

OUTDOOR PARKING AREAS SHALL HAVE A MINIMUM OF 1 FOOTCANDLE OF ILLUMINATION. INDOOR PARKING AREAS SHALL HAVE A MINIMUM OF 10 FOOTCANDLES LEVEL ILLUMINATION.

FOUR-FOOT FLUORESCENT LAMPS WILL BE ENERGY-SAVING 34-WATT, 1-AMPERE. LIGHTING IN AREAS WITH NO CEILING WILL BE PENDANT OR WALL-MOUNTED FLUORESCENT FIXTURES. PROVIDE APPROVED LAMP-PROTECTION DEVICES IN LIGHT INDUSTRIAL AREAS, INCLUDING LOADING DOCK AND GARAGE, HIGH-INTENSITY-DISCHARGE (HID) LIGHTING WILL BE USED, PRIMARILY OF THE METAL HALIDE (MH) AND SUPER METAL HALIDE (SMH) TYPE. LIGHTING FIXTURES SHALL BE PROVIDED WITH LENSES.

75 SWITCHES

SWITCHES AND CONTROLS FOR LIGHTING, HEAT, FIRE ALARMS, AND ALL SIMILAR CONTROLS OF FREQUENT OR ESSENTIAL USE SHALL BE PLACED NO HIGHER THAN 54 INCHES FROM THE FLOOR WITH 48 INCHES PREFERRED.

76 ADDITIONAL ELECTRICAL CONTROLS

SWITCHES SHALL BE LOCATED ON COLUMNS OR WALLS BY DOOR OPENINGS. NO MORE THAN 1000 SQUARE FEET OF OPEN SPACE SHALL BE CONTROLLED BY ONE LIGHT SWITCH. IF THE OFFEROR PROPOSED THAT THE GOVERNMENT PAY SEPARATELY FOR ELECTRICITY, NO MORE THAN 500 SQUARE FEET OF OFFICE MAY BE CONTROLLED BY ONE SWITCH OR AUTOMATIC LIGHT CONTROL AND MUST BE PROVIDED TO ALL SPACE ON THE GOVERNMENT METER, EITHER THROUGH A BUILDING AUTOMATION SYSTEM, TIME CLOCK, OCCUPANT SENSOR, OR OTHER COMPARABLE SYSTEM ACCEPTABLE TO THE CONTRACTING OFFICER.

77 ELEVATORS (As Amended 09/21/89)

THE LESSOR SHALL PROVIDE SUITABLE PASSENGER AND FREIGHT ELEVATOR SERVICE TO ALL GSA-LEASED SPACE NOT HAVING GROUND-LEVEL ACCESS. SERVICE SHALL BE AVAILABLE DURING THE HOURS SPECIFIED IN THE PARAGRAPH ENTITLED “NORMAL HOURS,” BELOW. HOWEVER, ONE ELEVATOR SHALL BE AVAILABLE AT ALL TIMES FOR GOVERNMENT USE. GSA WILL BE GIVEN 24-HOUR ADVANCE NOTICE IF THE SERVICE IS TO BE INTERRUPTED MORE THAN 1½ HOURS. INTERRUPTION SHALL BE SCHEDULED FOR MINIMUM INCONVENIENCE.

CODE:
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ELEVATORS SHALL CONFORM TO THE CURRENT EDITIONS OF THE AMERICAN NATIONAL STANDARD A17.1, SAFETY CODE FOR ELEVATORS AND ESCALATORS, EXCEPT THAT ELEVATOR CARS ARE NOT REQUIRED TO HAVE A VISUAL OR AUDIBLE SIGNAL TO NOTIFY PASSENGERS DURING AUTOMATIC RECALL, AND ELEVATOR LOBBY SMOKE DETECTORS MUST NOT ACTIVATE THE BUILDING FIRE ALARM SYSTEM, BUT MUST SIGNAL THE FIRE DEPARTMENT OR CENTRAL STATION SERVICE AND CAPTURE THE ELEVATORS. THE ELEVATOR SHALL BE INSPECTED AND MAINTAINED IN ACCORDANCE WITH THE CURRENT REQUIREMENTS OF THE AMERICAN NATIONAL STANDARD A17.2, INSPECTOR’S MANUAL FOR ELEVATORS AND ELEVATOR MANUFACTURER’S REQUIREMENTS.

ENTRANCE:
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THE ELEVATOR ENTRANCE SHOULD PROVIDE A CLEAR OPENING OF AT LEAST 36 INCHES. THE INSIDE MEASUREMENTS SHALL BE A MINIMUM OF 51 INCHES DEEP AND 68 INCHES WIDE.

CALL BUTTONS:
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FIFTY-FOUR INCHES WITH 48 INCHES PREFERRED IS THE MAXIMUM PERMISSIBLE HEIGHT FOR THE NIGHEST CALL BUTTON INSIDE THE CAR. HOWEVER, THE NIGHEST OPERABLE PART OF A TWO-WAY COMMUNICATION SYSTEM INSIDE THE CAR CANNOT EXCEED 48 INCHES FROM THE FLOOR. THE LOBBY CALL BUTTON SHOULD BE CENTERED AT 42 INCHES ABOVE THE FLOOR BUT NO HIGHER THAN 54 INCHES MAXIMUM.

SAFETY SYSTEMS:
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ELEVATORS ARE TO BE EQUIPPED WITH TELEPHONES OR OTHER TWO-WAY EMERGENCY SIGNALLING SYSTEMS. THE SYSTEM USED SHALL BE MARKED AND SHALL REACH THE NASA MAIN SECURITY DESK.

WHEN GOVERNMENT OCCUPANCY IS THREE OR MORE FLOORS ABOVE GRADE, AUTOMATIC ELEVATOR EMERGENCY RECALL IS REQUIRED.

SPEED:
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THE PASSENGER ELEVATORS MUST HAVE A CAPACITY TO TRANSPORT IN 5 MINUTES 15-PERCENT OF THE NORMAL POPULATION OF ALL UPPER FLOORS (BASED ON 125 SQUARE FEET PER PERSON). FURTHER, THE DISPATCH INTERVAL BETWEEN ELEVATORS DURING THE UP-PEAK DEMAND PERIOD SHOULD NOT EXCEED 35 SECONDS.

77A ELEVATOR – FREIGHT

The lessor shall provide a minimum of one freight elevator for the exclusive use of the Government. The freight elevator must satisfy or exceed the following criteria:

a. Capacity — The elevator capacity shall be a minimum of five thousand (5,000) lbs.

b. Enclosure — The car enclosure shall have flush metal walls and metal car top. Provide hardwood or steel bumpers bolted to the frame construction at the proper level to avoid damage by careless loading and unloading.

c. Entrance — The car entrance shall have, as a minimum, a horizontal clearance of 72”, where horizontal sliding type doors are used and where vertically counterbalanced doors are used it should be the full width of the elevator. The vertical clearance of the entrance shall be a minimum of 96”.

d. Platform — The car platform dimensions shall be a minimum of 100” by 120”.

The freight elevator shall be arranged to discharge into a separate vestibule or service lobby on each floor. The freight elevator shall not discharge into a primary route of horizontal circulation such as a main corridor, lobby, etc.

SECTION: 7
SERVICES, UTILITIES, MAINTENANCE

78 GENERAL (As Amended 01/24/90)

The lessor must have a building superintendent or a locally designated representative available to promptly correct deficiencies.

The lessor shall provide and pay for the cost of the services as specified within the body of this SFO and maintenance of the leased premises including all fixtures installed as specified in the individual areas specified in Paragraph 103 within the rental rate offered, if the offer is submitted in response to Section No. 1, as specified in Paragraph 04 of SFO 89-047 as amended.

The lessor shall also provide, and bear the responsibility for, paying all utility charges associated with the use of the Special Requirement areas specified in Paragraph 103, of this SFO, on a twenty four hour a day seven day a week basis.

In years five, ten and fifteen following the composite lease commencement date; the Government reserves the right to assume responsibility for servicing the entire building upon terms mutually agreeable to both the Government and the lessor.

79 NORMAL HOURS

SERVICES, UTILITIES, AND MAINTENANCE WILL BE PROVIDED DAILY, EXTENDING FROM 6:30 A.M. TO 6:30 P.M., EXCEPT SATURDAYS, SUNDAYS, AND FEDERAL HOLIDAYS.

80 OVERTIME USAGE (As Amended 01/24/90)

(A) The Government shall have access to the leased space at all times, including the use of elevators, toilets, lights, small business machines and the equipment installed in the building pursuant to the specifications included in Paragraph 103 without additional payment.

(B) The nine hundred (900) ton secondary heating and cooling plant specified in Paragraph 67, of this solicitation shall be provided with independent utility meters. The Government intends to pay the utilities directly for this service due to the fact that it will service operations that operate on a twenty four (24) hour a day basis.

(C) If heating or cooling is required on an overtime basis in an area not serviced by the nine hundred (900) ton secondary heating and cooling plant, then such services shall be ordered orally or in writing by a contracting officer or GSA Buildings Manager. When ordered, services will be provided at the hourly rate negotiated prior to award. Costs for personal services shall only be included as authorized by GSA.

(D) When the cost of service is $2,000 or less, the service may be ordered orally and an invoice submitted to the official placing the order for certification and payment. Orders for services costing more than $2,000 will be placed using a GSA Form 300, Order for Supplies or Services.

The clauses entitled “GSAR 552.232-70(A) Payment Due Date” and “GSAR 552.232-72, Invoice Requirements” on GSA Form 3517, General Clauses, apply for all orders for overtime services.

(E) All orders are subject to the terms and conditions of this lease. In the event of a conflict between an order and this lease, the lease shall control.

(F) The negotiated rate per hour for overtime services is hereby fixed at $92.08 per hour. This figure may be renegotiated on an annual basis.

81 UTILITIES (As Amended 09/21/89)

The lessor shall ensure that utilities necessary for operation are available and shall pay for the cost of all the utilities except for as provided for in paragraph 80 of this solicitation within the rental rate offered.

82 MAINTENANCE AND TESTING OF SYSTEMS (As Amended 01/24/90)

The lessor is responsible for the total maintenance and repair of the leased premises in accordance with Paragraph 16, GSA Form 3517. The foregoing requirement shall be subject to the Government’s obligations pursuant to Paragraph 85, and shall be construed to require normal repair and maintenance by the lessor. The Government shall be responsible for the replacement of any equipment furnished by the Government or by the lessor pursuant to Paragraph 103 whenever such replacement shall be necessary as determined by the Government, and the equipment is not covered under warranty. Such maintenance and repairs include site and private access roads.

All equipment and systems shall be maintained to provide reliable energy efficient service without unusual interruption, disturbing noises, exposure to fire safety hazards, excessive air velocities or unusual emissions of dirt.

The lessor’s maintenance responsibility includes initial supply and replacement of all supplies, materials, and equipment necessary for such maintenance. Maintenance work and the testing of systems must be done in accordance with applicable codes and inspection certificates must be displayed as appropriate. Copies of all records in this regard shall be forwarded to the GSA field office manager or a designated representative.

WITHOUT ANY ADDITIONAL CHARGE, THE GOVERNMENT RESERVES THE RIGHT TO REQUIRE THE LESSOR OR HIS REPRESENTATIVE TO TEST ONCE A YEAR, WITH PROPER NOTICE, SUCH SYSTEMS AS FIRE ALARM, SPRINKLER, EMERGENCY GENERATOR, ETC. TO ENSURE PROPER OPERATION. UPON REQUEST, APPROPRIATE OPERATIONS AND MAINTENANCE MANUALS SHALL BE MADE AVAILABLE FOR THE GOVERNMENT’S REVIEW DURING THESE TESTS. THESE TESTS SHALL BE WITNESSED BY A REPRESENTATIVE OF THE CONTRACTING OFFICER.

83 FLAG DISPLAY

THE LESSOR SHALL BE RESPONSIBLE FOR FLAG DISPLAY ON ALL WORKDAYS AND FEDERAL HOLIDAYS. THE GOVERNMENT WILL PROVIDE INSTRUCTIONS WHEN FLAGS MUST BE FLOWN AT HALF-STAFF.

84 SECURITY

THE LESSOR SHALL PROVIDE A LEVEL OF SECURITY WHICH PREVENTS UNAUTHORIZED ENTRY TO THE SPACE LEASED DURING NONDUTY HOURS AND PREVENTS LOITERING OR DISRUPTIVE ACTS IN AND AROUND THE SPACE LEASED DURING DUTY HOURS. THE GOVERNMENT RESERVES THE RIGHT TO PROVIDE OR ARRANGE TO PROVIDE ADDITIONAL PROTECTIVE SERVICES CONSISTING OF LAW ENFORCEMENT AND SECURITY ACTIVITIES TO ENSURE THE SAFETY OF ALL VISITORS AND OCCUPANTS OF GOVERNMENT SPACE, TO SAFEGUARD THE GOVERNMENT'S REAL AND PERSONAL PROPERTY, AND TO PREVENT INTERFERENCES WITH OR DISRUPTION ON ALL PROPERTY UNDER GOVERNMENT CONTROL. THIS MAY INCLUDE, BUT IS NOT LIMITED TO, SECURITY GUARD SERVICE AND ALARM SYSTEMS OR DEVICES.

THE GOVERNMENT RESERVES THE RIGHT TO REQUIRE THE LESSOR TO SUBMIT COMPLETED FINGERPRINT CHARTS AND PERSONAL HISTORY STATEMENTS FOR EACH EMPLOYEE OF THE LESSOR AS WELL AS EMPLOYEES OF THE LESSOR'S CONTRACTORS OR SUBCONTRACTORS WHO WILL PROVIDE BUILDING OPERATING SERVICES OF A CONTINUING NATURE FOR THE PROPERTY IN WHICH THE LEASED SPACE IS LOCATED. THE GOVERNMENT MAY ALSO REQUIRE THIS INFORMATION FOR EMPLOYEES OF THE LESSOR, HIS CONTRACTORS, OR SUBCONTRACTORS WHO WILL BE ENGAGED TO PERFORM ALTERATIONS OR EMERGENCY REPAIRS FOR THE PROPERTY.

IF REQUIRED, THE CONTRACTING OFFICER WILL FURNISH THE LESSOR WITH FORM FD-258, "FINGERPRINTING CHART" AND GSA FORM 176, "STATEMENT OF PERSONAL HISTORY" TO BE COMPLETED FOR EACH EMPLOYEE AND RETURNED BY THE LESSOR TO THE CONTRACTING OFFICER OR HIS DESIGNATED REPRESENTATIVE WITHIN 10 WORKING DAYS FROM THE DATE OF THE WRITTEN REQUEST TO DO SO. BASED ON THE INFORMATION FURNISHED, THE GOVERNMENT WILL CONDUCT SECURITY CHECKS OF THE EMPLOYEES. THE CONTRACTING OFFICER WILL ADVISE THE LESSOR IN WRITING IF AN EMPLOYEE IS FOUND TO BE UNSUITABLE OR UNFIT FOR HIS ASSIGNED DUTIES. EFFECTIVE IMMEDIATELY, SUCH AN EMPLOYEE CANNOT WORK OR BE ASSIGNED TO WORK ON THE PROPERTY IN WHICH THE LEASED SPACE IS LOCATED. THE LESSOR WILL BE REQUIRED TO PROVIDE THE SAME DATA WITHIN 10 WORKING DAYS FROM THE ADDITION OF NEW EMPLOYEE(S) TO THE WORK FORCE.

IN THE EVENT THE LESSOR'S CONTRACTOR/SUBCONTRACTOR IS SUBSEQUENTLY REPLACED, THE NEW CONTRACTOR/SUBCONTRACTOR IS NOT REQUIRED TO SUBMIT ANOTHER SET OF THESE FORMS FOR EMPLOYEES WHO WERE CLEARED THROUGH THIS PROCESS WHILE EMPLOYED BY THE FORMER CONTRACTOR/SUBCONTRACTOR. THE CONTRACTING OFFICER MAY REQUIRE THE LESSOR TO SUBMIT FOR FD-258 AND GSA FOR 176 FOR EVERY EMPLOYEE COVERED BY THIS CLAUSE ON A 3-YEAR BASIS.

85 JANITORIAL SERVICES (As Amended 12/18/89)

CLEANING IS TO BE PERFORMED DURING TENANT WORKING HOURS.

The lessor shall maintain areas appurtenant to the premises leased by the Government with the exception of floors occupied in their entirety by the Government and lobby(ies) dedicated to sole use of the Government, including outside areas, in a clean condition and shall provide supplies and equipment to the aforementioned areas of the building. Performance will be based on the contracting officer's evaluation of results, not on the frequency or method of performance.

The Government shall be responsible for all interior cleaning services within the leased premises, with the exception of replacement of worn floor coverings.

Furthermore, the Government shall maintain public spaces as well as mechanical and support spaces on floors where the Government is the sole tenant and does not share the public space with any other tenants.

All janitorial services which are the responsibility of the lessor shall be performed based on the following:

DAILY:
****

Empty trash receptacles and clean ashtrays. Sweep entrances, lobbies, and corridors. Spot sweep floors and spot vacuum carpets. Clean drinking fountains. Sweep and damp mop or scrub toilet rooms. Clean all toilet fixtures and replenish toilet supplies. Dispose of all trash and garbage generated in or about the building. Wash inside and out or steam clean cans used for collection of food remnants from snack bars and vending machines. Dust horizontal surfaces that are readily available and visibly require dusting. Spray buff resilient floors in main corridors, entrances, and lobbies. Clean elevators and escalators, remove carpet stains. Police sidewalks, parking areas, and driveways. Sweep loading dock areas and platforms.

THREE TIMES A WEEK:
****

Sweep or vacuum stairs.

WEEKLY:
****

Damp mop and spray buff all resilient floors in toilets. Sweep sidewalks, parking areas, and driveways (weather permitting). Damp wipe toilet wastepaper receptacles.

EVERY TWO WEEKS:
****

Spray buff-resistant floors in secondary corridors, entrance, and lobbies.

MONTHLY:
****

Thoroughly dust furniture. Completely sweep and/or vacuum carpets. Sweep storage space. Spot clean all wall surfaces within 70 inches of the floor.

EVERY TWO MONTHS:
****

Damp wipe toilet stall partitions, doors, window sills, and frames. Shampoo entrance and elevator carpets.

THREE TIMES A YEAR:
****

Dust wall surfaces within 70 inches of the floor, vertical surfaces, and under surfaces. Clean metal and marble surfaces in lobbies. Wet mop or scrub garages.

TWICE A YEAR:
****

Wash all interior and exterior windows and other glass surfaces. Strip and apply four coats of finish to resilient floors in toilets. Strip and refinish main corridors and other heavy-traffic areas.

ANNUALLY:
****

Wash all venetian blinds and dust 6 months from washing. Vacuum or dust all surfaces in the building 70 inches from the floor, including light fixtures. Vacuum all drapes in place. Strip and refinish floors and secondary lobbies and corridors. Shampoo carpets in corridors and lobbies. Clean balconies, ledges, courts, areaways, and flat roofs.

EVERY FIVE YEARS:
****

Dry clean or wash (as appropriate) all drapes.

AS REQUIRED:
****

Properly maintain plants and lawns, remove snow and ice from entrances, exterior walks, and parking lots of the building. Provide initial supply, installation, and replacement of light bulbs, tubes, ballasts, and starters. Replace worn floor coverings (This includes moving and return of furniture).

The Government shall be responsible for extermination of pests within the premises leased by the Government.

86 SCHEDULE OF PERIODIC SERVICES

WITHIN 60 DAYS AFTER OCCUPANCY BY THE GOVERNMENT, THE LESSOR SHALL PROVIDE THE CONTRACTING OFFICER WITH A DETAILED WRITTEN SCHEDULE OF ALL PERIODIC SERVICES AND MAINTENANCE TO BE PERFORMED OTHER THAN DAILY, WEEKLY, OR MONTHLY.

87 BUILDING OPERATING PLAN

IF THE COST OF UTILITIES IS NOT INCLUDED AS PART OF THE RENTAL CONSIDERATION, OFFERORS SHALL SUBMIT A BUILDING OPERATING PLAN WITH THE OFFER. SUCH PLAN SHALL INCLUDE A SCHEDULE OF STARTUP AND SHUTDOWN TIMES FOR OPERATION OF EACH BUILDING SYSTEM, SUCH AS LIGHTING, HEATING, COOLING AND VENTILATION, AND PLUMBING WHICH IS NECESSARY FOR THE OPERATION OF THE BUILDING. SUCH PLAN SHALL BE IN OPERATION ON THE EFFECTIVE DATE OF THE LEASE.

88 LANDSCAPE MAINTENANCE

PERFORMANCE WILL BE BASED ON THE CONTRACTING OFFICER'S EVALUATION OF RESULTS AND NOT ON THE FREQUENCY OR THE METHOD OF PERFORMANCE. THE FOLLOWING PARAGRAPH DESCRIBES THE LEVEL OF SERVICES INTENDED.

LANDSCAPE MAINTENANCE IS TO BE PERFORMED DURING THE GROWING SEASON ON A WEEKLY CYCLE AND WILL CONSIST OF THE FOLLOWING:

* WATERING, MOWING, AND POLICING AREA TO KEEP IT FREE OF DEBRIS.

* PRUNING AND FERTILIZATION ARE TO BE DONE ON AN AS-NEEDED BASIS. IN ADDITION, DEAD OR DYING PLANTS ARE TO BE REPLACED.

SECTION: 8
SAFETY AND FIRE PREVENTION

89 CODE VIOLATIONS

EQUIPMENT, SERVICES, OR UTILITIES FURNISHED AND ACTIVITIES OF OTHER OCCUPANTS SHALL BE FREE OF SAFETY, HEALTH, AND FIRE HAZARDS. WHEN HAZARDS ARE DETECTED, THEY MUST BE PROMPTLY CORRECTED AT THE LESSOR'S EXPENSE.

90 PORTABLE FIRE EXTINGUISHERS

PORTABLE-TYPE FIRE EXTINGUISHERS MEETING REQUIREMENTS OF NFPA STANDARD NO. 10 SHALL BE PROVIDED AND MAINTAINED BY THE LESSOR. INITIAL AND REPLACEMENT CHARGES FOR FIRE EXTINGUISHERS SHALL BE PROVIDED BY THE LESSOR. INSPECTION (QUICK CHECK) AND MAINTENANCE (THOROUGH CHECK) OF THESE EXTINGUISHERS SHALL BE DONE IN ACCORDANCE WITH NFPA STANDARD NO. 10.

91 STANDPIPES

STANDPIPES SHALL BE PROVIDED WHEN GOVERNMENT OCCUPANCY IS FOUR OR MORE FLOORS ABOVE GRADE AND SHALL CONFORM TO NFPA STANDARD NO. 14. STANDPIPES SHALL BE LOCATED IN STAIRWELLS AND SHALL BE EQUIPPED WITH A 2½ - INCH VALVED OUTLET AT EACH FLOOR LEVEL.

92 SPRINKLER SYSTEM (As Amended 06/16/89)

AUTOMATIC SPRINKLER REQUIREMENTS ARE AS FOLLOWS:

SPRINKLERS MUST BE PROVIDED IN ACCORDANCE WITH THE AGENCY HANDBOOK NUMBERED PBS P 5900.2C, SECTION 5. AN AUTOMATIC WET-PIPE SPRINKLER SYSTEM SHALL BE PROVIDED THROUGHOUT THE BUILDING, INSTALLED IN ACCORDANCE WITH NFPA 13, STANDARD FOR THE INSTALLATION OF SPRINKLER SYSTEMS, 1987 EDITION, AS MODIFIED BELOW:

* WATER FLOW ALARMS MUST BE PROVIDED FOR EACH FLOOR LEVEL PROTECTED BY THE AUTOMATIC SPRINKLER SYSTEM.

* VALVES ON CONNECTIONS TO WATER SUPPLIES AND IN SUPPLY PIPES TO SPRINKLERS MUST BE OS&Y VALVES AND MUST HAVE TAMPER SWITCHES THAT WILL ACTUATE A SUPERVISORY SIGNAL ON THE BUILDING FIRE ALARM SYSTEM WHEN THE VALVE IS CLOSED MORE THAN 10 PERCENT.

* SPRINKLERS MUST BE PROVIDED IN ALL PARTS OF THE BUILDING INCLUDING: ELEVATOR MACHINE ROOMS, PRIVATE TELEPHONE FRAME ROOMS, BOILER ROOMS, ELECTRICAL CLOSETS, ELECTRICAL SWITCHGEAR ROOMS, TRANSFORMER AREAS, AND MECHANICAL ROOMS.

* SPRINKLER INSTALLATION IN ELEVATOR MACHINE AND SWITCHGEAR ROOMS, AND TRANSFORMER AREAS MUST CONSIST OF SPRINKLERS CONTROLLED BY A SUPERVISED SPRINKLER SUPPLY VALVE OUTSIDE THE ROOM. SPRINKLER HEADS MUST BE OF THE ON/OFF TYPE.

* SPRINKLERS: THE SYSTEM DESIGN MUST BE IN ACCORDANCE WITH GSA GUIDE SPECIFICATION 15310, “FIRE PROTECTION SPRINKLER SYSTEM.”

* BUILDINGS FOUR OR MORE STORIES ABOVE GRADE REQUIRE STANDPIPES. ALL NEW PIPING MUST BE PERMANENTLY CONNECTED TO THE BUILDING WATER SUPPLY AND REMAIN PRESSURIZED. IN NEW SPRINKLER INSTALLATIONS, THE SYSTEM MUST SUPPLY WATER TO BOTH AUTOMATIC SPRINKLERS AND THE INTERIOR STANDPIPE/HOSE CONNECTIONS. PROVIDE TWO 2½ -INCH FIRE DEPARTMENT HOSE OUTLETS ON EACH RISER AT EACH FLOOR (ONE IN THE STAIRWELL AND ONE IN THE HALL). THE CONTROL VALVE FOR THE HALL OUTLET MUST BE IN THE STAIRWELL.

* IF REQUIRED DUE TO PRESSURE DEFICIENCIES, A FIRE PUMP MUST BE INSTALLED IN ACCORDANCE WITH NFPA 20, CENTRIFUGAL FIRE PUMPS. THE PUMP MUST BE SIZED FOR or be larger than THE SPRINKLER DEMAND ONLY.

* All computer rooms shall be fed by a single feed with a separate OS&Y valve, waterflow switch, and tamper switch that will activate a supervisory signal on the building fire alarm system when the valve is closed more than 10 percent. In the event of waterflow, the power to all electronic equipment shall be shut down.

93 ENGINEERED SMOKE CONTROL SYSTEMS

ENGINEERED SMOKE CONTROL SYSTEMS ARE REQUIRED IN BUILDINGS WHICH ARE TO BE CONSTRUCTED TO MEET THE SOLICITATION REQUIREMENTS AND WILL BE 12 OR MORE STORIES IN HEIGHT. SUCH SYSTEMS SHALL BE MAINTAINED IN ACCORDANCE WITH THE MANUFACTURER’S RECOMMENDATIONS. WHILE SUCH SYSTEMS ARE NOT REQUIRED IN EXISTING BUILDINGS TO BE LEASED BY THE GOVERNMENT, THEY SHALL BE MAINTAINED IN ACCORDANCE WITH THE MANUFACTURER’S RECOMMENDATIONS IF PRESENT.

94 MANUAL FIRE ALARM SYSTEMS

A MANUAL AND AUTOMATIC FIRE ALARM AND DETECTION SYSTEM SHALL BE PROVIDED IN ACCORDANCE WITH NFPA 72A. MANUAL FIRE ALARM STATIONS, SMOKE DETECTORS, HEAT DETECTORS, WATER FLOW SWITCHES, TROUBLE ALARMS, TAMPER SWITCHES, AND AUDIOVISUAL FIRE ALARM DEVICES SHALL BE LOCATED AS REQUIRED. THE STATUS OF THESE DEVICES SHALL BE INDICATED ON AN ANNUNCIATOR PANEL. IN ADDITION, THE ALARM-INITIATING AND ALARM-INDICATING CIRCUITS SHALL CONFORM WITH STYLE D AND STYLE Z CIRCUITS, RESPECTIVELY, IN NFPA 72A AND SHALL BE SURVIVABLE SUCH THAT THE LOSS OF ANY ONE RISER WILL NOT PREVENT THE TRANSMISSION OF ANY ALARM-INDICATING OR ALARM-INITIATING DEVICE. THE SYSTEM WIRING SHALL BE CLASS A, SURVIVABLE AND SHALL COMPLY WITH SECTION 6 OF PBS P 5900.2C. AN ALARM SHALL AUTOMATICALLY SOUND THROUGHOUT THE BUILDING UNLESS REQUIRED TO SOUND ONLY ON THE FIRE FLOOR BY LOCAL CODE. THE ALARM SOUND MAY BE BELLS, HORNS, OR RECORDED VOICE MESSAGES. THE FIRE ALARM CONTROL PANEL SHALL BE LOCATED IN THE FIRE CONTROL ROOM. THE FIRE ALARM SYSTEM SHALL BE TIED INTO A CENTRAL STATION WITH A GAMEWELL MASTER CITY BOX COMPLETE WITH A CODED SIGNAL TRANSMITTER AND A BLUE VAPORTIGHT LIGHTING FIXTURE ABOVE THE CITY BOX LOCATED ON THE EXTERIOR OF THE BUILDING.

THE CITY BOX SHALL BE AUTOMATICALLY TRIPPED BY A SIGNAL FROM THE INTERIOR FIRE ALARM SYSTEM OR MANUALLY TRIPPED AT THE CITY BOX AND SHALL AUTOMATICALLY SEND AN ALARM TO THE LOCAL FIRE DEPARTMENT IN ACCORDANCE WITH NFPA 72B OR 72C OR TO A PRIVATELY OPERATED CENTRAL STATION PROTECTIVE SIGNALING SYSTEM CONFORMING TO NFPA 71. MANUAL FIRE ALARM STATIONS SHALL BE MOUNTED 42 TO 54 INCHES ABOVE THE FLOOR AND LOCATED IN NORMAL EXIT PATHS ON EACH FLOOR AT OR NEAR STAIRWAYS AND EXITS.

A MANUAL, ZONED, NONCODED FIRE ALARM STATION AND AUTOMATIC FIRE DETECTION SYSTEM SHALL BE INSTALLED IN THE COMPUTER SPACES. SMOKE DETECTORS LOCATED IN THE COMPUTER SPACES SHALL BE LOCATED ON THE CEILING TILES AND SUSPENDED BELOW THE RAISED FLOOR. DETECTOR INSTALLATION SHALL CONFORM TO NFPA 72E. LOCAL COMPUTER ROOM ANNUNCIATORS AND A MASTER CENTRALIZED ANNUNCIATOR SHALL BE USED.

THE FIRE ALARM SYSTEM WIRING AND EQUIPMENT MUST BE ELECTRICALLY SUPERVISED. EMERGENCY POWER MUST BE PROVIDED. IT MUST BE ABLE TO OPERATE THE SYSTEM IN THE SUPERVISORY MODE FOR 24 HOURS AND OPERATE ALL ALARM DEVICES AND SYSTEM OUTPUT SIGNALS FOR AT LEAST 30 MINUTES FOR BUILDINGS LESS THAN 12 STORIES HIGH AND FOR 1 HOUR FOR BUILDINGS 12 OR MORE STORIES. ALL ALARM INITIATING DEVICES, EXCEPT SMOKE DETECTORS, MUST BE CAPABLE OF SIGNALING AN ALARM DURING A SINGLE BREAK OR A SINGLE GROUND FAULT.

WHEN THE GOVERNMENT'S OCCUPANCY IS ON THE 6TH FLOOR OR ABOVE, ALL FLOORS, INCLUDING THOSE BELOW, SHALL HAVE AN EMERGENCY TELEPHONE SYSTEM. THIS SYSTEM MUST PERMIT 2-WAY COMMUNICATION BETWEEN A CONTROL CONSOLE AND ANY EMERGENCY TELEPHONE STATION. EMERGENCY TELEPHONE STATIONS MUST BE PROVIDED ADJACENT TO EACH STAIRWAY AND EXIT DISCHARGE FROM THE BUILDING, AT EACH ELEVATOR LOBBY ON THE GROUND FLOOR, AND AT EACH FLOOR WHICH HAS BEEN DESIGNATED AS THE ONE FOR ALTERNATE ELEVATOR RECALL.

95 EXIT AND EMERGENCY LIGHTING

EMERGENCY LIGHTING MUST PROVIDE AT LEAST 0.5 FOOT CANDLE OF ILLUMINATION THROUGHOUT THE EXIT PATH, INCLUDING EXIT ACCESS ROUTES, EXIT STAIRWAYS, OR OTHER ROUTES SUCH AS PASSAGEWAYS TO THE OUTSIDE OF THE BUILDING. THE EMERGENCY LIGHTING SYSTEM USED MUST BE SUCH THAT IT WILL OPERATE EVEN IF THE PUBLIC UTILITY POWER FAILS, EXCEPT THAT IN BUILDINGS 6 STORIES OR LESS, THE SYSTEM MAY BE POWERED FROM CONNECTIONS TO SEPARATE SUBSTATIONS OR TO A NETWORK SYSTEM FROM THE PUBLIC UTILITY. AUTOMATIC SWITCHING MUST BE PROVIDED FOR THE EMERGENCY POWER SUPPLY.

96 ALTERNATIVE FIRE-PROTECTION FEATURES

IF SPACE CANNOT MEET DETAILED SAFETY AND FIRE PREVENTION REQUIREMENTS, ALTERNATIVE MEANS OF PROTECTION WILL BE CONSIDERED. FOR EXAMPLE, IF STAIRWAYS ARE TOO NARROW, AUTOMATIC SPRINKLER PROTECTION THROUGHOUT THE BUILDING MAY MAKE THE SPACE ACCEPTABLE. ALL OFFERORS MUST PROVIDE WITH THEIR OFFER A WRITTEN ANALYSIS FROM A REGISTERED FIRE PROTECTION ENGINEER FULLY DESCRIBING ANY EXCEPTIONS TAKEN TO THE FIRE PROTECTION REQUIREMENTS OF THIS SOLICITATION.

THIS ANALYSIS MUST INCLUDE CERTIFICATION BY THE ENGINEER THAT THE ALTERNATIVE PROTECTION WILL ACHIEVE A LEVEL OF RISK NOT MEASURABLE GREATER THAN THAT IMPOSED BY THE GOVERNMENT CRITERIA. THE CERTIFICATION MUST ALSO INCLUDE THE ENGINEER'S SEAL AND REGISTRATION NUMBER. ALL ANALYSES MUST BE REVIEWED AND APPROVED BY THE CONTRACTING OFFICER PRIOR TO LEASING THE SPACE.

97 FIRE DOORS

FIRE DOORS SHALL CONFORM WITH NATIONAL FIRE PROTECTION ASSOCIATION STANDARD NO. 80.

98 SAFETY – AIR CONTAMINANT LEVELS

AIR CONTAMINANT LEVELS (E.G., DUST, VAPOR, FUMES, GASES) SHALL NOT EXCEED THOSE IN 29 CFR 1910.1000 AND 1910.1001. WHEN ACTUAL CONCENTRATION LEVELS EQUAL OR EXCEED 50% OF THE LEVELS IN 29 CFR 1910, CONTROL ACTIONS SHALL BE INITIATED. VENTILATION SYSTEMS HAVING AIR STREAMS WHICH PASS THROUGH WATER SHALL HAVE THE WATER TREATED WITH AN EPA REGISTERED BIOCIDE TO CONTROL ETIOLOGICAL ORGANISMS. THE LESSOR SHALL ASSIST THE GOVERNMENT IN DEVELOPING A PLAN ACCEPTABLE TO THE GOVERNMENT TO PROTECT OCCUPANTS OF THE BUILDING DURING EMERGENCIES SUCH AS FIRES, BOMB THREATS, AND POWER LOSS.

ASBESTOS:
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NO ASBESTOS-CONTAINING FIREPROOFING OR INSULATION ON BUILDING STRUCTURES, ACOUSTICAL TREATMENT, MOLDED OR WET-APPLIED CEILING OR WALL FINISHES, DECORATIONS, OR PIPE AND BOILER INSULATION (INCLUDING DUCT, TANK, ETC.) WILL BE PERMITTED.

ASBESTOS IN A SOLID MATRIX ALREADY IN PLACE (E.G., VINYL ASBESTOS FLOOR TILE, SHEETROCK/DRYWALL, TRANSITE PANELLING OR FELLS) WILL BE PERMITTED PROVIDED IT IS NOT DAMAGED OR DETERIORATED AND A SPECIAL OPERATIONS AND MAINTENANCE PROGRAM, IN ACCORDANCE WITH CHAPTER 10 OF GSA'S HANDBOOK NUMBERED PBS P 5900.2B, IS ESTABLISHED AND APPROVED BY THE CONTRACTING OFFICER PRIOR TO THE AWARD OF A LEASE.

ALL OFFERORS ARE SUBJECT TO THE ASBESTOS INSPECTION AND TESTING PROVISIONS SPECIFIED IN PARAGRAPH 7 OF THE ATTACHED GSA FORM 3517 (GENERAL CLAUSES).

POST-ASBESTOS-ABATEMENT AIR MONITORING REQUIREMENTS, IN ACCORDANCE WITH GSA PROCEDURES, ARE TO BE COMPLIED WITH BY THE LESSOR WHEN APPLICABLE.

99 SAFETY – AIR CONTAMINANT LEVELS

AIR CONTAMINANT LEVELS (E.G., DUST, VAPOR, FUMES, GASES) SHALL NOT EXCEED THOSE IN 29 CFR 1910.1000 AND 1910.1001. WHEN ACTUAL CONCENTRATION LEVELS EQUAL OR EXCEED 50% OF THE LEVELS IN 29 CFR 1910, CONTROL ACTIONS SHALL BE INITIATED. VENTILATION SYSTEMS HAVING AIR STREAMS WHICH PASS THROUGH WATER SHALL HAVE THE WATER TREATED WITH AN EPA REGISTERED BIOCIDE TO CONTROL ETIOLOGICAL ORGANISMS. THE LESSOR SHALL ASSIST THE GOVERNMENT IN DEVELOPING A PLAN ACCEPTABLE TO THE GOVERNMENT TO PROTECT OCCUPANTS OF THE BUILDING DURING EMERGENCIES SUCH AS FIRES, BOMB THREATS, AND POWER LOSS.

FRIABLE ASBESTOS:
****

NO FRIABLE ASBESTOS-CONTAINING MATERIALS (E.G. FIREPROOFING, INSULATION ON BUILDING STRUCTURES, ACOUSTICAL TREATMENT, MOLDED OR WET-APPLIED CEILING OR WALL FINISHES, DECORATIONS) ARE ACCEPTABLE. IF PRESENT, SUCH MATERIALS SHALL BE REMOVED, ENCAPSULATED OR ENCLOSED BY THE SUCCESSFUL OFFEROR PRIOR TO OCCUPANCY BY THE GOVERNMENT. THE METHOD OF ABATEMENT USED BY THE OFFEROR MUST BE AGREED UPON BY THE CONTRACTING OFFICER PRIOR TO THE AWARD OF A LEASE CONTRACT.

POST-ASBESTOS-ABATEMENT AIR MONITORING REQUIREMENTS, IN ACCORDANCE WITH GSA PROCEDURES, ARE TO BE COMPLIED WITH BY THE LESSOR WHEN APPLICABLE.

A SPECIAL OPERATIONS AND MAINTENANCE PROGRAM IN ACCORDANCE WITH CHAPTER 10 OF GSA'S HANDBOOK NUMBERED PBS P 5900.2B MUST BE ESTABLISHED AND APPROVED BY THE CONTRACTING OFFICER FOR ANY ABATEMENT ACTIONS OTHER THAN REMOVAL.

NONFRIABLE ASBESTOS:
****

SPACE CONTAINING NONFRIABLE ASBESTOS MATERIALS (E.G., PIPE AND BOILER INSULATION AND CEILING TILE) IS PERMITTED PROVIDED THE MATERIALS ARE IN GOOD CONDITION AND ARE LOCATED IN AN AREA WHERE THEY ARE NOT LIKELY TO BE DISTURBED OR DAMAGED DURING THE LEASE TERM. A SPECIAL OPERATIONS AND MAINTENANCE PROGRAM, IN ACCORDANCE WITH CHAPTER 10 REFERENCED ABOVE, MUST BE ESTABLISHED AND APPROVED BY THE CONTRACTING OFFICER PRIOR TO THE AWARD OF A LEASE CONTRACT.

AN ACCEPTABLE ABATEMENT PLAN MUST ALSO BE AGREED UPON, PRIOR TO THE LEASE AWARD, IN THE EVENT ABATEMENT OF THE MATERIALS BECOMES NECESSARY DURING THE LEASE TERM.

100 INSPECTION AND TESTING

ALL OFFERORS ARE SUBJECT TO THE ASBESTOS INSPECTION AND TESTING PROVISIONS SPECIFIED IN PARAGRAPH 7 OF THE ATTACHED GSA FORM 3517 (GENERAL CLAUSES).

101 BULK SAMPLE ANALYSIS REQUIREMENTS

FOR SPACE IN BUILDINGS CONTAINING ACM AS DEFINED IN PARAGRAPH 2 OF GSA FORM 3518, OFFERORS MUST INCLUDE WITH THEIR OFFER (UNLESS THE TIME FRAME IS OTHERWISE EXTENDED BY THE CONTRACTING OFFICER) AN ASBESTOS TESTING REPORT, ACCEPTABLE TO THE CONTRACTING OFFICER. THE ASBESTOS TESTING REPORT MUST CONSIST OF THE IDENTITY AND EVIDENCE OF THE QUALIFICATIONS (EDUCATION AND EXPERIENCE) OF THE PERSON COLLECTING BULK SAMPLES, THE SULK SAMPLE LOG, AND, IF APPLICABLE, AN ABATEMENT PLAN PREPARED IN ACCORDANCE WITH CHAPTER 10 OF GSA'S HANDBOOK NUMBERED PBS P 5900.2B. THE SAMPLES MUST BE ANALYZED BY A LABORATORY WHICH HAS SUCCESSFULLY PARTICIPATED IN THE ENVIRONMENTAL PROTECTION AGENCY (EPA) QUALITY ASSURANCE PROGRAM.

SUCCESSFUL PARTICIPATION IS DEFINED AS PARTICIPATION IN AT LEAST TWO OR THE LAST THREE ROUNDS OF THE EPA PROGRAM AND HAVE CORRECTLY ANALYZED AT LEAST 75 PERCENT OF THE SAMPLES TESTED IN THESE ROUNDS. ALL ACTION TAKEN TO ENSURE COMPLIANCE WITH THIS REQUIREMENT SHALL BE ACCOMPLISHED AT NO EXPENSE TO THE GOVERNMENT.

102 OSHA REQUIREMENTS

THE LESSOR AGREES TO COMPLY WITH OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA) SAFETY AND HEALTH STANDARD WHICH ARE LOCATED AT TITLE 29 OF THE CODE OF FEDERAL REGULATIONS (29 CFR).

THE GUARDING OF OPENINGS AND HOLES IN FLOORS AND WALLS MUST COMPLY WITH 29 CFR 1910.23.

THE DESIGN AND CONSTRUCTION OF FIXED STAIRS MUST COMPLY WITH 29 CFR 1910.24.

THE DESIGN AND CONSTRUCTION OF FIXED LADDERS MUST COMPLY WITH 29 CFR 1910.27 OR MUST BE CLEARLY MARKED OR SECURED TO PREVENT GOVERNMENT EMPLOYEE USE.

PHYSICAL HAZARDS MUST BE MARKED ACCORDING TO 29 CFR 1910.144.

WHERE GOVERNMENT EMPLOYEES ARE EXPOSED TO MACHINERY PROVIDED BY THE LESSOR, THE MACHINERY MUST BE GUARDED ACCORDING TO 29 CFR 1910.212.

ALL TOOLS AND EQUIPMENT PROVIDED BY THE LESSOR FOR GOVERNMENT USE MUST COMPLY WITH THE APPLICABLE STANDARDS OF 29 CFR 1910.

ANY CONSTRUCTION/REPAIR AND ALTERNATION WORK DONE FOR/BY THE LESSOR SHALL COMPLY WITH THE CURRENT EDITION OF THE OSHA SAFETY AND HEALTH STANDARDS FOR CONSTRUCTION INDUSTRY, 29 CFR 1926 AND APPLICABLE PORTIONS OF 29 CFR 1910.

SECTION: 9

SPECIAL REQUIREMENTS

103 SPECIAL REQUIREMENTS (As Amended 01/24/90)

A proposal is required for the design and construction of the special spaces as detailed in the "Minimum Quality Specifications Package" which has been included as Attachment No. 01 to this lease. The proposal should address those aspects of the requirements that are above the minimum performance standards established in paragraphs 34 - 76 of SFO 89-047.

The annual rental rate specified in Paragraph 3, of the SF-2 of this lease includes all costs associated with the construction of the special requirements included as Attachment I to this lease. The Government at its option reserves the right to pay for any special requirement(s) on a lump sum basis, and proportionally adjust the annual rental.

In the event the Government elects to pay for any of the special requirements on a lump sum basis or elects to delete any of the special requirements, in their entirety, the cost data provided on the Special Requirements Summary Sheet shall be used for the purpose of effecting necessary rental adjustments.

In the event the Government elects to modify, within reason, a special requirement or requirements; the basis for adjustment shall be the negotiated price recorded on the cost breakdown sheets included as part of Exhibit I, to the lease.

104 EXTERIOR SIGNAGE (As Amended 12/18/89)

The Government reserves the right to contract for and subsequently install signage for the Government tenant on the building exterior or on land upon which the building is situated, subject to local codes and ordinances.

Also See Exhibit VII, Amenities Statement, to this lease.

105 ALTERATIONS – GENERAL (As Amended 12/18/89)

The Government reserves the right to contract for alterations to the space leased under the terms of this solicitation, independent of the lessor. The Government will afford the lessor an opportunity to review the scope of work associated with any proposed alterations to ensure said work will not interfere with the lessor's ability to service the leased premises according to the provisions contained within the body of this SFO and to ensure that the proposed alterations project is not in conflict with code requirements. The Government or its contractors shall obtain all necessary permits and related items for the alterations work that is not contracted through the lessor.

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By and Between
SOUTHWEST MARKET LIMITED PARTNERSHIP
and
NASA

Two Independence Square
300 E Street, SW
Washington, DC

TAB:

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2. Supplemental Lease Agreement No. 2 by and between Southwest Market Limited Partnership and the United States of America dated January 21, 1993
3. Supplemental Lease Agreement No. 3 by and between Southwest Market Limited Partnership and the United States of America dated January 21, 1993
4. Supplemental Lease Agreement No. 4 by and between Southwest Market Limited Partnership and the United States of America dated February 25, 1994
5. Supplemental Lease Agreement No. 5 by and between Southwest Market Limited Partnership and the United States of America dated March 15, 1994
6. Supplemental Lease Agreement No. 5 by and between Southwest Market Limited Partnership and the United States of America dated December 2, 1994
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8. Supplemental Lease Agreement No. 7 by and between Southwest Market Limited Partnership and the United States of America
9. Supplemental Lease Agreement No. 8 — missing
10. Supplemental Lease Agreement No. 9 by and between Southwest Market Limited Partnership and the United States of America dated March 27, 1996
11. Supplemental Lease Agreement No. 10 — missing
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13. Supplemental Lease Agreement No. 12 dated July 19, 1996
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GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT NO. 1

DATE September 30, 1991

TO LEASE NO. GS-11B-00111

ADDRESS OF PREMISES
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Limited Partnership

whose address is
500 E Street, SW Suite 850
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the considerations hereinafter mentioned covenant and agree that the said Lease is amended, effective September 25, 1991, as follows:

Paragraph 45 of Solicitation for Offers 89-047, attached and made a part of this lease No. GS-11B-00111 is hereby deleted, in its entirety and replaced with the following language identified as SLA No. 1 to Lease GS-11B-00111, pages 1-9.

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Limited Partnership

BY Edward H. Linde — (Signature)

President — (Title)

IN PRESENCE OF

Joann B. Poindexter — (Signature)

8 Arlington Street
Boston, MA 02116 — (Address)

UNITED STATES OF AMERICA

BY Robert G. Roop — (Signature)

Contracting Officer — (Official Title)

SECTION: 5
ARCHITECTURAL FINISHES

LAYOUT AND FINISHES

WITHIN 30 DAYS FOLLOWING AWARD OF THE LEASE, THE OFFEROR MUST SUBMIT TO THE CONTRACTING OFFICER ALL REQUIRED FINISHED SAMPLES.

I. Preface

The time periods within the body of this paragraph are specified in working days. Unless otherwise noted, all references within this document to square footage shall mean net usable square feet as defined within the body of Solicitation for Offers (SFO) 89-047, Paragraph 24. The time frames, specified within the body of this Paragraph 45, for either the Government or the lessor may be accelerated at the option of the lessor should the time frame pertain to performance of obligations by the lessor and the Government, should the time frame pertain to performance of obligations by the Government.

Prior to notification of award, the proposed successful offeror shall, if requested, provide additional information, drawings, specifications and Architectural/Engineering (A/E) technical consultation as required to support the Government's design intent effort.

Should an offeror be notified by the Contracting Officer of the Government's intent to award the lease and proceed according to the immediately preceding paragraph and fail to receive the actual award, the Government shall reimburse the offeror for fair and reasonable costs associated with such work.

Due to the potential for significant design revision by the lessor and loss of usable square footage during refinement of the base building design development specifications and drawings, the Government will be excused from its obligations under this paragraph to redesign the leased premises.

No claim of a party for delay shall lie unless the party asserting the delay has met the following conditions

1. The party has notified the other party in writing of the impending delay and
2. The other party has not corrected the problem causing the delay within twenty-four (24) hours of receipt of the notice of delay.

The Government shall accept the locations identified by the lessor for the computer room, S.R. 6.1, and the Auditorium S.R. 4.6, if the locations do not conflict with/or hinder the program requirements of the tenant agency.

II. Base Building Blocking

The General Services Administration (GSA) will provide blocking diagrams to the lessor with an exact location for the following special requirements, within thirty five (35) days after lease execution by the Government:

Special Use Area	S.R. No.
Shipping & Receiving	1.1
Libraries	2.1
Child Care Center	3.1
Mail Room	5.1

III. Design Intent Drawings

The Government shall prepare design intent drawings in increments of approximately sixty thousand (60,000) square feet. The Government reserves the right to modify the size of each phase to proximate the size of a typical floor in the building.

Phase One

Phase one shall be subdivided into two phases of approximately 30,000 square feet each. These phases for the purpose of this document shall be known as Phase “1A”, and Phase “1B”.

Phase 1A

Within fifteen (15) days after award the Government shall deliver blocking diagrams to the lessor establishing, as a minimum, the locations of the following special use areas:

Special Use Area	S.R. No.
Computer Center	6.1
Program Support Communications Gateway	6.4
Communications Center	6.5
Cable Headend	6.10
UPS Room	6.16

GSA will not provide to the Lessor design intent drawings for the tenant improvements to be made to the leased premises for Phase 1A. The lessor shall be responsible for the A/E design of these special use areas.

The Government shall provide the necessary program support and assistance for the lessor to accomplish this task. The lessor shall conduct meetings with Government personnel to develop and refine the tenant work for the spaces in question.

The lessor shall prepare the necessary documents and plans for the Government to conduct a formal review of the design effort at 50 percent and 75 percent completion. The lessor shall notify GSA at least ten (10) days prior to the anticipated date for Government review. The Government shall complete its final review within fifteen (15) days of receipt by the Government of the necessary documents and plans. Should revisions to the working drawings be necessary, the lessor shall have ten (10) days to correct all errors and omissions and deliver said revisions to the Government.

Phase 1B
Within one hundred (100) days after award the Government shall deliver design intent drawings to the lessor for the remaining block of "Phase One" which shall consist of approximately thirty thousand (30,000) square feet.

Successive Phases
GSA shall deliver to the Lessor design intent drawings for the tenant improvements to be made to the leased premises for each successive phase as detailed below:

Phase No.	Design Intent to Lessor	Phase No.	Design Intent to Lessor
1A	N/A	5	01/01/92
1B	N/A	6	04/01/92
2	N/A	7	07/01/92
3	N/A	8	10/01/92
4	10/04/91		

Should the base building drawings prove inaccurate, as determined by GSA, the period for completion of Design Intent will be extended to provide for redesign. The design intent drawings shall be prepared pursuant to Paragraph 45a of SFO No. 89-047.

IV. Working Drawings

Phase 1A
The Lessor has prepared and delivered, at the Lessor's own expense, final working plans and complete construction drawings for both building standard and above standard tenant improvements for Phase "1A".

Phase 1B
The Lessor has prepared and delivered, at the Lessor's own expense, final working plans and complete construction drawings for both building standard and above standard tenant improvements for Phase "1B".

Successive Phases

The Lessor shall prepare and deliver, at the Lessor's own expense, final working plans and complete construction drawings for both building standard and above standard tenant improvements as detailed below:

Phase No.	Construction Drawings (CDs) To GSA	Phase No.	Construction Drawings (CDs) To GSA
1A	N/A	5	01/15/92
1B	N/A	6	05/01/92
2	10/04/91	7	07/15/92
3	10/04/91	8	10/15/92
4	10/15/91		

The foregoing schedule for the delivery of CDs assumes timely delivery of design intent drawings by GSA to the Lessor, as provided in Subparagraph III above. Failure by GSA to meet its schedule may constitute "slippage" as defined in Subparagraph VIII below.

The lessor shall also submit pricing data for each phase for any items included in the proposed tenant improvements which are above the minimum requirements and performance specifications of this SFO within fifteen (15) days of the Government's approval of working drawings pursuant to Subparagraph 45(IV). In the event that the anticipated cost of the items are in excess of one hundred thousand dollars ($100,000), the lessor shall submit pricing data consistent with Paragraph 18c of The General Clauses (GSA Form 3517).

V. Government Approval

For each and every phase the Government shall have fifteen (15) days, after the receipt of complete working drawings and specifications, review the drawings and the supporting documentation and either:

1. Approve the working drawings and specifications and issue a notice to the lessor to proceed with all work pursuant to the aforementioned; or

2. Provide the Lessor with written comments setting forth defects and omissions to the plans, working drawings and specifications with the understanding that the referenced modifications reflect errors and omissions due to misinterpretation of design intent drawings or other Government input.

   Within ten (10) days after receipt of the written comments, the Lessor shall submit the revised plans, working drawings and specifications incorporating the revisions and/or corrections made by the Government to GSA for reconsideration pursuant to the provisions contained within this Paragraph 45, Subparagraph "V" section 2.

If the revised working drawings and specifications submitted by the lessor to GSA are acceptable, GSA shall approve the working drawings and specifications within ten (10) days of receipt of the aforementioned from the lessor.

In the event that the lessor fails to submit the required revisions to GSA within the ten (10) day period or if such revisions significantly deviate from the written comments provided by GSA, the rent commencement date shall be postponed one day for each and every day such failure continues.

Should the revisions, made by GSA include modifications to the working drawings and specifications for purposes other than correction of errors, omissions or misinterpretation, the Government shall be responsible for any reasonable delay and the date for rent start shall not be affected.

The Government shall not be liable for any costs due to changes or revisions in the requirements of this project which would increase the scope of this contract as originally negotiated and agreed to unless such changes or revisions are authorized and approved by the Contracting Officer in writing. Any request for changes or revisions received by the Contractor shall, therefore, be referred to the Contracting Officer for his approval.

VI. Construction Schedule

Actual construction of the tenant improvements to be made to the leased premises for Phase One shall commence no later than September 1, 1991.

Upon the earlier of either:

1. Issuance of a written notice, by GSA, authorizing the lessor to proceed with building standard and above standard improvements presuming the base building is completed to a stage where tenant improvements can commence or,

2. September 1, 1991 and issuance of a written notice, by GSA, authorizing the lessor to proceed with building standard and above standard improvements,

The lessor shall complete each phase in accordance with the following schedule:

Phase No.	Construction Complete	Phase No.	Construction Complete
1A	06/15/92	5	07/15/92
1B	06/15/92	6	12/01/92
2	06/15/92	7	01/05/93
3	06/15/92	8	04/05/93
4	06/15/92		

The lessor shall not be obligated to commence tenant buildout unless the Government has approved the working drawings and issued written notice to the lessor to proceed with building standard and above standard work.

The Government reserves the right to access any space within the building for the purpose of installing equipment including but not limited to Telephone and Data/Communications cabling. GSA shall coordinate, within reason, the activity of Government contractors in order to minimize conflicts with/disruption to other contractors on site.

Access shall not be denied to authorized Government officials including, but not limited to, Government contractors, subcontractors or consultants acting on the behalf of the General Services Administration with respect to this specific project.

By way of example and not in limitation of the foregoing, Government contractors or subcontractors shall coordinate with the lessor and its general contractor the use of elevators and the availability of electricity, access to such phase or portion and sequencing of the work to be performed by the Government.

The lessor shall not be liable or responsible for and shall have no obligation to provide heating, air conditioning or other building services to the Government in connection to access with its early access to each phase (or portion thereof) unless the Government agrees to compensate the lessor therefor.

If an extended completion schedule is proposed due to the complexity of any given phase or the availability of materials necessary to meet the requirements specified by the Government, the Lessor shall provide to GSA a written request explaining the rationale for the extension and any additional documentation supporting the need for additional time to complete the tenant improvements.

The dates specified earlier in this subparagraph for the completion of tenant improvements shall not be extended unless the extension of the completion schedule is approved by the GSA, in writing. It will be the Government's sole determination as to whether said extension shall delay rent commencement, or whether rent will commence as if the extension had not been granted.

VII. Acceptance of Space

The Government shall accept and occupy the space on a phase-by-phase basis. The Government shall pay pro-rata rent for space as soon as the space is accepted as substantially complete by the Government and subject to the issuance of a certificate of occupancy by the District of Columbia.

If the space is inspected and determined substantially complete by the Government prior to issuance of a certificate of occupancy, the Government may access the space for the purpose of installing systems furniture and other Government owned equipment.

Any and all damage caused by the installation of equipment by the Government shall be dealt with in accordance with Clause 16 of GSA Form 3517, General Clauses and shall not impact the payment of rent after acceptance and issuance of a certificate of occupancy for a given phase. Following the acceptance by the Government of all phases, a Supplemental Lease Agreement will be issued to establish a composite lease commencement date and fix the twenty (20) year term.

This composite lease commencement date will also become the anniversary date for the purpose of tax and operating cost escalations. The composite lease commencement date shall be the weighted mean of the acceptance dates for the various phases.

The Lessor shall notify the Government in writing at least five (5) days before the space will be complete and ready for inspection. The Government shall then have until the ninth (9th) day following said notification to inspect the space for acceptance.

The entire phase must be substantially complete in order for the Government to accept the space, except for minor "punch list" items. The punch list items, identified by the Government, shall be completed by the lessor within thirty (30) days following acceptance of phase in question. The Government reserves the right to occupy each phase upon acceptance and receipt of a certificate of occupancy.

The phrase "substantially complete" shall mean the tenant improvements, the common and other areas of the Building, and all other things necessary for the Government's access to the Premises and occupancy, possession, use and enjoyment thereof, as provided in this lease, have been completed or obtained, excepting only such minor matters as do no interfere with or materially diminish such access, occupancy, possession, use or enjoyment.

VIII. Slippage

The Government anticipates that each phase will be completed by the date specified in this paragraph. Failure to complete a phase within the required time frame will constitute slippage.

The Lessor is required to report immediately, in writing, to the Contracting Officer when slippage in the schedule is evident. A revised schedule shall be submitted for approval within five (5) working days of agreement between the Lessor and the Contracting Officer.

To the extent that the lessor is late in meeting any of the time obligations referenced herein, the commencement of rent shall be proportionally postponed by the period of delay.

In the event the Government is late in meeting any of its time obligations as referenced herein, the commencement of rent shall occur as if the Government had met its obligations in a timely manner.

* * * * * * * *

a. Design Intent Drawings

The Government prepares design intent drawings that include basic architectural wall layout and finishes, telephone and electrical outlet locations, furniture layouts and related information.

Any Modifications and commensurate costs associated with any modifications to the Government's design intent drawings required due to errors and/or omissions in the lessor's construction/working drawings, differing site conditions, failure to meet code requirements or field changes to meet performance requirements shall be the responsibility of the lessor.

b. Base Building Drawings

Within five (5) working days of GSA's Contracting Officer's technical representative's request, the Lessor is required to submit two (2) complete blueline sets of the most current base building drawings (with written notice of percent of design completion) to serve as the basis for the Government's design intent effort.

Each set of drawings shall include all professional disciplines (architectural, structural, mechanical, electrical, and plumbing). The lessor shall provide the following drawings prior to start of construction of each phase:

1. Construction/working drawings for each phase, consisting of 12 sets of blue lines and one set of reproducible sepias. Each set will include at a minimum: a legend noting detail sheets, architectural, electrical, mechanical, plumbing, structural, and reflective ceiling plans.

2. In addition with each submission (phase), the lessor must submit one set of sepias for each discipline showing quantity takeoff deviations from the SFO/above standard alterations under the lease along with summation sheets for quantity takeoffs identifying deviation amounts from the above standard alterations. Structural elevation sheets may be required to show alterations for increased floor loading.

c. Relation or Design Accept Drawings to Construction Wings

Design development after award will not only be in accordance with the specific solicitation requirements, but also a direct extension of the submitted design concept. The further design development shall retain the functional and basic physical characteristics of that concept.

The Contracting Officer shall reserve the right to reject any aspect of subsequent design development which varies from the concept and which would adversely affect the Government's use and occupancy of the space in the building as set forth or implied in the body of this solicitation.

The Offeror may propose for the Contracting Officer's acceptance, or the Contracting Officer may propose for the Offeror's acceptance, evolutionary adaptations or changes to the concept. Neither party will unreasonably withhold such acceptance of demonstrably beneficial design adaptations of the concept which would not measurably increase the cost of construction, operation or maintenance of the facility.

d. Phases for Interior Design and Construction

The Government intends to complete Design Intent Drawings in increments of approximately sixty thousand (60,000) net usable square feet. Therefore, the Government anticipates completion of the tenant buildout and complete occupancy in approximately eight (8) phases.

GENERAL SERVICES ADMINISTRATION PUBLIC BUILDINGS SERVICE	SUPPLEMENTAL AGREEMENT 2	DATE 1/21/93
SUPPLEMENTAL LEASE AGREEMENT	TO LEASE NO. GS-11B-00111	

ADDRESS OF PREMISES

Two Independence Square
300 E Street SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Limited Partnership

whose address is

c/o Boston Properties
500 E Street SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is amended, effective as follows:

This Supplemental Lease Agreement (SLA) number one (1) will serve as official notice of the substantial completion dates for the above referenced building:

Phase 1A)	May 15, 1992
Phase 1B)	May 15, 1992
Phase 2)	May 12, 1992
Phase 3)	May 12, 1991
Phase 4)	May 12, 1992
Phase 5)	June 4, 1992
Phase 6)	September 1, 1992
Phase 7)	November 15, 1992

Rent for phases 1A, 1B, 2, 3, and 4 has already commenced and is being paid. Phases 5, 6, 7 are not subject to interest under the prompt payment act due to GSA disagreement over rent start dates.

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Limited Partnership

BY	Edward H. Linde	General Partner
	(Signature)	(Title)

IN THE PRESENCE OF (witnessed by:)

	ILLEGIBLE	
	(Signature)	(Address)

UNITED STATES OF AMERICA

BY	Gerald H. Brown	Contracting Officer GSA, NCR, RED, OPR
	(Signature)	(Official Title)

GENERAL SERVICES ADMINISTRATION PUBLIC BUILDINGS SERVICE	SUPPLEMENTAL AGREEMENT 3	DATE 1/21/93
SUPPLEMENTAL LEASE AGREEMENT	TO LEASE NO. GS-11B-00111	

ADDRESS OF PREMISES

Two Independence Square
300 E Street SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Limited Partnership

whose address is

C/O Boston Properties
500 E Street SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is amended, effective as follows:

This Supplemental Lease Agreement (SLA) number three (3) will serve as official notice that phase eight has been substantially completed as of December 28, 1992.

This SLA also establishes the lease commencement date for the entire building as of July 20, 1992.

The operating base for escalation purposes is hereby established as July 20, 1992.

Rent for this last block of space is not subject to interest under the prompt payment act due to Lessor/Government not mutually agreeing upon acceptance dates.

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Limited Partnership

BY	Edward H. Linde	General Partner
	(Signature)	(Title)

IN THE PRESENCE OF (witnessed by:)

	Kathryn R. Stevenson	
	(Signature)	(Address)

UNITED STATES OF AMERICA

BY	Gerald H. Brown	Contracting Officer GSA, NCR, RED, OPR
	(Signature)	(Official Title)

GENERAL SERVICES ADMINISTRATION PUBLIC BUILDINGS SERVICE	SUPPLEMENTAL AGREEMENT 4	DATE 2/25/94
SUPPLEMENTAL LEASE AGREEMENT	TO LEASE NO. GS-11B-00111 "Neg"	

ADDRESS OF PREMISES

Two Independence Square
300 E Street SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Limited Partnership

whose address is

C/O Boston Properties
500 E Street SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is amended, effective as follows:

Lessor hereby grants the Government the right to install and imposes the obligation to maintain and repair a microwave antenna on the roof of the building known as Two Independence Square, 300 E Street, SW, Washington, DC. The location of the antenna is shown on Exhibit A hereto. In consideration for the granting of the right to locate the antenna on the roof, GSA shall pay the Lessor one dollar ($1) per year in arrears commencing July 20, 1992. The antenna payment shall be due at the same time the monthly rent is due under the base Lease. The obligation to maintain and repair the antenna on the roof shall terminate at the expiration of the term of the base Lease.

The Government may access the rooftop area for maintenance or inspection of the antenna after notice to and when accompanied by a representative of the Lessor. The Government shall be responsible, in accordance with the federal Tort Claims Act, or any and all damages, costs, liability, losses or expenses suffered by it or by the Lessor as a result of the granting of this right, the installation, maintenance or inspection of the antenna or any access by Government personnel, agents or contractors to the roof of the building.

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Limited Partnership

BY	Edward H. Linde	General Partner
	(Signature)	(Title)

IN THE PRESENCE OF (witnessed by:)

	ILLEGIBLE	
	(Signature)	(Address)

UNITED STATES OF AMERICA

BY	Gerald H. Brown	Contracting Officer GSA, NCR, RED, OPR
	(Signature)	(Official Title)

“Floor plan appears here”

“Floor plan appears here”

GENERAL SERVICES ADMINISTRATION PUBLIC BUILDINGS SERVICE	SUPPLEMENTAL AGREEMENT 5	DATE May 15, 1994
SUPPLEMENTAL LEASE AGREEMENT	TO LEASE NO. GS-11B-00111 "Neg"	

ADDRESS OF PREMISES
300 E Street, SW
Washington DC, 20024

THIS AGREEMENT, made and entered into this date by and between

Southwest Market Limited Partnership
c/o Boston Properties, Inc.
500 E Street SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is amended, effective upon execution by the Government, as follows:

The agreed upon above standard costs and obligations for all work to be performed by the Lessor under the lease is $17,755,660.00, of which $17,003,760.00 has been paid as of February 25, 1994, for the scope of work described below. Accordingly, the Government shall pay the Lessor the amount of $624,990.00, which is the balance due for work completed to date (less the Interactive Directories cost of $126,910.00 which shall be paid for by the Government upon completion and separately), not more than forty-five days after the execution of this Supplemental Lease Agreement by the Government. The balance due for the Interactive Directories will be paid for upon completion of the full scope of work and acceptance by the Government.

The scope of work includes all work for the initial space alterations on the concourse level, ground floor, floors two through nine of the building and various items in the parking garage and includes utilization of all building allowances, building allowance credits, installed special requirements (section 9 of the lease contract), above standard alterations, additional design fees for the above standard construction, and all equitable adjustments for the changes made under paragraph 17 of the General Clauses of the lease to date.

This represents a final settlement of all claims related to this lease for above standard construction as of the date hereof as described above.

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Edward H. Linde

BY	Edward H. Linde	General Partner
	(Signature)	(Title)

IN THE PRESENCE OF (witnessed by:)

	Kathryn R. Stevenson	8 Arlington Street, Boston, MA 02116
	(Signature)	(Address)

UNITED STATES OF AMERICA

BY	ILLEGIBLE	Contracting Officer
	(Signature)	(Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT NO. 5

DATE

TO LEASE NO.
GS-11B-00111

ADDRESS OF PREMISES
2 Indep Square
300 E Street., SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between

whose address is

Southwest Market Ltd Partnership
C/O Boston Properties
500 E Street, SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is amended, effective July 20, 1993, as follows:

To reflect operating cost escalation provided for in the basic lease agreement.

Base (CPI-W-U.S. City Avg)	June 1992		138.1
Correspondence Index	June 1993		142.0
			1.028240406
Base Operating Cost Per Lease		$	3,481,297.44
% Increase in CPI-W		×	0.028240406
Less Previous Escalation Paid		$	0.00
Annual increase in operating cost		$	98,313.25

Effective July 20, 1993. The annual rental is increased by $98,313.25. The new annual rent is $19,242,575.05 payable at the rate of $1,603,547.92 per month in arrears. Rent checks shall be payable to:

Southwest Market Ltd Partnership
C/O Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR:

BY _____ _____

(Signature) (Title)

IN PRESENCE OF

_____ _____

(Signature) (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE Contracting Officer, NCR, RED, WPEST-A

(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION PUBLIC BUILDINGS SERVICE	SUPPLEMENTAL AGREEMENT NO. 6	DATE
SUPPLEMENTAL LEASE AGREEMENT	TO LEASE NO. GS-11B-00111	

ADDRESS OF PREMISES
2 Independence Square
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between

whose address is

Southwest Market Limited Partnership
C/O Boston Properties
500 E Street, SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is amended, effective July 20, 1994, as follows:

To reflect operating cost escalation provided for in the basic lease agreement.

Base (CPI-W-U.S. City Avg)	June 1992		138.1
Correspondence Index	June 1994		145.4
			1.052860246
Base Operating Cost Per Lease		$	3,481,297.44
% Increase in CPI-W		×	0.052860246
Less Previous Escalation Paid		$	98,313.24
Annual increase in operating cost		$	85,709.00

Effective July 20, 1994, the annual rental is increased by $85,709.00. The new annual rent is $19,328,284.05 payable at the rate of $1,610,690.34 per month in arrears. Rent checks shall be payable to:

Southwest Market Limited Partnership
C/O Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR:

BY _____ _____
(Signature) (Title)

IN PRESENCE OF

_____ _____
(Signature) (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE CONTRACTING OFFICER, NCR, RED, WPESTA
(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION PUBLIC BUILDINGS SERVICE	SUPPLEMENTAL AGREEMENT NO. 7	DATE
SUPPLEMENTAL LEASE AGREEMENT	TO LEASE NO. GS-11B-00111	

ADDRESS OF PREMISES

2 Independence Square
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Ball Associates.

whose address is

Southwest Market Limited Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is amended, effective , as follows:

To reflect full and final settlement of the 1993, and 1994, annual operating escalations. The annual rent will be increased by $184,0222.25 effective October 1, 1994. The preceding months from July 20, 1993, thru September 30, 1994, will be paid as catchup including interest. The full and final (lump sum) settlement payment of $141,793.28 is explained as follows:

For the 1993 escalation, the payment is $124,506.28 which represents catchup for the period July 20, 1993, thru September 30, 1994, and interest for one year at 5.63 percent. The catchup is $117,870.19 and interest is $6,636.09.

Similarly, for the 1994 escalation, the payment is $17,287.00 which represents catchup and interest at 7.0 percent for the period July 20, 1994, thru September 30, 1994. The catchup is $17,049.62 and interest is $237.41. The Final Settlement Payment will be included in your next monthly rent. The rent check shall be payable to:

Southwest Market Limited Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR:

BY _____ _____

(Signature) (Title)

IN THE PRESENCE OF (witnessed by:)

_____ _____

(Signature) (Address)

UNITED STATES OF AMERICA

BY _____ Contracting Officer
GSA, NCR, PBS, RED

(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT No. 8

DATE

TO LEASE NO.
GS-11B-00111

ADDRESS OF PREMISES
2 Independence Square
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Limited Partnership

whose address is: Southwest Market Limited Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is amended as follows:

Issued to reflect the annual real estate tax escalation provided for in the basic lease agreement.

Comparison	$	2,747,904.15
Base Year	$	2,558,414.00
Increase	$	189,490.15
Percentage of Government Occupancy		98.50%
Tax Increase Due Lessor	$	186,647.80
Interest	$	3,118.04
Total Due	$	189,765.84

The Lessor is entitled to a one-time payment in the amount of $189,765.84 payable in arrears. Check shall be payable to:

Southwest Market Ltd Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Limited Partnership

BY _____ _____

(Signature) (Title)

IN THE PRESENCE OF

_____ _____

(Signature) (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE Contracting Officer, GSA, NCR, PBS, PARS

(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT No. 9

DATE

TO LEASE NO.
GS-11B-00111

ADDRESS OF PREMISES
2 Independence Square
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Ltd. Partnership

whose address is: Southwest Market Ltd. Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is amended, effective 03/01/1996 , as follows:

Issued to reflect operating cost escalation provided for in the basic lease agreement.

Base (CPI-W-U.S. City Avg)	June	1992		138.10
Corresponding Index	June	1995		149.90
Base Operating Cost Per Lease			$	3,481,297.44
% Increase in CPI-W				0.085445329
Annual Increase In Operating Cost			$	297,460.61
Less Previous Escalation Paid			$	184,022.24
Annual increase In Operating Cost Due Lessor			$	113,438.37

Effective 03/01/1996, the annual rental is increased by $113,438.37. The new annual rent is $19,441,722.42 payable at the rate of $1,620,143.53 per month. The rent check shall be made payable to:

Southwest Market Ltd. Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Ltd. Partnership

BY _____ _____
(Signature) (Title)

IN THE PRESENCE OF

_____ _____
(Signature) (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE Contracting Officer, GSA, NCR, PBS, CBD
(Signature) (Official Title)

[LOGO GOES HERE]

General Services Administration
National Capital Region
Washington, DC 20407

Southwest Market Ltd. Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

RE: 2 Independence Square
300 E Street, SW
Washington, DC 20024

Dear Sir:

Enclosed, please find one copy of Supplemental Lease Agreement No. 10 which provides for the lump sum payment of the operating cost escalation from July 20, 1995 through February 29, 1996 inclusive of interest for the Government-leased space located in the above referenced building. The rent was brought current as of March 1, 1996.

In accordance with the basic lease agreement, the Government has executed the enclosed SLA which reflects a rent increase to be paid with your next monthly rent check. Please retain this copy for your files.

Should you have any questions concerning this matter, please call on (202) 708-7679.

Sincerely,

ILLEGIBLE
Noreen Freeman
Contracting Officer
Commercial Broker Division

Enclosure

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT
No. 10

DATE
June 3, 1996

TO LEASE NO.
GS-11B-00111

ADDRESS OF PREMISES
2 Independence Square
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Ltd. Partnership

whose address is: Southwest Market Ltd. Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

Hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the considerations hereinafter covenant and agree that the said lease is hereby amended, effective 7/20/1995 , as follows:

Issued to reflect operating cost escalation provided for in the basic lease agreement.

Base (CPI-W-U.S. City Avg)	June	1992		138.10
Corresponding Index	June	1995		149.90
Bases Operating Cost Per Lease			$	3,481,297.44
% Increase in CPI-W				0.085445329
Annual Increase In Operating Cost			$	297,460.61
Less Previous Escalation Paid			$	184,022.24
Annual Increase In Operating Cost Due Lessor			$	113,438.37
Prorated Amount Due (7/20/95-2/29/96)			$	69,831.68
Interest Due at 6.38%			$	649.73
Total Lump Sum Catchup			$	70,481.41

This supplement is issued to reflect full and final settlement of the 1995 operating cost escalation from July 20, 1995 through February 29, 1996 to be paid as a lump sum payment inclusive of interest in the amount of $70,481.41. The lump sum payment represents catchup for the period and interest at 6.38 percent. The total catchup is $69,831.68 and the interest is $649.73. The rent check shall be payable to:

Southwest Market Ltd. Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Ltd. Partnership

BY _____ _____

(Signature) (Title)

IN THE PRESENCE OF

_____ _____

(Signature) (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE Contracting Officer, GSA, NCR, PBS, CBD

(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT
No. 11

DATE
June 3, 1996

TO LEASE NO.
GS-11B-00111

ADDRESS OF PREMISES
2 Independence Square
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Ltd. Partnership

whose address is: Southwest Market Ltd. Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is hereby amended, effective 07/20/1996, as follows:

Issued to reflect operating cost escalation provided for in the basic lease agreement.

Base (CPI-W-U.S. City Avg)	June	1992		138.10
Corresponding Index	June	1996		154.10
Bases Operating Cost Per Lease			$	3,481,297.44
% Increase in CPI-W				0.115858074
Annual Increase In Operating Cost			$	403,336.42
Less Previous Escalation Paid			$	297,460.61
Annual Increase In Operating Cost Due Lessor			$	105,875.81

Effective 07/20/1996, the annual rent is increased by $105,875.81. The new annual rent is $19,547,598.23 payable at the rate of $1,628,966.52 per month. The rent check shall be made payable to:

Southwest Market Ltd Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Ltd. Partnership

BY _____ _____
(Signature) (Title)

IN THE PRESENCE OF

_____ _____
(Signature) (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE Contracting Officer, GSA, NCR, PBS, CBD
(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT
No. 12

DATE
July 19, 1996

TO LEASE NO.
GS-11B-00111

ADDRESS OF PREMISES
2 Independence Square
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Ltd. Partnership

whose address is: Southwest Market Ltd. Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is hereby amended as follows:

Issued to reflect operating cost escalation provided for in the basic lease agreement. A tax rate rollback appearing on the 1995 second half tax bill shows a credit to be applied toward the 1995 first half taxes. Accordingly, one-half of the 1995 first half tax credit applies to CY 1994 and one-half applies to CY 1995.

COMPARISON YEAR (Revised)	1994	$	2,690,477.75
BASE YEAR	1993	$	3,198,017.50
INCREASE		($	507,539.75)
PERCENTAGE OF GOVERNMENT OCCUPANCY			98.500%
TAX INCREASE DUE LESSOR		($	499,926.65)
LESS: AMOUNT PREVIOUSLY PAID PER SLA 8		$	189,765.84
1994 CREDIT DUE GOVERNMENT		($	689,692.49)
COMPARISON YEAR	1995	$	3,114,301.88
BASE YEAR	1993	$	3,198,017.50
INCREASE		($	83,715.63)
PERCENTAGE OF GOVERNMENT OCCUPANCY			98.500%
1995 TAX INCREASE DUE LESSOR		($	82,459.89)
1995 CREDIT DUE GOVERNMENT		($	82,459.89)
1994 CREDIT DUE GOVERNMENT		($	689,692.49)
TOTAL CREDIT DUE GOVERNMENT		($	772,152.38)

The Government is entitled to a one-time credit in the amount of ($772,152.38) payable in arrears. The credit shall be deducted from the rent check of:

Southwest Market Ltd Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Ltd Partnership

BY _____ _____

(Signature) (Title)

IN THE PRESENCE OF

_____ _____

(Signature) (Address)

UNITED STATES OF AMERICA

BY	ILLEGIBLE	Contracting Officer, GSA, NCR, PBS, CBD
	(Signature)	**(Official Title)**

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT
No. 12 (REVISED)

DATE

TO LEASE NO.
GS-11B-00111

ADDRESS OF PREMISES
2 Independence Square
300 E Street, SW
Washington, D.C. 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Ltd Partnership

whose address is: Southwest Market Ltd Partnership
c/o Boston Properties
500 E Street, SW
Washington, D.C. 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the considerations hereinafter covenant and agree that the said Lease is hereby amended as follows:

This SLA 12 (Revised) is issued to revise the original SLA 12 by correcting the figure used for the base year, and by correcting the resulting calculations.

COMPARISON YEAR (Revised)	1994	$	2,690,477.75
BASE YEAR	1993	$	2,888,667.66
DECREASE		($	198,189.91)
PERCENTAGE OF GOVERNMENT OCCUPANCY			98.50%
REVISED TOTAL CREDIT DUE THE GOVERNMENT		($	195,217.06)
LESS: AMOUNT PREVIOUSLY PAID PER SLA 8		$	189,765.84
1994 CREDIT DUE THE GOV'T		($	384,982.90)
COMPARISON YEAR	1995	$	3,114,301.88
BASE YEAR	1993	$	2,888,667.66
DECREASE		$	225,634.22
PERCENTAGE OF GOVERNMENT OCCUPANCY			98.50%
1995 AMOUNT DUE LESSOR		$	222,249.71
1995 AMOUNT DUE LESSOR		$	222,249.71
1994 CREDIT DUE GOVERNMENT		($	384,982.90)
TOTAL CREDIT DUE GOV'T		($	162,733.19)
LESS PREVIOUS CREDIT TO THE GOV'T PER SLA 12		($	772,152.38)
AMOUNT DUE LESSOR		$	609,419.19
The Lessor is entitled to a lump sum payment in the amount of		$	609,419.19

Rent payments are to be made to:

Southwest Market Ltd Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in full force and effect.*
IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR:

BY * See Attachment (a) hereto, incorporated by this reference.

(Signature) (Title)

IN THE PRESENCE OF

(Signature) (Address)

UNITED STATES OF AMERICA

BY	[ILLEGIBLE] 11/1/96	Contracting Officer, GSA, NCR, PBS, PARS
	(Signature)	**(Official Title)**

ATTACHMENT (A) TO SUPPLEMENTAL LEASE AGREEMENT NO. 12 (REVISED)

The Lessor and the Government agree that, by execution of this Supplemental Agreement No. 12 (revised) to Lease No. GS-11B-00111 ("the Lease"), the Lessor has not waived and expressly reserves its right to pursue its pending claim dated September 9, 1996 against the Government requesting a final decision from the Contracting Officer to establish that the sum of $2,558,413.79 is the real estate tax amount for the NASA Headquarters Building for 1993, which is the "Base Year" of the Lease for purposes of the Tax Adjustment clause, GSAR 552.270-24, of the Lease. The Lessor and the Government recognize (1) that the Lessor has a dispute with the Government concerning the computation of the real estate tax amount for the Base Year of the Lease, which dispute is not settled, resolved or otherwise affected by this Supplemental Agreement No. 12 (revised), and (2) that Lessor's execution of this Supplemental Agreement No. 12 (revised) does not operate as a concurrence in or acceptance of GSA's computation of the sum of $2,888,667.66 as the real estate tax base for 1993. The Lessor and the Government further agree that this Supplemental Agreement No. 12 (revised) does not settle or release the Government from any claim(s) by the Lessor to recover lease payments or seek other relief under the Lease as a result of the Government's assertion that the real estate tax amount for the NASA Headquarters Building is a sum other than $2,558,413.79.

SOUTHWEST MARKET LIMITED
PARTNERSHIP, Lessor

By: Boston Southwest Associates
Limited Partnership, its
General Partner

By: Independence Square, Inc.
its General Partner

By: /s/ Robert E. Burke

Robert E. Burke
Vice President

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT NO. 13

DATE SEP 25, 1996

TO LEASE NO. GS-11B-00111

ADDRESS OF PREMISES
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Limited Partnership

whose address is:
500 E Street, SW
Washington, DC 20024
hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is amended, effective upon execution by the Government, as follows:

Exhibit III to this Lease is amended as follows:

1. For the period from July 20, 1995 through July 19, 1996, the annual rental for the 350 permits provided under Exhibit III is $600,600.00, based on a rate of $50,050.00 per month in arrears and is exclusive of the District of Columbia parking sales tax.

2. Effective July 20, 1996, the number of parking permits will increase to a total of six hundred forty-six (646) parking permits for spaces within the leased building, for use by the Government. The Government shall pay the annual rental for such parking permits of $1,135,668.00 based on a rate of $94,639.00 per month in arrears, which rate is exclusive of the District of Columbia parking sales tax. The aforesaid rental rate for these 646 parking permits will be escalated annually, on the anniversary date of the effective date of this agreement, by four percent (4%) of the rate payable for the prior year, for the remaining term of this Lease.

3. The effective date of this agreement is July 20, 1996.

4. The last paragraph of Exhibit III to this Lease is hereby deleted. Further, all references in Exhibit III to “350 permits” is hereby changed to read “646 permits” effective as July 20, 1996.

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Limited Partnership
BY: Independence Square, Inc., it’s General Partner

BY (ILLEGIBLE) — Vice President

(Signature) — (Title)

IN PRESENCE OF (witnessed by:)

/S/ Elaine (ILLEGIBLE)

(Signature) — (Address)

UNITED STATES OF AMERICA

BY /S/ Robert G. Roop — Contracting Officer GSA, NCR, PBS, RED

(Signature) — (Official Title)
Robert G. Roop

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT
NO. 14 (NF)

DATE
2/10/97

TO LEASE NO.
GS-11B-00111

ADDRESS OF PREMISES
2 Independence Square
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Ltd Partnership

whose address is: Southwest Market Ltd Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is hereby amended as follows:

This SLA is issued to settle all claims with respect to the computation of base year real estate taxes for real estate tax escalation purposes, which is hereby established as $2,534,368.74, with calendar year 1993 designated as the base year. The base year figure was arrived at by adopting the amount appearing on GSA Form 1217 which was made a part of this lease.

In addition, it is agreed that the 1994 and 1995 real estate tax escalations will be calculated as follows:

COMPARISON YEAR (Revised)	1994	$	2,690,477.75
BASE YEAR	1993	$	2,534,368.74
INCREASE		$	156,109.01
PERCENTAGE OF GOVERNMENT OCCUPANCY			98.50%
1994 TOTAL AMOUNT DUE LESSOR		$	153,767.37
COMPARISON YEAR	1995	$	3,114,301.88
BASE YEAR	1993	$	2,534,368.74
INCREASE		$	579,933.14
PERCENTAGE OF GOVERNMENT OCCUPANCY			98.50%
1995 TOTAL AMOUNT DUE LESSOR		$	571,234.14
1995 TOTAL AMOUNT DUE LESSOR		$	571,234.14
1994 TOTAL AMOUNT DUE LESSOR		$	153,767.37
SUBTRACT AMOUNT PAID TO LESSOR (SLA 8)		$	189,765.84
SUBTRACT AMOUNT PAID TO LESSOR (SLA 12 REV)		$	809,419.19
ADD AMOUNT OF GOV'T CREDIT (SLA 12)		$	772,152.38
NET AMOUNT DUE FOR 1994 AND 1995 TAX ADJUSTMENTS		$	697,968.86

The Lessor is entitled to a lump-sum payment in the amount of $ 697,968.86
Rent payments are to be made to:

Southwest Market Ltd Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.
IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR:

BY /s/ Robert S. Burke (Signature) Senior Vice President (Title)

IN THE PRESENCE OF

Boston Properties, Inc.
500 E Street, SW – Suite 200

	/s/ Joann B. Poindexter	Washington, DC 20024
	(Signature)	**(Address)**

UNITED STATES OF AMERICA

BY	/s/ [ILLEGIBLE]	Contracting Officer, GSA, NCR, PBS, PARS
	(Signature)	**(Official Title)**

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General Services Administration
National Capital Region
Washington, DC 20407

June 16, 1997

School Street Associates
c/o Boston Properties, Inc.
8 Arlington Street
Boston, MA 02116

Attention: Edward H. Linde, President

RE: Lease No. GS-11B-00111 dated June 1, 1990, by and between The United States of America ("Government") and Southwest Market Limited Partnership ("Lessor") respecting premises comprising 488,734 net usable square feet of office and related space at 300 E Street, S.W., Washington, D.C. 20024 (the "Building")

Dear Mr. Linde:

This letter is written in response to the request for novation submitted on behalf of the Lessor, with respect to the Lease referred to above, by Alexander D. Tomaszczuk, Esq., counsel to Lessor, by letter dated May 29, 1997. In his letter, Mr. Tomaszczuk pointed out that a novation-in the particular circumstance of this transaction-may not be required by Federal Acquisition Regulation Section 42.1204 nor, by extension, by the Anti-Assignment Act (41 U.S.C. 15).

You have informed us that Boston Properties, Inc., and various affiliated entities including the Lessor, are in the process of forming a publicly-traded real estate investment trust (the "REIT") which will succeed to the real estate development, redevelopment, acquisition management, operating and leasing businesses owned and controlled by you and Mortimer B. Zuckerman either individually or through entities controlled by you. The REIT will be structured as an "umbrella partnership real estate investment trust," pursuant to which substantially all of such real estate assets will be contributed by you, Mr. Zuckerman and various affiliated persons and entities, to Boston Properties Limited Partnership, a Delaware limited partnership ("BPLP"), in exchange for interests in the REIT. The sole general partner of BPLP will be Boston Properties, Inc., which will be responsible for managing and operating the real estate assets owned by the REIT. You have also informed us that, due to the fact that a significant ownership interest in the REIT will be retained by you and Mr. Zuckerman, management control of the REIT will also be retained by you.

Specifically with respect to the Building, you have informed us that as part of the REIT formation transactions the constituent partnership interests (both general partnership and limited partnership interests) in the Lessor will be contributed to BPLP (as to a 99% limited partnership interest in Lessor) and to Boston Properties L.L.C. (as to a 1% general partnership interest in Lessor) in exchange for interests in the REIT. The end result of these REIT formation transactions will be that the economic interests in the Lessor will be transformed into interests in the REIT which, in turn, will hold all of the constituent partnership interests to Lessor. Thus, the REIT formation transactions described in this letter (i) will not effect a transfer of the Lease, (ii) will not effect a transfer of the underlying asset (i.e., the Building), and (iii) will not effect a formation or reformation of the partnership that is the Lessor. You have also informed us that the Building will be managed by BPLP, of which Boston Properties, Inc., is the sole general partner, and that payments under the Lease should continue to be made to the same Lessor-Southwest Market Limited Partnership-at the same address as provided in the Lease.

In the circumstances you have described, the public policy concerns that underlie the federal Government rules respecting assignment of contracts are not raised, since the interests of the Lessor in the Building are

identical both before and after the REIT formation, and since the Government will not be subjected to competing or potentially adverse claims with respect to the Lease. Based on these facts, it is our position that a novation agreement with respect to the transactions described above involving the Lease and the Lessor is not required.

Sincerely,

UNITED STATES OF AMERICA

By: /s/ ROBERT G. ROOP

Robert G. Roop
Contracting Officer
General Services Administration
National Capital Region
Realty Services Division

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General Services Administration
National Capital Region
Washington, DC 20407

June 16, 1997

Southwest Market Limited Partnership
c/o Boston Properties, Inc.
8 Arlington Street
Boston, MA 02116

Attention: Edward H. Linde, President

RE: Lease No. GS-11B-00111 dated June 1, 1990, by and between The United States of America ("Government") and Southwest Market Limited Partnership ("Lessor") respecting premises comprising 488,734 net usable square feet of office and related space at 300 E Street, S.W., Washington, D.C. 20024 (the "Building")

Dear Mr. Linde:

This letter is written in response to the request for novation submitted on behalf of the Lessor, with respect to the Lease referred to above, by Alexander D. Tomaszczuk, Esq., counsel to Lessor, by letter dated May 29, 1997. In his letter, Mr. Tomaszczuk pointed out that a novation-in the particular circumstance of this transaction-may not be required by Federal Acquisition Regulation Section 42.1204 nor, by extension, by the Anti-Assignment Act (41 U.S.C. 15).

You have informed us that Boston Properties, Inc., and various affiliated entities including the Lessor, are in the process of forming a publicly-traded real estate investment trust (the "REIT") which will succeed to the real estate development, redevelopment, acquisition management, operating and leasing businesses owned and controlled by you and Mortimer B. Zuckerman either individually or through entities controlled by you. The REIT will be structured as an "umbrella partnership real estate investment trust," pursuant to which substantially all of such real estate assets will be contributed by you, Mr. Zuckerman and various affiliated persons and entities, to Boston Properties Limited Partnership, a Delaware limited partnership ("BPLP"), in exchange for interests in the REIT. The sole general partner of BPLP will be Boston Properties, Inc., which will be responsible for managing and operating the real estate assets owned by the REIT. You have also informed us that, due to the fact that a significant ownership interest in the REIT will be retained by you and Mr. Zuckerman, management control of the REIT will also be retained by you.

Specifically with respect to the Building, you have informed us that as part of the REIT formation transactions the constituent partnership interests (both general partnership and limited partnership interests) in the Lessor will be contributed to BPLP (as to a 99% limited partnership interest in Lessor) and to Boston Properties L.L.C. (as to a 1% general partnership interest in Lessor) in exchange for interests in the REIT. The end result of these REIT formation transactions will be that the economic interests in the Lessor will be transformed into interests in the REIT which, in turn, will hold all of the constituent partnership interests to Lessor. Thus, the REIT formation transactions described in this letter (i) will not effect a transfer of the Lease, (ii) will not effect a transfer of the underlying asset (i.e., the Building), and (iii) will not effect a formation or reformation of the partnership that is the Lessor. You have also informed us that the Building will be managed by BPLP, of which Boston Properties, Inc., is the sole general partner, and that payment sunder the Lease should continue to be made to the same Lessor-Southwest Market Limited Partnership-at the same address as provided in the Lease.

In the circumstances you have described, the public policy concerns that underlie the federal Government rules respecting assignment of contracts are not raised, since the interests of the Lessor in the Building are

identical both before and after the REIT formation, and since the Government will not be subjected to competing or potentially adverse claims with respect to the Lease. Based on these facts, it is our position that a novation agreement with respect to the transactions described above involving the Lease and the Lessor is not required.

Sincerely,

UNITED STATES OF AMERICA

By: /s/ ROBERT G. ROOP

Robert G. Roop
Contracting Officer
General Services Administration
National Capital Region
Realty Services Division

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT NO. 15

DATE June 3, 1996

TO LEASE NO. GS-11B-00111

ADDRESS OF PREMISES
Two Independence Square
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Ltd. Partnership

whose address is: 500 E Street, SW
Washington, DC 20024

Hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is hereby amended as follows:

Issued to reflect the annual real estate tax escalation provided for in the basic lease agreement.

Comparison Year	1996	$	3,164,579.63
Base Year	1993	$	2,534,368.74
Increase		$	630,210.89
Percentage of Government Occupancy			98.50%
Tax Increase Due Lessor		$	620,757.72
Total Amount Due Lessor		$	620,757.72

The Lessor is entitled to a one-time payment in the amount of $ 620,757.72 payable in arrears. Check shall be payable to:

Southwest Market Ltd. Partnership
C/O Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Limited Partnership

BY /S/ Robert E. Roop — Senior Vice President

(Signature) (Title)

IN PRESENCE OF

/S/ Marilyn Robinson — Boston Properties, Inc.
500 E St., SW, Suite 200
Washington, DC 20024

(Signature) (Address)

UNITED STATES OF AMERICA

BY (ILLEGIBLE) 5/23/97 — Contracting Officer, GSA, NCR, PBS, PARS

(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT NO. 16

DATE

TO LEASE NO.
GS-11B-00111

ADDRESS OF PREMISES
2 Independence Square
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Limited Partnership

whose address is: 300 E Street, SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter mentioned covenant and agree that the said Lease is hereby amended effective 07/20/97 as follows:

Issued to reflect the operating cost escalation provided for in the basic lease agreement.

Comparison Year	June	1992		138.10
Corresponding Index	June	1997		157.40
Base Operating Cost Per Lease			$	3,481,297.44
% Increase in CPI-W				0.139753802
Annual Increase In Operating Cost			$	486,524.55
Less Previous Escalation Paid			$	403,336.42
Annual Increase In Operating Cost Due Lessor			$	83,188.13

Effective 07/20/97 the annual rent is increased by $83,188.13. The new annual rent is $20,766,454.36 payable at the rate of $1,730,537.86 per month. The rent check shall be made payable to:

Southwest Market Limited Partnership
c/o Boston Properties
300 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Limited Partnership

BY _____ _____
(Signature) (Title)

IN THE PRESENCE OF

_____ _____
(Signature) (Address)

UNITED STATES OF AMERICA

BY /s/ Marilyn Jenkins 9/4/97 Contracting Officer, GSA, NCR, PBS, PARS
(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT NO. 17

DATE

TO LEASE NO.
GS-11B-00111

ADDRESS OF PREMISES
2 Independence Square
300 E Street, SW
Washington, DC 20011

THIS AGREEMENT, made and entered into this date by and between Southwest Market L.P.

whose address is: c/o Boston Properties
500 E Street, SW
Washington, DC 20024

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the consideration hereinafter covenant and agree that the said lease is hereby amended as follows:

Issued to reflect the annual real estate tax escalation provided for in the basic lease agreement.

COMPARISON YEAR	1997	$	3,066,717.00
BASE YEAR	1993	$	2,534,368.74
INCREASE/DECREASE IN REAL ESTATE TAXES		$	532,348.26
PERCENTAGE OF GOVERNMENT OCCUPANCY			98.50%
1996 TAX INCREASE DUE LESSOR		$	524,363.04

The Lessor is entitled to a one-time payment in the amount of $524,363.04 payable in arrears. Check shall be payable to:

Southwest Market L.P.
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.
IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market L.P.

BY _____ _____
(Signature) (Title)

IN THE PRESENCE OF

_____ _____
(Signature) (Address)

UNITED STATES OF AMERICA

BY /s/ Marilyn [ILLEGIBLE] 4/22/98 Contracting Officer, GSA, NCR, PBS, PARS
(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT
NO. 18

DATE
MAR 11, 1999

TO LEASE NO.
GS-11B-00111

ADDRESS OF PREMISES
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market LTD Partnership

whose address is: Southwest Market LTD Partnership
500 E Street, SW
Washington, DC 20024

Hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the considerations hereinafter covenant and agree that the said lease is hereby amended effective 7/20/98 as follows:

Issued to reflect the annual operating cost escalation provided for in the basic lease agreement.

Base (CPI-W-U.S. City Avg)	JUNE	1992		138.10
Corresponding Index	JUNE	1998		159.70
Base Operating Cost Per Lease			$	3,481,297.44
% Increase in CPI-W				0.1564084
Annual Increase In Operating Cost			$	544,504.16
Less Previous Escalation Paid			$	486,524.55
Annual Increase In Operating Cost Due Lessor			$	57,979.61

Effective 7/20/98, the annual rent is increased by $57,979.61.
The new annual rent is $20,824,433.97 payable at the rate of $1,735,369.50 per month.
The rent check shall be made payable to:

Southwest Market LTD Partnership
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market LTD Partnership

BY _____ _____
(Signature) (Title)

IN THE PRESENCE OF

_____ _____
(Signature) (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE Contracting Officer, GSA, NCR, PBS, Realty Services Division
(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT
NO. 19

DATE
MAY 5, 1999

TO LEASE NO.
GS-11B-00111

ADDRESS OF PREMISES
2 Independence Square

THIS AGREEMENT, made and entered into this date by and between Southwest Market Ltd Partnership

whose address is: Southwest Market Ltd Partnership
500 E Street, SW
Washington, DC 20024

Hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the considerations hereinafter covenant and agree that the said lease is hereby amended effective 04/01/1999 as follows:

Issued to reflect annual increase cost in rental parking per SLA #13.

Effective 07/20/1997, the increase in $45,426.72 and effective 07/20/1998 the increase is $47,243.79.

The annual increase for the period covering 04/20/1997 through 04/01/1999 is $45,426.72 (1,181,094.72 – 1,135,668.00).
The annual increase for the period covering 07/20/1998 through 04/01/1999 is $47,243.79 (1,228,338.51 – 1,181,094.72).
The annual increase including catchup payments is $121,679.02. The lessor agrees to waive interest.

Effective 04/01/1999, the annual rent is increased by $92,670.51. The new annual rent is $20,917,104.48 payable at the rate of $1,743,083.71.
The Lessor is entitled to a one-time payment in the amount of $121,679.00 payable in arrears. Check shall be payable to:

Southwest Market Ltd. Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Ltd. Partnership

BY _____ _____
(Signature) (Title)

IN THE PRESENCE OF

_____ _____
(Signature) (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE Contracting Officer, GSA, NCR, PBS
(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT NO. 20

DATE 11/9/99

TO LEASE NO. GS-11B-00111

ADDRESS OF PREMISES
2 Independence Square
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Ltd. Part.

whose address is: c/o Boston Properties
500 E Street, SW
Washington, DC 20024

Hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the considerations hereinafter covenant and agree that the said Lease is hereby amended effective 7/20/99 as follows:

Issued to reflect the annual operating cost escalation provided for in the basic lease agreement.

Base (CPI-W-U.S. City Avg)	JUNE	1992		138.10
Corresponding Index	JUNE	1999		162.80
Base Operating Cost Per Lease			$	3,481,297.44
% Increase in CPI-W				0.178855902
Annual Increase In Operating Cost			$	622,650.59
Less Previous Escalation Paid			$	544,504.16
Annual Increase In Operating Cost Due Lessor			$	78,146.43
1999 Increase for Parking			$	49,133.54
Total Increase Due Lessor including Parking			$	127,279.97

Effective 7/20/99, the annual rent is increased by $127,279.97.
The new annual rent is $21,044,384.45 payable at the rate of $1,753,698.70 per month.
The rent check shall be made payable to:

Southwest Market Ltd. Part.
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Ltd. Part.

BY ILLEGIBLE — (Signature)

Senior Vice President — (Title)

IN PRESENCE OF

Nadine ILLEGIBLE — (Signature)

500 E Street SW Suite 200
Washington, DC 20026 — (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE — (Signature)

Contracting Officer, GSA, NCR, DC South Service Delivery Team — (Official Title)

SECTION INTENTIONALLY DELETED

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT NO. 21

DATE SEP 03, 1999

TO LEASE NO. GS-11B-00111

ADDRESS OF PREMISES
2 Independence Square
300 E Street, SW
Washington, DC 20011

THIS AGREEMENT, made and entered into this date by and between Southwest Market L.P.

whose address is: 500 E Street, SW
Washington, DC 20024
c/o Boston Properties

Hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the considerations hereinafter covenant and agree that the said lease is hereby amended as follows:

Issued to reflect the annual real estate tax escalation provided for in the basic lease agreement.

COMPARISON YEAR	1998	$	3,066,717.00
BASE YEAR	1993	$	2,534,368.74
DECREASE		$	532,348.26
PERCENTAGE OF GOVERNMENT OCCUPANCY			98.50%
AMOUNT DUE TO LESSOR		$	524,363.04

The Lessor is entitled to a one-time lump sum payment in the amount of $524,363.04 payable in arrears. This amount shall be paid with your next rent check:

Southwest Market L.P.
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market L.P.

BY _____ _____
(Signature) (Title)

IN THE PRESENCE OF

_____ _____
(Signature) (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE Contracting Officer, GSA, NCR, PBS, NoVA
(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT NO. 22

DATE AUG 2, 2000

TO LEASE NO. LDC00111

ADDRESS OF PREMISES
2 Independence Square
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Limited Partnership

whose address is: Southwest Market Limited Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

Hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the considerations hereinafter covenant and agree that the said lease is hereby amended effective 7/20/00 as follows:

Issued to reflect the annual operating cost escalation provided for in the basic lease agreement.

Base (CPI-W-U.S. City Avg)	JUNE	1992		138.10
Corresponding Index	JUNE	2000		169.20
Base Operating Cost Per Lease			$	3,481,297.44
% Increase in CPI-W				0.217233888
Annual Increase In Operating Cost			$	756,255.78
Less Previous Escalation Paid			$	622,650.69
Annual Increase In Operating Cost Due Lessor			$	133,605.09
2000 Increase for Parking			$	51,098.88
Total Increase Due Lessor including Parking			$	184,703.97

Effective 07/20/00, the annual rent is increased by $184,703.97.
The new annual rent is $21,229,088.42 payable at the rate of $1,769,090.70 per month.
The rent shall be made payable to:

Southwest Market Limited Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Limited Partnership

BY _____ _____
(Signature) (Title)

IN THE PRESENCE OF

_____ _____
(Signature) (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE Contracting Officer, GSA, NCR, PBS, DC South Service Delivery Team
(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT NO. 23

DATE AUG 23, 2000

TO LEASE NO. GS-11B-00111

ADDRESS OF PREMISES
300 E Street, SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between Southwest Market Limited Partnership

whose address is: c/o Boston Properties
500 E Street, SW
Washington, DC 20024

Hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the considerations hereinafter covenant and agree that the said Lease is hereby amended as follows:

Issued to reflect the annual real estate tax escalation provided for in the basic lease agreement.

COMPARISON YEAR	1999	$	3,038,509.25
BASE YEAR	1993	$	2,534,368.75
DECREASE		$	504,140.50
PERCENTAGE OF GOVERNMENT OCCUPANCY			98.50%
AMOUNT DUE TO LESSOR		$	496,578.39

The Lessor is entitled to a one-time lump sum payment in the amount of: $496,578.39 payable with the next rent check.

Rent checks shall be made payable to:

Southwest Market Limited Partnership
c/o Boston Properties
500 E Street, SW
Washington, DC 20024

All other terms and conditions of the lease shall remain in force and effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Limited Partnership

BY ILLEGIBLE — Senior Vice President

(Signature) (Title)

IN THE PRESENCE OF

ILLEGIBLE — 401 9th St., NW Washington, DC 20004

(Signature) (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE — Contracting Officer, GSA, NCR, PBS, DC South SDT

(Signature) (Official Title)

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE

SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT NO. 24

DATE APR 04, 2001

TO LEASE NO. GS-11B-0011

ADDRESS OF PREMISES
Two Independence Square
300 E Street SW
Washington, DC 20024

THIS AGREEMENT, made and entered into this date by and between: Southwest Market Limited Partnership

whose address is: c/o Boston Properties
500 E Street SW
Washington, DC 20024

and whose interest in the property hereinafter described is that of the Owner
hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WHEREAS, the parties hereto desire to amend the above Lease.

NOW THEREFORE, these parties for the considerations hereinafter mentioned covenant and agree that the said Lease is amended, effective , as follows:

This Supplemental Lease Agreement (SLA) is issued to reflect the Lessor's agreement to grant the Government the right to install and impose the obligation to maintain and repair a whip antenna and a dish antenna on the roof of the building known as Two Independence Square, 300 E Street, SW, Washington, DC. The location of each antenna is shown in their respective site survey report, which are attached hereto.

In consideration for the granting of the right to locate the antennas on the roof, GSA shall pay the Lessor one dollar ($1) per year in arrears. The antenna payment shall be due at the same time the monthly rent is due under the base Lease. The obligation to maintain and repair the antenna on the roof shall terminate at the expiration of the term of the base Lease.

The Government may access the rooftop area for maintenance or inspection of the antenna after notice to and when accompanied by a representative of the Lessor. The Government shall be responsible, in accordance with the Federal Tort Claims Act, for any and all damages, costs, liability, losses or expenses suffered by it or by the Lessor as a result of the granting of this right, the installation, maintenance or inspection of the antenna or any access by Government personnel, agents or contractors to the roof of the building.

All other terms and conditions of the lease shall remain in force and in effect.

IN WITNESS WHEREOF, the parties subscribed their names as of the above date.

LESSOR: Southwest Market Limited Partnership

BY E. Mitchell Norville — Senior Vice President

(Signature) (Title)

IN THE PRESENCE OF

ILLEGIBLE — 401 9th Street, NW, Suite 700 Washington, DC 20004

(Signature) (Address)

UNITED STATES OF AMERICA

BY ILLEGIBLE — Contracting Officer, GSA, NCR, WPJ

(Signature) (Official Title)

[National Technological University LETTERHEAD]

INSTALLATION SITE SURVEY

Site to be Surveyed:
NASA Headquarters (Site #1739)
300 E Street SW
Washington DC 20546
Site Contact: Mary Alice Deidrich
301-286-5393

Survey to be Completed by:
Buddy Davis
Davis Antenna
2894 Old Washington Road
Waldorf, MD 20601

Date Survey Completed: 3/22/00

Receiver Information

Number of receivers requested by site: 4

Type: ☒ NDS CSR820 Commercial Satellite Receiver
☐ Other_____

Satellite Antenna Installation Information

Antenna Type:	☒ 1.2m	☐ 1.8m	☐ 2.4m	
Antenna Location:	☒ Roof	☐ Ground	☐ Wall	☐ Pole
Type of Mount:	☒ NPRM	☐ Wall	☐ Pole	☐ Other_____

Any known terrestrial/microwave interference in the area? ☐ Yes ☒ No

If so, what type? _____

Customer Building Information

How many floors are in the building? 10 Client is located on what floor? All

Building Composition: ☒ Block ☒ Steel ☐ Wood ☒ Other Glass, Metal

When is building accessible? 8 – 4, M – F Are keys needed for roof access? Yes

If building manager/owner approval needed for install, list name, address, phone number: _____
Boston Properties, will be coordinated by NASA facilities personnel

Are permits required by the city for this type of antenna? ☒ Yes ☐ No

If permits are required, name, address and phone number of City Building Department: possibly
DC Government, Fine Arts Commission

EXHIBIT 10.93

AGREEMENT OF PURCHASE AND SALE FOR NESTLE BUILDING

AGREEMENT OF PURCHASE AND SALE
AND JOINT ESCROW INSTRUCTIONS

BY AND BETWEEN

DOUGLAS EMMETT JOINT VENTURE,
A CALIFORNIA GENERAL PARTNERSHIP ("SELLER")

AND

WELLS OPERATING PARTNERSHIP, L.P.,
A DELAWARE LIMITED PARTNERSHIP ("BUYER")

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AGREEMENT OF PURCHASE AND SALE
AND JOINT ESCROW INSTRUCTIONS

To: Chicago Title Company
700 South Flower Street
Suite 900
Los Angeles, California 90017
Attention: Amy Hiraheta
Telephone: (213) 488-4358
Facsimile: (213) 488-4384

Escrow No.: 21045726-X70

THIS AGREEMENT OF PURCHASE AND SALE AND JOINT ESCROW INSTRUCTIONS ("Agreement") is made and entered into as of the 27th day of November, 2002 (the "Effective Date"), by and between DOUGLAS EMMETT JOINT VENTURE, a California general partnership ("Seller"), and WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Buyer").

RECITALS

A. Seller owns certain improved real property located at 800 North Brand Boulevard, in the City of Glendale and County of Los Angeles, California, which is more particularly described on Exhibit "A" attached hereto (said real property, together with all rights, privileges and easements appurtenant thereto, including all water rights, mineral rights, development rights, air rights, reversions, or other appurtenances to said real property, if any, and all right, title and interest of Seller, if any, in and to any land lying in the bed of any street, road, alley or right-of-way, open or closed, adjacent to or abutting said real property, is hereinafter referred to as the "Land"), together with the improvements now or hereafter located thereon (the "Improvements"), which Land and Improvements are hereinafter referred to collectively as the "Real Property"), together with all of Seller's right, title and interest, if any, in and to (i) all leases of space in the Improvements and all rooftop agreements ("Leases"), provided however, "Leases" shall not include any parking lease for the operation of the parking facility serving the Improvements nor any lease for the management office located in the Improvements, each of which shall be terminated by Seller as of the "Closing Date" (as that term is defined below), (ii) all contracts listed on Exhibit "B" to the "General Assignment" (as that term is defined below) (the "Contracts"), (iii) all tangible personal property owned by Seller and now or hereafter located on the Real Property and used solely in connection with the ownership, operation, management or maintenance of the Real Property, including, without limitation, all machinery, apparatus, equipment, engines, appliances, supplies, office equipment, screens, art, furniture, coverings, blinds, curtains, vehicles, accessories, and the specific items of personal property, if any, more particularly described on Exhibit "B" to the "Bill of Sale" (as that term is defined below) (the "Personal Property"), and (iv) all intangible property rights owned by Seller, if any, to the extent assignable and relating solely to or used solely in connection with the Real Property, including, without limitation, all tradenames, logos, warranties and guaranties in effect and given or made in connection with the construction or repair of the Improvements or the purchase of any Personal Property, and certificates of occupancy (or local equivalents), permits,

licenses, approvals and authorizations issued by any federal, state or municipal government, branch, authority, district, agency, court, tribunal, department, officer, official, board, commission or other instrumentality having jurisdiction with respect to the Land or the Improvements or the matter in issue (such intangible property is hereinafter referred to as the "Intangible Property"). The Real Property, together with the Leases, the Contracts, the Personal Property and the Intangible Property, is hereinafter referred to collectively as the "Property".

B. Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, the Property.

The terms of this Agreement and Escrow Holder's instructions are as follows:

1. Purchase and Sale. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Property upon the terms and conditions set forth in this Agreement.

2. Purchase Price. The Purchase Price ("Purchase Price") for the Property shall be One Hundred Fifty-Seven Million and No/100 Dollars ($157,000,000.00). The Purchase Price shall be payable as follows:

(a) Deposit. Prior to 5:00 P.M. (California time) on the second (2nd) business day after delivery to Buyer and Escrow Holder of a fully executed copy of this Agreement, Buyer shall deliver or cause to be delivered to Chicago Title Company ("Escrow Holder"), at the address set forth above, cash or other immediately available funds in the amount of Three Million and No/100 Dollars ($3,000,000.00) (the "Deposit"). The Deposit shall be invested in an interest earning account designated by Buyer, subject to Seller's reasonable approval, established with a national banking association in Los Angeles, California, reasonably approved by Seller and Buyer, and any interest earned thereon shall be a part of the Deposit for all purposes under this Agreement. At the "Close of Escrow" (as hereinafter defined), the Deposit, and any interest accruing thereon, shall be applied and credited toward payment of the Purchase Price.

(b) Cash Balance. One (1) business day prior to the "Closing Date" (as that term is defined below), Buyer shall deposit into Escrow cash or other immediately available funds in the amount of the balance of the Purchase Price, less an amount equal to the then outstanding principal balance of the "Existing Loan" if the Closing Date is the "Assumption Closing Date" (as those terms are defined below), plus Buyer's share of expenses and prorations, provided, however, if the calendar day immediately preceding the Closing Date is not a business day, then Buyer at its option shall deposit the foregoing amount in Escrow on or prior to 9:00 A.M. (California time) on the Closing Date, or if the foregoing amount is deposited in Escrow after 9:00 A.M. (California time) on the Closing Date, then by such time so that the funds due Seller pursuant to this Agreement are received by Seller in sufficient time for reinvestment on the Closing Date and if the Closing occurs with the "Assumption" (as hereinafter defined), "Lender" (as hereinafter defined) receives the amount required for payoff of the "Existing Loan" (as hereinafter defined) by the time provided by Lender for payoff of the Existing Loan, and provided further, if such amount is deposited in Escrow after 9:00 A.M. (California time) on the Closing Date and the funds due Seller pursuant to this Agreement are not received by Seller in sufficient time for reinvestment on the Closing Date and/or if the Closing occurs without the Assumption, Lender does not receive the amount required for payoff of the Existing Loan by the

time provided by Lender for payoff of the Existing Loan, then Buyer shall reimburse Seller for loss of interest due to the failure to reinvest Seller's funds on the Closing Date and/or any interest charged by Lender for failure to receive the payoff amount by the time provided by Lender, as applicable. The provisions of this Paragraph 2(b) shall survive the Close of Escrow.

(c) Assumption of Existing Loan. Notwithstanding anything to the contrary contained herein, Buyer shall use diligent and commercially reasonable efforts to assume that certain loan in the principal amount of Ninety Million and No/100 Dollars ($90,000,000.00) encumbering the Property (the "Existing Loan") with Landesbank Schleswig-Holstein Girozentrale, Kiel, as lender ("Lender") and to cause such assumption and the Close of Escrow to occur on the "Assumption Closing Date" (as that term is defined below), although Buyer and Seller will endeavor to cause such assumption to occur earlier and in such event Buyer and Seller shall each endeavor to cause the Close of Escrow to occur earlier. Such assumption shall be on terms acceptable to Buyer and Lender, but shall in all events be at no cost to Seller and shall include a release from Lender releasing Seller from all obligations under the Existing Loan (all such documents evidencing such assumption by Buyer, such release of Seller and Lender's approval thereof are herein referred to as the "Assumption Documents" and the transaction evidenced by the Assumption Documents is herein referred to as the "Assumption"). Without limiting the foregoing, the Assumption shall be on terms acceptable to Buyer in its sole discretion. Any Assumption fee and other costs payable to or otherwise required by Lender in connection with Lender's approval of, or efforts to obtain Lender's approval of, the Assumption shall be the sole responsibility of Buyer. Buyer shall promptly submit to Lender any documents reasonably required by Lender in order to secure Lender's approval of the Assumption as soon as possible. If the Assumption and Close of Escrow is not completed on or before the Assumption Closing Date, then Buyer and Seller shall continue to use diligent and commercially reasonable efforts to cause the Assumption and Close of Escrow to occur on or prior to the "Outside Closing Date" (as that term is defined below). The Assumption Documents approved by Lender, Seller and Buyer shall be delivered into Escrow on or prior to the Closing Date. The Assumption is a condition to the Close of Escrow on the Assumption Closing Date, but the Assumption is not a condition to the Close of Escrow on the Outside Closing Date. If the Assumption Documents have not been submitted into Escrow on or prior to the Outside Closing Date, the Close of Escrow shall occur on the Outside Closing Date on an "all-cash" basis with no Assumption. If the Close of Escrow occurs with the Assumption, all interest accrued under the Existing Loan through midnight of the day immediately preceding the Close of Escrow shall be paid by Seller, with Buyer responsible for all interest under the Existing Loan accruing thereafter, Buyer shall pay any recording charges with respect to the Assumption Documents, and Buyer shall, at the Close of Escrow, receive a credit against the Purchase Price in an amount equal to the then outstanding principal balance of the Existing Loan. Prior to the Close of Escrow, Seller agrees not to modify the terms of the Existing Loan except as may be requested in connection with the Assumption. If the purchase and sale contemplated under this Agreement is consummated without the Assumption, then at the Close of Escrow, Seller shall pay all amounts necessary to convey the Property free and clear of the Existing Loan including, without limitation, the payment of any prepayment penalties or other sums payable under the Existing Loan.

3. Escrow. Buyer and Seller shall promptly evidence the opening of Escrow by delivering a fully executed copy of this Agreement to Escrow Holder. The "Close of Escrow" is defined in Paragraph 5(d) below. The Close of Escrow shall occur no later than December 26,

2002 (the "Outside Closing Date"). The "Assumption Closing Date" shall be December 18, 2002, or such later date (but in all events on or prior to the Outside Closing Date) on which the Assumption Documents are delivered into Escrow. All references herein to the "Closing Date" shall mean the Assumption Closing Date or the Outside Closing Date, as applicable. In all events, the Assumption Closing Date shall be a date that is a business day which is followed by a business day; otherwise the Assumption Closing Date shall be the next soonest date that is a business day which is followed by a business day. Buyer and Seller hereby authorize their respective attorneys to execute and deliver to Escrow Holder any additional or supplementary instructions as may be necessary or convenient to implement the terms of this Agreement and close the transactions contemplated hereby, provided such instructions are consistent with and merely supplement this Agreement and shall not in any way modify, amend or supersede this Agreement. Such supplementary instructions, together with the escrow instructions set forth in this Agreement, as they may be amended from time to time by the parties in writing, shall collectively be referred to as the "Escrow Instructions". The Escrow Instructions may be amended and supplemented by such standard terms and provisions as the Escrow Holder may request the parties hereto to execute; provided such instructions are consistent with and merely supplement this Agreement and shall not in any way modify, amend or supersede this Agreement unless Seller and Buyer shall agree in writing to the contrary; and provided further, that the parties hereto and Escrow Holder acknowledge and agree that in the event of a conflict between any provision of such standard terms and provisions supplied by the Escrow Holder and the Escrow Instructions, the Escrow Instructions shall prevail.

4. Buyer's Investigations.

(a) Access to and Delivery of Materials. Seller has delivered to Buyer or made available for review at Seller's offices or at the Real Property all documents (other than "Excluded Documents" (as defined below)) in Seller's possession regarding the Property (collectively, "Seller's Documents"). Prior to execution of this Agreement, Seller has delivered to Buyer and Buyer has received copies of certain Seller's Documents listed on Exhibit "G" attached hereto, which documents include a current preliminary title report (the "Title Report") issued by Chicago Title Company ("Title Company"), together with copies of all title exception documents listed therein. At all times prior to the Closing Date, Seller agrees to use diligent, commercially reasonable and good faith efforts to respond promptly to all inquiries and requests made by Buyer or its employees, agents, consultants and attorneys for existing documents or information in Seller's possession regarding the Property. As used herein, "Excluded Documents" shall mean any documents involving either Seller's financing or refinancing of the Property (other than the Existing Loan), any purchase and sale agreements and correspondence pertaining to Seller's acquisition of the Property, any documents pertaining to the potential acquisition of the Property by any past or prospective buyers, any third party purchase inquiries and correspondence, appraisals of the Property, attorney-client privileged documents, internal budgets or financial projections, and any other internal documents other than internal documents relating to the physical condition of the Property. Excluded Documents shall not include "Tenant" (as hereinafter defined) correspondence files. All third party reports shall be delivered to Buyer without representation or warranty by or recourse against Seller or any third party preparing such report or any of their respective partners, members, employees, officers, directors, agents, subsidiaries or affiliates, and its or their respective successors and assigns (and Buyer hereby releases the same from and against any obligation or liability in connection

therewith). On termination of this Agreement for any reason, Buyer shall promptly return all Seller's Documents and other information, of whatever nature and in whatever form, with respect to the Property, heretofore or hereafter delivered by Seller, or third party reports obtained by Buyer and/or created in reliance upon such information, in the same condition as received, without any copies of Seller's Documents being retained by Buyer. All such third party reports shall be delivered to Seller without representation or warranty by or recourse against Buyer or any third party preparing such report or any of their respective partners, members, employees, officers, directors, agents, subsidiaries or affiliates, and its or their respective successors and assigns (and Seller hereby releases the same from and against any obligation or liability in connection therewith). In any such event, and as a covenant which shall survive the termination of this Agreement (as opposed to the consummation of the transactions contemplated by this Agreement), all such information, as well as the terms of this Agreement, shall be treated by Buyer as confidential and none of it shall be disclosed by Buyer to any other party thereafter for any purpose or in any context, except as provided in Paragraph 20 below.

(b) Due Diligence. Buyer has, prior to execution of this Agreement, reviewed any and all due diligence activities which Buyer may choose to conduct or commission, including without limitation, a review of: Seller's Documents, the condition of title to the Real Property as disclosed by the Title Report, the condition of the improvements located on the Real Property and all operating systems relating thereto, the presence of "Hazardous Materials" (as hereinafter defined), if any, the status of the Contracts and the Leases, compliance with "Governmental Regulations" (as hereinafter defined), and any and all other matters of similar or dissimilar nature relating in any way to the Property or Buyer's purchase of the Property (collectively, the "Due Diligence").

(c) Nestlé Estoppel Certificate. Seller shall use commercially reasonable efforts to have Nestlé USA, Inc. ("Nestlé") execute an estoppel certificate for the benefit of both Seller and Buyer in the form attached hereto as Exhibit "H" and with such changes made by Nestlé and Buyer as are acceptable to Buyer in Buyer's sole discretion (the "Nestlé Estoppel Certificate") on or prior to December 3, 2002 (the "Contingency Date"). Seller makes no representation as to whether the Nestlé Estoppel Certificate will be returned prior to the Contingency Date, and Buyer shall make its own determination as to whether to proceed based on the information contained in the Nestlé Estoppel Certificate, if any, received by the Contingency Date. Notwithstanding anything to the contrary contained herein, Buyer shall not communicate with any Tenants under the Leases without obtaining the prior written consent of Seller, which consent shall not be unreasonably withheld, and without affording Seller a reasonable opportunity to have a representative of Seller participate in any conversations with such Tenants. Seller agrees to reasonably cooperate with Buyer in scheduling meetings with Tenants and inspections of the Property by Buyer and its representatives, agents and consultants.

(d) Buyer's Right to Terminate. If Buyer has not received the Nestlé Estoppel Certificate on or prior to the Contingency Date, Buyer may terminate this Agreement at any time prior to 5:00 P.M. (California time) on the Contingency Date by delivering written notice thereof to Seller and Escrow Holder, whereupon this Agreement shall terminate in accordance with Paragraph 5(c) of this Agreement. In the event Buyer so elects to terminate this Agreement, Escrow Holder shall pay to Seller from the Deposit the sum of Twenty-Five and No/100 Dollars ($25.00) and the balance of the Deposit shall be refunded by Escrow Holder to

Buyer, whereupon, except as expressly provided to the contrary elsewhere in this Agreement, no party hereto shall have any further or other rights or obligations under this Agreement. Seller acknowledges and agrees that the sum of Twenty Five and No/100 Dollars ($25.00) is good and adequate consideration for the termination rights granted to Buyer pursuant to this Paragraph 4(d).

5. Conditions to the Close of Escrow.

(a) Conditions Precedent to Buyer's Obligations. The Close of Escrow and Buyer's obligations with respect to the transactions contemplated by this Agreement are subject to the satisfaction or waiver by Buyer, not later than the dates set forth herein below, of the following conditions, which conditions are for the sole benefit of Buyer and may be waived by Buyer, in whole or in part, by written waiver delivered to Seller:

(i) Representations, Warranties and Covenants of Seller. Seller shall have duly performed in all material respects all covenants to be performed by Seller hereunder, and Seller's representations and warranties set forth in this Agreement shall be true and correct as of the Closing Date in all material respects; provided that solely for purposes of this Paragraph 5(a)(i) (i.e., as a condition to the Close of Escrow allowing Buyer to terminate this Agreement pursuant to Paragraph 5(c)), such representations and warranties shall be deemed to be given without modification for a change of fact or circumstance as provided in Paragraph 12 hereof.

(ii) Delivery of Documents. Seller shall have delivered all of the duly executed documents required to be delivered by Seller pursuant to Paragraph 6(a) below.

(iii) Title Insurance. Prior to execution of this Agreement, the Title Company has issued its written title commitment (the "Title Commitment") to issue the "Title Policy" (as hereinafter defined), which Title Commitment is in the form attached hereto as Exhibit "N". The Title Policy shall include all endorsements that the Title Company has agreed to issue as part of the Title Commitment. As of the Close of Escrow, the Title Company shall have issued or shall have irrevocably committed to issue an ALTA extended coverage form of owner's policy of title insurance showing title to the Real Property vested in Buyer subject to all matters shown in the Title Commitment (or with respect to matters that arise on or after the Effective Date, matters disapproved by Buyer prior to the Closing Date which Seller has elected to cure), with a liability amount equal to the Purchase Price (the "Title Policy"). However, it shall not be a condition to the Close of Escrow if Buyer elects to obtain any endorsements which are not part of the Title Commitment, requests reinsurance or coinsurance, or otherwise elects to obtain any different or additional coverage in excess of that provided by the Title Commitment, and in no event shall the Close of Escrow be conditioned upon or delayed by reason of having to obtain a survey or to fulfill any other necessary requirement of ALTA extended coverage, which survey and other requirements have been fulfilled by Buyer. Notwithstanding the foregoing, Seller shall be obligated at the Close of Escrow to cause the removal of any deeds of trust and/or mortgages (other than the Existing Loan if the Close of Escrow occurs with the Assumption), delinquent taxes, mechanics' liens or judgment liens created by Seller.

(iv) Nestlé Financial Condition. There shall have been no material adverse change in the financial condition of Nestlé from that existing as of the Effective Date.

(b) Conditions Precedent to Seller's Obligations. The Close of Escrow and Seller's obligations with respect to the transactions contemplated by this Agreement are subject to the timely satisfaction or waiver by Seller of the following conditions, which conditions are for the sole benefit of Seller and may be waived by Seller, in whole or in part, by written waiver delivered to Buyer:

(i) Representations, Warranties and Covenants of Buyer. Buyer shall have duly performed in all material respects each and every covenant of Buyer hereunder, and Buyer's representations and warranties set forth in this Agreement shall be true and correct as of the Closing Date in all material respects.

(ii) Delivery of Documents and Purchase Price. Buyer shall have timely delivered the Purchase Price pursuant to the provisions of Paragraph 2 above, and shall have delivered all of the duly executed documents required to be delivered by Buyer pursuant to Paragraph 6(b) below.

(c) Effect of Termination. In the event any condition set forth in this Paragraph 5 is not timely satisfied, unless waived by the party for whose benefit the condition exists, Buyer or Seller, as applicable, shall have the right to terminate this Agreement and if this Agreement is so terminated or is terminated by either party pursuant to any other provision of this Agreement giving that party the right to do so, then:

(i) Termination of Agreement. This Agreement, the Escrow, and the rights and obligations of Buyer and Seller shall terminate, except as otherwise provided herein;

(ii) Return of Deposit. Except as otherwise provided herein, the Deposit, and any interest accruing thereon, shall be promptly returned to Buyer, and any other documents and monies deposited by the parties which are then held by Escrow Holder shall be returned to the party depositing same, provided however, if Buyer has not theretofore delivered to Seller the materials specified in Paragraph 4(a) above, then the Deposit less Fifty Thousand and No/100 Dollars ($50,000) shall be returned to Buyer and the remaining Fifty Thousand and No/100 Dollars ($50,000) shall remain in Escrow until delivery to Seller of the materials specified in Paragraph 4(a) above at which time Seller shall instruct Escrow Holder to immediately return such amount to Buyer; and

(iii) Cancellation Fees and Expenses. Any cancellation charges required to be paid to Escrow Holder and the Title Company shall be borne one-half by Seller and one-half by Buyer, and all other charges shall be borne by the party incurring same.

(d) New York Style Closing. It is contemplated that the transaction shall be closed by means of a so called New York Style Closing, with the concurrent delivery of the documents of title, the irrevocable commitment to deliver the Title Policy and the payment of the Purchase Price. Notwithstanding the foregoing, there shall be no requirement that Seller and Buyer physically meet for the Close of Escrow, and all documents to be delivered at the Close of

Escrow shall be delivered to the Escrow Holder unless the parties hereto mutually agree otherwise. Seller and Buyer agree to use reasonable efforts to complete all requirements for the Close of Escrow prior to the Closing Date; provided, however, if the calendar day immediately preceding the Closing Date is not a business day, then Buyer at its option shall deposit the balance of the Purchase Price in Escrow on or prior to 9:00 A.M. (California time) on the Closing Date, or if the foregoing amount is deposited in Escrow after 9:00 A.M. (California time) on the Closing Date, then by such time so that the funds due Seller pursuant to this Agreement are received by Seller in sufficient time for reinvestment on the Closing Date and if the Closing occurs with the "Assumption" (as hereinafter defined), "Lender" (as hereinafter defined) receives the amount required for payoff of the "Existing Loan" (as hereinafter defined) by the time provided by Lender for payoff of the Existing Loan, and provided further, if such amount is deposited in Escrow after 9:00 A.M. (California time) on the Closing Date and the funds due Seller pursuant to this Agreement are not received by Seller in sufficient time for reinvestment on the Closing Date and/or if the Closing occurs without the Assumption, Lender does not receive the amount required for payoff of the Existing Loan by the time provided by Lender for payoff of the Existing Loan, then Buyer shall reimburse Seller for loss of interest due to the failure to reinvest Seller's funds on the Closing Date and/or any interest charged by Lender for failure to receive the payoff amount by the time provided by Lender, as applicable. The provisions of the foregoing sentence shall survive the Close of Escrow. Seller and Buyer also agree that disbursement on the Closing Date of the Purchase Price, as adjusted by the prorations, shall not be conditioned upon the recording of the Deed, but rather upon the satisfaction or waiver of all conditions precedent to the Close of Escrow and the irrevocable agreement by the Title Company to issue the Title Policy with an effective date that is the time and day of recording the Deed. The date upon which such satisfaction or waiver and such irrevocable agreement occurs shall be the "Close of Escrow". Seller and Buyer shall each provide any undertaking to the Title Company reasonably necessary to accommodate the New York Style Closing. In connection with the Close of Escrow, Seller shall furnish to the Title Company a "gap" indemnity in form reasonably acceptable to the Title Company and Seller, together with such assurances as Title Company may reasonably require in order to satisfy requirements 2 and 4 of the Title Commitment for Title Company's issuance of the Title Commitment.

6. Deliveries to Escrow Holder.

(a) Seller's Deliveries. Seller hereby covenants and agrees to deliver or cause to be delivered to Escrow Holder at least one (1) business day prior to the Closing Date the following instruments and documents:

(i) Deed. A grant deed ("Deed"), duly executed and acknowledged in recordable form by Seller, conveying Seller's interest in the Real Property to Buyer. The Deed shall be the form attached hereto as Exhibit "B".

(ii) Bill of Sale. A bill of sale ("Bill of Sale") duly executed by Seller, conveying to Buyer all of Seller's right, title and interest in and to the Personal Property. The Bill of Sale shall be in the form of Exhibit "C" attached hereto.

(iii) Assignment and Assumption of Leases. Two (2) counterparts of an assignment and assumption ("Assignment of Leases"), duly executed by Seller, assigning to

Buyer all of Seller's right, title and interest in and to the Leases. The Assignment of Leases shall be in the form of Exhibit "D" attached hereto.

(iv) General Assignment. Two (2) counterparts of a general assignment ("General Assignment"), duly executed by Seller, assigning to Buyer all of Seller's right, title and interest in and to the Contracts and Intangible Property, all to the extent transferable by Seller. The General Assignment shall be in the form of Exhibit "E" attached hereto.

(v) Non-Foreign Certifications. A certificate duly executed by Seller in the form of Exhibit "F" attached hereto, and a California Form 597W certificate.

(vi) Proof of Authority. Such proof of Seller's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Seller to act for and bind Seller as may be reasonably required by Title Company.

(vii) Tenant Notices of Sale. Counterparts of notices to each of the Tenants under the Leases in the form attached as Exhibit "I", duly executed by Seller (the "Tenant Notices").

(viii) Tenant Estoppel Certificates. The originally executed Nestlé Estoppel Certificate, if any, obtained pursuant to Paragraph 4(c) above, and any other tenant estoppel certificates received by Seller, to the extent the same are in the possession or control of Seller and have not previously been delivered to Buyer.

(ix) Settlement Statement. Three (3) counterparts of the "Settlement Statement" (as hereinafter defined) executed by or on behalf of Seller.

(b) Buyer's Deliveries. Buyer hereby covenants and agrees to deliver or cause to be delivered to Escrow Holder at least one (1) business day prior to the Closing Date the following instruments and documents:

(i) Assignment of Leases. Two (2) counterparts of the Assignment of Leases, duly executed by Buyer.

(ii) General Assignment. Two (2) counterparts of the General Assignment, duly executed by Buyer.

(iii) Proof of Authority. Such proof of Buyer's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Buyer to act for and bind Buyer as reasonably may be required by Title Company.

(iv) Tenant Notices of Sale. Counterparts of the Tenant Notices, duly executed by Buyer.

(v) Settlement Statement. Three (3) counterparts of the Settlement Statement executed by or on behalf of Buyer.

7. Deliveries Upon Close of Escrow. Upon the Close of Escrow, the following items shall be delivered:

(a) Documents. Seller shall deliver to Buyer outside of Escrow copies (or originals, to the extent available) of all of the following materials to the extent in Seller's possession:

(i) Leases. The Leases, all amendments or modifications thereto, and any guaranties given or made in connection therewith.

(ii) Records. Tenant files and other books and records relating to the Property other than the Excluded Documents.

(iii) Certificates of Occupancy. Certificates of occupancy for all space within the Improvements.

(iv) Surveys and Plans. All surveys, site plans, plans and specifications for the Improvements and other matters relating to the Property as are described in subparagraph (a) of the General Assignment.

(v) Warranties and Guaranties. All warranties and guaranties given or made with respect to the Improvements or any of the equipment therein, including, without limitation, all operating manuals, repair records, maintenance reports and similar items.

(b) Personal Property. Seller shall deliver to Buyer possession of the Personal Property, including without limitation all keys to the improvements on the Real Property.

(c) Title Insurance. The Title Company shall issue or shall irrevocably agree to issue the Title Policy to Buyer.

8. Costs and Expenses. Seller shall pay a portion of the title premium for the Title Policy equal to the premium for CLTA coverage in the amount of the Purchase Price. Buyer shall pay any title premiums associated with extended coverage ALTA liability, any title endorsements requested by Buyer, and the cost of a new as-built survey or any update to Seller's existing as-built survey commissioned by Buyer in connection with obtaining extended title coverage. Buyer shall pay all other due diligence expenses provided, however, that Buyer and Seller shall each pay one-half of Escrow Holder's charges. Seller shall pay the customary recording charges with respect to the Deed. Seller shall pay the documentary transfer tax. Buyer and Seller shall each bear their own legal and professional fees and expenses and any other costs incurred by such party.

9. Prorations.

(a) General. Subject to the following provisions of this Paragraph 9, rentals, revenues, and other income, if any, from the Property shall be apportioned on the basis of the period for which the same is payable and if, as and when collected, and real property taxes and operating expenses, if any, affecting the Property shall be prorated on an accrual basis, each as of midnight on the day preceding the Close of Escrow. For purposes of calculating prorations, Buyer shall be deemed to be in title to the Property, and therefore entitled to the income and responsible for the expenses, for the entire day upon which the Close of Escrow occurs.

(b) Rentals. Buyer shall apply rentals received from Tenants under the Leases after Closing in the following order of priority: first, to payment of rentals due for the month in which the Closing Date occurs, which amount shall be apportioned between Seller and Buyer as of the Closing Date as set forth in Paragraph 9(a); second, to payment of rentals first coming due after the Closing and applicable to the period of time after Closing, which amount shall be retained by Buyer; and third, to payment of rentals which were due and payable as of the Closing but not collected by Seller as of the Closing ("Delinquent Rents"). Buyer shall have no liability to Seller for Delinquent Rents, except that Buyer shall use commercially reasonable efforts to collect Delinquent Rents, without filing suit, terminating a Tenant's Lease or otherwise putting a Tenant into default as a result of Delinquent Rents. Buyer shall, within ten (10) days after receipt, remit to Seller any sums received by Buyer to which Seller is entitled pursuant to this subparagraph.

(c) Reimbursable Tenant Expenses. Reimbursable Tenant Expenses for the calendar years 2001 and 2002 shall be prorated at the Close of Escrow based on the parties' reasonable estimate thereof. Seller shall complete a reconciliation of Reimbursable Tenant Expenses for the calendar year 2002 within one hundred twenty (120) days following the end of such calendar year in a manner consistent with past practices for reconciliation of Reimbursable Tenant Expenses and Buyer shall have the right to reasonably review and approve such reconciliation. Based upon such reconciliation, Seller shall pay to Buyer or at Buyer's request, pay directly to the Tenant entitled thereto, any excess Reimbursable Tenant Expenses collected by Seller, or Buyer shall pay to Seller any additional Reimbursable Tenant Expenses owed Seller for Seller's period of ownership. As used herein, the term "Reimbursable Tenant Expenses" shall mean payments required to be paid by Tenants under Leases for such Tenant's share of ad valorem taxes, insurance, common area maintenance and/or other operating expenses of the Property and insurance premiums paid by Seller for insurance maintained by Nestlé on behalf of Seller. The provisions of this Paragraph 9(c) shall survive the Close of Escrow.

(d) Taxes and Assessments. All non-delinquent real estate taxes, personal property taxes and current installments of assessments affecting the Property which are payable by Seller shall be prorated as of the Close of Escrow based on the actual current tax bill. All delinquent taxes and assessments, if any, affecting the Property which are payable by Seller shall be paid at the Close of Escrow from funds accruing to Seller. Any refunds of real estate taxes and assessments attributable to the period prior to the Close of Escrow shall be paid to Seller upon receipt, whether such receipt occurs before or after the Close of Escrow.

(e) Operating Expenses. All utility service charges for electricity, heat and air conditioning service, other utilities, elevator maintenance, common area maintenance, taxes (other than real estate taxes and income taxes) such as rental taxes, and other expenses affecting the Property which are payable by Seller and any other costs incurred in the ordinary course of business or the management and operation of the Property shall be prorated on an accrual basis. Seller shall pay all such expenses that accrue prior to the Close of Escrow and Buyer shall pay all such expenses accruing on the Close of Escrow and thereafter. To the extent possible, Seller and Buyer shall obtain billings and meter readings as of the Close of Escrow to aid in such prorations. If utility bills are not finalized as of the Close of Escrow, Seller and Buyer hereby agree to prorate as of midnight preceding the date of Closing and to pay their respective share of all utility bills received subsequent to Closing (if such bills include a service period prior to the date of Closing), which agreement shall survive the Close of Escrow. Seller shall be entitled to all deposits currently in effect with utility providers to the Real Property.

(f) Leasing Expenses. Seller shall be responsible for, and shall indemnify and hold Buyer harmless against, any brokerage commissions, tenant improvement expenses and other leasing costs (collectively, "Lease Inducement Costs"), if any, due and payable in connection with Leases or amendments to Leases which are executed prior to the Effective Date. Buyer shall receive a credit toward the payment of the Purchase Price at the Close of Escrow in an amount equal to the Lease Inducement Costs payable by Seller pursuant to the preceding sentence which have not been paid as of the Close of Escrow. Buyer shall be responsible for, and shall indemnify and hold Seller harmless against, any other Lease Inducement Costs. Seller shall receive a credit at the Closing for any Lease Inducement Costs paid by Seller prior to the Close of Escrow which are the responsibility of Buyer to pay pursuant to the preceding sentence. The provisions of this Paragraph 9(f) shall survive the Close of Escrow.

(g) Security Deposits. At the Close of Escrow, Seller shall, at Seller's option, either deliver to Buyer any security deposits held by Seller pursuant to the Leases or credit to the account of Buyer the amount of such security deposits (to the extent such security deposits have not been applied against delinquent rentals or otherwise as provided in the Leases).

(h) Method of Proration. Buyer and Seller shall agree on a schedule of prorations (the "Settlement Statement") prior to the Closing Date with respect to the Property, which prorations shall be final except as to Reimbursable Tenant Expenses for the calendar year 2002 which shall be estimated at the Close of Escrow and subsequently adjusted as provided in Paragraph 9(c) above and except as to utilities if utility bills are not finalized as of the Close of Escrow as provided in Paragraph 9(e) above. Such prorations shall be paid by Buyer to Seller (if the prorations result in a net credit to the Seller) or by Seller to Buyer (if the prorations result in a net credit to the Buyer) by increasing or reducing the cash to be paid by Buyer at the Close of Escrow. The prorations as agreed upon by Buyer and Seller in the Settlement Statement shall be included in the closing statements prepared by Escrow Holder for Buyer and Seller.

10. Disbursements and Other Actions by Escrow Holder. At the Closing Date, Escrow Holder shall promptly undertake all of the following in the manner hereinbelow indicated:

(a) Funds. Disburse all funds deposited with Escrow Holder by Buyer in payment of the Purchase Price and Buyer's additional expenses as follows, but in all events in accordance with the Settlement Statement:

(i) Deduct all items chargeable to the account of Seller pursuant to Paragraph 8.

(ii) If, as the result of the prorations and credits pursuant to Paragraph 9, or as a result of expenses to be paid by Seller pursuant to Paragraph 8, amounts are to be charged to account of Seller, deduct the total amount of such charges.

(iii) Disburse the remaining balance of the funds to Seller promptly upon the Close of Escrow in accordance with Seller's wire transfer instructions and the Settlement Statement.

(b) Recording. Cause the Deed (with documentary transfer tax information to be affixed after recording), and any other documents which the parties hereto may mutually direct to be recorded in the Official Records of Los Angeles County and obtain conformed copies thereof for distribution to Buyer and Seller.

(c) Title Policy. Direct the Title Company to issue the Title Policy to Buyer.

(d) Disbursement of Documents to Buyer. Disburse to Buyer fully executed originals of the Bill of Sale, the Assignment of Leases, the General Assignment, the Settlement Statement, the Tenant Notices (and Buyer shall promptly deliver the Tenant Notices to the Tenants), and any other documents (or copies thereof) deposited into Escrow by Seller pursuant hereto.

(e) Disbursement of Documents to Seller. Disburse to Seller fully executed originals of the Assignment of Leases, the General Assignment and the Settlement Statement.

11. AS-IS Sale and Purchase; Release. Buyer acknowledges that the provisions of this Paragraph 11 have been required by Seller as a material inducement to enter into the contemplated transactions, and the intent and effect of such provisions have been explained to Buyer by Buyer's counsel and have been understood and agreed to by Buyer.

(a) Buyer's Acknowledgment. As a material inducement to Seller to enter into this Agreement and to convey the Property to Buyer, Buyer hereby acknowledges and agrees that except as otherwise expressly set forth in this Agreement:

(i) AS IS. Buyer is purchasing the Property in its existing condition, "AS-IS, WHERE-IS, WITH ALL FAULTS", and has, as of the date hereof, made or have waived all inspections and investigations of the Property and its vicinity which Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property.

(ii) No Representations. Other than the express representations and warranties and covenants of Seller contained in this Agreement, neither Seller, its partners, nor any person or entity acting by or on behalf of Seller, or any officer, director, employee, agent,

affiliate, successor or assign of any of the foregoing has made any representation, warranty, inducement, promise, agreement, assurance or statement, oral or written, of any kind to Buyer upon which Buyer is relying, or in connection with which Buyer has made or will make any decisions concerning the Property or its vicinity including, without limitation, its use, condition, value, compliance with Governmental Regulations, status of Contracts and Leases, amounts of money owed to or owed by Seller, disputes with third parties, existence or absence of Hazardous Materials, the status of the construction of tenant improvements, whether completed or in progress, or the permissibility, feasibility, or convertibility of all or any portion of the Property for any particular use or purpose, including without limitation its present or future prospects for sale, lease, development, occupancy or suitability as security for financing. As used herein, the term "Governmental Regulations" means any laws, ordinances, rules, requirements, resolutions, policy statements and regulations (including, without limitation, those relating to land use, subdivision, zoning, Hazardous Materials, occupational health and safety, handicapped access, water, earthquake hazard reduction, and building and fire codes) of any governmental or quasi-governmental body or agency claiming jurisdiction over the Property. As used herein, the term "Hazardous Materials" means any hazardous or toxic substance, material or waste which is now or hereafter the subject of Governmental Regulations, including without limitation any material or substance which is (A) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140, or the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (B) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (C) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (D) petroleum and other hydrocarbons, (E) asbestos, (F) listed under Article 9 or defined as hazardous or extremely hazardous pursuant to Article 11 of Title 22 of California Administrative Code, Division 4, Chapter 20, (G) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act 33 U.S.C. § 1251 et. seq., (33 U.S.C. §1321) or as listed pursuant to § 307 of the Federal Water Pollution Control Act (33 U.S.C. § 1317), (H) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq. (42 U.S.C. § 9601), (I) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601 et seq., or (J) associated with the so-called "sick building syndrome."

(iii) No Implied Warranties. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, SELLER HEREBY DISCLAIMS ALL WARRANTIES IMPLIED BY LAW ARISING OUT OF OR WITH RESPECT TO THE EXECUTION OF THIS AGREEMENT, ANY ASPECT OR ELEMENT OF THE PROPERTY, OR THE PERFORMANCE OF SELLER'S OBLIGATIONS HEREUNDER INCLUDING, WITHOUT LIMITATION, ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE.

(iv) Information Supplied by Seller. Buyer specifically acknowledges and agrees that, except as expressly provided to the contrary in this Agreement, Seller has made, is making, and shall make, no representation or warranty of any nature concerning the

accuracy or completeness of Seller's Documents, or the authenticity, source, accuracy or completeness of any information contained in such Seller's Documents or any other documents previously or hereafter furnished by or on behalf of Seller to Buyer, including without limitation the Contracts, the Leases, and various studies, inspections, reports and exhibits and correspondence relating thereto. Buyer further acknowledges that Seller has not reviewed and is under no obligation to review any files in Seller's possession or which may be available to Seller. As to certain of the materials made available to Buyer in Seller's Documents, Buyer specifically acknowledges that they have been prepared by third parties with whom Buyer has no privity and Buyer acknowledges and agrees that no warranty or representation, express or implied, has been made, nor shall any be deemed to have been made, to Buyer with respect thereto, either by Seller or by any third parties that prepared the same. Buyer waives any claim of any nature against anyone should any information, conclusion, projection, or other statement of any nature contained in any of such materials prove not to be true or accurate for any reason.

(v) Negotiated Purchase Price. Buyer represents and warrants to Seller that Buyer is specifically familiar with the Property and that Buyer has inspected and examined, or will inspect and examine, all aspects of the Property and its current condition that Buyer believes to be relevant to its decision to purchase the Property. Buyer further acknowledges and agrees that the Purchase Price negotiated by Seller and Buyer reflects the known and unknown risks and liabilities assumed by Buyer under the Agreement, Seller's unwillingness to conduct any investigation or due diligence with respect to the Property on behalf of Buyer, and Seller's desire to receive an absolutely net, fixed amount as consideration for the sale of the Property regardless of any facts known or discovered before or following the Close of Escrow which might result in a diminution in value of the Property.

(vi) Buyer's Investigation of Property. Buyer has investigated all physical and economic aspects of the Property and made all inspections and investigations of the Property which Buyer deems necessary or desirable to protect its interests in acquiring the Property, including, without limitation, review of the Leases (and the rights of the Tenants thereunder), building permits, certificates of occupancy, environmental audits and assessments, toxic reports, surveys, investigation of land use and development rights, development restrictions and conditions that are or may be imposed by governmental agencies, agreements with associations affecting or concerning the Property, the condition of title, soils and geological reports, engineering and structural tests, insurance contracts, contracts for work in progress, marketing studies, cost-to-complete studies, governmental agreements and approvals, architectural plans and site plans. All matters concerning the Property have been independently verified by Buyer, and Buyer shall purchase the Property on Buyer's own knowledge of the Property and Buyer's prior investigation and examination of the Property (or Buyer's election not to do so). Notwithstanding anything to the contrary herein, Buyer and Seller acknowledge that any written disclosures made by Seller to Buyer prior to the Closing shall constitute notice to Buyer of the matter disclosed, and Seller shall have no further liability thereafter if Buyer thereafter consummates the transaction contemplated hereby. Buyer agrees that it shall make an independent investigation of the matters set forth in any such disclosures as well as all other matters relating to the Property and, except to the extent of Seller's express representations and warranties contained in this Agreement, Buyer shall not rely on any specific information or any other materials provided by Seller.

(b) Release. In consideration of the foregoing and notwithstanding anything to the contrary contained in this Agreement, effective as of the Close of Escrow and except as otherwise expressly provided to the contrary in this Agreement, Buyer hereby releases Seller, its partners, and their officers, directors, shareholders, agents, affiliates, employees and successors and assigns from and against any and all claims, obligations and liabilities arising out of or in connection with the Property. Buyer agrees that there is a risk that subsequent to the execution of this Agreement, Buyer will suffer losses, damages or injuries which are unknown and unanticipated at the time this Agreement is signed. Except as expressly provided to the contrary in this Agreement, Buyer hereby assumes such risk and agrees that the release contained in this Paragraph 11(b) SHALL APPLY TO ALL UNKNOWN OR UNANTICIPATED CLAIMS, AS WELL AS THOSE KNOWN AND ANTICIPATED, and Buyer's does hereby waive any and all rights under California Civil Code Sec. 1542, which section has been duly explained and reads as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Buyer's Initials
/s/ [ILLEGIBLE]

12. Seller's Representations and Warranties. The following constitute representations and warranties of Seller:

(a) Power. Seller has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby.

(b) Requisite Action. All requisite action (corporate, trust, partnership or otherwise) has been taken by Seller in connection with entering into this Agreement and the instruments referenced herein, and the consummation of the transactions contemplated herein.

(c) Authority. The individuals executing this Agreement and the instruments referenced herein on behalf of Seller have the legal power, right and actual authority to bind Seller to the terms and conditions hereof and thereof.

(d) Violation. The execution and performance of this Agreement and the documents contemplated hereby do not violate and are not restricted by or in conflict with any other agreement, contractual obligation, corporate documents, court or regulatory order or statute, ordinance, rule, regulation or other law to which Seller is a party or by which Seller is bound.

(e) Tenants. To Seller's actual knowledge, the tenants ("Tenants") under the Leases in effect as of the Effective Date are identified on Exhibit "J" attached hereto.

(f) Leases. To Seller's actual knowledge, the Leases and all modifications and amendments thereto in effect as of the Effective Date are identified on Exhibit "K" attached

hereto. To Seller's actual knowledge, except for Seller's assignment of the Leases and rents thereunder for the benefit of Lender pursuant to the Existing Loan documents, Seller has not assigned, conveyed, pledged or encumbered any of Seller's interest in the Leases or right to receive rents payable thereunder to any person or entity. No brokerage commissions with respect to any of the Leases are due and payable to Seller, to any partner or member of Seller, or to any party affiliated with Seller or any partner or member of Seller.

(g) Litigation. To Seller's actual knowledge, except as disclosed on Exhibit "L", there is no pending or threatened litigation, arbitration, mediation or administrative proceedings against Seller with respect to the Property that arises out of the ownership or operation of the Property and that if determined adversely to Seller or with respect to the Property would materially and adversely affect the use or operation of the Property for its intended purposes or would materially and adversely affect the ability of Seller to perform its obligation under this Agreement.

(h) Notices. To Seller's actual knowledge, except as disclosed on Exhibit "M", Seller has received no written notice from any governmental entity (i) that the Property, or the operation or use of the same, does not comply with any law, ordinance or regulation (including those pertaining to Hazardous Materials) in any material respect or (ii) of any pending or threatened application for changes in the zoning applicable to the Property or any portion thereof.

(i) Condemnation. To Seller's actual knowledge, Seller has not received any written notice of the institution of any condemnation of the Property or of any pending or threatened condemnation proceedings (or proceedings in the nature or in lieu thereof) affecting the Property or any portion thereof.

(j) Proceedings Affecting Access. To Seller's actual knowledge, Seller has not received written notice of any pending or threatened proceedings which would impair or restrict access between the Property and adjacent public roads.

(k) Seller's Knowledge. Whenever the phrase "to Seller's actual knowledge" is used in this Paragraph 12, such phrase shall mean and refer to the actual knowledge (as opposed to imputed or constructive knowledge) of Jordan L. Kaplan or William Kamer (each of whom has actual knowledge of the Property) without any duty of due inquiry.

Anything herein to the contrary notwithstanding, if Buyer acquires any actual knowledge (as opposed to imputed or constructive knowledge), whether by notice from Seller to Buyer or otherwise, prior to the Close of Escrow which renders any of the above representations and warranties of Seller inaccurate or incomplete, such representations and warranties shall be deemed modified to reflect the disclosure of such information. The above representations and warranties of Seller shall survive the Close of Escrow for a period of twelve (12) months.

13. Buyer's Representations and Warranties. In addition to any express agreements of Buyer contained herein, the following constitute representations and warranties of Buyer:

(a) Power. Buyer has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby.

(b) Requisite Action. All requisite action (corporate, trust, partnership or otherwise) has been taken by Buyer in connection with entering into this Agreement and the instruments referenced herein, and the consummation of the transactions contemplated hereby.

(c) Authority. The individuals executing this Agreement and the instruments referenced herein on behalf of Buyer have the legal power, right and actual authority to bind Buyer to the terms and conditions hereof and thereof.

(d) Violation. The execution and performance of this Agreement and the documents contemplated hereby do not violate and are not restricted by or in conflict with any other agreement, contractual obligation, corporate documents, court or regulatory order or statute, ordinance, rule, regulation or other law to which Buyer is a party or by which Buyer is bound.

(e) Principal. Buyer has executed this Agreement as a principal on its own behalf and not as an agent of undisclosed third parties.

The above representations and warranties of Buyer shall survive the Close of Escrow for a period of twelve (12) months.

14. Covenants of Buyer and Seller.

(a) Access by Buyer. Subject to the rights of Tenants and the requirements of Paragraph 14(b), Buyer and Buyer's agents and representatives shall have the right to enter upon the Real Property at all reasonable times in order to conduct such inspections, tests or studies as Buyer may deem appropriate, excluding invasive investigations of the Land or Improvements thereon; except that any such entry shall be coordinated with Seller and Seller's property manager or other agent of Seller in control of the Property, and shall be conducted in such a manner as to cause the least disruption possible in the on-going operation of the Property. Any damage caused to the Property in connection with any inspection, test, or study shall be promptly and fully repaired by Buyer and the Property returned to its prior condition, all at Buyer's cost. In no event shall Buyer, prior to the Close of Escrow, indicate in any way that Buyer owns or holds any other rights of any nature in the Property or any portion thereof, or that Buyer is in any manner acting on behalf of Seller. Buyer shall keep the Property free and clear of any mechanic's liens or materialmen's liens arising out of any of Buyer's activities or those of its agents and representatives. Not less than one (1) business day prior to any work being conducted on the Real Property by or for the benefit of Buyer, which work could be the basis for the filing of a mechanic's lien claim against the Real Property if such work were not duly paid for, Buyer shall obtain Seller's written consent (not to be unreasonably withheld) and shall allow Seller to post such notices of non-responsibility with respect thereto as Seller may deem appropriate. Further, Buyer hereby indemnifies and agrees to hold Seller harmless from and against any and all loss, cost, liability or expense to the extent arising out of the acts or omissions of Buyer or its agents or representatives in connection with such activities, including without limitation all legal

expenses incurred by Seller in connection therewith. The indemnity provided herein shall survive the termination of this Agreement and shall not be limited by the insurance required to be maintained under Paragraph 14(b).

(b) Insurance. Prior to any activity undertaken on the Real Property by Buyer, Buyer shall furnish Seller with a copy of an insurance policy (which may be a blanket policy), from an insurer acceptable to Seller, and the original of a certificate of insurance showing all premiums due on the policy to have been paid and showing the insurance to be in full force and effect, such policy to name Seller as an additional insured and to provide coverage against any claim for personal liability or property damage caused by Buyer, its agents or representatives, with a combined single limit liability of not less than Two Million and No/100 Dollars ($2,000,000.00) per occurrence, insuring the Real Property against any damage caused by any of them with a limit of liability of not less than Two Million and No/100 Dollars ($2,000,000.00), and not amendable or cancellable on less than thirty (30) days prior written notice.

(c) Continued Operation. Following the execution of this Agreement and through the Close of Escrow, Seller covenants to own, operate and maintain its interests in the items comprising the Property in substantially the same manner as presently owned, operated and maintained, and in accordance with commercially reasonable business practices. In addition, Seller agrees not to enter into any new Lease or amend or terminate any existing Lease (except to the extent required to do so under the terms of such existing Lease or in connection with the enforcement of such Lease) without the approval of Buyer, which approval shall not be unreasonably withheld. If Buyer fails to give Seller notice of Buyer's approval or disapproval of any such proposed action by Seller within three (3) business days after Buyer's receipt of Seller's written request for approval, which request shall specify with particularity the proposed action by Seller, then Buyer shall be conclusively deemed to have given its approval to such action. Seller hereby covenants that, from the Effective Date to and including the date of Closing, Seller shall not grant or otherwise create or consent to the creation of any easement, restriction, lien, assessment, or encumbrance respecting the Property which will continue to affect the Property after the Closing.

(d) Removal of Personal Property. Seller shall neither transfer nor remove any Personal Property from the Property after the Effective Date except for the purposes of replacement thereof, in which case such replacements shall be promptly installed and shall be comparable in quality to the items being replaced and/or in the ordinary course of business.

(e) Insurance. From and after the Effective Date, Seller shall, at its expense, continue to maintain the same property casualty insurance and rent loss insurance covering the Property which is currently being maintained by Seller or shall notify Buyer of any changes thereto.

(f) Auditor Access. If required by the rules of the Securities and Exchange Commission, at any time before the Closing or within three (3) years after the Closing, Seller shall provide to Buyer's designated independent auditor access to Seller's financial books and records in Seller's possession concerning the operation the Property (other than Excluded Documents) for the purpose of enabling Buyer to comply with any financial reporting

requirements applicable to Buyer under the Securities Act of 1933 and the Securities Exchange Act of 1934. Buyer shall give reasonable prior notice to Seller when Buyer desires to exercise its right to inspect such books and records. Such inspection shall take place at such offices of Seller or Seller's asset manager or other location as Seller shall designate during normal business hours and on a date reasonably convenient to Seller and Buyer.

15. Casualty and Condemnation. In the event that all or any portion of the Property is materially damaged, or in the event that a material portion of the Property is subjected to a threat of condemnation, Buyer shall have the right to terminate this Agreement by giving written notice thereof to Seller and Escrow Holder within five (5) business days after written notice from Seller of such damage or threatened condemnation. For purposes hereof, "material" shall mean an estimated repair, reconstruction or replacement cost in excess of Five Hundred Thousand and No/100 Dollars ($500,000.00). If Buyer elects to terminate this Agreement pursuant to this Paragraph 15, the Deposit, and any interest accruing thereon, shall be refunded to Buyer. In the event the damage or condemnation is not "material", or if Buyer does not timely elect to terminate this Agreement as aforesaid, this Agreement shall remain in full force and effect and the parties shall proceed to the Close of Escrow without reduction in the Purchase Price, except that Seller shall assign to Buyer any insurance proceeds received or receivable by Seller under the insurance required to be maintained by Seller pursuant to Paragraph 14(e) above as a result of such damage (including any proceeds of any rent loss insurance to the extent relating to the period of time commencing on the Closing Date), together with an amount equal to Seller's deductible amount, or any award received or receivable by Seller as a result of such threatened condemnation. Seller shall not settle or release any insurance claims for damage to the Property to the extent same will not be repaired as of the Closing Date without obtaining Buyer's written consent, which consent shall not be unreasonably withheld or delayed. At such time as all or a part of the Property is subjected to a bona fide threat of condemnation and Buyer shall not have elected to terminate this Agreement as hereinabove provided, Buyer shall be permitted to participate in the proceedings as if Buyer were also a party in the action.

16. Notices. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered (including by means of professional messenger service or air express utilizing receipts) or sent by telecopy, receipt confirmed, or sent by registered or certified mail, postage prepaid, return receipt requested, and shall be deemed received only upon the date of actual receipt thereof.

To Seller: Douglas Emmett Joint Venture
c/o Douglas, Emmett and Company
808 Wilshire Boulevard, Suite 200
Santa Monica, California 90401
Attention: Jordan L. Kaplan and William Kamer
Telephone: (310) 255-7712
Facsimile: (310) 255-7702

With a copy to:	Cox, Castle & Nicholson LLP 2049 Century Park East, 28th Floor Los Angeles, California 90067 Attention: Marlene D. Goodfried Telephone: (310) 284-2268 Facsimile: (310) 277-7889
To Buyer:	Wells Operating Partnership, L.P. 6200 The Corners Parkway, Suite 250 Atlanta, Georgia 30092 Attention: Raymond L. Owens Telephone: (770) 243-8589 Facsimile: (770) 243-8510
With a copy to:	Troutman Sanders LLP 600 Peachtree Street, N.E, Suite 5200 Atlanta, Georgia 30308 Attention: John W. Griffin Telephone: (404) 885-3150 Facsimile: (404) 962-6577
To Escrow Holder:	Chicago Title Company 700 South Flower Street, Suite 900 Los Angeles, California 90017 Attention: Amy Hiraheta Telephone: (213) 488-4358 Facsimile: (213) 488-4384

Notice of change of address shall be given by written notice in the manner detailed in this Paragraph 16.

17. Commissions. If the Close of Escrow occurs, Seller shall pay a broker's commission directly to Secured Capital Corp. ("Broker") pursuant to a separate agreement between Seller and Broker. Other than as specified in the preceding sentence, Buyer represents and warrants to Seller, and Seller represents and warrants to Buyer, that no other advisor, broker or finder has been engaged by it, respectively, in connection with any of the transactions contemplated by this Agreement, or to its knowledge is in any way connected with any of such transactions. In the event of any such claims for additional advisor's, brokers' or finders' fees or commissions in connection with the negotiation, execution or consummation of this Agreement, then as a covenant which shall survive the termination of this Agreement or the Close of Escrow, Buyer shall indemnify, save harmless and defend Seller from and against such claims if they shall be based upon any statement or representation or agreement by Buyer, and Seller shall indemnify, save harmless and defend Buyer if such claims shall be based upon any statement, representation or agreement made by Seller. Buyer acknowledges that certain partners and affiliates of partners of Seller are licensed California real estate brokers, but such partners and affiliates of partners are not acting as brokers in the transactions contemplated herein.

18. Legal and Equitable Enforcement of this Agreement .

(a) Default by Seller. IN THE EVENT THE CLOSE OF ESCROW AND THE CONSUMMATION OF THE TRANSACTIONS HEREIN CONTEMPLATED DO NOT OCCUR BY REASON OF ANY DEFAULT BY SELLER, BUYER SHALL BE ENTITLED TO EITHER (1) TERMINATE THIS AGREEMENT AND RECEIVE A REFUND OF THE DEPOSIT, AND ANY INTEREST ACCRUING THEREON, AND SELLER SHALL PAY TO BUYER AN AMOUNT EQUAL TO THE LESSER OF (A) BUYER'S ACTUAL OUT-OF-POCKET EXPENDITURES INCURRED DIRECTLY IN CONNECTION WITH NEGOTIATING THIS AGREEMENT AND/OR CONDUCTING DUE DILIGENCE ACTIVITIES CONTEMPLATED HEREUNDER, OR (B) TWO HUNDRED THOUSAND AND NO/100 DOLLARS ($200,000.00); OR (2) BRING AN ACTION FOR SPECIFIC PERFORMANCE. IF BUYER FAILS TO BRING AN ACTION FOR SPECIFIC PERFORMANCE WITHIN TWENTY (20) DAYS FOLLOWING THE DATE UPON WHICH THE CLOSING WAS TO HAVE OCCURRED, BUYER SHALL BE DEEMED TO HAVE ELECTED TO TERMINATE THIS AGREEMENT AND RECEIVE A REFUND OF THE DEPOSIT. IF, HOWEVER, SPECIFIC PERFORMANCE IS NOT AVAILABLE TO BUYER AS THE RESULT OF THE WILLFUL AND WRONGFUL CONVEYANCE OF THE PROPERTY BY SELLER TO A BONA FIDE PURCHASER WHICH CONVEYANCE OCCURS ON OR BEFORE DECEMBER 31, 2002, BUYER SHALL HAVE THE RIGHT TO SEEK ACTUAL DAMAGES FROM SELLER. IN NO EVENT SHALL SELLER BE LIABLE TO BUYER FOR ANY PUNITIVE, SPECULATIVE OR CONSEQUENTIAL DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT OR IN ANY EXHIBITS ATTACHED HERETO OR IN ANY DOCUMENTS EXECUTED OR TO BE EXECUTED IN CONNECTION HEREWITH (COLLECTIVELY, INCLUDING THIS AGREEMENT, SAID EXHIBITS AND ALL SUCH DOCUMENTS, THE "PURCHASE DOCUMENTS"), IT IS EXPRESSLY UNDERSTOOD AND AGREED BY AND BETWEEN THE PARTIES HERETO THAT: (I) THE RECOURSE OF BUYER OR ITS SUCCESSORS OR ASSIGNS AGAINST SELLER AND ITS PARTNERS WITH RESPECT TO THE ALLEGED BREACH BY OR ON THE PART OF SELLER OF ANY REPRESENTATION, WARRANTY, COVENANT, UNDERTAKING, INDEMNITY OR AGREEMENT CONTAINED IN ANY OF THE PURCHASE DOCUMENTS (COLLECTIVELY, "SELLER'S UNDERTAKINGS") SHALL (X) BE DEEMED WAIVED UNLESS BUYER HAS DELIVERED TO SELLER WRITTEN NOTICE THAT BUYER IS SEEKING RECOURSE UNDER SELLER'S UNDERTAKINGS (THE "RECOURSE NOTICE") AFTER THE CLOSING DATE BUT ON OR BEFORE THE DATE THAT IS TWELVE (12) MONTHS FOLLOWING THE CLOSING DATE AND BUYER HAS FILED SUIT WITH RESPECT THERETO ON OR BEFORE SUCH DATE, AND (Y) BE LIMITED TO AN AMOUNT NOT TO EXCEED THE AMOUNT OF ONE MILLION AND NO/100 DOLLARS ($1,000,000.00) IN THE AGGREGATE OF ALL RECOURSE OF BUYER UNDER THE PURCHASE DOCUMENTS, PROVIDED HOWEVER, BUYER SHALL HAVE NO RIGHT TO FILE SUIT FOR RECOURSE UNDER SELLER'S UNDERTAKINGS UNLESS AND UNTIL THE AGGREGATE AMOUNT OF SUCH RECOURSE EXCEEDS, IN THE AGGREGATE, FIFTY THOUSAND AND NO/100 DOLLARS ($50,000.00); PROVIDED FURTHER, THAT IN THE EVENT ANY JUDGMENT AGAINST SELLER FOR RECOURSE UNDER SELLER'S UNDERTAKINGS (EXCLUSIVE OF ANY AWARD FOR PROFESSIONAL FEES AS DESCRIBED IN PARAGRAPH 21(E) BELOW) IS FOR AN

AMOUNT LESS THAN FIFTY THOUSAND AND NO/100 DOLLARS ($50,000.00), THEN SELLER SHALL BE DEEMED TO BE THE PREVAILING PARTY (INCLUDING WITHOUT LIMITATION FOR THE PURPOSES OFPARAGRAPH 21(E) BELOW) AND SELLER SHALL HAVE NO LIABILITY THEREFOR; AND (II) NO PERSONAL LIABILITY OR PERSONAL RESPONSIBILITY OF ANY SORT WITH RESPECT TO ANY OF SELLER'S UNDERTAKINGS OR ANY ALLEGED BREACH THEREOF IS ASSUMED BY, OR SHALL AT ANY TIME BE ASSERTED OR ENFORCEABLE AGAINST, SELLER, SELLER'S PARTNERS, OR AGAINST ANY OF THEIR RESPECTIVE SHAREHOLDERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, CONSTITUENT PARTNERS, MEMBERS, BENEFICIARIES, TRUSTEES OR REPRESENTATIVES EXCEPT AS PROVIDED IN (I) ABOVE WITH RESPECT TO SELLER.

(b) Default by Buyer. IN THE EVENT THE CLOSE OF ESCROW DOES NOT OCCUR AS HEREIN PROVIDED BY REASON OF ANY DEFAULT OF BUYER, BUYER AND SELLER AGREE THAT IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES WHICH SELLER MAY SUFFER. THEREFORE BUYER AND SELLER DO HEREBY AGREE THAT A REASONABLE ESTIMATE OF THE TOTAL NET DETRIMENT THAT SELLER WOULD SUFFER IN THE EVENT THAT BUYER DEFAULTS AND FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY IS AND SHALL BE, AS SELLER'S SOLE AND EXCLUSIVE REMEDY (WHETHER AT LAW OR IN EQUITY), AN AMOUNT EQUAL TO THE DEPOSIT, AND ANY INTEREST ACCRUING THEREON. SAID AMOUNT SHALL BE THE FULL, AGREED AND LIQUIDATED DAMAGES FOR THE BREACH OF THIS AGREEMENT BY BUYER, ALL OTHER CLAIMS TO DAMAGES OR OTHER REMEDIES BEING HEREIN EXPRESSLY WAIVED BY SELLER. UPON DEFAULT BY BUYER, THIS AGREEMENT SHALL BE TERMINATED AND NEITHER PARTY SHALL HAVE ANY FURTHER RIGHTS OR OBLIGATIONS HEREUNDER, EACH TO THE OTHER EXCEPT FOR THE RIGHT OF SELLER TO COLLECT SUCH LIQUIDATED DAMAGES FROM BUYER AND ESCROW HOLDER.

Buyer's Initials	Seller's Initials
/s/ [ILLEGIBLE]	/s/ [ILLEGIBLE]

19. Assignment. Prior to the Close of Escrow Buyer shall not assign, transfer or convey its rights and obligations under this Agreement or in the Property without the prior written consent of Seller, and any purported assignment, transfer or conveyance without such consent of Seller shall be null and void. Any permitted assignee shall succeed to all of Buyer's rights and remedies hereunder. Notwithstanding the foregoing, Buyer shall have the right, upon giving at least three (3) business days prior written notice to Seller, to assign this Agreement to Wells Real Estate Investment Trust, Inc. ("Wells Trust") or Wells Capital, Inc., or any entity controlled by or under common control with Buyer, Wells Trust or Wells Capital, Inc. without such prior written consent of Seller and such assignee shall be imputed with Buyer's knowledge and duties under this Agreement and vice versa. Notwithstanding anything to the contrary contained herein, no assignment shall relieve Buyer from its liability under this Agreement. As used in this Paragraph 19(a), the term "control" shall mean the possession of the power to direct or cause the direction of the management and policies of the applicable entity.

20. Confidentiality. Prior to the Closing, Buyer agrees that it shall keep confidential the information contained in the materials delivered or provided for inspection by Seller pursuant to the terms of this Agreement or otherwise obtained by Buyer in the conduct of its Due Diligence, that it shall use such information only to evaluate the acquisition of the Property from Seller and not in a manner which has an adverse effect on Seller, and that it shall not disclose such information to any third parties, except that Buyer shall have the right to provide such information (a) to its lenders, consultants, attorneys and prospective investors in connection with Buyer's acquisition of the Property (provided that Buyer shall instruct the aforesaid parties to maintain the confidentiality of such information), (b) as required by law or by public company disclosure rules and regulations, or (c) in any legal proceeding between Buyer and Seller in connection with this Agreement. If the transaction contemplated by this Agreement is not consummated for any reason, Buyer promptly shall return to Seller, and instruct its representatives, consultants, attorneys, and prospective investors to return to Seller, all copies and originals of information and materials previously provided for inspection by Seller to Buyer. The provisions of this Paragraph 20 shall survive any termination of this Agreement.

21. Miscellaneous.

(a) Governing Law. The parties hereto acknowledge that this Agreement has been negotiated and entered into in California. The parties hereto expressly agree that this Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California.

(b) Partial Invalidity. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, 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 such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

(c) Waivers. No waiver of any breach of any covenant or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision herein contained. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.

(d) Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the permitted successors and assigns of the parties hereto.

(e) Professional Fees. In the event of the bringing of any action or suit by a party hereto against another party hereunder by reason of any breach of any of the covenants, agreements or provisions on the part of the other party arising out of this Agreement, then in that event the prevailing party shall be entitled to have and recover of and from the other party all costs and expenses of the action or suit, including actual attorneys' fees, accounting and engineering fees, and any other professional fees resulting therefrom.

(f) Entire Agreement. This Agreement (including all Exhibits attached hereto) is the final expression of, and contains the entire agreement between, the parties with respect to the subject matter hereof and supersedes all prior understandings with respect thereto. This Agreement may not be modified, changed, supplemented or terminated, nor may any obligations hereunder be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. The parties do not intend to confer any benefit hereunder on any person, firm or corporation other than the parties hereto.

(g) Time of Essence. Seller and Buyer hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof and that failure to timely perform any of the terms, conditions, obligations or provisions hereof by either party shall constitute a material breach of and a non-curable (but waivable) default under this Agreement by the party so failing to perform.

(h) Construction. Headings at the beginning of each paragraph and subparagraph are solely for the convenience of the parties and are not a part of the Agreement. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include the feminine and vice versa. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. Unless otherwise indicated, all references to paragraphs and subparagraphs are to this Agreement. All exhibits referred to in this Agreement are attached and incorporated by this reference. In the event the date on which Buyer or Seller is required to take any action under the terms of this Agreement is not a business day, the action shall be taken on the next succeeding business day. For purposes of this Agreement, the term "business day" shall mean any day other than Saturday, Sunday or any day upon which banks in the State of California are required or permitted to be closed.

(i) Authority. The individuals signing below represent and warrant that they have the requisite authority to bind the entities on whose behalf they are signing.

(j) Severability. The invalidity or unenforceability of any one or more of the provisions of this Agreement shall not affect the validity or unenforceability of any other provisions of this Agreement.

(k) Further Assurances. The parties hereto agree to execute, acknowledge and deliver any and all additional papers, documents and other assurances and shall perform any and all acts and things reasonably necessary in connection with the performance of the obligations hereunder to carry out the interest of the parties hereto.

(l) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall be effective and binding on the parties upon delivery by facsimile of counterparts of this Agreement signed by Seller and Buyer. Each signatory shall provide a counterpart copy of this Agreement bearing an original signature within three (3) business days after written request.

(m) THE SUBMISSION OF THIS AGREEMENT FOR EXAMINATION IS NOT INTENDED TO NOR SHALL CONSTITUTE AN OFFER TO SELL, OR A RESERVATION OF, OR OPTION OR PROPOSAL OF ANY KIND FOR THE PURCHASE OF THE PROPERTY. IN NO EVENT SHALL ANY DRAFT OF THIS AGREEMENT CREATE ANY OBLIGATION OR LIABILITY, IT BEING UNDERSTOOD THAT THIS AGREEMENT SHALL BE EFFECTIVE AND BINDING ONLY WHEN A COUNTERPART HEREOF HAS BEEN EXECUTED AND DELIVERED BY EACH PARTY HERETO TO ESCROW HOLDER.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year hereinabove written.

"Seller"

DOUGLAS EMMETT JOINT VENTURE, a
California general partnership

By: Douglas Emmett Realty Fund, a California limited partnership, its General Partner

By: Douglas Emmett Realty Advisors, a California corporation, its General Partner

By: /s/ Jordan L. Kaplan
Name: Jordan L. Kaplan
Title: CFO

By: Douglas Emmett Realty Fund No. 2, a California limited partnership, its general partner

By: Douglas Emmett Realty Advisors, a California corporation, its General Partner

By: /s/ Jordan L. Kaplan
Name: Jordan L. Kaplan
Title: CFO

"Buyer"

WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: Wells Real Estate Investment Trust, Inc., a Maryland corporation, general partner

By: /s/ Douglas P. Williams
Name: Douglas P. Williams
Title: Executive Vice President

CONSENT BY ESCROW HOLDER

The undersigned hereby agrees to serve as Escrow Holder under the foregoing and annexed Agreement of Purchase and Sale and to perform all duties and obligations of the Escrow Holder under the provisions of the Agreement of Purchase and Sale, provided however that Escrow Holder shall be provided with mutually executed cancellation instructions from the parties prior to the termination of escrow and the release of any funds and/or documents from escrow.

Date executed by Escrow Holder:

11/27/02

CHICAGO TITLE COMPANY

By: /s/ Amy D. Hiraheta
Name: Amy D. Hiraheta
Its: Sr. Escrow Officer

EXHIBIT 10.94

LOAN AGREEMENT FOR $90,000,000 LOAN ASSUMED WITH LANDESBANK SCHLESWIG-HOLSTEIN GIRONZENTRALE, KIEL

LOAN AGREEMENT

Dated as of December 20, 2001

among

LANDESBANK SCHLESWIG-HOLSTEIN GIRONZENTRALE, KIEL,
as Agent and as a Lender

and

THE SEVERAL OTHER LENDERS FROM TIME TO TIME
PARTIES HERETO, as Lenders

and

DOUGLAS EMMETT JOINT VENTURE,
as Borrower

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This AGREEMENT is entered into by and among LANDESBANK SCHLESWIG-HOLSTEIN GIRONZENTRALE, KIEL, as Agent and as a Lender, the several banks and other financial institutions or entities from time to time parties to this Agreement, as Lenders, and DOUGLAS EMMETT JOINT VENTURE, as Borrower.

The parties hereto hereby agree as follows:

ARTICLE 1
DEFINITIONS AND ACCOUNTING TERMS

1.1 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth respectively after each:

"Adjusted LIBO Rate" means a rate of interest per annum determined in accordance with the following formula:

$$\frac{\text{LIBO Rate}}{\text{1.00 – Reserve Requirements}} + \text{Libor Margin}$$

"Administrative Fee" means the annual fee payable to Agent for its own account as provided in the Fee Letter.

"Affiliate" means, as to any Person, (a) any other Person which, directly or indirectly through one or more intermediaries controls, or is under common control with, or is controlled by, (i) such Person or (ii) any general partner of such Person; (b) any other Person five percent (5%) or more of the equity interest of which is held beneficially or of record by (i) such Person or (ii) any general partner of such Person, or (c) any general or limited partner of (i) such Person or (ii) any general partner of such Person. As used in this definition, "control" (and its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract, family relationship or otherwise).

"Agent" means LB Kiel or any other Person appointed as a successor Agent pursuant to Section 9.27(a)(9) hereof.

"Agreement" means this secured term loan agreement, as it may from time to time be supplemented, modified, amended, restated or extended.

"Alternate Rate" means the sum of (a) the Federal Funds Rate, (b) the applicable Libor Margin and (c) .20% per annum.

"Alternate Rate Loan" means a Loan bearing interest at the Alternate Rate.

"Appraisal" means a written statement independently and impartially prepared by a Qualified Appraiser setting forth an opinion as to the market value of an adequately described

Property as of a specific date, supported by the presentation and analysis of relevant market information and which is in compliance with FIRREA.

"Appraised Value" means the "as-is" fair market value of the Property as established by an Appraisal.

"Approved Leases" means any lease of space in the Building which satisfies the requirements of Section 9.29 of this Agreement.

"Arrangement Fee" means the fee payable to Agent for its own account as provided in the Fee Letter.

"Assigned Amount" means the Dollar amount of the Loan allocated or assigned to or retained by Lenders pursuant to the terms of this Agreement.

"Assignee" means any Eligible Lender which is the holder of one of the Notes.

"Assignment and Acceptance" means an agreement between Lenders and an Assignee substantially in the form attached hereto as Exhibit A.

"Borrower" means Douglas Emmett Joint Venture, a California general partnership.

"Building" means the improvements located upon the Real Property and all land, easements, rights and appurtenances relating thereto.

"Business Day" means any day (other than a Saturday or Sunday) on which commercial banks are not authorized or required to close in New York City and in Frankfurt am Main, Germany; and, whenever such day relates to a Libor Loan, any such day in which Dollar deposits are also carried out in the London interbank market and banks are open for business in London, England, New York City and Frankfurt am Main, Germany.

"Capital Commitments" means (a) the obligations of the General Partners to contribute capital to the Borrower and (b) the obligations of the Limited Partners to contribute capital to the General Partners upon the request of DERA.

"Capital Lease Obligations" means as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof (other than a ground lease), which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligation at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Cash Flow" means Net Operating Income less the sum of (a) Debt Service and (b) the cost of tenant improvements and leasing commissions.

"Change in Control" means the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group, other than Dan Emmett, Jordan Kaplan, Chris Anderson or Ken Panzer of a Controlling interest in the General Partners or in DERA or in any substitute general partner permitted pursuant to the terms of Section 9.21 of this Agreement.

"Closing Date" means the date upon which the Deed of Trust securing the Obligations is recorded in the official records of Los Angeles County.

"Code" means the California Health and Safety Code, as amended from time to time.

"Collateral" means such property of the Borrower as may now or hereafter become subject to a Lien in favor of the Lenders.

"Collateral Documents" means all security agreements, deeds of trust, mortgages, assignments, pledge agreements, financing statements, consents and other documents granting Liens to the Lenders pursuant to this Agreement, or perfecting, effecting, facilitating, consenting to, providing notice of or otherwise evidencing such Liens, including, without limitation, any Deed of Trust.

"Commitment" means $90,000,000.

"Conditions Survey" means a detailed report made by a Qualified Engineer describing the results of an investigation and inspection of the Property conducted not earlier than ninety days prior to the Closing Date, which report shall (i) address the structural integrity of the Building, including all electrical, plumbing and mechanical elements and systems, (ii) state any repairs which the Property may need, including deferred maintenance, and (iii) recommend an appropriate reserve for replacements for the term of the Loan plus two years and shall include a probable maximum loss study.

"Contingent Obligations" means, as applied to any Person, any direct or indirect liability or obligation of that Person, the payment or satisfaction of which is contingent upon the occurrence of some future event or condition other than the passage of time, as determined in accordance with GAAP.

"Contracts" means all agreements with any Person to provide goods or services for the benefit of the Property, including, but not limited to, maintenance, management and service contracts.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. " Controlling" and "Controlled" have the meanings correlative thereto.

"Debt Service" means payments required to be made by Borrower (a) under the Interest Rate Protection Agreement, while such agreement is in effect or (b) to Lenders in payment of interest due on the Loan.

"Debt Service Coverage Ratio" means the Net Operating Income from the Property for the calendar quarter in question divided by the interest which would accrue on the Principal Balance for the calendar quarter in question using an interest rate equal to the greater of (a) the interest rate applicable under the Interest Rate Protection Agreement obtained by Borrower, if any (b) the interest rate applicable to the Principal Balance as set forth in this Agreement, if there is no Interest Rate Protection Agreement in effect or (c) eight percent (8%) per annum.

"Debt Service Coverage Ratio Certificate" means a certificate executed by a Responsible Official of the Borrower in the form attached hereto as Schedule 5.13.

"Decisions" means all decisions, consents, waivers, approvals and other actions authorized to be taken under or in connection with the Loan Documents by the Agent or the holder of any of the Notes.

"Deed of Trust" means the Deed of Trust, Assignment of Rents and Security Agreement executed and delivered by the Borrower to the Lenders pursuant to Section 3.1(a)(3) hereof.

"Default" means any event which, with notice or passage of time or both, would become an Event of Default.

"Defaulting Lender" means any Lender which has become subject to the Agent's set-off rights under Section 9.27(e)(1) hereof.

"Default Rate" means the lesser of (a) the maximum rate of interest allowed by applicable Law, if interest is restricted to a maximum rate, and (b) five percent (5%) per annum in excess of the interest rate in effect from time to time in accordance with the terms of this Agreement in the absence of an Event of Default.

"DERA" means Douglas Emmett Realty Advisors, a California corporation

"DERF" means Douglas Emmett Realty Fund, a California limited partnership.

"DERF2" means Douglas Emmett Realty Fund No. 2, a California limited partnership.

"Dollars" or "$" means United States dollars.

"Eligible Lender" means (a) any German public sector bank, Landesbank, or savings bank organized under the laws of the Federal Republic of Germany (b) any commercial bank organized or licensed under the laws of the United States of America, or any state thereof or under the laws of another country that is a member of the Organization for Economic Cooperation and Development so long as (i) such bank has a combined capital and surplus of at least US $1,000,000,000, and total assets of at least US $25,000,000,000, and (ii) such bank (or the holding company thereof) shall have a long-term senior unsecured indebtedness rating of BBB+ or better by Standard & Poor's (if rated by Standard & Poor's) and Baal or better by Moody's Investor Service, Inc. (if rated by Moody's Investor Service, Inc.); (c) any Person to

which a portion of the Loan has previously been assigned and/or participated in compliance with the terms of Section 9.27 of this Agreement; and (d) subject to the prior consent of Borrower, any other Person, provided that (i) such consent shall not be required if any Event of Default has occurred and is continuing at the time of the assignment of an interest in the Loan or a grant of a participation, (ii) such consent (if required) shall not be unreasonably withheld and (iii) such consent shall be deemed to have been given unless written notice of disapproval is delivered by the Borrower to the Lenders within five (5) Business Days after notice of such proposed assignment and/or participation has been delivered to Borrower. If an Eligible Lender is not a U.S. Person it shall have submitted to Lenders a Form 1001, Form W-8BEN, or Form 4224 of the United States Department of the Treasury.

"ERISA" means the Employee Retirement Income Security Act of 1974, and any regulations issued pursuant thereto, as amended or replaced and as in effect from time to time.

"Environmental Audit Report" means a written report prepared, at the Borrower's sole cost and expense, in accordance with American Society for Testing and Materials standards, and meeting all requirements of the domestic Governmental Agency having jurisdiction over the Property, by a licensed consultant or other Person reasonably acceptable to the Agent evaluating the presence of Hazardous Materials, in, on or around the Property and confirming, if applicable, that all Hazardous Materials described in such report have been mitigated in accordance with the requirements of the California Department of Toxic Substances Control and any other applicable domestic, Governmental Agency. The Environmental Audit Report shall be a Phase 1 Report or its equivalent unless further investigation, cleanup, mitigation or other action is indicated in the Phase 1 Report, in which case, the Environmental Audit Report shall be a Phase 2 or other level appropriately indicated in the Phase 1 or any supplemental report.

"Environmental Consultant" means the consultant selected by Agent to prepare the Environmental Audit Report.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, licenses, authorizations and permits of, and agreements with, any domestic Governmental Agency, in each case relating to environmental, health and safety matters; including CERCLA, the Clean Air Act, the Federal Water Pollution Control Act of 1972, the Solid Waste Disposal Act, the Federal Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Emergency Planning and Community Right-to-Know Act, the California Hazardous Waste Control Law, the California Solid Waste Management, Resource, Recovery and Recycling Act, the California Water Code and the Code.

"Event of Default" shall have the meaning set forth in Section 8.1 hereof.

"Estoppel Certificates" means statements from tenants of portions of the Properties with respect to their respective leases in form and substance satisfactory to the Agent and its counsel.

"Federal Funds Rate" means for any day, the rate per annum equal to the weighted average of the rates on overnight Federal Funds transactions with members of the

Federal Reserve System arranged by Federal Funds brokers on such day, as published by the Federal Reserve Bank of New York on the next succeeding day, provided that (a) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day and (b) to the extent that the Federal Funds Rate is not available, the Prime Rate shall be used in its place and stead.

"Fee Letter" means that certain letter between Agent and Borrower of even date herewith which sets forth the obligation of Borrower to pay to Agent for its own account the Administrative Fee and the Arrangement Fee.

"Financial Statements" means the financial statements referenced in Section 4.5 hereof.

"FIRREA" means the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

"Fiscal Quarter" means a fiscal quarter of the Borrower.

"Fiscal Year" means each fiscal year of the Borrower, ending on December 31 of each year.

"GAAP" or "generally accepted accounting principles" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions and of comparable stature and authority within the accounting profession), or in such other statements by such other entity as may be in general use by significant segments of the U.S. accounting profession which are applicable to the circumstances as of the date of determination.

"General Partners" means the general partners of the Borrower which are Douglas Emmett Realty Fund, a California limited partnership and Douglas Emmett Realty Fund No. 2, a California limited partnership.

"Governmental Agency" means (a) any international, foreign, federal, state, county or municipal government, or political subdivision thereof, (b) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, or (c) any court, administrative tribunal or public utility.

"Gross Revenues" means for any period the receipts of every kind and nature from the Property, including, without limitation, all rents, receipts and any other payments of every kind and nature paid to or for the benefit of the Borrower, including, without limitation, any tax, insurance and operating expense payments or reimbursements, and amounts paid to the Borrower from any concessionaire or licensee at the Property, but excluding termination fees received from tenants in connection with the termination of leases, real estate tax refunds (including refunds which are refundable to tenants on account of prior pass-throughs of real estate taxes), insurance and condemnation proceeds, any amount received in connection with the

rejection of any lease in any bankruptcy, reorganization, arrangement or other insolvency proceeding and fees received by the Borrower for management, maintenance or other services, interest income and any other extraordinary nonrecurring items.

"Hazardous Materials" means all those substances which are regulated by, or which may form the basis of liability under any Environmental Law, including all substances identified under any Environmental Law as a pollutant, contaminant, hazardous waste, hazardous constituent, special waste, hazardous substance, hazardous material, or toxic substance, or petroleum or petroleum derived substance or waste.

"Indebtedness" of any Person means at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than current trade payables and accrued expenses incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party under acceptance, letter of credit or similar facilities, (g) all guarantees of such Person in respect of obligations of the kind referred to in clauses (a) through (f) above and (h) all obligations of the kind referred to in clauses (a) through (g) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation. Notwithstanding the foregoing, Indebtedness shall not include Contingent Obligations of Borrower under hedging instruments associated with floating rate indebtedness.

"Indemnity" means the indemnity to be executed and delivered by the Borrower to the Lenders pursuant to Section 3.1(a)(4) hereof.

"Individual Loan" means the Assigned Amount and Percentage Interest assigned to a Lender which is evidenced by one of the Notes.

"Intangible Assets" means assets that are considered intangible assets under GAAP, consistently applied, including, without limitation, goodwill, patents, trademarks, trade names, copyrights and other intangible property, including, without limitation, all names and/or logos used or proposed to be used by the Borrower and/or the General Partner exclusively in connection with the Property, but none of the foregoing to the extent same are used in connection with any other property owned by the Borrower and/or the General Partner.

"Interest Payment Date" means the date through which interest is accrued and on which interest is due. Interest, whether payable on an Alternate Rate Loan or a Libor Loan, shall be payable monthly in arrears, measured from the first day of each Libor Loan and Alternate Rate Loan, as applicable, until the Note is repaid in full.

"Interest Period" means with respect to any Libor Loan:

(a) initially, the period commencing on the borrowing or conversion date, as the case may be and ending one, two, three, six or twelve months thereafter, as selected by Borrower in its Rate Request given with respect thereto; and

(b) thereafter, each period commencing on the last day of the then-expiring Interest Period applicable to such Libor Loan and ending one, two, three, six or twelve months thereafter, as selected by Borrower in its Rate Request; provided, however, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period pertaining to a Libor Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period that would otherwise extend beyond the Maturity Date shall end on the Maturity Date;

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the subsequent calendar month; and

(iv) any Interest Period shall match a period selected under the Interest Rate Protection Agreement in effect during such Interest Period.

"Interest Rate Protection Agreement" means a hedging product to be approved by the Agent.

"Laws" means, collectively, all federal, state and local statutes, treaties, rules, regulations, ordinances, codes and published administrative or judicial precedents.

"LB Kiel" means Landesbank Schleswig-Holstein Gironzentrale, Kiel.

"Lease Package" has the meaning set forth in Section 9.31 of this Agreement.

"Lenders" means LB Kiel and any other Person making an Individual Loan to Borrower pursuant to the terms of this Agreement.

"Libor Loan(s)" means loan(s) bearing interest at the Adjusted LIBO Rate.

"Libor Margin" means 1.15% per annum.

"LIBO Rate" means for any Interest Period for any Libor Loan the rate per annum appearing on page 3750 of the Dow Jones Markets (Telerate) Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate

quotations comparable to those currently provided on such page of such Service as determined by Agent from time to time for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) at approximately 11:00 a.m. London time two (2) Business Days prior to the first day of such Interest Period as the rate for the offering of Dollar deposits having a term comparable to such Interest Period, provided, that if such rate does not appear on such page, or if such page, in the reasonable judgment of Agent shall cease accurately to reflect the rate offered by leading banks in the London interbank market as reported by any publicly available source of similar market data selected by Agent, the Libor Loan will be converted into an Alternate Rate Loan and shall bear interest at the Alternate Rate.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, security interest, encumbrance, lien or charge of any kind, whether voluntarily incurred or arising by operation of Law or otherwise, affecting the Property, including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and/or the filing of or agreement to give any financing statement under the Uniform Commercial Code or comparable Law of any jurisdiction.

"Limited Partners" means the limited partners' of the General Partners.

"Loan" means the loan to be made to the Borrower by the Lenders pursuant to the terms of this Agreement in the amount of the Commitment.

"Loans" means two or more Individual Loans.

"Loan Documents" means, collectively, this Agreement, the Note, the Collateral Documents, the Indemnity and any other certificates, documents or agreements of any type or nature heretofore or hereafter executed or delivered by the Borrower and/or any one or more of its Affiliates to the Lenders in any way relating to or in furtherance of this Agreement, in each case as the same may from time to time be supplemented, modified, amended, restated or extended.

"Loan Proceeds" means any and all advances of the Loan made by the Lenders to or for the benefit of the Borrower.

"Loan-to-Value Ratio" means the ratio, stated as a percentage, of the Loan to the Appraised Value of the Property.

"London Banking Day" means any day on which dealings and deposits in Dollars are transacted in the London interbank market.

"Major Lease" means any lease of the Building which affects together with any other existing leases with the same tenant more than 27,000 square feet of rentable space in the Building or which would affect more than 5% of the gross rental income of the Building.

"Management Agreement" means each agreement between the Borrower and the Management Company pursuant to which the Management Company is managing the Building.

"Management Company" means Douglas Emmett and Company, a California corporation.

"Material Adverse Effect" means (a) a materially adverse effect on the assets, business, operations, properties or condition (financial or otherwise) of the Borrower or the General Partner, (b) a material impairment of the ability of the Borrower or the General Partner to perform in all material respects any of its material obligations hereunder or under the Note or any other Loan Documents, or (c) a material impairment of the validity or enforceability of, or a material impairment of the rights, remedies or benefits available to the Lenders under this Agreement or the Note or any of the other Loan Documents.

"Maturity Date" means the date which is five (5) years from the Closing Date.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA.

"Nestle Lease" means that certain office lease dated December 22, 1987, between Nestle USA, Inc., a Delaware corporation, formerly known as Nestle Food Company, a Delaware corporation, and Carnation Company, a Delaware corporation, as tenant, and Borrower (as successor in interest to Eight Hundred North Brand Boulevard, a California limited partnership), as landlord, as said lease has been amended.

"Net Operating Income" means the amount by which Gross Revenues exceed Operating Expenses.

"Note" or "Notes" means the promissory note executed and delivered by the Borrower to the Lenders pursuant to Section 3.1(a)(2) hereof in the principal amount of $90,000,000 (and any promissory notes that may be issued in substitution, renewal, extension, replacement or exchange therefor).

"Obligations" means all present and/or future obligations of every kind or nature of the Borrower or any Party at any time and/or from time to time owed to the Lenders under any one or more of the Loan Documents, whether due or to become due, matured or unmatured, liquidated or unliquidated, or contingent or noncontingent, including obligations of performance as well as obligations of payment, and including interest that accrues after the commencement of any bankruptcy or insolvency proceeding by or against the Borrower, the General Partner or any Party.

"Operating Account" means the account maintained by Borrower into which all Gross Revenues are deposited and from which all Operating Expenses are paid.

"Operating Expenses" means for any period all costs and expenses other than the cost of tenant improvements and leasing commissions incurred in connection with or arising from the ownership, operation, management, repair, replacement, maintenance, use or occupancy of the Property or any part thereof, including reserves for replacements with respect to the Property in the amount of 9 cents per annum for each rentable square foot of space in the Property, whether or not such reserves are actually maintained by the Borrower, which reserves

shall have been determined by a Qualified Engineer commissioned by the Agent to inspect the Property prior to the Closing Date.

"Opinion of Counsel" means a written legal opinion of Allen, Matkins, Leck, Gamble & Mallory, counsel to the Borrower, in form and substance satisfactory to the Agent and its counsel, together with copies of any factual certificates relied on in rendering such opinion.

"Party" means any Person (including the Borrower and/or any Affiliates of the Borrower), other than the Lenders, which now or hereafter is a party to any of the Loan Documents.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereof established under ERISA.

"Percentage Interest" means the percentage of the Commitment allocated to each Lender which, as of the Closing Date, is allocated 100% to LB Kiel and, thereafter, the percentage of the Commitment assigned to or retained by a Lender pursuant to Section 9.27 hereof, determined by dividing the Assigned Amount allocated or assigned to or retained by said Lender by $90,000,000 and multiplying the quotient by 100%.

"Permits" means all permits, leases, licenses, agreements and franchises required for the operation, use, occupancy or sale of all or any portion of the Property.

"Permitted Encumbrances" means, with respect to the Property, all liens, restrictions and other title limitations approved by the Agent and its counsel in writing as permitted exceptions to the title policy covering the Property and real estate taxes which are a lien but which are not then due and payable.

"Person" means any individual or entity, whether a trustee, corporation, general partnership, limited partnership, limited liability company, joint stock company, trust, unincorporated organization, bank, business association, firm, joint venture, Governmental Agency, or otherwise.

"Personal Property" means all of the Borrower's right, title and interest, whether now existing or hereafter acquired, in and to all furniture, furnishings, fixtures, machinery, equipment, inventory, accounts, chattel paper, instruments, general intangibles and other personal property of every kind, tangible and intangible, now or hereafter (a) with respect to tangible personal property, either (i) located on or about the Property, (ii) used or to be used in connection with the Property or (iii) incorporated or intended to be incorporated into the Property, or (b) with respect to intangible personal property, relating to or arising with respect to the Property.

"Plan" means any employee benefit plan subject to ERISA and maintained by the Borrower or to which the Borrower is required to contribute on behalf of its employees.

"Prime Rate" means, the per annum rate of interest publicly announced from time to time by LB Kiel at Kiel, Germany as its Prime Rate (which is not necessarily the lowest interest rate offered by LB Kiel).

"Principal Balance" means the outstanding principal balance of the Note from time to time.

"Property" means the Real Property, the Personal Property, the Leases, the Contracts, and to the extent transferable, all of borrower's right, title and interest in and to all tangible and intangible assets of any nature relating solely to the Property, including, without limitation, (a) all warranties upon the Improvements, (b) rights to any plans, specifications, engineering studies, reports, drawings and prints relating to the construction, modification and alteration of the Improvements, (c) all works of art, graphic designs and other intellectual or intangible property used by borrower in connection with the Property, including any trade name associated with the Improvements, (d) all claims and causes of action arising out of or in connection with the Property and (e) the Permits.

"Qualified Appraiser" means a California certified appraiser who is a member of the Appraisal Institute and has at least five years experience in the valuation of commercial properties similar to the Property and located in the geographic area in which the Property is located.

"Qualified Engineer" means a duly licensed structural engineer who has at least five years of experience investigating, inspecting and evaluating the physical condition of commercial properties similar to the Property.

"Rate Request" means, Borrower's irrevocable telecopier notice, to be received by Agent by 11 a.m. New York time three (3) Business Days prior to the date specified in the Rate Request for the commencement of the Interest Period (which specified date must be a Business Day), of: (a) its intention to have all or any portion of the Principal Balance under the Note bear interest as a Libor Loan; and (b) the Interest Period desired by borrower in respect of the amount specified expressly stating the starting and ending date of such Interest Period.

"Real Property" means that certain real property located at 800 North Brand Boulevard, Glendale, California, and the improvements located thereon, consisting of a 20-story, 545,920 rentable square foot Class A office tower and an adjacent parking garage with two levels of below ground parking and six levels of elevated parking with a total of 1,552 parking spaces.

"Regulation D" means Regulation D, as at any time amended, of the Board of Governors of the Federal Reserve System, or any other regulation in substance substituted therefor.

"Required Lenders" means one or more Lenders holding aggregate Percentage Interests of sixty-six and two-thirds percent (66 $^{2}/_{3}$%) or more.

"Reserve Account" means the interest bearing account to be maintained by Borrower with Agent pursuant to Section 5.13.

"Reserve Requirements" means for any day as applied to a Libor Loan, the aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on such day, if any, (including without limitation supplemental, marginal and emergency reserves) under any regulations of the Board of Governors of the Federal Reserve

System or other Governmental Authority having jurisdiction with respect thereto dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D) required to be maintained by Lenders or its participants, if any. Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by any Lenders or any Lender's respective participants, if any, by reason of any Regulatory Change against (a) any category of liabilities which includes deposits by reference to which the LIBO Rate is to be determined as provided by this Agreement or (b) any category of extensions of credit or other assets which includes loans the interest rate on which is determined on the basis of rates used in determining the LIBO Rate.

"Response Time" has the meaning set forth in Section 9.31 of this Agreement.

"Responsible Official" means when used with reference to the Borrower, any of the following corporate officers of DERA: Chief Executive Officer, President, Senior Vice President, Chief Financial Officer, Treasurer, Vice President-Finance, General Counsel, and/or Secretary and with respect to any other Person, that certain individual or those individuals having authority to act for that Person in connection with the matter in question. Except as otherwise specifically provided herein, any requirement that any document or certificate be signed or executed by any Person requires that such document or certificate be signed or executed by a Responsible Official of such Person, and that the Responsible Official signing or executing such document or certificate on behalf of such Person shall be authorized to do so by all necessary corporate, partnership and/or other action.

"Right of Others" means, as to any property in which a Person has an interest, any legal or equitable claim, right, title or other interest (other than a Lien) in or with respect to that property held by any other Person, and any option or right held by any other Person to acquire any such claim, right, title or other interest, including any option or right to acquire a Lien.

"Standard Form Lease" has the meaning set forth in Section 9.29 of this Agreement.

"Subordination, Non-Disturbance and Attornment Agreement " means an agreement between a tenant of the Property and the Lenders, in the form attached hereto as Exhibit "B."

"Subsidiary" means as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Swap Party" means the Person providing the Interest Rate Protection Agreement, which Person shall be a financial institution having a long-term senior unsecured indebtedness

rating of A or better by Standard & Poor's (if rated by Standard & Poor's) and A2 or better by Moody's Investor Service, Inc. (if rated by Moody's Investor Service, Inc.).

"Title Company" means Chicago Title Insurance Company or such other title insurer as shall be approved by the Agent.

"to the best knowledge of" means, when modifying a representation, warranty or other statement of any Person, that the fact or situation described therein is known by the Person (or, in the case of a Person other than a natural Person, known by the Responsible Official of that Person most likely to know whether the representation, warranty or other statement is true) making the representation, warranty or other statement, to such individuals actual conscious awareness, without any imputed duty of further investigation or inquiry.

"Total Assets" means, at any date, the value of all of the assets of the Borrower and its wholly owned Subsidiaries on a consolidated basis, determined in accordance with market value GAAP.

1.2 Use of Defined Terms. Any defined term used in the plural shall refer to all members of the relevant class, and any defined term used in the singular shall refer to any one or more of the members of the relevant class.

1.3 Accounting Terms. All accounting terms not specifically defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted by this Agreement shall be prepared in conformity with, GAAP in effect from time to time, and applied on a consistent basis, except as otherwise specifically prescribed herein, e.g., the audited annual and quarterly Financial Statements are currently based on market value GAAP rather than historical cost GAAP, and monthly Financial Statements are prepared on cash basis accounting principles, consistently applied.

1.4 Exhibits and Schedules. All exhibits and schedules to this Agreement, either as originally existing or as the same may from time to time be supplemented, modified or amended, are incorporated herein by this reference.

ARTICLE 2
CREDIT FACILITY

2.1 General Provisions Regarding Loan and Borrowing Procedures .

(a) Subject to the terms and conditions set forth in this Agreement, the Lenders agree to make the Loan to the Borrower, which Loan shall be in the amount of the Commitment and the Loan shall be disbursed to the Borrower in accordance with the provisions of this Agreement.

(b) The Loan shall be evidenced by the Note and secured by the Deed of Trust and the other Collateral Documents.

(c) If funding does not occur within three (3) Business Days of the Closing Date, then the Borrower shall give the Lenders notice (which notice must be received by the

Agent prior to 11:00 a.m., New York City time, at least five (5) Business Days prior to the anticipated disbursement date) requesting that the Lenders make the advance of Loan Proceeds on the disbursement date and specifying the amount to be borrowed.

(d) The Borrower shall reimburse the Agent for all costs and expenses associated with the Loan including, but not limited to, the fees and disbursements of Loeb & Loeb LLP (outside legal counsel to the Agent), recording fees and title insurance premiums.

(e) The purpose of the Loan is to refinance the existing debt on the Property. Agent shall have the right, but not the obligation, to investigate the use of Loan Proceeds.

2.2 Interest Rates. Notwithstanding anything herein to the contrary, if an Event of Default shall have occurred and be continuing, then, until such Event of Default is cured, the Lenders shall have the option to convert any Libor Loan to an Alternate Rate Loan effective upon notice to the Borrower in accordance with the notice provisions set forth in this Agreement, and thereafter, if the Lenders elect to exercise such option, the interest rate on such Loan shall be the Alternate Rate.

2.3 Principal and Interest and Late Payments.

(a) Interest on the unpaid Principal Balance computed from the date of disbursement of the Loan to the Borrower until repaid, whether computed at the Alternate Rate or the Adjusted LIBO Rate, shall accrue from the date of disbursement and shall be payable monthly in arrears on the applicable Interest Payment Date until the Note is repaid in full. If the Borrower requests a disbursement of Loan Proceeds to an escrow in connection with its refinancing of the Property, the Borrower agrees to pay interest from the date the Loan Proceeds are disbursed by the Lenders to escrow regardless of when the funds are actually disbursed by escrow to the Borrower or for the Borrower's benefit.

(b) If not sooner paid, the Principal Balance shall be due and payable on the Maturity Date as the same may be accelerated pursuant to the terms of the Loan Documents.

(c) Should any installment of principal or interest or any fee or cost or other amount payable under any Loan Document not be paid when due, it shall thereafter bear interest, at the option of Agent, at the Alternate Rate unless pursuant to the terms of this Agreement the Default Rate applies, in which event the Default Rate shall apply.

2.4 Late Payment Premium and Default Rate.

(a) Borrower shall pay to Agent a late payment premium in the amount of 5% of any payments of regular monthly principal, interest, fees or other amounts payable under the Loan Documents made more than five (5) days after the due date thereof, which late payment premium shall be due with any such late payment; provided, however, such late payment premium shall not apply unless Borrower has received written notice from Agent that such payment has not been received and such payment is not thereafter received within two (2) Business Days after receipt of said written notice by Borrower.

(b) Upon the occurrence of an Event of Default, all amounts outstanding under the Loan, whether principal, interest, fees or other amounts, shall bear interest at the Default Rate until all such amounts are paid in full.

2.5 Computation of Interest and Fees. All interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed, including the first day and excluding the last day. If a Loan is repaid on the same day on which it is made one (1) day's interest shall be paid on such Loan as well as any amounts payable pursuant to Section 2.6. Any change in the Prime Rate or the Federal Funds Rate shall be effective as of the day on which such change in rate occurs. Each determination of an interest rate by Agent pursuant to any provision of this Agreement shall be conclusive and binding on Borrower in the absence of manifest error.

2.6 Breakage Costs. Borrower agrees to compensate Lenders for any loss, cost or expense incurred by it as a result of (a) a default by Borrower in making a borrowing of, conversion into or continuation of a Libor Loan after Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) a default by Borrower in making any prepayment after Borrower has given a notice thereof in accordance with the provisions of this Agreement, or (c) the making of a prepayment of a Libor Loan on a day that is not the last day of an Interest Period with respect thereto.

2.7 Continuation Options. Any Libor Loan may be continued upon the expiration date of its then current Interest Period by the Borrower pursuant to a Rate Request, provided that no Libor Loan may be continued: (i) when any Default or Event of Default has occurred and is continuing and Agent has determined that such a continuation is not appropriate or (ii) after the date that is one month prior to the Maturity Date. If Borrower fails to submit a Rate Request to Agent in accordance with the provisions of this paragraph, Agent shall continue the outstanding Libor Loan automatically as a one month Libor Loan.

2.8 Minimum Amounts and Maximum Number of Interest Periods. All borrowings, conversions and continuations of the Loan and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of each LIBOR Loan shall be at least equal to $10,000,000. No more than three (3) Libor Loan Interest Periods may be outstanding at any time under this Agreement and the Note.

2.9 Unavailability. In the event, and on each occasion, that on the day two (2) Business Days prior to the expiration of any Interest Period, the Agent shall have determined in good faith (which determination shall be conclusive and binding upon the Borrower) that U.S. Dollar deposits, in an amount approximately equal to the portion of the Principal Balance which is to bear interest at a particular Adjusted LIBO Rate during a particular Interest Period in accordance with the provisions of this Agreement, are not generally available at such time in the London interbank market, or reasonable means do not exist for ascertaining the Adjusted LIBO Rate for such particular Interest Period, the Agent shall so notify the Borrower, and the interest rate applicable to the portion of the Principal Balance with respect to which such Adjusted LIBO Rate was to pertain shall automatically convert to the Alternate Rate as of the impending expiration date of an Interest Period, it being agreed that the Alternate Rate shall remain in effect

thereafter with respect to such portion of the Principal Balance unless and until the Agent shall have determined in good faith (which determination shall be conclusive and binding upon the Borrower) that the aforesaid circumstances no longer exist, whereupon the interest rate applicable to such portion of the Principal Balance shall be converted back to an Adjusted LIBO Rate determined in the manner hereinabove set forth in this Agreement effective as of the first day of the month which commences three (3) Business Days or more after such good faith determination by the Agent.

2.10 Illegality. If any change in any Law or in the interpretation thereof by any Governmental Agency charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain a Libor Loan with respect to the Principal Balance or any portion thereof or to fund the Principal Balance or any portion thereof at an Adjusted LIBO Rate in the London interbank market or to give effect to its obligations as contemplated by this Agreement, then, upon notice by the Agent to the Borrower in accordance with the notice provisions set forth in this Agreement, the interest rate applicable to such portion of the Principal Balance shall be automatically converted to the Alternate Rate, it being agreed that any notice given by the Agent to the Borrower pursuant to this sentence shall, such change in Law or interpretation permitting, be effective in so far as it pertains to any particular portion of the Principal Balance bearing interest at a particular Adjusted LIBO Rate on the impending expiration date of an Interest Period pertaining to such particular portion of the Principal Balance, or shall, such change not so permitting, be effective immediately upon notice being given by the Agent to the Borrower, and that the Alternate Rate shall thereafter remain in effect with respect to such portion of the Principal Balance unless and until the affected Lender shall have determined in good faith (which determination shall be conclusive and binding upon the Borrower) that the aforesaid circumstances no longer exist, whereupon the interest rate applicable to such portion of the Principal Balance shall be converted to an Adjusted LIBO Rate determined in the manner hereinabove set forth in this Agreement effective three (3) Business Days after such good faith determination by the affected Lender. If the interest rate applicable to any portion of the Principal Balance is converted from an Adjusted LIBO Rate to the Alternate Rate on a date other than the expiration date of the applicable Interest Period in accordance with the provisions of the preceding sentence, the Borrower shall pay to the Agent on demand an amount equal to the breakage fees, if any, which would have been due pursuant to the provisions of Section 2.6 above if the portion of the Principal Balance bearing interest at such Adjusted LIBO Rate was prepaid in full on the date of such conversion.

2.11 Increased Costs. The Borrower recognizes that the cost to any Lender of making or maintaining Libor Loans with respect to the Principal Balance or any portion thereof, may fluctuate, and, subject to the terms of Section 5.9 hereof, the Borrower agrees to pay the Agent within ten (10) days after demand by the Agent an additional amount or amounts as the affected Lender shall reasonably determine will compensate said Lender for additional costs incurred by said Lender in maintaining Libor Loans on the Principal Balance or any portion thereof as a result of:

(a) the imposition after the date of this Agreement of, or changes after the date of this Agreement in, the Reserve Requirements and irrespective of whether the affected Lenders actually maintain all or any portion of such reserve; or

(b) any change, after the date of this Agreement, in applicable Law or in the interpretation or administration thereof, by any Governmental Agency charged with the interpretation or administration thereof (whether or not having the force of Law), changing the basis of taxation of any payments to the affected Lenders under this Agreement, the Note, the Deed of Trust or the other Loan Documents (other than taxes imposed on all or any portion of the overall net income of the affected Lenders by any state or country or by any political subdivision or taxing authority), or imposing, modifying or applying any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, credit extended by, or any other acquisition of funds for loans by the affected Lenders or imposing on the affected Lenders, or on the London interbank market, any other condition affecting this Agreement, the Note, the Deed of Trust or the other Loan Documents or the portion of the Principal Balance bearing interest at an Adjusted LIBO Rate so as to increase the cost to the affected Lenders of making or maintaining a Libor Loan with respect to the Principal Balance or any portion thereof or to reduce the amount of any sum received or receivable by the affected Lenders under this Agreement, the Note, the Deed of Trust or the other Loan Documents (whether of principal, interest or otherwise), by an amount deemed by the affected Lenders in good faith to be material, but without duplication for payments required under subparagraph (a) above.

Any amount or amounts payable by the Borrower to the Agent pursuant to subparagraphs (a) or (b) of this Section 2.11 shall be paid by the Borrower to the Agent within ten (10) days of receipt by the Borrower from the Agent of a statement setting forth the amount or amounts due and the basis for the determination from time to time of such amount or amounts, which statement shall be conclusive and binding upon the Borrower provided such determinations are made on a reasonable basis. Failure on the part of the Agent to demand compensation for any increased costs in any Interest Period shall not constitute a waiver of the Agent's right to demand compensation for any increased costs incurred during any such Interest Period or in any other subsequent or prior Interest Period.

2.12 Voluntary Prepayments. The Borrower may from time to time prepay the Loan, in whole or in part, provided that the Borrower gives the Agent a facsimile notice: (a) at least thirty (30) days prior to the prepayment date to the effect that Borrower is considering prepayment of the Loan and (b) at least four (4) Business Days prior to the prepayment date, the date upon which prepayment is to occur. The Borrower shall specify in the second notice: (i) the date and amount of the prepayment; (ii) in the case of a prepayment of a Libor Loan the expiration date of the Interest Period applicable to the Libor Loan; and (iii) that its election to make the prepayment is irrevocable. Prepayment of all or a portion of the Loan may be made in accordance with this Section 2.12 provided, that: (1) the Principal Amount prepaid is not less than $1,000,000 and in multiples of $100,000; (2) all accrued and unpaid interest to and including the date of such prepayment on the amount being prepaid is then paid; (3) any amounts payable pursuant to Section 2.6 above are then paid; (4) if the prepayment occurs during the first year of the term of the Loan, Borrower shall pay to Agent a prepayment premium equal to one percent (1%) of the amount being prepaid; (5) if the prepayment occurs during the second year of the term of the Loan, Borrower shall pay to Agent a prepayment premium equal to one-half percent (.5%) of the amount being prepaid; and (6) all fees and expenses (including, but not limited to the fees and expenses of Agent's attorneys) incurred by Agent in connection with the Loan or in connection with the prepayment are then paid.

2.13 Manner and Treatment of Payments.

(a) Each payment hereunder or on the Note or under any other Loan Document shall be made to the Agent at the place and time(s) provided herein. Agent hereby directs and Borrower hereby agrees that all payments under the Note shall be made by wire transfer to an account to be designated by Agent. All payments shall be made in lawful money of the United States of America.

(b) Each payment of any amount payable by the Borrower under this Agreement and/or any other Loan Document shall, to the extent permitted by applicable Law, be made free and clear of, and without reduction by reason of, any charges imposed on the Lenders by any Governmental Agency, central bank or comparable authority.

(c) Payments of principal or interest shall be credited by Lenders as of the date of receipt; provided, however, if such payment is not received by Agent prior to 3:00 p.m. Eastern Time, Borrower shall reimburse Agent for any cost or damage suffered by Agent or the other Lenders if Agent is unable to wire transfer the payment to the other Lenders such that the other Lenders receive their share of said payment on the same day as Agent has received it.

(d) In the event Agent prefunds the principal or interest payments to the other Lenders prior to the actual receipt by Agent of a payment on the date due and Borrower fails to make such payment on the date due, Borrower shall reimburse Agent for any cost or damage suffered by Agent on account of the prefunding of such payments to the other Lenders on the date due.

(e) All payments by Borrower to Agent hereunder (other than payments under the Fee Letter, which payments are for the account of Agent) shall be made for the account of the Lenders as their interests shall appear.

2.14 Funding Sources. Nothing in this Agreement or in the Note shall be deemed to obligate the Lenders to obtain funds for the Loan in any particular place or manner or to constitute a representation by the Lenders that they have obtained or will obtain the funds for the Loan in any particular place or manner.

2.15 Failure to Charge Not Subsequent Waiver. Any decision by the Agent not to require payment of any interest (including default interest), fee, cost or other amount payable under any Loan Document on any occasion shall in no way limit or be deemed a waiver of the right to require full payment of any other interest (including default interest), fee, cost or other amount payable under any Loan Document on any other or subsequent occasion.

ARTICLE 3
LOAN CONDITIONS

3.1 Loan. The obligation of the Lenders to make the Loan is subject to the following conditions precedent, each of which shall be satisfied prior to the funding of any Loan Proceeds:

(a) The Agent shall have received all of the following, each of which shall be originals unless otherwise specified, each as to which the Borrower is a Party properly executed

by a Responsible Official of the Borrower, and each in form and substance satisfactory to the Agent and its legal counsel:

(1) executed counterparts of this Agreement, sufficient in number for distribution to the Agent and the Borrower and their respective counsels;

(2) the Note executed by the Borrower payable to the order of the Lenders;

(3) a Deed of Trust granting to the Lenders a duly perfected first priority Lien on the Real Property, the Personal Property and the Interest Rate Protection Agreement;

(4) an Indemnity with respect to the Property, pursuant to which the Borrower agrees to defend, indemnify and hold the Lenders harmless from and against all claims, liabilities, losses or other costs arising in connection with Hazardous Materials located on or otherwise relating to the Property, and containing all representations, warranties, covenants and other agreements required by the Agent with respect to Hazardous Materials;

(5) current Financial Statements including, but not limited to, a 12 month proforma and income and expense statement, and such other financial data relating to the Property, the Borrower, the General Partners and DERA, as the Agent shall require;

(6) an Appraisal of the Property indicating a Loan-to-Value Ratio of not more than sixty percent (60%);

(7) the policies of hazard insurance required by the Deed of Trust (together with evidence of the payment of the premiums therefor) which policies will contain an endorsement specifically providing that, in case of any damage, all insurance proceeds will be paid to the Agent (except as otherwise provided in the Deed of Trust) so long as the Agent certifies to the insurer that the sum of the unpaid principal amount of the Note and the other Obligations secured by the Deed of Trust exceeds the proceeds of insurance;

(8) an Environmental Audit Report with respect to the Property;

(9) evidence that the Property is not located in an area designated by the Secretary of Housing and Urban Development as having special flood-hazards, or, if any such Property is so located, evidence that the flood-hazard insurance required by the NFIA of 1968, as amended (42 USC 4013, et seq.) has been obtained;

(10) a paid title insurance policy, or commitment therefor in the amount of $90,000,000, in ALTA Extended Coverage or other form approved by the Agent, issued by the Title Company which shall insure the Deed of Trust to be a valid first lien on the Property free and clear of all defects and encumbrances except the Permitted Encumbrances, and shall contain:

(i) full coverage against mechanics' liens (filed and inchoate),

(ii) a reference to the survey but no survey exceptions except those theretofore approved by the Agent and its counsel, and

(iii) such affirmative insurance and endorsements as the Agent and its counsel may require; and shall be accompanied by such reinsurance agreements between the Title Company and title companies approved by the Agent, in ALTA 1961 Facultative form and with direct access provisions, as the Agent may require;

(11) copies of the permanent certificate of occupancy for the Building, if available, and if not available the temporary certificate of occupancy, in each case issued by the appropriate Governmental Agency (if the permanent certificate of occupancy is not available, the Borrower shall represent to Agent that it has been applied for or is in the process of being applied for and shall demonstrate to the satisfaction of the Agent that there are no material conditions to the issuance of the permanent certificate of occupancy which have not been satisfied);

(12) UCC searches against the Borrower which searches shall disclose no financing statements filed or recorded against the Personal Property;

(13) a survey certified to the Lenders and the Title Company and showing with respect to the Property:

(i) the location of the perimeter of the Property by courses and distances or by reference to filed maps,

(ii) all easements, rights-of-way, and utility lines referred to in the title policy required by this Agreement or which actually service or cross the Property, to the extent visible or discoverable by a physical inspection,

(iii) the lines of the streets abutting the Property and the width thereof, and any established building lines,

(iv) encroachments and the extent thereof upon the Property,

(v) the improvements constructed on the Property, and the relationship of the improvements by distances to the perimeter of the Property, established building lines and street lines, and

(vi) if the Property is described as being on a filed map, a legend relating the survey to said map;

(14) executed copies of each lease affecting the Property;

(15) an assignment of all Contracts relating to the Property and copies of such Contracts;

(16) such evidence as the Agent may require to verify that the Borrower is duly organized and validly existing in the State of California, including, without limitation, copies of its Statement of Partnership, if any, certified by a Responsible Official;

(17) a copy of the Interest Rate Protection Agreement certified by a Responsible Official as being a true, correct and complete copy of such Interest Rate Protection Agreement;

(18) copies of the partnership agreement of the Borrower, certified by a Responsible Official, together with such written consents as shall be required under the terms of said partnership agreement to the consummation of the Loan transaction described in this Agreement and the execution and delivery of the other Loan Documents;

(19) copies of the partnership agreements of the General Partners, certified by a Responsible Official, together with:

(i) such written consents as shall be required under the terms of said partnership agreements to the consummation of the loan transaction described in this Agreement and the execution and delivery of the other Loan Documents, and

(ii) such evidence as Agent may require to verify that the General Partners are duly organized, validly existing and in good standing in the State of California, including, without limitation, copies of their respective Certificates of Limited Partnership certified by a Responsible Official;

(20) with respect to DERA, a copy of its Articles of Incorporation and By-Laws certified by a Responsible Official, together with:

(i) a good standing certification from the State of California,

(ii) resolutions, certified by the corporation secretary, or the shareholders or directors of the corporation authorizing the consummation of the transactions contemplated hereby, and

(iii) a certificate of the corporate secretary as to the incumbency of the officers executing this Agreement or any of the other Loan Documents required hereby on behalf of the General Partner and the Borrower;

(21) the Opinion of Counsel;

(22) a pledge of the Operating Account of Borrower maintain at United California Bank and a control agreement with such depository bank to perfect Lenders' security interest therein;

(23) such consents and other agreements from the Swap Party as Agent shall reasonably request;

(24) the Fee Letter; and

(25) such other certificates, documents, consents or opinions as the Agent may reasonably require;

(b) The representations and warranties of the Borrower contained in Article 4 shall be true and correct as of the Closing Date and as of the date of the advance of Loan Proceeds;

(c) The Borrower shall be in compliance with all the terms and provisions of the Loan Documents, and no Default shall have occurred.

3.2 Property Information. Notwithstanding anything to the contrary contained in Section 3.1, the obligation of the Lenders to make advances of Loan Proceeds is subject to the further condition that the Agent shall have received prior to the funding of the Loan Proceeds such additional information relating to the Property as the Agent shall reasonably require.

3.3 The Property. The Property shall be in compliance with the following conditions:

(a) The Property shall be one hundred percent owned by the Borrower;

(b) The interest of the Borrower in the Property shall be a fee interest;

(c) The Property shall be free of Liens other than Permitted Encumbrances;

(d) The Building shall be free of material structural defects, as confirmed by a Conditions Survey, or if such material defects exist, they shall be clearly defined in the Conditions Survey, and an appropriate and reasonable remedial budget shall be attached to the Conditions Survey;

(e) If the Environmental Audit Report discloses that the Property is subject to Hazardous Materials, Borrower shall demonstrate that all adverse environmental conditions identified in the Environmental Audit Report have been remedied to the satisfaction of the Environmental Consultant;

(f) Hazard insurance is being maintained on terms and conditions acceptable to the Agent as required by the terms of the Deed of Trust including, but not limited to, earthquake insurance;

(g) The Agent shall have received a rent roll certified by a Responsible Official and a property operating history in such format as shall be satisfactory to the Agent and as may be required in order to obtain an Appraisal;

(h) The Agent shall have received Estoppel Certificates satisfactory to the Agent from tenants under leases covering the total leased rentable area in the Building;

(i) The Agent shall have received a Subordination, Non-Disturbance and Attornment Agreement from the tenants under all Major Leases and under all other leases which are subordinate to the Deed of Trust;

(j) Borrower shall have delivered to Agent copies of all Permits and approvals by Governmental Agencies required for the ownership and operation of the Property;

(k) Agent shall have received a written report from an engineer engaged by Agent at the expense of Borrower setting forth the results of a study of probable loss associated with earthquake risk, which study shall be used to determine the appropriate amount of earthquake insurance coverage to be maintained by Borrower; and

(l) The Agent shall have received such other documentation as may be reasonable required by the Agent.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders, as of the date hereof that:

4.1 Existence and Qualification; Power; Compliance With Laws. The Borrower is a general partnership duly formed and validly existing under the Laws of the State of California. The Borrower is duly qualified or registered to transact business in each other jurisdiction in which the conduct of its business or the ownership or leasing of its properties makes such qualification or registration necessary. The Borrower has all requisite power and authority to conduct its business, to own and lease its properties and to execute, deliver and perform all of its Obligations under the Loan Documents. To the best knowledge of the Borrower, the Borrower is in substantial compliance with all Laws and other legal requirements applicable to its business, has obtained all material authorizations, consents, approvals, orders, licenses and permits from, and has accomplished all material filings, registrations and qualifications with, or obtained exemptions from any of the foregoing, from any Governmental Agency that is necessary for the transaction of its business. The Borrower is in possession of all material Permits and authorizations required by applicable Laws for the ownership and operation of the Property as it is now operated.

4.2 Authority; Compliance With Other Agreements and Instruments and Government Regulations. To the best knowledge of the Borrower, neither the Borrower, the General Partners nor DERA are in default under any Law, order, writ, judgment, injunction, decree, determination or award by which it is bound, or under any material Contract, the violation or breach of which would have a Material Adverse Effect. The execution, delivery and performance by the Borrower of the Loan Documents have been duly authorized by all necessary action, and do not and will not:

(a) Require any consent or approval not heretofore obtained of any partner or creditor;

(b) Violate or conflict with any provision of the Borrower's agreement of partnership;

(c) Result in or require the creation or imposition of any Lien or Right of Others (other than as provided under the Loan Documents) upon or with respect to the Property;

(d) To the best knowledge of the Borrower, violate any provision of any Law (including, without limitation, Regulations G, T, U and/or X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award presently in effect, having applicability to the Borrower and by which it is bound; or

(e) To the best knowledge of the Borrower, result in a breach of or constitute a default under, or cause or permit the acceleration of any obligation owed under, any material Contract, the violation or breach of which would have a Material Adverse Effect.

4.3 No Governmental Approvals Required . To the best knowledge of the Borrower, no authorization, consent, approval, order or Permit from, or filing, registration or qualification with, or exemption from any of the foregoing, from any Governmental Agency is or will be required to authorize or permit under applicable Law the execution, delivery and performance by the Borrower of its Obligations.

4.4 Environmental and Industrial Hygiene Compliance . Neither the Borrower nor any Affiliate of the Borrower has received any notice from any Governmental Agency of any violation of any Environmental Law with respect to the Property. Except as disclosed in the reports heretofore delivered to Agent, to the best knowledge of Borrower, there has been no generation, manufacture, storage or disposal of Hazardous Materials on, under or about the Property. Notwithstanding the foregoing, no breach of representation or warranty shall be deemed to have occurred under this Section 4.4 solely on account of the existence of Hazardous Materials on, under or about the Property if the use and presence of such Hazardous Materials are usual and customary with respect to the use and operation of the Property by the Borrower, or any other user of the Property and such use and presence of Hazardous Materials is not a violation of any Law.

4.5 Financial Statements. The Borrower has furnished to the Agent the audited consolidated market value balance sheet of DERA as at December 31, 2000, and the unaudited balance sheets of Borrower, DERF and DERF2 as at September 30, 2001. Such balance sheets and statements fairly present the financial condition, results of operations and changes in financial position of the subjects thereof as at such dates and for such periods, in conformity with GAAP, consistently applied, as modified pursuant to Section 1.3 hereof.

4.6 No Other Liabilities; No Material Adverse Changes . The Borrower does not have any material liability or material Contingent Obligation other than liabilities and obligations incurred in the ordinary course of business. Neither DERF, DERF2 nor DERA have any material liability or material Contingent Obligation not reflected or disclosed in the Financial Statements or notes thereto. Since the date of the Financial Statements, neither the Borrower, DERF, DERF2 nor DERA has suffered any one or more changes in its condition (financial or otherwise) or its assets, properties, liabilities or prospects, which alone or in the aggregate would be materially adverse to the Borrower, DERF, DERF2 or DERA. Without limiting the generality of the foregoing, except as disclosed in Schedule 4.6 attached hereto, since the date of the Financial Statements, there has not been any:

(a) Material Adverse Effect with respect to the business operations, properties, assets or the condition (financial or otherwise) of the Borrower, DERF, DERF2 and DERA, taken as a whole;

(b) Material transaction by the Borrower, DERF, DERF2 and DERA, except in the ordinary course of business, which, with respect to DERA, consists primarily of acquiring commercial real property and acting as the general partner of various investment partnerships, and with respect to the Borrower, DERF and DERF2, consists primarily of acquiring, leasing and operating commercial and multifamily residential real property;

(c) Material damage, destruction or loss, whether covered by insurance or not, involving or affecting the business, operations, properties, assets or condition (financial or otherwise) of the Borrower, DERF, DERF2 and DERA, taken as a whole;

(d) Labor dispute, strike or other event or condition of any character, materially and adversely affecting the business, assets, prospects or condition (financial or otherwise) of the Borrower, DERF, DERF2 and DERA, taken as a whole;

(e) Entry into any significant commitment by the Borrower, DERF, DERF2 or DERA (including, without limitation, any borrowing or capital expenditure) except in the ordinary course of business;

(f) Material sale, lease or other transfer of any of the assets of the Borrower, DERF, DERF2 or DERA, except in the ordinary course of business;

(g) Amendment or termination of any material Contract, agreement, Permit or other understanding or commitment to which the Borrower, DERF, DERF2 or DERA is a party, except in the ordinary course of business;

(h) Waiver or release of any material right or claim of the Borrower, DERF, DERF2 or DERA, except in the ordinary course of business;

(i) Material change in the accounting methods or practices of the Borrower, DERF, DERF2 or DERA;

(j) Material revaluation of the assets of the Borrower, DERF, DERF2 and DERA, taken as a whole, which has resulted in a Material Adverse Effect;

(k) Other event or condition of any character which, to the best knowledge of the Borrower, may have a Material Adverse Effect on the business, operations, properties, assets or condition (financial or otherwise) of the Borrower, DERF, DERF2 and DERA, taken as a whole; or

(l) Agreement to do any of the things described in this Section 4.6.

4.7 Title to Property. To the best knowledge of the Borrower, good and valid title to the Property is vested in the Borrower, free and clear of all Liens, other than the Permitted Encumbrances and Liens permitted pursuant to Section 6.1. None of such Permitted

Encumbrances or Liens materially and adversely affect (a) the ability of the Borrower to pay in full the principal and interest on the Note in a timely manner or (b) the use of the Property for the use currently being made thereof, the operation of the Property as currently being operated or the value of the Property. Upon the execution by the Borrower of the Deed of Trust and the recording thereof, and upon the execution and filing of UCC-1 financing statements, the trustee under the Deed of Trust will have a valid first lien on the Property and a valid security interest in the Personal Property subject to no Liens other than the Permitted Encumbrances and the Liens permitted pursuant to Section 6.1.

4.8 Litigation. Except as disclosed in Schedule 4.8 attached hereto, there are no actions, suits or proceedings pending or, to the best knowledge of the Borrower, threatened against or affecting the Borrower, DERF, DERF2 or DERA or any property of any of them, in any court of law or before any Governmental Agency involving potential exposure to the Borrower, DERF, DERF2 or DERA of $100,000 or more or, in the aggregate, involving potential exposure to the Borrower, DERF, DERF2 or DERA of $500,000 or more.

4.9 Binding Obligations. Each of the Loan Documents to which the Borrower is a Party will, when executed and delivered by the Borrower, constitute legal, valid and binding obligations, enforceable against them in accordance with their terms, subject, as to enforcement, only to equitable principles and bankruptcy, insolvency, reorganization, moratorium or similar Laws then in effect affecting the enforceability of the rights of creditors generally.

4.10 ERISA.

(a) Except as disclosed in Schedule 4.10, there are no Plans;

(b) With respect to each Plan, if any, described in Schedule 4.10:

(1) such Plan complies in all material respects with ERISA and any other applicable Law;

(2) such Plan has not incurred any material "accumulated funding deficiency", as that term is defined in Section 302 of ERISA;

(3) no "reportable event" (as defined in Section 4043 of ERISA) has occurred that could result in the termination or disqualification of such Plan;

(4) neither the Borrower nor the General Partner has engaged in any "prohibited transaction" (as defined in Section 4973 of the Internal Revenue Code of 1934, as amended);

(c) To the best knowledge of the Borrower, neither the Borrower nor the General Partner is or has been a party to or has any employees who are covered by any Multiemployer Plan; and

(d) To the best knowledge of the Borrower, the Borrower and the General Partner are in compliance with each covenant contained in Section 6.3. hereof.

4.11 Regulations G, T, U and X; Investment Company Act. Neither the Borrower, DERF, DERF2 nor DERA is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" or "margin security" within the meanings of Regulations G, T, U or X, respectively, of the Board of Governors of the Federal Reserve System. If requested by the Agent, the Borrower will furnish or will cause DERF, DERF2 and DERA to furnish the Agent with a statement or statements in conformity with the requirements of Federal Reserve Forms G-3 and/or U-1 referred to in Regulations G or U of said Board or Governors. No part of the proceeds of the Loan will be used to purchase or carry any such "margin security" or "margin stock" or to extend credit to others for the purpose of purchasing or carrying any such "margin security" or "margin stock" in violation of Regulations G, T, U or X of said Board of Governors. The Borrower is not (a) an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended; (b) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (c) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money. To the best knowledge of the Borrower, neither the Borrower, DERF, DERF2 nor DERA is or is required to be registered under the Investment Company Act of 1940.

4.12 Disclosure. To the best knowledge of the Borrower, no written statement made by the Borrower, DERF, DERF2 or DERA to the Lenders in connection with this Agreement, or in connection with the Loan, contains any untrue statement of a material fact or omits a material fact necessary to make the statement made not misleading. To the best knowledge of the Borrower, there is no fact which the Borrower has not disclosed to the Agent in writing which materially and adversely affects the businesses, operations, properties, profits or condition (financial or otherwise) of the Borrower, DERF, DERF2 or DERA, or the ability of the Borrower to perform its Obligations.

4.13 Tax Matters. Except as disclosed in Schedule 4.13 attached hereto, the Borrower, DERF, DERF2 and DERA have duly filed, or caused to be filed, on a timely basis all appropriate foreign, federal, state and local tax returns and reports for income taxes, sales taxes, withholding taxes, employment taxes, property taxes, business taxes and all other tax returns of every kind whatsoever required to be filed in connection with the ownership, operations and businesses of the Borrower, DERF, DERF2 and DERA and all such tax returns and reports accurately reflect all taxes owing for the periods indicated. The Borrower, DERF, DERF2 and DERA have paid in full all taxes, interest, penalties, assessments or deficiencies shown to be due on such tax returns and reports, or claimed to be due by any such taxing authority, except for any such taxes as are being contested in good faith and by appropriate proceedings. The charges, accruals and reserves on the Financial Statements in respect of taxes are, to the best knowledge of the Borrower, adequate.

4.14 Fiscal Year. The Borrower, DERF, DERF2 and DERA each operate on a fiscal year ending on December 31.

4.15 Insolvency and Related Matters. The Borrower, DERF, DERF2 and DERA are able to pay their debts as they mature, and have not (a) made any assignment for the benefit of

creditors; (b) admitted in writing their inability to pay their debts as they mature; (c) applied for or consented to the appointment of a receiver, trustee or similar official for their affairs; or (d) been the subject of any bankruptcy, insolvency, reorganization or liquidation proceeding, or any other proceeding for relief under any bankruptcy law or any law for the relief of debtors or benefit of creditors.

4.16 Intangible Assets. Except for restrictions upon use specified in the agreements whereby the Borrower, DERF, DERF2 or DERA has been granted the right to use an Intangible Asset, which agreements are set forth on Schedule 4.16 and which restrictions on use will not, individually or in the aggregate, impair the ability of the Borrower, DERF, DERF2, or DERA from continuing to conduct their businesses in the same manner as presently conducted, the Borrower, DERF, DERF2 and DERA own, or possess the unrestricted right to use, all trademarks, trade names, copyrights, patents, patent rights, licenses and other Intangible Assets that are used in the conduct of their businesses as now operated, and no such Intangible Asset, to the best knowledge of the Borrower, conflicts with the valid trademark, trade name, copyright, patent, patent right or Intangible Asset of any other Person to the extent that such conflict would have a Material Adverse Effect. Schedule 4.16 hereto constitutes a true and correct list of all of such Intangible Assets which are subject to restrictions.

4.17 Schedules. The foregoing representations and warranties of the Borrower contained in this Article 4 notwithstanding, the Borrower represents that the various exceptions listed in the Schedules referred to in this Article 4 and in Section 6.1 were current as of the date of the Borrower's transmittal of the relevant Schedule to the Agent prior to the date hereof. Borrower believes, and hereby represents and warrants to the Lenders as of the date hereof, that no further exceptions exist with respect to any of the aforementioned Schedules which are, or are likely to become, in any respect materially adverse to the interests of the Lenders or which would be likely to cause an Event of Default hereunder. Borrower's representations and warranties are hereby modified consistent with the foregoing.

4.18 Tenant Leases. Except as set forth on the lease abstracts and Estoppel Certificates delivered by the Borrower to the Agent, there are no tenant leases affecting the Property which (i) impose any liability or obligation on the Borrower with respect to any property other than the Property or (ii) would impose obligations on the Borrower, as landlord, which are not substantially similar to obligations imposed on the Borrower with respect to substantially all other leases affecting the Property other than expansion options and tenant improvement obligations in connection with expansion space.

4.19 Ownership by Benefit Plan Investor. No class of the Borrower's, DERF's, DERF2's or DERA's outstanding equities is subject to "significant" ownership by "benefit plan investors" as those terms are defined in DOL Reg. 2510.3-101(f).

4.20 Modifications to Organizational Documents. There will be no material modifications to the terms of the partnership agreement of the Borrower, DERF or DERF2 without the prior written approval of the Agent which consent will not be unreasonably denied or delayed.

4.21 Fraudulent Conveyance. The Borrower (a) has not entered into this Agreement or any other Loan Document with the actual intent to hinder, delay, or defraud any creditor and (b) has received reasonably equivalent value in exchange for its Obligations under the Loan Documents. Giving effect to the transactions contemplated by the Loan Documents, the fair saleable value of the Borrower's assets exceeds and will, immediately following the execution and delivery of the Loan Documents, exceed the Borrower's total liabilities, including, without limitation, subordinated, unliquidated, disputed or contingent liabilities. The fair saleable value of the Borrower's assets is and will, immediately following the execution and delivery of the Loan Documents, be greater than the Borrower's assets is and will, immediately following the execution and delivery of the Loan Documents, be greater than the Borrower's probable liabilities, including the maximum amount of its contingent liabilities or its debts as such debts become absolute and matured. The Borrower's assets do not, and immediately following the execution and delivery of the Loan Documents will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. The Borrower does not intend to, and does not believe that it will, incur debts and liabilities (including, without limitation, contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of Obligations of the Borrower).

4.22 Access/Utilities. The Property has adequate rights of access to public ways and is served by adequate water, sewer, sanitary sewer and storm drain facilities. All public utilities necessary to the continued used and enjoyment of the Property as presently used and enjoyed are located in the public right-of-way abutting the Property without passing over other property. All roads necessary for the full utilization of the Property for its current purpose have been completed and dedicated to public use and accepted by all Governmental Authorities or are the subject of access easements for the benefit of the Property.

4.23 Special Assessments. Except as disclosed in the title insurance policy, there are no pending or, to the knowledge of the Borrower, proposed special or other assessments for public improvements or otherwise affecting the Property, nor, to the knowledge of the Borrower, are there any contemplated improvements to the Property that may result in such special or other assessments.

4.24 Flood Zone. The Property is not located in a flood hazard area as defined by the Federal Insurance Administration.

4.25 Condemnation Proceedings. There are no pending or proposed condemnation proceedings with respect to the Property.

4.26 Brokers. Borrower has not dealt with any Person who is or may be entitled to any finder's fee, brokerage commission, loan commission or other sum in connection with the Loan except Secured Capital Corporation. Borrower hereby agrees to indemnify and defend Lenders and hold Lenders harmless against any and all loss, liability, cost or expense, including reasonable attorneys' fees which Lenders may suffer or sustain should such warranty or representation prove inaccurate in whole or in part or in connection with any fee, commission or other sum payable to Secured Capital Corporation, the payment of which is the sole obligation of Borrower.

4.27 Survival of Representations and Warranties. All representations and warranties contained herein or in any other Loan Document, or in any certificate or other writing delivered by or on behalf of any one or more of the Parties to any Loan Document, shall survive the making of the Loan hereunder and the execution and delivery of the Note and have been or will be relied upon by the Lenders, notwithstanding any investigation made by the Lenders or on their behalf; provided, however, the Agent shall notify the Borrower prior to the closing of the Loan of any inaccuracy in the Borrower's representations and warranties theretofore discovered by the Agent.

ARTICLE 5
AFFIRMATIVE COVENANTS
(OTHER THAN INFORMATION AND REPORTING REQUIREMENTS)

So long as the Loan remains unpaid, or any other Obligation remains unpaid or unperformed, the Borrower shall, and shall cause DERF, DERF2 and DERA to:

5.1 Payment of Taxes and Other Potential Liens. Pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon any of them, upon their respective properties or any part thereof, upon their respective income or profits or any part thereof or upon any right or interest of any Lender under any Loan Document, except that they shall not be required to pay or cause to be paid (a) any income or gross receipts tax generally applicable to Lenders or (b) any tax, assessment, charge or levy that is not yet past due, or is being contested in good faith by appropriate proceedings, so long as with respect to any tax, assessment, charge or levy relating to the Property, Borrower has established and maintains adequate reserves for the payment of the same with Agent and by reason of such nonpayment and contest no material item or portion of the properties of the Borrower, DERF, DERF2 or DERA is in jeopardy of being seized, levied upon or forfeited. Borrower shall provide Agent, at Borrower's expense, a tax service contract in form and substance satisfactory to Agent.

5.2 Preservation of Existence. Preserve and maintain their respective existences, licenses, rights, franchises and privileges in the jurisdiction of their formation and all authorizations, consents, approvals, orders, licenses, permits, or exemptions from, or registrations with, any Governmental Agency that are necessary for the transaction of their respective businesses, and qualify and remain qualified to transact business in each jurisdiction in which such qualification is necessary in view of their respective businesses or the ownership or leasing of their respective Properties.

5.3 Maintenance of Property; Compliance with Agreements . Maintain, preserve and protect the Property in good order and condition as a Class A Office Building, subject to ordinary wear and tear; not permit any waste of the Property; maintain, preserve and protect all of their Intangible Assets in full force and effect; and comply at all times in all material respects with all material Contracts relating to the Property so as to prevent any loss or forfeiture thereunder; except that the failure to maintain, preserve and protect a particular item of Personal Property that is not of significant value, either intrinsically or to the operations of the Borrower, the General Partners or DERA, taken as a whole, shall not constitute a violation of this covenant.

5.4 Compliance With Laws. Comply with the requirements of all applicable Laws and orders of any Governmental Agency, noncompliance with which could materially adversely affect the business, operations or condition (financial or otherwise) of any of them, taken as a whole, or the ability of the Borrower to perform its Obligations, except that no requirement then being contested in good faith by appropriate proceedings need be complied with so long as no interest of the Lenders would be materially impaired thereby.

5.5 Inspection Rights. At any time during regular business hours, upon reasonable telephonic notice to the Borrower, and as often as requested, permit the Agent, or any employee or representative of the Agent, to examine, audit and make copies and abstracts from the records and books of account of, and, subject to the rights of tenants, to visit and inspect the Property and to discuss the affairs, finances and accounts of the Borrower, DERF, DERF2 or DERA with any of their officers and key employees, and, upon request, furnish promptly to the Agent true copies of all financial information maintained by the Borrower, DERF, DERF2 or DERA and such other information as the Agent may reasonably require from time to time. Notwithstanding the foregoing, it is understood and agreed that the Borrower shall not be required to discuss with the Lenders the affairs, finances and accounts of any of the Limited Partners whether or not the Borrower possesses any such information and, with respect to financial information concerning DERA, Borrower shall not be required to deliver financial information concerning DERA other than as it relates to the Borrower or is required pursuant to the terms of Article 7 of this Agreement.

5.6 Keeping of Records and Books of Account. Keep adequate records and books of account reflecting all financial transactions in conformity with GAAP, consistently applied, except as otherwise prescribed herein and in material conformity with all applicable requirements of any Governmental Agency having regulatory jurisdiction over the Borrower, DERF, DERF2 or DERA.

5.7 Maintenance of Insurance. At its own expense, insure its properties and businesses against such losses, casualties and contingencies (including public liability and property damage), and in such amounts as is customary in the case of Persons engaged in similar businesses as the Borrower, DERF, DERF2 or DERA.

5.8 Prohibition Against Distributions and Application of Gross Revenues to Other Expenditures of the Borrower. Borrower shall deposit all Gross Revenues in the Operating Account. The Borrower shall apply all Gross Revenues from the Property first to the extent necessary to pay all expenses (whether Operating Expenses or capital expenditures) related to the operation or ownership of the Property and all expenses or other amounts due hereunder or otherwise required to be expended to comply with the payment provisions of the Loan Documents. Distributions to partners of the Borrower may be made only from Cash Flow. So long as an Event of Default exists, no distributions of any kind may be made by the Borrower to any of its partners.

5.9 Capital Requirements. If after the date of this Agreement any Lender shall have determined that:

(a) the applicability of any law, rule, regulation or guideline adopted or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards,"

(b) the adoption, after the date of this Agreement, of any other law, rule, regulation or guideline regarding capital adequacy, including but not limited to an adoption of any such law, rule, regulation or guideline resulting from the implementation of the January 2001 report of the Basle Committee on Banking Regulations and Supervisory Practices referred to as the New Basle Capital Accord or Basle II, excluding the implementation of any measures resulting from the EU Consensus on the Germans system of Landesbanken dated 17 th July 2001,

(c) any change in any of the foregoing or in the interpretation or administration of any of the foregoing by any domestic or foreign governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or

(d) the compliance by the Lender, or any lending office of the Lender, as the case may be, or by any holding company of Lender, as the case may be, with any request or directive regarding capital adequacy (whether or not having the force of Law) of any such authority, central bank or comparable agency, has, or would have, the effect of reducing the rate of return on Lender's capital, or on the capital of any Lender's holding company, as the case may be, as a consequence of having made the Loan or any portion thereof, or of having any interest therein, or of Lender's obligations with respect thereto, or under this Agreement, the Note, the Deed of Trust or the other Loan Documents, to a level below that which Lender, or Lender's holding company, as the case may be, could have achieved but for such adoption, change or compliance (taking into consideration Lender's policies or the policies of Lender's holding company, as the case may be, with respect to capital adequacy) by an amount deemed by the Lender to be material, then, from time to time, the Borrower shall pay to the Agent such additional amount or amounts as will compensate the affected Lender, or Lender's holding company, as the case may be, for such reduction. Any amount or amounts payable by the Borrower to the Agent in accordance with the provisions of this Section 5.9 shall be paid by the Borrower to the Agent within ten (10) days of receipt by the Borrower from the Agent of a statement setting forth the amount or amounts due and the basis for the determination from time to time of such amount or amounts, which statement shall be conclusive and binding upon the Borrower absent manifest error.

For clarification purposes, nothing in this clause 5.9 or in clause 2.11 of this Agreement is intended to include the implementation of any measures resulting from the EU Consensus on the state aid issues in connection with the Guarantees existing for the German public financial institutions dated 17th July 2001 in the scope of said clauses.

5.10 Separateness Covenants. Borrower shall unless Agent otherwise consents in writing:

(a) Maintain its books and records for the Property separate from any other property;

(b) Maintain its bank accounts for the Property separate from any other property;

(c) Conduct its own businesses in its own name;

(d) Maintain separate financial statements, showing its assets and liabilities separate and apart from those of any other Person or entity and not to have its assets listed on the financial statement of any other entity;

(e) File its tax returns separate from those of any other entity and not file a consolidated federal income tax return with any other entity;

(f) Pay its own liabilities and expenses only out of its own funds;

(g) As appropriate for the organizational structure of the Borrower, DERF, DERF2 and DERA, to observe all partnership, corporate and other organizational formalities;

(h) Maintain an arms length relationship with its affiliates and enter into transactions with affiliates only on a commercially reasonable basis;

(i) Pay the salaries of its own employees from its own funds;

(j) Maintain a sufficient number of employees in light of its contemplated business operations;

(k) Allocate fairly and reasonably any overhead expenses that are shared with an Affiliate, including paying for office space and services performed by any employee of an Affiliate;

(l) Use separate stationery, invoices and checks bearing its own name;

(m) Hold itself out as a separate entity;

(n) Correct any known misunderstanding regarding its separate identity;

(o) Not identify itself as a division of any other Person or entity; and

(p) Maintain adequate capital in light of its contemplated business operations.

5.11 Trade Payables. Pay all trade payables relating to the Property within sixty (60) days unless Agent otherwise consents in writing.

5.12 Application of Insurance and Condemnation Proceeds. Insurance and condemnation proceeds shall be used in accordance with the terms and provisions of the Loan Documents, including, but not limited to, Sections 1.06 and 1.07 of the Deed of Trust.

5.13 Debt Service Coverage Ratio. During the entire term of the Loan, the Debt Service Coverage Ratio shall equal or exceed 1.25 to 1.00. Satisfaction of this covenant shall be confirmed quarterly in a Debt Service Coverage Ratio Certificate delivered by Borrower to

Agent within ten (10) days of the end of each Fiscal Quarter. In the event this covenant is breached for any Fiscal Quarter. Borrower shall pay to Agent all Cash Flow, commencing on the first day of the first month following such Fiscal Quarter. All Cash Flow delivered to Agent pursuant to this Section 5.13 shall, at the option of Borrower, be applied to reduce the Principal Balance or deposited in the Reserve Account and held by Agent as additional Collateral. If the Debt Service Coverage Ratio shall subsequently equal or exceed 1.25 to 1.00 for two consecutive Fiscal Quarters, Borrower shall no longer be required to pay the Cash Flow to Agent and the Cash Flow deposited in the Reserve Account shall be released to Borrower. Failure to maintain the required Debt Service Coverage Ratio shall not constitute a Default under this Agreement unless and until Borrower is required to pay all Cash Flow to Agent as set forth above and Borrower fails to pay such Cash Flow to Agent.

5.14 Interest Rate Protection Agreement. Maintain in good standing at all times during the first four (4) years of the term of the Loan an Interest Rate Protection Agreement under which the "all-in" per annum interest rate shall not exceed eight percent (8%) per annum.

5.15 Impound. Upon demand of Agent, which shall not be made prior to the occurrence of an Event of Default, Borrower shall, so long as such Event of Default is continuing, pay to Agent on the first day of each month, together with and in addition to the regular installments of interest due under the Note, until the Obligations are paid in full, an amount equal to one twelfth (1/12) of the yearly taxes and assessments, insurance premiums, and other similar charges as estimated by Agent to be sufficient to enable Agent to pay at least thirty (30) days before they become due, all taxes, assessments, insurance premiums and such other similar charges against the Property. Lenders shall not be obligated to pay interest on any such sums. Upon demand of Agent, Borrower shall deliver to Agent such additional sums as are necessary to enable Agent to pay such taxes, assessments, insurance premiums and similar charges. If Borrower has paid to Agent any sums under this Section 5.15, such sums, less any amounts which have been applied by Agent to the payment of such charges, shall be returned to Borrower upon demand of Borrower so long as no Event of Default has occurred and is continuing.

ARTICLE 6
NEGATIVE COVENANTS

So long as the Loan remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Loan remains outstanding, the Borrower shall not:

6.1 Hypothecation or Disposition of the Property. Sell, assign, exchange, transfer, lease or otherwise dispose of, or contract to sell, assign, exchange, transfer, lease or otherwise dispose of the Property, or create, incur, assume or suffer to exist any Lien of any nature upon or with respect to the Property, except:

(a) As expressly permitted by the terms of the Loan Documents;

(b) Liens securing taxes, assessments or governmental charges or levies or the claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons not yet delinquent and Liens of the foregoing nature, the validity of which is being

contested in good faith by the Borrower in appropriate proceedings after posting such security with Agent or providing such other assurances as may be satisfactory to the Agent;

(c) Easements, rights of way, restrictions and other similar charges or encumbrances on the Property that do not materially interfere with the use, or materially detract from the value, of the Property;

(d) Liens existing or arising by virtue of the leasing or rental of the Property to the extent leases and rentals are permitted or would be permitted under the Deed of Trust;

(e) Liens in favor of the Lenders under this Agreement and the other Loan Documents; and

(f) A Lien in favor of Swap Party, which Lien shall be subject and junior to the Lien of the Deed of Trust and, provided further, if LB Kiel or an Affiliate of LB Kiel is not the Swap Party then, as a condition to the grant of such Lien by Borrower, Agent and Swap Party shall have entered into an intercreditor agreement on terms and conditions satisfactory to Agent in its sole and absolute discretion.

6.2 Mergers. Merge, consolidate or amalgamate with or into any Person.

6.3 ERISA.

(a) At any time, maintain, or be or become obligated to contribute on behalf of its employees to, any Plan, other than those Plans disclosed in Schedule 4.10.

(b) At any time, permit any Plan to:

(1) engage in any "prohibited transaction", as such term is defined in Section 4975 of the Internal Revenue Code of 1954, as amended;

(2) incur any material "accumulated funding deficiency", as that term is defined in Section 302 of ERISA; or

(3) terminate in a manner which could result in liability of the Borrower to the Plan or to the PBGC or the imposition of a Lien on any of its property pursuant to Section 4068 of ERISA.

(c) At any time, assume any obligation to contribute to any Multiemployer Plan, nor shall the Borrower acquire any Person or assets of any Person which has, or has had at any time from and after January 2, 1974, an obligation to contribute to any Multiemployer Plan.

(d) Fail immediately to notify the Agent of the occurrence of any "reportable event" (as defined in Section 4043 of ERISA) or of any "prohibited transaction" (as defined in Section 4975 of the Internal Revenue Code of 1984, as amended) with respect to any Plan or any trust created thereunder. Upon request by the Agent, the Borrower shall promptly furnish to the Agent copies of any reports or other documents filed by the Borrower with the United States Secretary of Labor, the PBGC and/or the Internal Revenue Service, with respect to any Plan.

(e) At any time, permit any Plan to fail to comply with ERISA or other applicable Law in any material respect.

6.4 Change in Nature of Business. Make any material change in the nature of the business of the Borrower, as conducted and presently proposed to be conducted.

6.5 Change in Fiscal Year. Change its Fiscal Year, or the fiscal months thereof without the written consent of Agent.

6.6 Limitation on Ownership by Benefit Plan Investors. Cause or allow a "significant" ownership of any class of the Borrower's outstanding equities by "benefit plan investors" as those terms are defined in DOL Reg. 2510.3-101(f).

6.7 Distributions. Make any Distributions to the General Partners or the Limited Partners at any time when an Event of Default exists under this Agreement.

6.8 Additional Indebtedness. During the term of the Loan, incur any Indebtedness with respect to the Property other than Indebtedness incurred in connection with the Loan (including the Interest Rate Protection Agreement) and trade payables incurred in the ordinary course of business.

6.9 Management Fees. Permit any contract relating to the management of the Property to provide for a management fee in excess of 1.75% of the Gross Revenues derived from the Property.

6.10 Total Indebtedness. Permit the total Indebtedness of the Borrower and its Subsidiaries at the time of any borrowing to be greater than sixty percent (60%) of Total Assets.

ARTICLE 7
INFORMATION AND REPORTING REQUIREMENTS

7.1 Financial and Business Information. So long as the Loan remains unpaid, or any other Obligation remains unpaid or unperformed, the Borrower shall, unless the Lenders otherwise consents in writing, deliver to the Agent, at the Borrower's sole expense:

(a) As soon as practicable, and in any event within one hundred twenty-five (125) days after the close of each Fiscal Year, (i) Borrower's Annual Report in the same form as previously delivered to Agent, (ii) Annual Financial Statements in the same form as previously delivered to Agent and (iii) the Financial Statements of the General Partners and DERA as at the end of their last fiscal year. Such balance sheet and statements of the Borrower shall be prepared on a current value basis or historical basis in accordance with GAAP, consistently applied, and shall be accompanied by a report and opinion of an independent public accountant of recognized standing selected by the Borrower and reasonably satisfactory to the Agent, which report and opinion shall be prepared in accordance with GAAP, and shall be subject only to the exceptions described in Section 1.3 and such other qualifications and exceptions as are acceptable to the Agent. The Financial Statements shall fairly present the financial condition, results of operations and changes in financial position of the General Partners and DERA as at such date and for such

period, in conformity with GAAP, consistently applied, as modified pursuant to Section 1.3 hereof.

(b) As soon as practicable, and in any event within fifty (50) days after the end of each of the first three Fiscal Quarters, (i) Borrower's Quarterly Report in the same form as previously delivered to Agent and (ii) Borrower's Quarterly Financial Statements in the same form as previously delivered to Agent. The preceding financial statements shall be certified by a Responsible Official of the Borrower as fairly presenting the financial condition, results of operations and changes in financial position of the Borrower in accordance with GAAP, consistently applied, as at such date and for such periods, subject only to normal year-end audit adjustments and the exceptions described in Section 1.3.

(c) As soon as practicable, and in any event within fifty (50) days after the end of each Fiscal Quarter, a separate statement of profit and loss describing the operation of the Property during such Fiscal Quarter, together with all supporting schedules certified by a Responsible Official. Such quarterly statements shall contain all information reasonably required by the Agent. Such statements, and all supporting schedules, shall set forth the profit and loss for the Building for the applicable Fiscal Quarter on a cash basis except that rental revenue shall be shown on an "as-billed", if collectible, basis and real property taxes and casualty and public liability insurance costs will be shown on an accrual basis.

(d) As soon as practicable, and in any event within ninety (90) days after the close of each Fiscal Year a draft operating and capital budget for the Property for the following Fiscal Year and, within one hundred twenty-five (125) days after the close of each Fiscal Year a final operating and capital budget for the Property for the following Fiscal Year, certified by a Responsible Official. In the event of material discrepancies in the operating budget for the Property from one Fiscal Year to another, Agent shall have the right of approval over said operating budget, which approval shall not be unreasonably withheld or denied. In the event capital improvements are contemplated which do not constitute renovations or normal replacement of equipment and the costs of such capital improvements exceeds $100,000, Agent shall have the right of approval over such capital improvements, which approval will not be unreasonably withheld or denied.

(e) Within fifty (50) days after the end of each Fiscal Quarter, a current rent roll, leasing status report and an accounts receivable aging schedule concerning the Property, certified by a Responsible Official.

(f) Within fifty (50) days after the end of each of the first three Fiscal Quarters of the Borrower, and within one hundred twenty (120) days after the end of each Fiscal Year, written notification certified by a Responsible Official of the Borrower in the form of Schedule 7.1(f) attached hereto that the Borrower is in compliance with each and every material covenant of the Borrower set forth in this Agreement.

(g) Within one hundred (120) days after the close of each Fiscal Year, cash flow projections for the next Fiscal Year on a quarterly basis for the combined operations of the Borrower, certified by a Responsible Official.

(h) Promptly after request by the Agent, copies of any detailed audit reports submitted to the Borrower by independent accountants in connection with the accounts or books of the Borrower, or any audit of them.

(i) Immediately upon becoming aware of the existence of any condition or event which constitutes a Default, a written notice specifying the nature and period of existence thereof and what action the Borrower is taking or proposes to take with respect thereto.

(j) Promptly upon becoming aware that any Person(s) asserts claim(s) (individually or in the aggregate) against the Borrower, which are not fully insured, relate to obligations not set forth in the annual budget for the Borrower and are in excess of $100,000, a written notice specifying the nature of the claim(s) and what actions the Borrower is taking or proposes to take with respect thereto.

(k) Promptly upon request of Agent, copies of the bank statements covering the Operating Account.

(l) Such other data and information as from time to time may be reasonably requested by the Agent, including, but not limited, cash statements, monthly operating statements and a statement setting forth the then unfunded Capital Commitments of the General Partners and the Limited Partners in each case certified by a Responsible Official.

The Agent and the Borrower hereby agree that the Financial Statements previously delivered to the Agent by the Borrower are in a form substantially in compliance with the requirements of paragraphs (a) through (g) of this Section 7.1 and all subsequently delivered Financial Statements which are in similar form shall as to form be deemed to satisfy the terms and conditions of said paragraphs (a) through (g) of this Section 7.1.

7.2 Revisions or Updates to Schedules. Should any of the information or disclosures provided on any of the Schedules originally attached hereto become outdated or incorrect in any material respect, the Borrower shall promptly provide to the Agent such revisions or updates to such Schedule(s) as may be necessary or appropriate to update or correct such Schedule(s), provided, however, that no such revisions or updates to any Schedule(s) shall be deemed to have amended, modified or superseded such Schedule(s) as originally attached hereto, or to have cured any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such Schedule(s), unless and until the Agent shall have accepted in writing such revisions or updates to such Schedule(s); provided, further however, that the Borrower shall provide updates and revisions to the Schedules at least every three (3) months as of the end of each Fiscal Quarter, which updates and revisions shall be delivered to the Agent within thirty (30) days after the end of each Fiscal Quarter. Notwithstanding the foregoing, (a) with respect to the updated Schedules required to be delivered to the Agent by the Borrower hereunder following the Borrower's fourth Fiscal Quarter, the Borrower shall have until sixty (60) (rather than thirty [30]) days after the Borrower's fourth Fiscal Quarter to deliver the same to the Agent and (b) the Borrower shall not be deemed in default of its obligations hereunder to provide updates and revisions to the Schedules every three (3) months as of the end of each Fiscal Quarter, within the times specified above, unless and until the Borrower has received written notification from the

Agent that the Agent has not received the required updated Schedule and such updated Schedule is not provided to the Agent within ten (10) Business Days of receipt of said written notice.

ARTICLE 8
EVENTS OF DEFAULT AND REMEDIES
UPON EVENT OF DEFAULT

8.1 Events of Default. The existence or occurrence of any one or more of the following events, whatever the reason therefor, shall constitute an Event of Default:

(a) The Borrower fails to pay all or any portion of any installment of principal or interest due under the Note, or to pay any fee or other amount due to the Lenders under any Loan Document, within five (5) calendar days after the due date therefor; provided, however, failure to pay all or any portion of principal or interest or any fee or other amount due to the Lenders at the Maturity Date under the Note or under any other Loan Document shall immediately constitute an Event of Default without any grace period; or

(b) The Borrower fails to perform or observe any obligation, representation, covenant or agreement contained in Sections 1.02, 1.03, 1.06, 1.07(d), 1.08(a) or 1.13 of the Deed of Trust and the continuation of the Default for a period of ten (10) days after written notice thereof from the Agent to the Borrower; provided, however, with respect to any Default occurring under Sections 1.02 or 1.03 of the Deed of Trust which is capable of cure and is not materially adverse to the interests of the Lenders and such Default is not reasonably susceptible of cure within said ten (10) day period, such cure period shall be extended so long as the Borrower has commenced such cure within said ten (10) day period and thereafter diligently prosecutes such cure to completion and such cure in any event is effected within thirty (30) days; or

(c) The Borrower fails to perform or observe any other term, warranty, covenant or agreement contained in any Loan Document on its part to be performed or observed, other than the Defaults described in Section 8.1(b) above, within thirty (30) days after written notice from the Agent of such Default; provided, however, if such Default is capable of cure but is not reasonably susceptible of cure within said thirty (30) day period, such cure period shall be extended so long as the Borrower has commenced such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion and such cure in any event is effected within ninety (90) days after written notice from the Agent of such Default; or

(d) A breach or default shall occur with respect to any Indebtedness of the Borrower in excess of $100,000, and such breach or default would have a Material Adverse Effect; or

(e) Any material representation in any Loan Document or in any certificate, agreement, instrument or other document made or delivered by any Party pursuant to or in connection with any Loan Document proves to have been incorrect when made in any respect that is materially adverse to the interests of the Lenders and such misrepresentation was knowingly made or, if not knowingly made, such representation remains incorrect thirty (30) days after written notice from the Agent of such Default; provided, however, if such Default is

capable of cure but is not reasonable susceptible of cure within said thirty (30) day period, such cure period shall be extended so long as the defaulting Party has commenced such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion and such cure in any event is effected within ninety (90) days after written notice from the Agent of such Default; or

(f) A final judgment against the Borrower, the General Partners or DERA is entered for the payment of money in excess of $500,000 and such judgment remains unsatisfied without procurement of a stay of execution within sixty (60) calendar days after the date of entry of judgment; or

(g) The Borrower, the General Partners or DERA are the subject of an order for relief in a bankruptcy case, or is unable or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any part of the Property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of that Person and the appointment continues undischarged or unstayed for ninety (90) calendar days; or institutes or consents to any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, custodianship, conservatorship, liquidation, rehabilitation or similar case or proceedings relating to it or to all or any part of its property under the Laws of any jurisdiction; or any similar case or proceeding is instituted without the consent of that Person and continues undismissed or unstayed for ninety (90) calendar days; or any judgment, writ, warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within ninety (90) calendar days after its issue or levy; or

(h) Except as otherwise expressly permitted by any Loan Document or agreed to by the Lenders, at any time after the execution and delivery of any Collateral Document and for any reason other than satisfaction in full of all Obligations, the Lien intended to be created by said Collateral Document ceases or fails to constitute a valid, perfected and subsisting Lien on the Collateral purported to be covered thereby with a Lien priority as set forth in such Collateral Document and such condition continues to exist ten (10) days after written notice from the Agent of such Default; or

(i) The Borrower, the General Partners or DERA are dissolved or liquidated or all or substantially all of the assets of the Borrower, the General Partners or DERA are sold or otherwise transferred in violation of the provisions of this Agreement without the written consent of the Lenders; or

(j) A Change in Control occurs without the prior written consent of the Lenders unless such Change in Control relates to the death, disability, retirement or resignation of a Person and such Person is replaced by a Person who has been approved by the Lenders, which approval shall not be unreasonably denied (any such Person shall be of good character, financially stable and possess business experience reasonably equivalent to the experience of the Person who has died, become disabled, retired or resigned); or

(k) A tax, other than a state or federal income tax, is imposed on or payable by the Lenders by reason of their ownership of the Note or the Deed of Trust, and the Borrower has not paid said tax prior to the time when payment of said tax would be delinquent, or it would be illegal for the Borrower to pay said tax; provided, however, in the event it would be illegal for the Borrower to pay said tax, no Event of Default shall be deemed to have occurred pursuant to this Section 8.1(k) unless the Agent has demanded repayment of the Loan and Borrower has failed to discharge all of the Obligations within one hundred twenty (120) days of receipt by the Borrower of a notice from the Agent that (i) such a tax has been imposed and (ii) the Lenders demand repayment of the Loan; or

(l) A General Partner is in violation of the terms of the Partnership Agreement of the Borrower; or

(m) DERA is in violation of the terms of the limited partnership agreement of any General Partner; or

(n) Borrower is in default under the terms of the Interest Rate Protection Agreement or fails to maintain an Interest Rate Protection Agreement in accordance with the terms of this Agreement.

8.2 Remedies Upon Event of Default. Without limiting any other rights or remedies of the Lenders provided for elsewhere in this Agreement, or the Loan Documents, or by applicable Law, or in equity, or otherwise:

(a) upon the occurrence of any Event of Default other than an Event of Default described in Sections 8.1(g) or 8.1(i), the Agent may declare all or any part of the Principal Balance, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by the Borrower;

(b) upon the occurrence of any Event of Default described in Sections 8.1(g) or 8.1(i), the Principal Balance, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents shall forthwith be due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by the Borrower;

(c) upon the occurrence of any Event of Default, the Agent, without notice to or demand upon the Borrower, which notices and demands are expressly waived by the Borrower, may proceed to protect, exercise and enforce the rights and remedies of the Lenders under the Loan Documents against the Borrower and may exercise such other rights and remedies as are provided by Law or equity;

(d) the order and manner in which the Lenders' rights and remedies are to be exercised shall be determined by the Lenders in their sole discretion; and

(e) regardless of how the Lenders may treat payments for the purpose of their own accounting, for the purpose of computing the Borrower's Obligations hereunder or under

the Note, payments received by the Agent, whether through the realization of the security interests in the Collateral or otherwise, shall be applied first, to the costs and expenses (including attorneys' fees and disbursements) of the Lenders, second, to the payment of accrued and unpaid interest on the Note to and including the date of such application, third, to the payment of all other amounts (including fees but excluding the Principal Balance) then owing to the Lenders under the Loan Documents, and fourth, to the payment of the Principal Balance. Except with respect to Events of Default which relate solely to the non-payment of money, or as mandated by applicable Law, no application of payments shall cure any Event of Default, or prevent acceleration, or continued acceleration, of amounts payable under the Loan Documents, or prevent the exercise, or continued exercise, of rights or remedies of the Lenders hereunder or thereunder or at Law or in equity.

ARTICLE 9
MISCELLANEOUS

9.1 Cumulative Remedies; No Waiver. The rights, powers, privileges and remedies of the Lenders provided herein or in the Note or the other Loan Documents are cumulative and not exclusive of any right, power, privilege or remedy provided by Law or equity. No failure or delay on the part of the Agent in exercising any right, power, privilege or remedy may be, or may be deemed to be, a waiver thereof; nor may any single or partial exercise of any right, power, privilege or remedy preclude any other or further exercise of the same or any other right, power, privilege or remedy. The terms and conditions of Article 3 hereof are inserted for the sole benefit of the Lenders and the Lenders may waive them in whole or in part, with or without terms or conditions, and without prejudicing the Agent's right to assert them in whole or in part at any future time.

9.2 Amendments; Consents. No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, and no consent to any departure by the Borrower or any other Party therefrom, may in any event be effective unless in writing signed by the Agent (and, in the case of amendments, modifications or supplements of or to any Loan Document imposing obligations on the Borrower or waiving or releasing rights of the Borrower, unless approved in writing by the Borrower), and then only in the specific instance and for the specific purpose given.

9.3 Costs, Expenses and Taxes. The Borrower shall pay on demand the reasonable costs and expenses of the Agent in connection with the negotiation, preparation, amendment, execution and delivery of the Loan Documents and enforcement or attempted enforcement of the Loan Documents, including, without limitation, filing fees, recording fees, search fees, title insurance fees, appraisal fees, environmental assessment fees, search fees and other out-of-pocket expenses and the reasonable fees and out-of-pocket expenses of its consultants and of any legal counsel (including internal counsel at reasonable hourly rates but only with respect to enforcement or attempted enforcement of the Loan Documents), independent public accountants and other outside experts retained by the Agent, and including, without limitation, any costs, expenses or fees incurred or suffered by the Agent in connection with or during the course of any bankruptcy or insolvency proceedings of the Borrower, the General Partners or DERA. The Borrower shall pay any and all documentary and other taxes (other than income or gross receipts taxes generally

applicable to secured lenders) and all costs, expenses, fees and charges payable or determined to be payable in connection with this Agreement, any other Loan Document or any other instrument or writing to be delivered hereunder or thereunder, or in connection with any transaction pursuant hereto or thereto, and shall reimburse, hold harmless and indemnify the Lenders from and against any and all loss, liability or legal or other expense with respect to or resulting from any delay in paying or failure to pay any such tax, cost, expense, fee or charge that the Lenders may suffer or incur by reason of the failure of any Party to perform any of its Obligations. In the event of litigation relating to the Loan Documents, the prevailing party shall be entitled to recover its reasonable attorneys' fees and disbursements and court costs. Any amount payable under this Section 9.3 shall bear interest from the eleventh day following the date of demand for payment at the Default Rate unless the Borrower in good faith is disputing its obligation to pay such amount and such good faith dispute remains unresolved or at the time such demand for payment is made the Agent fails to notify the Borrower that a failure to honor the demand within ten (10) days will result in the imposition of the charge referred to in this Section 9.3 and referencing this Section 9.3. Nothing contained in this Section 9.3 shall be deemed to obligate the Borrower to pay any costs or expenses incurred by the Lenders which relate to the transfer and/or sale of interests in the Loan other than syndication market tour expenses which shall be paid by Borrower but which shall not include legal, travel, lodging or any other syndication costs.

9.4 Nature of Lenders' Obligations. Nothing contained in this Agreement or any other Loan Document and no action taken by the Lenders pursuant hereto or thereto may, or may be deemed to, make the Lenders a partner of a partnership, an associate of an association, or a joint venturer of a joint venture or other entity, either with the Borrower or any Affiliate of the Borrower and, at all times, the relationship between the Lenders and the Borrower shall be that of a lender and a borrower, respectively. The obligations of any Lender hereunder shall be several and not joint obligations.

9.5 Reliance Upon Representations and Warranties. All representations and warranties contained herein or in any other Loan Document, or in any certificate or other writing delivered by or on behalf of any one or more of the Parties to any Loan Document have been or will be relied upon by the Lenders, notwithstanding any investigation made by the Lenders or on its behalf.

9.6 Notices. Except as otherwise expressly provided in the Loan Documents: (a) all notices, requests, demands, directions and other communications provided for hereunder or under any other Loan Document must be in writing and must be mailed, certified or registered mail, return receipt requested, telegraphed, telecopied, delivered or sent by telex or cable or by Federal Express or other similar overnight mail service, to the appropriate party (and to the Persons so designated to receive copies thereof) at the addresses set forth on the signature pages of this Agreement or other applicable Loan Document or, as to any party to any Loan Document, to any other Persons and at any other addresses as may be designated by it in a written notice sent to all other parties to such Loan Document in accordance with this Section 9.6; and (b) any notice, request, demand, direction or other communication given by telegram, telecopier, telex or cable or by Federal Express or other similar overnight mail service must be confirmed within 48 hours by letter mailed or delivered to the appropriate party as set forth above. Except as otherwise expressly provided in any Loan Document, if any notice, request, demand, direction or

other communication required or permitted by any Loan Document is given by mail it will be effective on the earlier of receipt or the third Business Day after deposit in the United States mail with certified or registered postage prepaid; if given by telegraph or cable, when delivered to the telegraph company with charges prepaid; if given by telex or telecopier, when sent; or if given by personal delivery or by Federal Express or other similar overnight mail service, when delivered.

9.7 Execution of Loan Documents; Counterparts. This Agreement and any other Loan Document may be executed in any number of counterparts and any party hereto or thereto may execute any counterpart, each of which when executed and delivered will be deemed to be an original and all of which counterparts of this Agreement or any other Loan Document, as the case may be, when taken together will be deemed to be but one and the same instrument. The execution of this Agreement or any other Loan Document by any party hereto or thereto will not become effective until counterparts hereof or thereof, as the case may be, have been executed by all the parties hereto or thereto.

9.8 Indemnity by the Borrower. The Borrower agrees to indemnify, defend, save and hold harmless the Lenders, their directors, officers, agents, attorneys and employees and their respective successors and assigns (collectively, the " Indemnitees") from and against: (a) any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than an Indemnitee) if (i) the claim, demand, action or cause of action directly or indirectly relates to a claim, demand, action or cause of action that such Person has or asserts against the Borrower, any Affiliate of the Borrower or any officer, director or partner of the Borrower and (ii) arises out of or relates to the relationship between the Borrower and the Lenders under any of the Loan Documents or the transactions contemplated thereby; and (b) any and all liabilities, losses, costs or expenses (including attorneys' fees and disbursements and other professional services) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action or cause of action; provided that no Indemnitee shall be entitled to indemnification for any loss caused by its own gross negligence or willful misconduct. Each Indemnitee is authorized to employ counsel of its own choosing in enforcing its rights hereunder and in defending against any claim, demand, action or cause of action covered by this Section 9.8; provided that each Indemnitee shall endeavor, in connection with any matter covered by this Section 9.8 which also involves other Indemnitees, to use reasonable efforts to avoid unnecessary duplication of effort by counsel for all Indemnitees and shall endeavor further to engage one legal counsel or law firm to represent their collective interests so long as their interests do not conflict and there is no other reasonable and substantial basis for using separate counsel. Any obligation or liability of the Borrower to any Indemnitee under this Section 9.8 shall be and hereby is covered and secured by the Loan Documents and the Collateral, and shall survive the expiration or termination of this Agreement and the repayment of the Loan and the payment and performance of all other Obligations owed to the Lenders.

9.9 Nonliability of the Lenders. The Borrower acknowledges and agrees that:

(a) Any inspections of the Property made by or through the Agent are for purposes of administration of the Loan only and the Borrower is not entitled to rely upon the same;

(b) By accepting or approving anything required to be observed, performed, fulfilled or given to the Agent pursuant to the Loan Documents, including any certificate, financial statement, insurance policy or other document, the Lenders shall not be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by the Lenders;

(c) The relationship between the Borrower and the Lenders is, and shall at all times remain, solely that of a borrower and lender; the Lenders shall not under any circumstance be construed to be a partner or joint venturer of the Borrower or its Affiliates; the Lenders shall not under any circumstance be deemed to be in a relationship of confidence or trust or a fiduciary relationship with the Borrower or its Affiliates, or to owe any fiduciary duty to the Borrower or its Affiliates; the Lenders do not undertake or assume any responsibility or duty to the Borrower or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform the Borrower or its Affiliates of any matter in connection with the Property, any Collateral held by the Lenders or the operations of the Borrower or its Affiliates; the Borrower and its Affiliates shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by the Lenders in connection with such matters is solely for the protection of the Lenders and neither the Borrower nor any other Person is entitled to rely thereon; and

(d) The Lenders shall not be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to property caused by the actions, inaction or negligence of the Borrower and/or its Affiliates and the Borrower hereby indemnifies and holds the Lenders and their assignees harmless from any such loss, damage, liability or claim.

9.10 No Third Parties Benefitted. This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of the Borrower and the Lenders in connection with the Loan, and is made for the sole protection of the Borrower, the Lenders, and the Lenders' successors and assigns. Except as provided in Section 9.8 and 9.9 and in this Section 9.10, no other Person shall have any rights of any nature hereunder or by reason hereof.

9.11 Further Assurances. The Borrower shall, at its expense and without expense to the Lenders do, execute and deliver such further acts and documents as the Agent from time to time reasonably requires for the assuring and confirming unto the Lenders of the rights hereby created or intended now or hereafter so to be, or for carrying out the intention of facilitating the performance of the terms of any Loan Document, or for assuring the validity, perfection, priority or enforceability of any Lien under any Loan Document.

9.12 Integration. This Agreement and the Exhibits and Schedules hereto, together with the other Loan Documents, comprise the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersede all prior or contemporaneous agreements, written or oral, on the subject matter hereof or thereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern. Each Loan Document was drafted with the joint

participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

9.13 Modifications and Amendments. This Agreement may not be modified or amended orally or waived or modified in any manner except as expressly set forth herein. All modifications or amendments shall be by an agreement in writing signed by the party against whom enforcement is sought.

9.14 Effectiveness. This Agreement shall become effective on the date on which all of the parties hereto shall have signed a counterpart hereof and shall have delivered the same to the other.

9.15 Governing Law. Except to the extent otherwise provided therein, each Loan Document shall be governed by, and construed and enforced in accordance with, the local Laws of the State of California.

9.16 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable or invalid as to any party or in any jurisdiction shall, as to that party or jurisdiction, be inoperative, unenforceable or invalid without affecting the remaining provisions or the operation, enforceability or validity of that provision as to any other party or in any other jurisdiction, and to this end the provisions of all the Loan Documents are declared to be severable.

9.17 Headings. Article and Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

9.18 Time of the Essence. Time is of the essence of this Agreement and the other Loan Documents.

9.19 JURY TRIAL WAIVER, ETC. THE BORROWER HEREBY EXPRESSLY AND UNCONDITIONALLY WAIVES, IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT BY ANY LENDER IN CONNECTION WITH THE LOAN AND/OR THE LOAN DOCUMENTS, ANY AND EVERY RIGHT IT MAY HAVE TO (i) INTERPOSE ANY COUNTERCLAIM THEREIN, EXCEPT TO THE EXTENT THAT SAID COUNTERCLAIM MUST BE ASSERTED PURSUANT TO SECTION 426.30 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE OR OTHERWISE BE BARRED FROM BEING ASSERTED IN ANY OTHER ACTION AND (ii) HAVE THE SAME CONSOLIDATED WITH ANY OTHER OR SEPARATE SUIT, ACTION OR PROCEEDING. NOTHING HEREIN CONTAINED SHALL PREVENT OR PROHIBIT THE BORROWER FROM INSTITUTING OR MAINTAINING A SEPARATE ACTION AGAINST ANY LENDER WITH RESPECT TO ANY ASSERTED CLAIM NOR SHALL IT PREVENT BORROWER FROM INTERPOSING A DEFENSE OR SEEKING AN INJUNCTION TO ENJOIN THE EXERCISE OF REMEDIAL REMEDIES IF THE BASIS FOR SUCH INJUNCTION IS A GOOD FAITH CLAIM THAT AN EVENT OF DEFAULT HAS NOT OCCURRED OR DOES NOT EXIST. THE BORROWER AND THE LENDERS HEREBY EXPRESSLY AND UNCONDITIONALLY WAIVE, IN CONNECTION WITH ANY SUIT,

ACTION OR PROCEEDING BETWEEN THE BORROWER AND ANY LENDER IN CONNECTION WITH THE LOAN AND/OR THE LOAN DOCUMENTS, ANY AND EVERY RIGHT THEY MAY HAVE TO A TRIAL BY JURY.

9.20 Non-Recourse. Section 5.19 of the Deed of Trust contains provisions under which the liabilities of the Borrower under the Loan will, under certain circumstances, be non-recourse and enforceable only against the Collateral. The terms and provisions of Section 5.19 of the Deed of Trust are incorporated herein by reference and shall be binding upon the Lenders with the same force and effect as if they were repeated herein.

9.21 Substitution of DERA. Notwithstanding anything to the contrary contained herein or in the other Loan Documents, subject to receipt by Borrower of the prior written consent of the Lenders, which consent shall not be unreasonably withheld or delayed, the General Partners shall have the right to substitute a new general partner in place of DERA provided such substitution does not violate any term or provision contained in the partnership agreement of the General Partners and provided further that such substitute general partner shall be Controlled by at least three of the following: Dan Emmett, Jordan Kaplan, Chris Anderson and Ken Panzer; provided, however, if the substitute general partner is Controlled by less than three but not less than one of the foregoing Persons, the substitute general partner shall be approved if the Persons who Control the substitute general partner possess the qualifications and market experience substantially equivalent to the qualifications and market experience of the foregoing named Persons.

9.22 Property Management. The Borrower represents to the Lenders that the Property is being managed by the Management Company pursuant to a Management Agreement. The Borrower shall give the Agent prompt written notice of the occurrence of a default under any Management Agreement then in effect. In no event shall the Management Company be removed or replaced or the terms of any Management Agreement be modified or amended without the prior written consent of the Lenders. Notwithstanding the foregoing, the Management Company may be replaced at the election of the Limited Partners in accordance with the terms of the partnership agreement of the General Partners, provided such Person replacing the Management Company has been approved by the Lenders, which approval shall not be unreasonably denied or delayed. After an Event of Default or a default under any Management Agreement then in effect, which default is not cured within any applicable grace or cure period, the Lenders shall have the right to terminate or to direct the Borrower to terminate, the Management Agreement upon thirty (30) days' notice and to retain, or to direct the Borrower to retain, a new management agent approved by the Lenders.

9.23 Invoices. The Agent shall submit to the Borrower on or before the due date an invoice covering any payment required to be made by the Borrower under this Agreement or under any of the other Loan Documents.

9.24 Standard of Reasonableness. Wherever in this Agreement or the other Loan Documents the consent or approval of the Borrower or the Lenders is required, such consent and/or approval shall not be unreasonably withheld, denied or delayed except in such cases where this Agreement and/or the other Loan Documents expressly provide that such consent and/or approval may be given in such Person's sole and absolute discretion.

9.25 Confidential Information; Press Releases. Lenders agree to keep confidential any non-public information that it may receive from Borrower or otherwise discover with respect to Borrower or Borrower's business pursuant to the Loan Documents or any investigation by Lenders thereunder (collectively "Confidential Information"), and not to use Confidential Information in order to compete with Borrower in Borrower's markets and main line of business. The foregoing shall not limit disclosures: (a) specifically and previously authorized in writing by Borrower; (b) to any actual or prospective assignee or participant of Lenders so long as such actual or prospective assignee or participant has agreed in writing to keep such Confidential Information confidential in accordance with, and not to use such Confidential Information in violation of, the terms of this Section 9.25; (c) to legal counsel, accountants, auditors, environmental consultants, title insurance representatives and other professional advisors to each such Person so long as any such Person shall be informed in writing of the confidential nature of such Confidential Information and shall be directed to treat such Confidential Information confidentially and not to use such Confidential Information in violation of this Section 9.25; (d) to regulatory officials having jurisdiction over any such Person; (e) as required by legal process or in connection with any action to enforce the obligations of Borrower under the Loan Documents; and (f) of information which has previously become publicly available through the actions or inactions of a third party not, to such Person's knowledge, in breach of an obligation of confidentiality to Borrower or which has become stale through the passage of time or other change in circumstances. Borrower hereby authorizes the Lenders to issue press releases, advertisements and other promotional materials in connection with their respective marketing activities, describing the Loan in general terms or in detail and the Lenders' participation in the Loan. Such press releases shall be subject to Borrower's prior approval, which approval shall not be unreasonably denied or delayed. All references to any of the Lenders in any press release, advertisement or promotional material issued by Borrower shall be approved in writing by the Agent and such Lenders in advance of issuance.

9.26 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, all future holders of the Note and their respective successors and permitted assigns. The Borrower may not assign its rights hereunder or under any of the other Loan Documents or any interest herein or therein without the prior written consent of the Lenders.

9.27 Participations and Syndication.

(a) Appointment and Responsibilities of the Agent:

(1) Appointment and Authorization. Each Lender hereby designates and appoints LB Kiel, as the Agent of such Lender under this Agreement, and each of the other Loan Documents, and each such Lender authorizes the Agent as the agent for such Lender to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to the Agent by the terms of this Agreement and each other Loan Document, together with such other powers as are reasonably incidental thereto. Only the Agent (and not one or more of the Lenders) shall have the authority to act for the Lenders under this Agreement and the Loan Documents and each Lender acknowledges that all notices, demands or requests from such Lender to the Borrower must be forwarded to the Agent for delivery to the Borrower; provided,

however, such restrictions shall not preclude direct communications between the Lenders and the Borrower but it is understood that no agreements or actions of any Lender, other than the Agent, shall have any effect hereunder or under the Loan Documents. Each Lender acknowledges that the Borrower has no obligation to act or refrain from acting on instructions or demands of one or more Lenders absent written instructions from the Agent pursuant to its rights and authority hereunder. Notwithstanding any provision to the contrary contained in this Agreement or in the other Loan Documents, the Agent shall not have any duties or responsibilities, except those expressly herein set forth, or any fiduciary relationship with the Borrower or any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Agent shall be read into this Agreement or the other Loan Documents or otherwise exist against the Agent. In performing its functions and duties hereunder and under the other Loan Documents, the Agent shall (i) take the same care as generally consistent with the standard of care utilized by prudent institutional commercial mortgage lenders in the United States in connection with similar mortgage loans which they own, subject to the limitations on liability contained herein and the provisions of this Agreement and the other Loan Documents and the requirements of applicable Laws and (ii) in the act solely as the agent of the Lenders and does not assume nor shall the Agent be deemed to have assumed any obligation or relationship of trust or agency with or for any other party or any of their respective successors and assigns.

(2) Consultation with Experts. The Agent may consult with legal counsel (including internal counsel and counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

(3) Reliance by Agent. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, facsimile, telex or teletype message, statement or other document or conversation (including telephonic communications) believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, its internal counsel and counsel to the Borrower), independent accountants and other experts selected by the Agent. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless the Agent shall have received an executed Assignment and Acceptance Agreement in respect thereof. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Lenders required pursuant to this Agreement. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or the other Loan Documents in accordance with a request, approval or consent of the Lenders required by the terms of this Agreement, and such request, approval or consent and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

(4) Notice of Default.

(i) The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest or fees required to be paid to the Agent for the account of the

Lenders, unless the Agent has received notice from a Lender or the Borrower describing a material Default or Event of Default and stating that such notice is a "notice of default." In the event that the Agent receives such a notice, the Agent shall promptly give notice thereof to the Lenders. The Agent shall take such action with respect to such material Default or Event of Default as shall be directed by the Required Lenders; provided that unless and until the Agent shall have received such directions, the Agent shall take such action, or refrain from taking such action, with respect to such material Default or Event of Default as the Agent shall reasonably deem necessary to protect and preserve the Collateral and the Lenders' rights and remedies under the Loan Documents. In no event shall the Agent be required to take any action which it determines to be contrary to Law. In no event shall the Agent be required to take any action which might expose the Agent to liability unless all of the Lenders shall require the Agent to take such action and indemnify the Agent against such liability.

(ii) Each Lender agrees that it shall promptly notify the Agent in writing after it first has knowledge of any material Default or Event of Default. The Agent shall give a copy of any such notice received by the Agent to the other Lenders.

(5) Deliveries of Documents to the Lenders. The Agent shall promptly deliver to each of the Lenders copies of any and all documents, reports or other materials or notices delivered to the Agent by the Borrower that the Lenders are required to receive under the Loan Documents or any other material documents or notices delivered to the Agent by the Borrower or notices sent to the Borrower by the Agent.

(6) Non-Reliance on Agent and Other Lenders. Each Lender expressly acknowledges that neither the Agent, nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent hereafter taken, including, without limitation, any review of the affairs of the Borrower shall be deemed to constitute any representation or warranty by the Agent. Each Lender represents and warrants to the Agent that it has, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate (including the Loan Documents and related information), (I) made its own appraisal of and investigation into the business, operations, property, prospects, financial and other condition, creditworthiness and solvency of the Borrower, (II) satisfied itself as to the due execution, legality, validity, enforceability, genuineness, sufficiency and value of any of the Loan Documents, the Collateral or any other instrument or document furnished pursuant to any Loan Document, (III) made its own determination as to the validity, effectiveness, perfection, value and adequacy of the Liens, and (IV) made its own decision to acquire its Assigned Amount and Percentage Interest of the Loan. Each Lender also represents that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action hereunder, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, prospects, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required pursuant to the Loan Documents to be furnished by the Agent to the Lenders (and which are, in fact, received by the Agent), the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, prospects, financial and other condition or creditworthiness of the

Borrower, which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

(7) Indemnification. The Lenders agree to indemnify the Agent (in its capacity as such) and its officers, directors, employees, representatives and agents (to the extent not reimbursed by the Borrower as may be required under the Loan Documents) ratably in accordance with their respective Percentage Interests, from and against any and all liabilities, obligations, losses, damages, penalties, action, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, without limitation, the fees and disbursements of counsel for the Agent or such indemnified person in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not the Agent or such Person shall be designated a party thereto) that may at any time (including, without limitation, at any time following the payment of the Obligations) be imposed on, incurred by or asserted against the Agent or such Person as a result of, or arising out of, or in any way related to or by reason of, any of the transactions contemplated by the Loan Documents or the execution, delivery or performance of this Agreement or any other Loan Document (but excluding any such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the gross negligence or willful misconduct of the Agent or such Person as determined by a court of competent jurisdiction).

(8) Agent in its Individual Capacity. With respect to the Assigned Amount owned by the Agent, the Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not the Agent, and the terms "Lender" and "Lenders" shall include the Agent in its capacity as a Lender. LB Kiel hereby agrees that at all times during the term of the Loan so long as no Event of Default has occurred and is continuing it will (i) retain a Percentage Interest in the Loan of not less than 27.7778% or (ii) hold a Loan Amount of not less than $25,000,000.

(9) Appointment of a Successor Agent. The Agent may resign at any time by giving twenty (20) Business Days' notice thereof to the Lenders and the Borrower. Upon any resignation by the Agent, the Required Lenders shall have the right to appoint a successor Agent upon prior notice to the Borrower; provided, however, that if no Event of Default by the Borrower has occurred and is continuing, the appointment of such successor Agent shall require the prior approval of the Borrower, which approval shall not be unreasonably withheld or delayed. If no successor Agent shall have been so appointed by the Required Lenders (and, if applicable, reasonably consented to by the Borrower), and shall have accepted such appointment, within thirty (30) days after the resigning Agent gives notice of resignation, then the resigning Agent may, on behalf of the Lenders, upon prior notice to the Borrower, appoint a successor Agent, which shall be an Eligible Lender; provided, however, that if no Event of Default by the Borrower has occurred and is continuing, the appointment of such successor Agent shall require the prior approval of the Borrower, which approval shall not be unreasonably withheld or delayed. Upon the acceptance of its appointment as the Agent hereunder, such successor Agent shall thereupon succeed to and become vested with all of the rights and duties of the resigning Agent, and the resigning Agent shall be discharged from its duties and obligations hereunder thereafter arising. After any resigning Agent's resignation hereunder as Agent, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent; provided, however, to the extent that

the Agent is liable for any gross negligence or willful misconduct prior to the Agent's resignation hereunder such liability will survive the Agent's resignation.

(10) Removal of Agent. The Agent may be removed as Agent by the Required Lenders for "cause." In such event, the Required Lenders shall appoint a successor Agent upon prior notice to the Borrower; provided, however, if no Event of Default by the Borrower has occurred and is continuing, the appointment of said successor Agent shall require the prior approval of the Borrower, which approval shall not be unreasonably withheld or delayed. As used herein the term "cause" shall mean the occurrence of one or more of the following events:

(i) Agent's actual fraud in a material respect upon the parties to the Loan Agreement:

(ii) Agent's gross negligence in the performance of any of its material obligations under the Loan Agreement;

(iii) Agent's willful misconduct in a material respect; or

(iv) in the event LB Kiel fails to comply with the terms of 9.27(a)(8) (interests assigned to an Affiliate of LB Kiel shall be deemed retention of the Percentage Interest and Loan Amount so assigned).

(b) The Loans:

(1) Individual Loans. The Borrower hereby acknowledges that the assignment of portions of the Loan by a Lender to another Lender will create as to each Lender an Individual Loan evidenced by each Lender's respective Note and collectively secured by the Deeds of Trust and governed by the other Loan Documents. The Borrower shall look solely to each Lender (including LB Kiel, in its capacity as a Lender) for the performance of such Lender's obligations, covenants and agreements under the Loan Documents on the part of each Lender to be performed or observed with respect to each Lender's Individual Loan, subject to and upon the conditions, limitations and restrictions set forth herein and in the other Loan Documents.

(2) Distributions to the Lenders. The Borrower shall make all payments under the Loan Documents of principal of, and interest on, the Loans to the Agent as provided in Section 2.13(a) hereof. Upon receipt by the Agent of any such payment under the Notes, the Agent shall promptly distribute such funds to each Lender in its proper share, subject, however, to Section 9.27(e) hereof in respect of any distributions which would, but for such provision, have been made to a Defaulting Lender. At Agent's election, Agent may, but shall not be required to, on the date of each scheduled payment due from Borrower on the Note or under any other Loan Document prefund to the other Lenders their respective shares of such payment. Should such payment not be received by Agent, on the date when due, upon receipt of notice from Agent, each Lender shall immediately wire transfer to Agent the amount prefunded by Agent to it.

(3) Priority of Loans. Except as otherwise provided in Section 9.27(e), each Lender's Individual Loan shall be of equal priority with each other Lender's Individual Loan, and no Individual Loan shall have priority or preference over any other Individual Loan or the security therefor.

(4) Books and Records. The Agent shall keep customary books and records relating to the Loan (including, without limitation, copies of the Loan Documents), and such books and records shall be available at the Agent's office for the Lenders' reasonable inspection during the Agent's normal business hours. The original Loan Documents shall be kept at the Agent's address set forth on the signature pages of this Agreement, or at such other branch office of Agent as may be designated from time to time by the Agent and shall be made available to any Lender for inspection at such office within a reasonable period of time following such Lender's written request to inspect same. Upon the written request of any Lender, the Agent shall provide copies of such books and records to the Lender so long as the Lender's request is not unreasonable.

(c) Decisions:

(1) Decisions of the Lenders. Except as expressly set forth in Section 9.27(c)(2), (3) and (4) hereof, all Decisions shall be implemented or effected by the Agent. The Agent may request a Decision with respect to matters described in Sections 9.27(c)(2) or (3) hereof at any time by making a request for such Decision in writing to all of the Lenders and delivering the same to each of the Lenders in the manner specified in Section 9.6 hereof. Such request shall (i) contain an adequate description of the Decision being requested and (ii) specify the reasons for such request. Such Decision may also be requested by telephone to each of the Lenders and the Decision thus requested shall be deemed given if the Agent has received written approval of such Decision from the Required Lenders. If a Lender does not deliver to the Agent a written objection thereto within ten (10) Business Days after hand delivery by the Agent, or twelve (12) Business Days after mailing or delivery to an express courier service of the request of the Agent, such Lender shall be deemed to have approved the requested Decision so long as such Decision, is not governed by the terms of Section 9.27(c)(2) hereof. Any Decision which constitutes a modification or amendment to the Loan Documents, a waiver of any material term or provision of the Loan Documents or a consent to the departure by the Borrower therefrom shall be in writing whether the consent of the Lenders is required or not and the Agent shall give written notice to the Lenders of any such waiver or consent in accordance with the terms of this Agreement.

(2) Unanimous Approvals by the Lenders. Neither the Agent nor any Lender shall (i) extend the Maturity Date, (ii) reduce the rate of interest on any Obligations, (iii) reduce the principal amount of any Obligations, (iv) release any of the Collateral (except as otherwise expressly contemplated by the Loan Documents), (v) exercise any set-off or similar right against the Borrower, (vi) enter into any modification, renewal or termination of the Nestle Lease, (vii) change any provision of this Section 9.27(c)(2) or the definition of Required Lenders, or (viii) release any obligor as an obligor under any Loan Document, in each case without the written consent of all the Lenders.

(3) Approvals by the Required Lenders.

(i) Whenever the consent or approval of the Lenders (as opposed to the Agent) is required under this Agreement, except as to those matters which require unanimous approval pursuant to Section 9.27(c)(2) hereof, such consent or approval shall be deemed given upon the receipt by the Agent of the written consent or approval of the Required Lenders.

(ii) Upon the Agent's receipt of a notice of default (as described in Section 9.27(a)(4) hereof), the Agent shall consult with the Lenders to determine a course of action which is acceptable to the Required Lenders. Subject to Section 9.27(a)(4)(i) and 9.27(c)(2) hereof, the Agent shall pursue such course of action approved by the Required Lenders in respect of any Default or Event of Default, including, without limitation, acceleration of the indebtedness, commencement of any suit to foreclose upon and/or acquire title to the Collateral in connection with such foreclosure, or the defense, settlement or compromise of any claims for liens which are prior to the Lien. In the event that the Required Lenders cannot decide which remedies, if any, are to be pursued, the Agent may take such action as it deems advisable and in the best interests of the Lenders.

(iii) The Agent agrees to take such action as the Required Lenders shall direct in connection with (I) the sale or other disposition of the Collateral, (II) the operation, repair, preservation, improvement and management of the Collateral if the Agent or any nominee acting on behalf of the Agent and/or the Lenders acquires title to or possession of the Collateral in connection with the realization of the security for the Loan, and (III) any disposition of the Collateral after an acquisition of title to or possession of the Collateral in connection with the realization of the security for the Loan. With respect to clause (I) above, if the Agent has not been directed by the Required Lenders within the time period set forth in Section 9.27(c)(1) of this Agreement as to what action to take at the sale of the Collateral, the Agent shall bid at such sale the amount the Agent shall deem reasonable to protect, preserve and enforce the rights and claims of the Lenders in respect of the Collateral (which may be bid in increments and with such initial bid, interim bids and/or final bid as the Agent considers advisable) up to the then outstanding balance of the Loan, including principal, interest, costs and attorneys fees. Agent is expressly authorized to bid less than such amount, if in Agent's judgment it is reasonable to do so, giving consideration to the value of the Collateral and the financial status of any Persons that may be liable for the Obligations as disclosed by the most recent financial statements received by the Agent with respect to such Persons. With respect to clause (II) above, if the Agent is not directed by the Required Lenders within the time periods set forth in Section 9.27(c)(1) of this Agreement, the Agent shall take such actions as are reasonable and necessary for responsible operation and management of the Collateral. With respect to clause (III) above, if the Agent is not directed within the time periods set forth in Section 9.27(c)(1) of this Agreement, the Agent shall take such actions as the Agent shall deem reasonable to protect, preserve and enforce the rights and claims of the Lenders in respect of the Collateral.

(iv) Any amendment or modification to the terms of the Loan Documents not requiring unanimous approval of the Lenders pursuant to Section 9.27(c)(2) above and any Decision which constitutes a waiver of any material term or provision of the Loan Documents or the consent to a material departure by the Borrower therefrom shall be made and/or given only with the consent of the Required Lenders.

(4) Non-Material Waivers and Consents. Except as otherwise provided in Sections 9.27(c)(2) and (3) above, the Agent may waive any non-material provision of the Loan Documents or consent to any non-material departure by the Borrower from the terms and provisions of the Loan Documents; provided, however, any such waivers and consents shall be effective only upon the execution by the Agent of a written agreement to that effect. The Agent shall give written notice to the Lenders of any such waiver or consent. For purposes of this Section 9.27(c)(4), the Agent shall determine (in its sole discretion) whether or not a waiver or departure is material, it being the understanding of the Lenders that such waiver or departure shall be considered non-material if it is administrative or technical in nature and does not involve matters of bankruptcy, payments of interest or principal, or matters which adversely affect the value of the Collateral.

(5) Losses and Expenses. All losses, costs, expenses, disbursements, liabilities, fees (including reasonable attorneys' fees and disbursements), obligations, damages, suits, actions and penalties of any kind or nature whatsoever (collectively, a " Loss") incurred by the Agent (in its capacity as Agent) in connection with the Loan, the enforcement thereof, or the realization of the security therefor shall be borne by the Lenders in accordance with each Lender's Percentage Interest.

(i) Each Lender shall within ten (10) Business Days of receipt of a written request by the Agent, reimburse the Agent (to the extent not otherwise reimbursed by the Borrower) for such Lender's Percentage Interest of (I) any out-of-pocket expenses incurred by the Agent in connection with any Default or Event of Default under the Loan Documents (including, without limitation, reasonable fees and disbursements of outside counsel), (II) any advances made (x) to pay taxes or insurance, (y) to preserve and protect the Agent's and the Lenders' liens against the Collateral, protect, complete, repair, alter, renovate, operate, manage, market and/or sell, the Collateral, or (z) to own, operate, manage, improve, alter, complete, renovate, repair, market and/or sell the Collateral after the acquisition thereof by the Agent or any nominee acting on behalf of the Agent and/or the Lenders, and (III) any other expenses incurred to the extent not reimbursed by the Borrower in connection with the enforcement of the Loan Documents.

(ii) Each of the Lenders hereby agrees and acknowledges that the Agent may, following acquisition of the Collateral, whether by foreclosure or otherwise, elect to vest title thereto in the Agent or any Subsidiary or other nominee of the Agent, for the benefit of the Lenders ratably, and the provisions of this Agreement shall govern and control with respect to the relationship among the Lenders thereafter.

(d) Successors and Assigns; Participations; Assignments:

(1) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Agent, all future holders of the Notes and their respective successors and permitted assigns. The Borrower may not assign its rights hereunder or under any of the other Loan Documents or any interest herein or therein without the prior written consent of all of the Lenders. The Lenders may participate, assign or sell all or any portion of their interest in an Individual Loan only as effected by operation of law in connection with the merger, consolidation or dissolution of any Lender or as provided in this Section

9.27(d). Notwithstanding the foregoing, any Lender may at any time assign all or any portion of its rights under this Agreement and the Loan Documents to a Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder. The assigning Lender shall notify the Agent in writing of such transfer and promptly upon being notified in writing of such assignment, the Agent shall notify the Borrower and the other Lenders of such occurrence.

(2) Participations. Any Lender may sell to one or more of its Affiliates (each a "Participant") a participating interest in its Individual Loan, the Note held by such Lender and/or any other interest of such Lender under the Loan Documents; provided, however, the Participant to which a participating interest has been sold shall not be treated as a Lender hereunder and, provided, further, any Lender selling a participating interest in its Individual Loan shall under the terms of its participation agreement retain the right to make Decisions under this Agreement as if no such participating interest has been sold. Notwithstanding any such sale by a Lender of a participating interest, such Lender's rights and obligations hereunder shall remain unchanged, such Lender shall remain solely responsible for its performance hereunder, such Lender shall remain the holder of its Note for all purposes hereunder and the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

(3) Assignments. Subject to the provisions of this Section 9.27(d), any Lender may assign to any other Lender or any Affiliate of a Lender or, with the consent of the Agent, to any Eligible Lender (or, if an Event of Default has occurred and is continuing, any institution) all or any part of its interest in an Individual Loan; provided, however, the amount of the Individual Loan so assigned shall be not less than $10,000,000, shall be in integral multiples of $1,000,000 and, if less than an entire Individual Loan is to be assigned, the assigning Lender shall retain an Individual Loan of not less than $10,000,000. The assigning Lender shall give the Agent not less than thirty (30) days prior written notice of such assignment, which notice shall include the identity of the proposed Assignee and sufficient financial information for the Agent to evaluate such proposed Assignee. If the approval of the Agent is required, the Agent shall, within 15 days after receipt of such notice and accompanying information, notify the assigning Lender whether the proposed assignment has been approved, which approval shall not be unreasonably withheld.

(i) Upon an assignment of all or a portion of a Lender's Individual Loan, in accordance with the terms and conditions hereof, the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in its records, an Assignment and Acceptance, together with any Note subject to such assignment and a processing and recordation fee of $3,500 payable by the assigning Lender. Upon such execution, delivery, payment, acceptance and recording, from and after the effective date specified in each such Assignment and Acceptance, which effective date shall be at least three (3) Business Days after the delivery thereof to the Agent, (I) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and under the Loan Documents and (II) the assigning Lender thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement and under the

Loan Documents from and after the date of such Assignment and Acceptance as to the portion of its Individual Loan which was assigned (and, in the case of an Assignment and Acceptance covering all of the remaining portion of an assigning Lender's rights and obligations under this Agreement and under the Loan Documents, such Lender shall cease to be a party hereto and thereto.)

(ii) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (I) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness or sufficiency of this Agreement or any other instrument or document furnished pursuant hereto; (II) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (III) such Assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements of the Borrower and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (IV) such Assignee shall, independently and without reliance upon the Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (V) such Assignee appoints and authorizes the Agent to take such action and to exercise such power under this Agreement as is delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (VI) such Assignee agrees that it shall perform all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(iii) The Agent shall maintain a record of the names and addresses of the Lenders and the principal amount owing to each Lender from time to time. Such record shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is so recorded as a Lender hereunder for all purposes of this Agreement. Such record shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(iv) Upon its receipt of an Assignment and Acceptance properly completed and executed by an assigning Lender and its Assignee, together with any Note subject to such assignment, the Agent shall, if such Assignment and Acceptance has been authorized hereunder, (I) accept such Assignment and Acceptance, (II) record the information contained therein and (III) give notice thereof to the Borrower. Within five Business Days after its receipt of such notice, the Borrower, without charge to the Agent or the Lenders, shall execute and deliver to the Agent a new Note to the order of such Assignee in an amount equal to the Assigned Amount assigned to such Assignee and a new Note to the assigning Lender in an amount equal to the amount of the Individual Loan retained by the assigning Lender. Such new Notes shall be dated the date of such Assignment and Acceptance and shall otherwise be in the

form of the prior Note held by such assigning Lender. Notwithstanding the surrender of the Note by the assigning Lender, the amounts accrued and unpaid under such surrendered Note prior to the effective date of the Assignment and Acceptance shall continue to constitute existing debt and remain payable by the Borrower to the assigning Lender. The assigning Lender and the Assignee shall directly between themselves make all appropriate adjustments in payments under this Agreement and the Note for periods prior to the effective date of the Assignment and Acceptance.

(e) Defaulting Lenders:

(1) Lender's Failure to Fund Expenses. In the event of a failure of any Lender to reimburse the Agent for any sums demanded by the Agent pursuant to Section 9.27(c)(5) hereof (after ten (10) Business Days' notice from the Agent), the Agent, upon five (5) Business Days' notice, may deduct such Lender's pro rata share of said expenses, together with interest thereon at the Default Rate, from such Lender's distributions as set forth in Section 9.27(b)(2) unless the Lender's failure to reimburse the Agent for sums so demanded is a result of a good faith dispute as to whether such expenses are proper, in which case the Agent and the Lender shall, in good faith, attempt to resolve the dispute and the Lender shall not be subject to the set-off right hereunder until the earlier of (i) five (5) Business Days following resolution of the dispute or (ii) sixty (60) Business Days from the date of the original demand by the Agent to the Lender. The Agent shall be entitled to set off and to appropriate and apply any Defaulting Lender's distributions until the Agent has been fully reimbursed for such expenditures.

(2) Voting Rights. Notwithstanding anything to the contrary contained herein, a Defaulting Lender shall not be entitled to vote on any matter as to which a vote by the Lenders is required hereunder, including, without limitation, any actions or consents on the part of the Agent as to which the approval or consent of all the Lenders or the Required Lenders is required under Sections 9.27(c)(2) or (3) hereof, so long as such Lender is a Defaulting Lender. For purposes of any such vote, the Agent shall recalculate the Percentage Interests of all Lenders which are not Defaulting Lenders as if the Individual Loans of the Defaulting Lenders do not exist.

(3) Remedies. In addition to and not in limitation of the terms and provisions of Section 9.27(e)(1) and (2) hereof, the Borrower, the Agent and each of the Lenders, which are not Defaulting Lenders, may in their respective sole and absolute discretion, exercise any and all other rights and remedies available at Law or in equity in respect of a Defaulting Lender.

(f) Miscellaneous:

(1) Amounts Received by the Lenders. No Lender shall accept, receive or apply any repayment with respect to its Individual Loan in any form or manner, whether by counterclaim, set-off or otherwise, other than as may be expressly provided in the Loan Documents or in this Agreement, except upon prior written agreement of all of the other Lenders. If, however, any Lender obtains any payment under any Loan Document, such Lender shall act as a trustee for the benefit of the other Lenders to the extent that such Lender has received a repayment in an amount in excess of its Percentage Interest of all repayments made by

the Borrower under all of the Loans and said Lender shall pay over such excess payment to the Agent for distribution to the other Lenders in accordance with their respective Percentage Interests in the Loan.

(2) No Joint Venture. Neither the execution of this Agreement nor the selling of an interest in the Loan and the security therefor, nor any agreement to share in profits or losses as provided herein is intended to be, nor shall it be construed to be, the formation of a partnership or joint venture among the Lenders.

(3) Acknowledgment by Parties Hereto. The agreement to and acceptance of this Agreement by the parties hereto, indicated by the execution of this Agreement, shall evidence (i) each Person's acceptance of all the terms and conditions of this Agreement and the other Loan Documents and (ii) each Person's consent to the Agent's acting as the Agent on behalf of the Lenders with regard to all aspects of the administration, enforcement and collection of the Loan and to all matters pertaining to the Loan Documents as provided for in the Loan Documents and herein.

(4) Right of Lenders and Agent to Transact Business. The Lenders and the Agent and/or any of their Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower, the General Partners, DERA, or any other Person without any duty to account therefor to the other Lenders and/or the Agent, as the case may be.

(5) Exculpatory Provisions. The Agent shall not be (i) liable for any action lawfully taken by it or any Person described in Section 9.27(a)(2), hereof or in connection with this Agreement or any other Loan Document (except for the Agent's own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower, a Lender or any other Party contained in this Agreement or any other Loan Document, or by the Borrower, a Lender or any other Party in any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, any other Loan Document or for the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or any such certificate, report, statement or other document, or for the value of any Collateral, or for any failure of the Borrower, any Lender or any other Party to perform or observe their obligations hereunder or thereunder. The Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, or the books or records of the Borrower. This Section 29.7(f)(5) is intended to govern solely the relationship between the Agent, on the one hand, and the Lenders, on the other.

(6) Withholding Taxes. Each Lender represents that it is entitled to receive any payments to be made to it hereunder without the withholding of any tax and will furnish to the Agent such forms, certifications, statements and other documents as the Agent may request from time to time to evidence such Lender's exemption from the withholding of any tax imposed by any Governmental Agency or to enable the Agent to comply with any applicable Laws or regulations relating thereto. Without limiting the generality of the foregoing, if any

Lender is not created or organized under the laws of the United States of America or any state thereof, in the event that the payment of interest by the Borrower is treated for U.S. income tax purposes as derived in whole or in part from sources from within the U.S., such Lender shall furnish to the Agent Form 4224, Form W-8BEN or Form 1001 of the Internal Revenue Service, or such other forms, certifications, statements or documents, duly executed and completed by such Lender, as evidence of such Lender's exemption from the withholding of U.S. income tax with respect thereto. The Agent shall not be obligated to make any payments hereunder to such Lender in respect of the Loan until such Lender shall have furnished to the Agent the requested form, certification, statement or document.

(7) Limitation of Liability. No claim may be made by the Borrower or any other Person against the Agent or any Lender or the Affiliates, directors, officers, employees, attorneys or agents of any of such Persons for any punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and the Borrower hereby waives, releases and agrees not to sue upon any claim for any such punitive damages.

(8) Assigned Amount. It is understood and agreed that the Assigned Amount allocated to each of the Lenders pursuant to the terms and conditions of this Agreement may not be increased or decreased without the prior written consent of the Lender whose Assigned Amount is to be increased or decreased.

9.28 Financing Statements. Borrower hereby authorizes and consents to the filing by Lenders of UCC-1 Financing Statements in the appropriate governmental office for the purpose of perfecting Lenders' security interest in any Personal Property.

9.29 Leasing Matters.

(a) Prior to entering into any new lease, Borrower shall prepare and submit to Agent for Agent's prior approval, which approval shall not be unreasonably withheld or delayed, a standard lease form ("Standard Lease Form"). Borrower shall not enter into any lease which is not an Approved Lease.

(b) Leases prepared on the Standard Lease Form and which are not Major Leases shall be deemed Approved Leases. All Major Leases of the Building shall require the approval of the Agent or the Required Lenders as follows:

(i) Major Leases which affect together with any other existing leases with the same tenant up to 54,000 square feet of rentable space in the Building or which would affect up to 10% of the gross rental income of the Building must be submitted to and approved by the Agent in writing in each instance as to: (A) the economic and other terms of every such lease and occupancy agreement; (B) the creditworthiness of the tenant under such a lease; (C) each guarantor of a tenant's obligations, if any; (D) any consent to subletting or assignment if the original tenant is relieved of liability under such a lease; (E) any modification, waiver or amendment to such lease that reduces rent, reduces the term or limits a tenant's liability

thereunder; and (F) any termination, cancellation or surrender of such a lease other than as permitted by the lease or upon a default by a tenant;

(ii) Major Leases which affect together with any other existing leases with the same tenant more than 54,000 square feet of rentable space in the Building or which affect more than 10% of the gross rental income of the Building, must be submitted to and approved by the Required Lenders as to those items detailed in subsections (A) through (F) of the prior paragraph;

(iii) Any Major Lease or modification or amendment to a Major Lease, which has been so approved by Agent, or Required Lenders, as the case may be, shall be an Approved Lease.

9.30 Borrower's Request. Any request by Borrower for an approval from Agent or Required Lenders with respect to leasing matters shall be accompanied, at a minimum, by the following: (a) the proposed lease or amendment or modification thereof complete with all applicable schedules and exhibits; (b) a complete copy of any proposed guaranty; (c) comprehensive financial information with respect to the proposed tenant and, if applicable, the proposed guarantor (as to new leases or amendments or modifications to existing leases involving material economic changes); (d) a brief written summary of the proposed permitted uses and a discussion of how such uses relate to other tenancies then existing at the Building; and (e) an executive summary of the terms and conditions of the proposed lease, and, if applicable, the proposed guaranty.

9.31 Agent and Lender Response. Borrower shall endeavor to keep Agent informed with respect to leasing matters requiring Agent's or Required Lenders' approval under Section 9.29(b) of this Agreement prior to finalizing such leasing matters. Specifically, Borrower shall endeavor to provide to Agent the following documents (collectively, the "Lease Package"): (a) with respect to a new lease, information regarding the prospective tenant's business, character and creditworthiness and a signed letter of intent with the prospective tenant, containing all of the material terms of the proposed lease; or (b) with respect to a renewal, amendment or termination of an existing lease, a signed letter of intent or proposal with the tenant, containing all of the material terms of the proposed renewal, amendment or termination. Agent and, if applicable, the Required Lenders shall act on requests from Borrower for any approval under Section 9.30 of this Agreement in a commercially reasonable manner and shall respond to any such request by the later of the following dates ("Response Time"): if only Agent's approval is required, ten (10) Business Days after Agent's receipt of the Lease Package for the specific transaction; or, if a Lease Package has previously been provided to Agent, five (5) Business Days after Agent's receipt of the final lease or lease renewal, amendment or termination, as the case may be, provided the Lease Package was delivered at least five (5) Business Days previously and no material change to the Lease Package has occurred; if the approval of the Required Lenders is required, fifteen (15) Business Days after the Required Lenders' receipt of the Lease Package for the specific transaction; or, if a Lease Package has previously been provided to Required Lenders, ten (10) Business Days after Required Lenders receipt of the final lease or lease renewal, amendment or termination, as the case may be, provided the Lease Package was delivered to the Required Lenders at least five (5) Business Days previously and no material change has occurred to the Lease Package. If Agent, and if applicable, Required

Lenders do not respond within the Response Time, Borrower's request shall be deemed approved. Agent's and, if applicable, the Required Lenders' response may consist of an approval or disapproval of the request, or a conditional approval thereof subject to specified conditions, or a request for further data or information, or any combination thereof. Whenever reasonably possible all Borrower's requests for lease approvals shall be accompanied by an express description of any deviations from the Standard Form Lease. After a new lease or an amendment is signed, copies of them shall be delivered to Agent. Borrower shall have the right to execute leases requiring Agent's and, if applicable, the Required Lenders' approval prior to Agent's and, if applicable, the Required Lenders' giving such approval, provided that any such lease states that its effectiveness is subject to receipt of Agent's or, if applicable, Required Lenders' approval.

9.32 Subordination, Non-Disturbance and Attornment Agreements. At the request of Agent, each tenant shall be required to enter into a Subordination, Non-Disturbance and Attornment Agreement with Agent. If the lease is not a Major Lease, paragraph 4 of the Subordination, Non-Disturbance and Attornment Agreement may be amended to read as follows: "The Tenant shall not, without the prior written consent of the Mortgagee prepay any of the rents, additional rents or other sums due under the Lease for more than one (1) month in advance of the due date thereof." Agent shall, upon request of Borrower, enter into a Subordination, Non-Disturbance and Attornment Agreement with respect to any Major Lease approved by Lender or the Required Lenders, as applicable and, each lease entered into subsequent to the Closing Date shall obligate the tenant thereunder to enter into a Subordination, Non-Disturbance and Attornment Agreement upon the request of Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

"BORROWER"

DOUGLAS EMMETT JOINT VENTURE, a California general partnership

By: Douglas Emmett Realty Fund, a California Limited Partnership, general partner

By: Douglas Emmett Realty Advisors, a California corporation, General Partner

By: /s/ Jordan L. Kaplan

Jordan L. Kaplan
Chief Financial Officer

By: Douglas Emmett Realty Fund No. 2, a California Limited Partnership, general partner

By: Douglas Emmett Realty Advisors, a California corporation, General Partner

By: /s/ Jordan L. Kaplan

Jordan L. Kaplan
Chief Financial Officer

Its Vice President

Address:

Douglas Emmett Joint Venture
808 Wilshire Boulevard, Suite 200
Santa Monica, California 90401
Attn: Mr. Jordan L. Kaplan
Mr. Jon Dishell

Telephone: (310) 255-7700
Telecopier: (310) 255-7702

With a copy to:

Allen, Matkins, Leck, Gamble & Mallory
515 South Figueroa Street
7th Floor
Los Angeles, California 90071
Attn: David A. B. Burton, Esq.

Telephone: (213) 955-5610
Telecopier: (213) 620-8816

"LENDER"

LANDESBANK SCHLESWIG-HOLSTEIN
GIROZENTRALE, KIEL, a German chartered bank

By: /s/ Michael Adamska

Dr. Michael Adamska
Its: Senior Vice President

By: /s/ Ulf Sonnabend

Ulf Sonnabend
Its: Vice President

Address:

International Real Estate Finance
Martensdamm 6
24103 Kiel
Germany
Attention: Mr. Hans Loetzer

with a copy to:

Loeb & Loeb LLP
1000 Wilshire Blvd., Suite 1800
Los Angeles, California 90017
Attn: Joseph P. Heffernan, Esq.

Telephone: (213) 688-3602
Telecopier: (213) 688-3460

[Signatures continued on next page]

"AGENT"

LANDESBANK SCHLESWIG-HOLSTEIN
GIROZENTRALE, KIEL, a German chartered bank

By: /s/ Michael Adamska

Dr. Michael Adamska
Its: Senior Vice President

By: /s/ Ulf Sonnabend

Ulf Sonnabend
Its: Vice President

TABLES OF EXHIBITS AND SCHEDULES

EXHIBITS

SCHEDULES

EXHIBIT 10.95

LEASE AGREEMENT FOR NESTLE BUILDING

ORIGINAL

December 21, 1987

CARNATION BUILDING
OFFICE LEASE

LANDLORD: EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership

TENANT: CARNATION COMPANY, a Delaware Corporation

Dated for reference purposes as of:

December 22, 1987

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December 21, 1987
[019:Carnation.LC]

CARNATION BUILDING OFFICE LEASE

THIS LEASE is made as of the 22nd day of December, 1987, by and between EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership ("Landlord"), and CARNATION COMPANY, a Delaware Corporation ("Tenant"), who hereby agree to enter into this Lease pursuant to all of the terms and conditions set forth in this Lease.

GENERAL CONDITIONS

The following are general conditions which govern all of the rights and obligations of Landlord and Tenant and supersede, to the extent appropriate, any contrary provision in the Lease.

A. Consent/Duty To Act Reasonably. Regardless of any reference to the words "sole" or "absolute," except for matters which could have an adverse effect on the Building's plumbing, HVAC or electrical systems, or which could adversely affect the exterior appearance of the Building, any time the consent of Landlord or Tenant is required, such consent shall not be unreasonably withheld or delayed. Whenever the Lease grants Landlord or Tenant the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations, Landlord and Tenant shall act reasonably and in good faith and take no action which might result in the frustration of the reasonable expectations of a sophisticated tenant or landlord concerning the benefits to be enjoyed under the Lease.

B. Quality of Construction—Standard for Maintenance and Repair. Landlord hereby warrants to Tenant that the Building and the Premises, to the extent constructed by Landlord, or the contractor selected by Landlord, and to the extent designed by Landlord, or the architect selected by Landlord, will not contain asbestos and shall be designed and constructed in a first-class manner and in full compliance with all governmental regulations, ordinances, and laws existing at the time of design and construction, including laws concerning hazardous waste and materials, in order to make the Building and the Premises, to the extent designed and constructed by Landlord, and the contractor and architect selected by Landlord, suitable for occupancy by Tenant and tenants

utilizing the space for business offices. Tenant agrees that the portion of the Premises to be constructed or designed by Tenant, and the architect and contractor selected by Tenant, will not contain asbestos and shall be designed and constructed in a first-class manner and in full compliance with all governmental regulations, ordinances and laws existing at the time of construction, including laws concerning hazardous waste and materials, in order to make the Premises suitable for occupancy for business offices. Landlord will be fully responsible for making all alterations and repairs to the Building and the Premises at its cost, which shall not be included as Operating Expenses, resulting from or necessitated by the failure of Landlord and/or Landlord's contractor and designer to comply with governmental regulations, ordinances and laws in effect at the time of design and construction. Tenant will be fully responsible for making alterations and repairs to the Premises, at its cost, resulting from or necessitated by the failure of Tenant and/or Tenant's contractor and architect to comply with all governmental regulations, ordinances and laws in effect at the time of design and construction.

In the unlikely event asbestos or other hazardous waste is found in the Premises or Building, Landlord, at its cost, which will not be included as Operating Expenses, shall use its best efforts to remove any and all asbestos and other hazardous waste (provided, however, that for the purpose of creating singular liability to Lincoln Property Company N.C., Inc. ("LPC"), and for the purpose of excluding removal costs from Operating Expenses, hazardous waste shall only consist of items considered to be hazardous waste as of January 1, 1988) from the Premises and the Building (except the existence of asbestos and other hazardous waste which is caused by Tenant, or other tenants, in which case, Tenant shall use its best efforts to remove such asbestos or other hazardous waste caused by it at Tenant's expense). The conduct of such removal shall be in accordance with all applicable governmental rules, laws, regulations and ordinances. Landlord shall deliver to Tenant a certified (by Landlord) actual copy of the report received by Landlord from the licensed contractor who has managed or will manage the work of asbestos removal (and to the extent one is provided, or required by law, a report from the subcontractor that caused such removal). In the event Tenant is required to perform such removal work, Tenant shall deliver to Landlord a similar report certified by Tenant with respect to such work. Such report shall state that such work has been performed in accordance with all then-existing applicable governmental rules, laws, regulations and ordinances, and such report shall

reflect the results of the air tests conducted following the work. LPC, one of the entities affiliated with one of the partners of Landlord, hereby agrees to indemnify and hold harmless Tenant from any and all claims arising from any claim or damages of any kind arising from the past or present existence of, or removal of, asbestos or other hazardous waste in the Building, except to the extent same occurred as a result of the act of Tenant. Otherwise, Landlord shall maintain the Building, as set forth in Section 15(b), and Premises in excellent condition and repair, the cost of which shall be included in Operating Expenses.

C. Covenants and Agreements. The failure of Landlord or Tenant to insist in any instance on the strict keeping, observance or performance of any covenant or agreement contained in the Lease, or the exercise of any election contained in the Lease shall not be construed as a waiver or relinquishment for the future of such covenant or agreement, but the same shall continue and remain in full force and effect.

D. Non-Disturbance, Attornment and Subordination Agreement. Landlord agrees that concurrently with the acquisition of the Site, it will allow Tenant to record a short-form memorandum of lease, at Tenant's sole expense (including payment of any transfer taxes), and, when the first encumbrance is placed on the Site after the Site is acquired by Landlord, Landlord shall, within thirty (30) days of the placing of such encumbrance, provide Tenant with a non-disturbance, attornment and subordination agreement ("non-disturbance agreement") in a commercially reasonable form from any ground lessors, mortgage holders or lien holders of Landlord then in existence. Landlord also agrees to provide Tenant with non-disturbance agreements in commercially reasonable form from any ground lessors, mortgage holders or lien holders of Landlord who later come into existence prior to the expiration of the Term of the Lease in consideration of, and as a condition precedent to, Tenant's agreement to be bound by Section 28 of the Lease. Landlord agrees to notify each prospective lender of the terms and conditions of this Lease. Landlord shall provide any approved subtenant subleasing a full floor or more, or approved assignees of Tenant, for subleases or an assignment of the Lease at rental rates equal to or higher than the rates payable by Tenant under this Lease, with recognition agreements from Landlord agreeing to honor the sublease or Lease (in the case of an assignment) as a direct sublease or Lease with Landlord even if Tenant defaults under the Lease; provided, however, that nothing herein or in any

such recognition agreement shall relieve Tenant of its obligations under this Lease.

E. Days. All references herein and in the Lease to "days" involving less than ten (10) days shall mean business days, and all references to "notice" shall mean written notice given in compliance with Section 9 of the Lease.

F. Rules and Regulations. Landlord agrees that the Rules and Regulations of the Building, attached to and made a part of the Lease as Exhibit "F", shall not be changed or revised or enforced in any unreasonable way by Landlord nor enforced or changed by Landlord in such a way as to interfere with the purposes permitted under Section 8 of the Lease.

G. Abatement of Rent When Tenant Is Prevented From Using Premises. In the event that Tenant is prevented from using, and does not use, the Premises or any portion of the Premises for five (5) consecutive business days or ten (10) business days in any twelve (12) month period ("Eligibility Period") as a result of any damage or destruction to the Premises, or any failure of Landlord to provide services or access to the Premises, then, Tenant s rent shall be abated or reduced, as the case may be, during the period after the Eligibility Period that Tenant continues to be so prevented from using the Premises or portion thereof in the proportion that the rentable area of the portion of the Premises that Tenant is prevented from using, and does not use, bears to the total rentable area of the Premises. However, in the event that Tenant is prevented from conducting its business in any portion of the Premises for a period of time exceeding the Eligibility Period, and 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, during the period following the Eligibility Period during which Tenant is so prevented from effectively conducting its business therein, the rent for the entire Premises shall be abated; provided, however, if Tenant reoccupies and conducts its business from any portion of the Premises during such period, the rent allocable to such reoccupied portion, based upon the portion which the rentable area of such reoccupied portion of the Premises bears to the total rentable area of the Premises, shall be payable by Tenant from the date such business operations commence.

H. Signage. Subject to the provisions of Section 57 below concerning minimum occupancy during the renewal term, Tenant is hereby granted exclusive sign rights on

the Building and throughout the Project and may install (or not install) any signs on the Building or in the Project (including the ground floor Building lobby), at Tenant's sole expense, that Tenant desires, provided such signs identify Tenant (or with respect to signs not visible from outside the Project, identify Tenant or its products or both) or an assignee or subtenant of Tenant occupying a full floor of the Building. Signs on the outside of the Building may, unless of the directional or information type not identifying another tenant, only identify the Tenant or an assignee or sublessee of Tenant, but may not, in the event of more than one sublease, identify more than one sublessee. Landlord shall not allow any other signs on the Building or Project, except as provided herein. The Building and Project shall be known as the "Carnation Building" or such other name as may be selected by Tenant from time to time. Tenant shall be entitled to sole and exclusive, prominent and appropriate signage, including the Tenant's logo or other similar name, prominently displayed in the lobby portion of the Building over the directory board, on monuments or pylon signs in or around the Building, and on the parapet wall on the top of the Building on each side. Tenant shall be permitted to install appropriate signage or logo on the walls of the elevator lobbies and on the entrance doors to all floors under lease by Tenant. The exact number, location, size, materials, coloring, lettering and lighting shall be in compliance with all governmental regulations, ordinances and laws and shall be consistent and compatible with the Building's design, signage and graphics program, or shall be subject to Landlord's prior approval, which approval shall not be unreasonably withheld or delayed, if no such program has been adopted. Landlord shall not allow any sign to be placed on the Building or in the Building (except as provided below) or on the Project identifying any person, company or entity other than Tenant. Any such signage will be installed, maintained and removed at Tenant's expense (Tenant, to pay for the installation of any and all of its signage, may use a portion of the cash allowance provided by Landlord for Leasehold Improvements). Tenant shall be responsible for the removal of its signs and the cost of repairing any damage to the Building caused by such removal. No other signs or identity shall be permitted over the main entrances or on the wall behind the security console or on the directory boards. Tenant shall have the right to approve the design and decoration of all elevator lobbies and the main lobby, which approval shall be subject only to Tenant's good faith discretion (except that Tenant may not unreasonably withhold consent to the design and decoration of other tenants' elevator lobbies). Notwithstanding anything set forth herein to the contrary, Landlord shall have the right

without Tenant's consent to (i) maintain directory boards in the lobby and garage of the Building, (ii) allow tenants occupying at least full-floor space of the Building to have their names on their floor and in the elevator lobby on which their premises are located, (iii) have directional signs and informational signs throughout the Project which do not identify any other tenant or entity or person (provided, however, (A) Landlord may install a small unobtrusive sign in the building lobby not exceeding one (1) square foot to identify the lender and the developer, and (B) during construction of the Project, Landlord may place identity signs throughout the Project identifying the developer, lender, contractor and architect, which signs shall always include the designation "Carnation Building"), and (iv) allow tenants of the Building to have their names on entry doors to their premises.

I. Restriction on Leasing. Only as long as Tenant is entitled to its exclusive sign rights on the Building, Landlord agrees that it will not lease any space to any other tenant for retail use and/or lease space in the Building, or consent to a sublease or an assignment, to any other person or entity which is in direct competition with Tenant, or to any other person or entity that conducts a business or connotes an image that adversely affects or conflicts with the public and corporate image of Tenant as a "wholesome, family-oriented corporation." A "wholesome, family-oriented corporation" is one that promotes a happy, healthy and moral family life, providing a nutritious well-rounded, normal and balanced lifestyle. Provided, however, nothing herein shall preclude Landlord from leasing space, by way of illustration only, to law firms, accounting firms, financial institutions, executive search firms, brokerage houses, advertising agencies, consulting firms, insurance companies, title companies, health maintenance organizations, employment agencies, trust companies, non-pornographic publishing companies, architects, engineers and real estate companies, or to any other individual or entity to which Tenant has leased, assigned or subleased space in the Building. Landlord shall give Tenant three (3) days' notice of each proposed lease for space in the Building along with a copy of such lease. Tenant shall have the right to approve or disapprove within three (3) days of receipt of such notice all leases which Landlord desires to enter into, but Tenant may not withhold its approval unless the proposed tenant is not qualified pursuant to the foregoing criteria or unless such proposed tenant would not meet the tests normally imposed by institutional lenders prior to providing non-disturbance agreements. For the purposes of the preceding

sentence only, the term Tenant shall be limited to the Carnation Company, an assignee which assumes the entire Lease, or a subtenant who subleases all of the Premises.

J. Special Locks. Notwithstanding anything to the contrary set forth in the Lease, Tenant may designate the types of locks and keys to be utilized for its Premises. Except for areas which Tenant reasonably designates as security areas, Landlord shall be permitted to make copies of all keys at Tenant's expense. Landlord shall have access to a master key to all areas, including security areas, for emergency purposes, subject to reasonable rules imposed by Tenant.

K. Building Antennae. Tenant shall have the right, at any time during the term of this Lease, at its sole cost and expense, to use portions, as Tenant reasonably deems necessary, of the roof of the Building for telecommunications equipment such as antenna and microwave transmissions and receiving equipment (collectively, "antennae"). Tenant shall pay for all costs associated with the antennae, including, without limitation, the costs of installation, maintenance, engineering, operation, removal and structural changes with respect to the antennae, and the changes, structural or otherwise, to the portion of the roof of the Building attributable to its use. Such use shall be subject to receipt of all required governmental approvals and Landlord's reasonable approval with respect to aesthetic compatibility with the Building design. Such use shall not interfere with the Building systems and any helipad. Tenant's rights hereunder shall be superior and prior to the rights of any other tenant or third party, but Tenant's rights hereunder shall not be exclusive. Landlord, without Tenant's consent, except Tenant's reasonable consent with respect to aesthetic compatibility with the Building design, may permit other tenants to have antennae on the portions of the roof not currently needed by Tenant, or not reasonably designated by Tenant for future use, provided that such antennae do not interfere with the receiving or transmitting of data by Tenant's antennae. If Tenant desires antennae at the time of the Project Commencement Date, Tenant shall be required to coordinate its design of the antennae and roof HVAC unit concurrently with Landlord's preparation of the Final Plans for the Building shell and core, and the installation shall occur during Landlord's construction of the roof so that delays, structural changes and increased costs will be avoided. If Tenant fails to so proceed, and if Landlord is actually delayed in obtaining a Temporary Certificate of Occupancy for the Building because of such failure, then such failure shall

constitute a Tenant Delay. Otherwise, subject to all the provisions of this paragraph and the other conditions regarding area, costs, and construction, Tenant may cause antennae to be installed at any time during the duration of this Lease.

L. Landlord's Obligations to Construct Project. Landlord agrees that it will construct the Project in accordance with Attachment 2 to the Work Letter Agreement, and Landlord and Tenant agree that Tenant shall have the rights set forth in Section 4 of the Lease.

Section 1. Terms and Definitions. For the purposes of this Lease, the following terms shall have the following definitions and meanings:

(a) Landlord: Eight Hundred North Brand Boulevard, a California Limited Partnership

(b) Landlord's Address:

Eight Hundred North Brand Boulevard
c/o Lincoln Property Company N.C., Inc.
444 South Flower Street, Suite 4270
Los Angeles, California 90071
Attn: Mr. John Miller

Copy To:

Eight Hundred North Brand Boulevard
c/o Lincoln Property Company N.C., Inc.
101 Lincoln Centre Drive
Foster City, California 94404
Attn: Mr. Ed O'Brien

Copy To:

Eight Hundred North Brand Boulevard
800 North Brand Boulevard
Glendale, California 91203
Attn: Building Manager

(c) Tenant: Carnation Company, a Delaware Corporation

(d) Tenant's Address:

Prior to the Commencement Date, copies of all notices and correspondence to Tenant shall be sent to the addresses set forth below or to such other substituted addresses as Tenant may from time to time designate by notice to Landlord:

Carnation Company
5045 Wilshire Boulevard
Los Angeles, California 90036
Attention: Legal Department

copy to:

Lillick McHose & Charles
725 South Figueroa Street, Suite 1100
Los Angeles, California 90017-2513
Attention: Michael E. Meyer, Esq.

Following the Commencement Date, copies of all notices and correspondence of Tenant shall be sent to the addresses set forth below or to such other substituted addresses as Tenant may from time to time designate by notice to Landlord:

Carnation Company
Carnation Building
800 North Brand Boulevard
Glendale, California 91203
Attention: Legal Department

copy to:

Lillick McHose & Charles
725 South Figueroa Street, Suite 1100
Los Angeles, California 90017-2513
Attention: Michael E. Meyer, Esq.

(e) Building Address: Carnation Building, 800 North Brand Boulevard, Glendale, California 91203—a proposed twenty (20) to twenty-five (25) story office tower and parking garage ("Building") containing approximately 500,000 rentable square feet, to be located in the City of Glendale on approximately 180,000 square feet, bounded by Brand Boulevard on the west, Monterey Road on the south, Louise Street on the east and the Verdugo Wash on the north, as more particularly defined in the Project Description attached to the Work Letter

Agreement as Attachment 2 and incorporated herein by this reference and the Site Plan attached to this Lease as Exhibit "B" and incorporated herein by this reference.

(f) Suite Number: Not applicable.

(g) Floor(s) upon which the Premises are located: The initial Premises shall consist of approximately 250,000 rentable square feet located as follows:

(i) All rentable square feet in the basement area of Building ("Basement") to be constructed by Landlord (the exact amount of Basement space to be leased by Tenant shall be determined as set forth hereinbelow);

(ii) All of the rentable square feet of the plaza level of the Building ("Plaza Level") (the exact amount of rentable square feet of the Plaza Level to be constructed by Landlord shall be determined as set forth hereinbelow; with respect to the Plaza Level of the Building, for the purpose of the computation of rentable square feet in the Plaza Level only, Rentable Square Feet shall be equal to the Usable Square Feet in the Plaza Level leased by Tenant); and

(iii) All of the rentable square feet of contiguous, full floors of the Building ("Upper Office Floors") starting at the top of the Building and continuing down until the combined square footage of the initial Premises equals approximately 250,000 rentable square feet, inclusive of the Basement, Plaza Level, and Upper Office Floors. Landlord and Tenant estimate that there will be eight (8) full Upper Office Floors in the initial Premises.

The Premises shall also include any space added pursuant to Tenant's exercise of its Hold Space Option (Section 2(a)), Expansion Options (Section 58) and First Right to Lease Option (Section 59).

The approximate amount of rentable square feet of the Basement, the approximate amount of rentable square feet of the Plaza Level, and the total number of full floors of Upper Office Floors to be leased by Tenant shall be agreed upon

by the parties, in writing, during Landlord's schematics phase and prior to Landlord's design development phase of the "Final Plans" (as defined in Section 1.2 of the Work Letter Agreement); provided, however, that the combined square footage of the initial Premises shall equal approximately 250,000 rentable square feet; provided, further, however, that Tenant may, at such time, round the 250,000 square footage figure up or down by up to 12,500 rentable square feet so that Tenant includes in its initial Premises only full Upper Office Floors in the Building, all of the rentable square footage of the Plaza Level and all of the rentable square feet in the Basement. For the purpose of computing the rentable square feet in the Basement, the BOMA standard measurement should apply.

(h) Premises: Those certain premises defined in Section 1(g) above and Section 2(a) below.

(i) Site: The parcel of real property defined in Section 2(a) below.

(j) Approximate Rentable Square Feet within Premises: 250,000.

(k) Term: "Term" shall mean twenty (20) Lease Years and Zero (0) months, as may be extended pursuant to the Options to Extend set forth in Section 57 of this Lease. The Term is projected to commence on October 1, 1990. The Term of the Lease and Tenant's obligation to pay Annual Basic Rent shall commence on the Commencement Date, as defined below, and shall terminate twenty (20) Lease Years after the Commencement Date, subject to the Options to Extend. Notwithstanding the foregoing, if Tenant accepts and occupies all or any portion of its Premises for the purpose of conducting its business operations therefrom prior to the Commencement Date, as defined below, then such space so occupied shall be deemed "substantially completed", as defined below, and Tenant's obligations to pay Annual Basic Rent and perform its other obligations under the Lease with respect to such space only shall commence on the date of occupancy of such space with the Commencement Date for the Lease to be determined in accordance with Section 1(p).

(l) Building Standard Work: All initial tenant improvements in the Premises not to exceed an average of $27.50 per rentable square foot. "Building Standard Work" is sometimes referred to as "Building Standard Improvements".

(m) Building Nonstandard Work: All initial tenant improvements in the Premises in excess of an average of $27.50 per rentable square foot. "Building Nonstandard Work" is sometimes referred to as "Building Nonstandard Improvements".

(n) Aggregate Improvements: The aggregate of the Building Standard Work and the Building Nonstandard Work. "Aggregate Improvements" is sometimes referred to as "Leasehold Improvements" and/or "Tenant Building Work".

(o) Estimated Commencement Date: October 1, 1990.

(p) Commencement Date: The Commencement Date is anticipated to be October 1, 1990. However, the actual Commencement Date shall be determined as set forth below.

Landlord and Tenant agree to cooperate to cause the Final Plans for the Building to be prepared as soon as reasonably possible and in accordance with Attachment 2 to the Work Letter Agreement. Landlord agrees to cause the Building core and shell (the "Base Building") and the other improvements to be constructed by Landlord on the Site as described on Attachment 2 (collectively, the "Project") to be completed in accordance with Attachment 2 and the schedule (as may be adjusted from time to time by the mutual agreement of the parties) set forth on Attachment 3 to the Work Letter Agreement executed concurrently with this Lease.

Landlord shall deliver to Tenant the Premises in four Packages. The Packages are as follows:

Package 1 shall consist of (i) all of the rentable square feet in the Basement (the exact amount to be determined pursuant to Section 1(g) above) and (ii) all of the rentable square feet of the Plaza Level.

Package 2 shall consist of the lowest three (3) full floors of the Upper Office Floors plus any full Floor added pursuant to the Hold Space Option exercised by Tenant pursuant to Section 2(a) below.

Package 3 shall consist of the next highest three (3) floors of the Upper Office Floors, plus or minus one (1) full floor to account for

any adjustment as set forth in Section 1(g) above.

Package 4 shall consist of the remaining floors of the Upper Office Floors, inclusive of the top floors.

Package 1 shall not be deemed to be delivered until Package 1 is in the condition described on Attachment 1 to the Work Letter Agreement.

Package 2 shall not be deemed to be delivered until the later of (a) 50 days after Package 1 was deemed to be delivered, or (b) Package 2 is in the condition described on Attachment 1 to the Work Letter Agreement.

Package 3 shall not be deemed to be delivered until the later of (a) 100 days after Package 1 was deemed delivered, or (b) 50 days after Package 2 was deemed delivered, or (c) Package 3 is in the condition described on Attachment 1 to the Work Letter Agreement.

Package 4 shall not be deemed to be delivered until the later of (a) 150 days after Package 1 was deemed delivered, or (b) 100 days after Package 2 was deemed delivered, or (c) 50 days after Package 3 was deemed delivered, or (d) Package 4 is in the condition described in Attachment 1 to the Work Letter Agreement.

The Commencement Date for the Term and Tenant's obligation to pay rent under the Lease for the Premises shall commence on the earlier of the date which is:

(i) The date Tenant commences business operation from all of the Premises. (If Tenant commences business operation from part of the Premises prior to the Commencement Date, Tenant shall pay rent for each rentable square foot from which Tenant is conducting business prior to the Commencement Date at the rate of six and eighty-five hundredths cents ($0.0685) per rentable square foot per day for the ground floor and office floors and at the rate of five and forty-eight hundredths cents ($0.0548) per rentable square foot per day for that portion of the Premises located in the basement).

(ii) The later of (a) the date which is 150 days after Package 4 is deemed delivered, which date will be extended for each day Tenant is actually delayed in obtaining a Temporary Certificate of Occupancy ("TCO") or the equivalent of a TCO for all of the Premises because of a Landlord Delay or a Force Majeure Delay, as defined below, or will be accelerated for each day Landlord is delayed in obtaining the TCO or delivering Package 4 because of a Tenant Delay, as defined below, or (b) the earlier of the date the Project is Substantially Completed and in the condition described in Attachment 2 to the Work Letter Agreement and Landlord has obtained a TCO, or its equivalent ("equivalent" shall hereinafter mean a document which will allow the Tenant to have occupancy of, and conduct its business operations from, the Building), for the Project, or the date the Project would have been Substantially Completed and in the condition described in Attachment 2 to the Work Letter Agreement, and by which date Landlord would have obtained a TCO, or its equivalent, for the Project except for Tenant's construction of its Leasehold Improvements or for Tenant Delays.

Tenant will have uninterrupted (not including minor interruptions of less than one (1) hour) reasonable access to each package of the Premises deemed delivered and to the Building, lobby and construction parking facilities (if and to the extent they exist), to construct its "Aggregate Improvements". The final 150-day period ("Final Period") following the date Package 4 is deemed delivered will be extended one day for each day Tenant is actually delayed in constructing or designing its Leasehold Improvements due to "Landlord Delays" and "Force Majeure Delays", as defined below. "Landlord Delays", for the purposes of the Lease, shall mean any actual delay in completion of the Aggregate Improvements caused in whole or in substantial part by any act or omission of Landlord in performing its obligations under the Lease. Landlord Delays shall include: (i) delays in the giving of authorizations or approvals or disapprovals by Landlord; (ii) delays caused by Landlord's giving Tenant incorrect or incomplete Final Plans or by Landlord making changes to the Final Plans (other than changes requested by Tenant) which affect construction of the Aggregate Improvements in the Premises; (iii) delays due to the acts or failures to act,

whether willful, negligent or otherwise, of Landlord, its agents or contractors, only if such acts or failures to act relate to the construction of the Aggregate Improvements; (iv) delays due to the interference of Landlord, its agents or contractors with the construction of the Aggregate Improvements, or the failure or refusal to permit Tenant, its agents and contractors reasonable access to and reasonable use of the Building or any Building facilities or services (including reasonable access to loading areas and hoists) in accordance with Landlord's construction schedule, and which access and use are reasonably required for the performance of the construction of the Aggregate Improvements; or (v) delays due to failure of the Landlord to provide Tenant with a factually correct five (5) business day notice for each Package as required by Attachment 1 to the Work Letter. Such notice will be deemed correct unless and until Tenant sends Landlord a notice objecting to the condition of the Package, whereupon a Landlord Delay will be deemed to exist (if in fact the Package was not in the required condition) from the date Landlord received such notice until the date Landlord placed the Package into the required condition and delivers a factually correct two (2) business day notice that the condition complained of was remedied. Unless and until Tenant sends such notice, each Package shall be deemed to be in the condition required by Attachment 1 to the Work Letter.

"Force Majeure Delays" as used in the Lease, shall mean and refer to a period of delay or delays encountered by Landlord affecting the work of construction undertaken by Landlord, including the Project and the work described on Attachment 1, or a period of delay or delays encountered by Tenant affecting the work of construction of the Aggregate Improvements, because of delays due to: fire, earthquake, abnormal rains or other acts of God, acts of public enemy, rioting, insurrection, strikes or boycotts, shortages of labor or materials for which no reasonable substitute exists, excess time in obtaining EIR's and/or governmental permits or approvals beyond the normal time therefor, or any other cause beyond the reasonable control of Landlord and/or Tenant, as the case may be. The parties hereto agree to execute and acknowledge an Amendment No. 1 to this Lease, in the form of Exhibit "D" attached to this Lease, setting forth the date of commencement of this Lease and the termination date, but this Lease shall not be affected should either party fail or refuse to execute such Amendment. No Tenant Delay (as defined below) or Landlord Delay shall be deemed to occur unless the party claiming the delay has provided notice, in compliance with the Lease, to the other party specifying that a Landlord Delay or

Tenant Delay, as applicable, will be deemed to have occurred because of a specified action or inaction on the part of the party receiving the notice. If such action or inaction is not cured by the party receiving such notice within one (1) business day of receipt of such notice. ("Count Day"), and if such action actually caused a delay, then the delay as set forth in such notice shall be deemed to have occurred commencing as of the Count Day and continuing for the number of days the action or inaction claimed by the party in such notice actually and directly causes a delay.

"Tenant Delays" as used herein shall mean any actual delay in completion of the work required to be performed by Landlord hereunder, including, but not limited to, substantially completing the Project, delivering Package(s) in the condition described on Attachment 1 to the Work Letter Agreement, and obtaining a TCO or its equivalent for the Project, caused in whole or in substantial part by any act or omission of Tenant in performing its obligations under the Lease. Tenant Delays shall include (a) the failure by Tenant to timely provide written approval (where such approval is required and has not yet been given by Tenant) of the design of the Project within thirty (30) days after Landlord's delivery to Tenant of a written request for such approval; (b) the failure by Tenant to pay to Landlord, within thirty (30) days after invoice, for any costs for work required to be paid by Tenant, including work described in any change order to the Final Plans, which work is agreed to by Landlord and Tenant and is to be paid for by Tenant and not by Landlord; (c) the selection by Tenant of so-called "long lead time items" for inclusion in the Base Building, whether as to materials or installations, that extend beyond the construction period for the Base Building work, except for any such items which are specified in the Final Plans (however, such long lead item selection or specification shall constitute Force Majeure Delays); (d) the modification by Tenant of the Final Plans after final approval thereof; (e) delays due to the interference of Tenant, its employees, agents or contractors with the construction of the Project and Packages; or (f) delays due to the acts or failures to act, whether wilfull, negligent or otherwise, of Tenant, its agents or contractors, if such acts or failures to act relate to the construction of the Project or Packages. The parties recognize that Tenant's selection of a contractor, other than the Landlord's contractor, to construct its Aggregate Improvements and the construction of the Aggregate Improvements by Tenant simultaneously with the construction of the Building will extend the time of construction of the Building, but the

parties agree that such conduct, in and of itself, shall not constitute a Tenant Delay.

"Substantially Completed" with respect to the Project shall be deemed to have occurred when the Project has been substantially completed in accordance with Attachment 2 to the work Letter Agreement. In addition to the provisions set forth above and in Attachment 2 to the Work Letter Agreement, the Commencement Date shall not occur until Landlord shall have Substantially Completed the Project and provided clean, continuous and unobstructed access to (i) the Building and Parking and/or garage facilities sufficient to accommodate the Tenant's parking requirements (employees and visitors), (ii) all entrances to the Building, including lobby and service areas, (iii) all vertical transportation systems, and (iv) all systems and services to be furnished by Landlord necessary for Tenant's use of the Building and Parking and/or garage facilities, pursuant to the terms and conditions of the Lease and Work Letter Agreement; provided, however, that if Landlord is delayed in Substantially Completing the Project and providing such access as a result of Tenant Delays, then the Project will be deemed Substantially Completed as of the date the Project would have been substantially completed and such access would have been provided but for such Tenant Delays.

(q) Annual Basic Rent:

Years 1 through 10—$25/rentable square foot/year; $2.0833/rentable square foot/month

Years 11 through 15—$30/rentable square foot/year; $2.50/rentable square foot/month

Years 16 through 20—$35/rentable square foot/year; $2.9167/rentable square foot/month.

With respect to the portion of the Premises located in the Basement, the above-stated rates shall be reduced by twenty percent (20%).

(r) Operating Expenses Allowance: The Operating Expense Allowance shall be determined by a Base Year, which shall be the first full twelve (12) months following the Commencement Date. Operating Expenses per square foot for the Base Year shall be grossed up in accordance with generally accepted accounting practices to reflect what Operating Expenses would have been had the Building been fully leased and occupied for the entire Base Year and fully assessed for tax

purposes as a leased and occupied Building during the Base Year and crossed up to reflect all costs for service contracts entered into in connection with, and for the protection of, the Building. Real Property taxes are to be projected during the Base Year as if fully assessed utilizing the methodology of the Los Angeles County Tax Collector. After the Base Year, Operating Expenses shall be payable in an estimated amount reasonably set by the Landlord and shall be adjusted at the end of each twelve (12) month calendar period using the Base Year as determined in accordance with this section. Any overpayment or underpayment shall be reconciled at such time, or after the audit provided for in Section 6 of the Lease. The total grossed-up Operating Expenses for the Base year shall be divided by the rentable square feet in the Building, and the amount so determined shall be the Operating Expense Allowance per rentable square foot.

(s) Tenant's Percentage Share: The percentage shall be determined by dividing the rentable square feet in the Premises from time to time by the rentable square feet in the Building.

(t) Security Deposit: None.

(u) Permitted Use: General business office use and other legally permitted non-retail uses compatible with a first-class headquarters office building. Provided, however, notwithstanding the foregoing, Tenant may utilize the Plaza Level portion of the Premises for retail sales, as provided by Section 8.

(v) Broker: Cushman Realty Corporation.

(w) Landlord's Construction Representatives: Nick Sica, Telephone: (415) 986-3742, and Cameron Farrer, Telephone: (213) 688-7438.

(x) Tenant's Construction Representatives: Gilbert Jordan, Telephone: (213) 683-1190, Roger Anderson, Telephone: (213) 473-5358, and Richard R. Cheney, Telephone: (213) 930-5797.

(y) Parking: (See Section 41)—Tenant is to receive three and one-half (3.5) parking privileges per 1,000 rentable square feet leased up to 250,000 rentable square feet and three (3) parking privileges per 1,000 rentable square feet for all space leased in excess of 250,000 rentable square feet.

(z) Riders: No Riders are attached to this Lease.

(aa) Lease Year: A period of twelve (12) consecutive months, the first such period commencing on the Commencement Date and consecutive periods beginning on each consecutive anniversary thereof.

(bb) Exhibits: A through J, inclusive, which Exhibits are attached to this Lease and are incorporated herein by this reference.

Section 2. Premises and Common Areas Leased .

(a) Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, the Premises described in Section 1(g). After the actual size and location of the Premises are determined by the parties pursuant to Section 1(g) and this Section 2(a) with respect to the Hold Space, and after the Commencement Date has occurred, an Exhibit "A", setting forth the Premises, shall be added pursuant to Amendment No. 1. The Premises are located in the Building at the address designated in Section l(e) above, located on the parcel of real property (the "Site") outlined on the Site Plan attached as Exhibit "B" and incorporated herein by this reference, and improved or to be improved with the Aggregate Improvements described in the Work Letter Agreement, a copy of which is attached as Exhibit "C" and incorporated herein by this reference, said Premises being agreed, for the purposes of this Lease, to have approximately the number of rentable square feet as designated in Section 1(j) subject to adjustment pursuant to the provisions of Section 1(g) and this Section 2(a), and being situated on the floor(s) described in Section 1(g) above, including the space described as Packages 1, 2, 3 and 4 in Section 1(p).

The parties hereto agree that said letting and hiring is upon and subject to the terms, covenants and conditions herein set forth, and Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of said terms, covenants and conditions by it to be kept and performed and that this Lease is made upon the condition of such performance. Landlord covenants, as a material part of the consideration for this Lease, to keep and perform each and all of said terms, covenants and conditions for which Landlord is liable and that this Lease is made upon the condition of such performance.

Landlord represents that all rentable areas of each floor and of the entire Building will be calculated in accordance with the provisions of ANSI Z65.1-1980 (Building Owners and Managers Association) (the "BOMA Standard"), more particularly set forth in Exhibit "G" attached hereto and incorporated herein by this reference. The initial rentable area shall be determined by Landlord's measurements from the Final Plans for the Base Building at the time the Final Plans are approved by the parties and shall be subject to a one-time adjustment as set forth hereinbelow in accordance with Tenant's field check to be performed within ninety (90) days ("Measurement Period") after Landlord delivers Package 4 to Tenant pursuant to Section 1(g) above. If Tenant's field check within the Measurement Period results in a different measurement of the rentable square footage of the Building and Premises, and if Tenant and Landlord shall not agree as to the exact measurements after good faith deliberations, then such measurements shall be submitted to arbitration using the procedure set forth in Section 5 with the necessary modifications to reflect an arbitration as to the square footage. Landlord and Tenant agree to cooperate in good faith to cause the loss factor in the Building not to exceed ten percent (10%). In the event that the subsequent remeasurement of the Building or the Premises resulting from Tenant's field check within the Measurement Period, as finally agreed upon by Landlord and Tenant or as determined after arbitration, indicates that the square footage measurement prepared by Landlord produces a square footage number in excess of the square footage number which would have resulted had the BOMA Standard been properly utilized, any payments due to Landlord from Tenant based upon the amount of square feet contained in the Premises or Building shall be proportionately and prospectively reduced or increased, to reflect the actual number of square feet, as properly remeasured under the BOMA Standard. If such remeasurement produces a square footage number greater or less than the square footage number which would have resulted had the BOMA Standard been properly utilized, any payments due from Tenant to Landlord based upon the amount of square feet contained in the Premises or Building shall be proportionately, retroactively and prospectively increased or decreased to reflect the actual number of square feet, as properly remeasured under the BOMA Standard.

Tenant shall have the option ("Hold Space Option") by notice to Landlord given prior to October 1, 1989 to add one or two full floors contiguous to the portion of the Premises located on the upper floors of the Building ("Hold Space") on the same terms and conditions, including, Annual Basic Rent, as

set forth herein, subject only to such Hold Space being added to Package 2.

(b) Tenant shall have the nonexclusive right to use in common with other tenants in the Building and subject to the Rules and Regulations referred to in Section 31 below, the following areas ("Common Areas") appurtenant to the Premises:

(i) The common entrances, lobbies, restrooms, elevators, stairways and accessways, loading docks, ramps, drives and platforms, and any passageways and serviceways thereto, and the common pipes, conduits, wires and appurtenant equipment serving the Premises;

(ii) Parking areas (subject to the provisions of Section 41 hereinbelow), loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways and landscaped areas appurtenant to the Building.

(c) Landlord reserves the right from time to time without unreasonable interference with Tenant's use, with prior written notice from Landlord to Tenant and upon receipt of consent from Tenant, which consent shall not be unreasonably withheld or delayed:

(i) To install, use, maintain, repair and replace pipes, ducts, conduits, wires and appurtenant meters and equipment for service to other parts of the Building above the ceiling surfaces, below the floor surfaces, within the walls and in the central core areas, and to relocate any pipes, ducts, conduits, wires, and appurtenant meters and equipment included in the Premises which are located in the Premises or located elsewhere outside the Premises, and to expand the Building;

(ii) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas and walkways and, subject to Section 41, parking spaces and parking areas, so long as such change to the Common Area does not adversely affect or adversely limit the amount of usable square footage in the Premises or adversely affect Tenant's use of the Premises;

(iii) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(iv) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Building, or any portion thereof;

(v) To do and perform such other acts and make such other changes in, to or with respect to the Site, Common Areas and Building as Landlord may, in the exercise of sound business judgment, deem to be appropriate.

Provided, however, no notice need be sent or consent be obtained where an emergency exists which could create a danger to the safety of people and/or property, or if the action by the Landlord is of a diminimus nature.

Section 3. Term. The term of this Lease shall be for the period designated in Section 1(k) commencing on the Commencement Date, and ending on the expiration of such period, unless the term hereby demised shall be sooner terminated as hereinafter provided or extended by exercise of the renewal option. The Commencement Date and the date upon which the term of this Lease shall end shall be determined in accordance with the provisions of Section 1(p).

Section 4. Possession. Landlord agrees to use commercially reasonable efforts to commence construction of the Building on or before September 1, 1988. If on or before March 31, 1989, any of the requirements of Section 10. 2(e) of the Limited Partnership Agreement of Eight Hundred North Brand Boulevard, a California Limited Partnership, dated as of December 22, 1987, shall not have been satisfied, then either party may terminate this Lease by written notice to the other party at any time after such date, provided such party also terminates said Partnership Agreement, with neither party thereafter having liability to the other except as provided in said Partnership Agreement or in the following sentence. If Landlord has not commenced construction of the Building by March 31, 1989, Tenant may terminate this Lease, upon ten (10) days' written notice to Landlord, with neither party having any liability to the other, except that if such failure to commence construction resulted solely from the failure of Landlord to utilize commercially reasonable best efforts, Tenant shall have the right to recover from Landlord damages as provided by law exclusive of, and excluding, consequential damages. In the

event Landlord has not delivered possession of Packages 1 through 4 to Tenant in the condition described in Attachment 1 to the Work Letter Agreement by that date (the "Liquidated Damages Date") which is the later of (a) July 1, 1991, or (b) twenty-seven (27) months after Landlord has commenced construction of the Project, then Tenant shall be entitled to receive Two Hundred Thousand Dollars ($200,000) for each month after the Liquidated Damages Date that possession of Packages 1 through 4 are not delivered to Tenant in such condition, with the parties agreeing that such sum shall constitute the full, agreed liquidated damages for such late delivery. For the purposes of this Section 4 only, any damages required to be paid shall be paid by LPC. All dates set forth in this Section 4 shall be extended for Force Majeure Delays and Tenant Delays, except that the March 31, 1989, date for purposes of commencing construction, shall only be extended for Tenant Delays (for the purposes of this Section 4 only, the term "Tenant Delays" shall also include delays caused by Carnation Company as a limited partner of the Eight Hundred North Brand Boulevard limited partnership). The damages of Two Hundred Thousand Dollars ($200,000) per month constitute liquidated damages which the Landlord and Tenant agree to accept as fair, reasonable and stipulated damages and as the damages presumed to be sustained from the failure to complete on a timely basis. The parties understand and agree that because of the nature of the situation, it would be impractical or extremely difficult to fix the actual damages. Based on their own evaluation, and based on the advice of their respective lawyers, the parties acknowledge that damages of Two Hundred Thousand Dollars ($200,000) per month is a reasonable estimate of the actual damages that would likely be suffered by Tenant.

Section 5. Annual Basic Rent.

(a) Payment of Rent. Tenant agrees to pay Landlord as Annual Basic Rent for the Premises the Annual Basic Rent designated in Section l(q) (subject to adjustment as hereinafter provided) in twelve (12) equal monthly installments, ("Monthly Basic Rent") each in advance on the first day of each and every calendar month during said term. In the event the term of this Lease commences or ends on a day other than the first day of a calendar month, then the rental for such periods shall be prorated in the proportion that the number of days this Lease is in effect during such periods bears to thirty (30), and such rental shall be paid at the commencement of such periods. In addition to said Annual Basic Rent, Tenant agrees to pay the amount of the rental adjustments as and when hereinafter provided in this Lease. Said Annual

Basic Rent, additional rent, and rental adjustments shall be paid to Landlord, without any prior demand therefor and without any deduction or offset whatsoever, except as otherwise specifically provided in this Lease, in lawful money of the United States of America, which shall be legal tender at the time of payment, at the address of Landlord designated in Section 1(b) or to such other person or at such other place as Landlord may from time to time designate in writing. Further, all charges to be paid by Tenant hereunder, including, without limitation, payments for real property taxes, insurance, repairs, and parking shall be considered additional rent for the purposes of this Lease, and the word "rent" in this Lease shall include such additional rent unless the context specifically states or clearly implies that only the Annual Basic Rent is referenced.

(b) Rent Increases and Determinations. The Annual Basic Rent shall be adjusted on the tenth and fifteenth anniversaries of the Commencement Date to the amounts set forth in Section 1(q) and on the date which is the first date of each renewal term, if any of the Options to Extend set forth in Section 57 are exercised. Annual Basic Rent for any Expansion Space, if any of the Options to Expand set forth in Section 58 are exercised, shall be determined as set forth in this Section 5. The Annual Basic Rent for Option Space and during the renewal terms shall be the Fair Market Rental Rate for the portion (or if appropriate, all) of the Premises which is subject to the expansion or renewal options. The term "Fair Market Rental Rate" for the purposes of this Lease, shall mean the annual amount per rentable square foot that Landlord has accepted in current transactions in the Building, or, if there are not a sufficient number of current comparable transactions in the Building, then what a willing, comparable, new non-renewal, non-equity tenant would pay, and a willing, comparable landlord of a comparable office building in the vicinity of the Building would accept, at arm's length, giving appropriate consideration to the annual rental rate per rentable square foot, escalation (including type, base year and stop) and abatement provisions reflecting free rent and/or no rent during the period of construction, length of the lease term, size and location of premises being leased, building standard work letter and/or tenant improvement allowances, if any, the age, quality and layout of the improvements and the extent to which they can be utilized by Carnation Company or its successor occupant (but, with respect to the renewals, ignoring the fact that Carnation Company or its successor occupant is the renewal Tenant and can use the space "as is", but taking into account the value of the age, quality and

layout of the space to a prospective different tenant who would use the space), and other generally applicable conditions of tenancy for any single floor for the space in question so that this Tenant will obtain the same rent and other benefits that Landlord would otherwise give to any comparable prospective tenant. If, for example, after applying the criteria set forth above, comparable leases provide a new tenant with comparable space at Forty Dollars ($40) per rentable square foot, with a Ten Dollar ($10) base amount (stop), one (1) month at no rent to construct improvements, four (4) months' free rent, Fifty Dollars ($50) per usable square foot tenant improvement allowance, a lease takeover obligation worth $10, 000 and certain other generally applicable economic terms, the Fair Market Rental Rate for Tenant shall not be Forty Dollars ($40) per rentable square foot only, but shall be the equivalent of Forty Dollars ($40) per rentable square foot, a Ten Dollar ($10) base amount (stop), one (1) month at no rent to construct improvements, or in 1ieu of constructing improvements, one (1) month of additional free rent, four (4) months' free rent, Fifty Dollars ($50) per usable square foot tenant improvement allowance or rent credit in lieu of such allowance, to the extent construction is not undertaken, $10,000 cash payment in lieu of a lease takeover (however, if a lease takeover is a benefit to the Landlord rather than a detriment, the amount of such benefit shall be credited to Landlord for the purpose of computing the Fair Market Rental Rate) and such other generally applicable economic terms (provided, however, no reduction or increase in rent shall be granted for the presence or absence of a brokerage commission). The arbitrators shall not consider the value of the sign identity and rights of control to Tenant. With respect to renewals, Landlord may give Tenant additional rent credits rather than out-of-pocket cash payments for an improvement allowance or lease takeover. Landlord shall determine the Fair Market Rental Rate by using its good faith judgment. Landlord shall use its best efforts to provide written notice of such amount within thirty (30) days (but in no event later than sixty (60) days) after Tenant provides the notice to Landlord requiring the calculation of Fair Market Rental Rate. Tenant shall have fifteen (15) days (the "Tenant's Review Period") after receipt of Landlord's notice of the new rental within which to accept such rental or to reasonably object thereto in writing. In the event Tenant objects, Landlord and Tenant shall attempt to agree upon such Fair Market Rental Rate, using their best good faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Tenant's Review Period (the "Outside Agreement Date"), then each party's determination shall be submitted to arbitration in accordance with subparagraphs (i)

through (viii) below. Failure of Tenant to so elect in writing within such period shall conclusively be deemed its approval of the new rental determined by Landlord. In the event that Landlord fails to timely generate the initial written notice of Landlord's opinion of the Fair Market Rental Rate which triggers the negotiation period of this paragraph, then Tenant may commence such negotiations by providing the initial notice, in which event Landlord shall have fifteen (15) days ("Landlord's Review Period") after receipt of Tenant's notice of the new rental within which to accept such rental or to reasonably object thereto in writing. In the event Landlord so objects, Landlord and Tenant shall attempt in good faith to agree upon such Fair Market Rental Rate, using their best good faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Landlord's Review Period (which shall be, in such event, the "Outside Agreement Date" in lieu of the above definition of such date), then each party's determination shall be submitted to arbitration in accordance with subparagraphs (i) through (viii) below. Failure of Landlord to so elect in writing within such period shall conclusively be deemed its approval of the new rental determined by Tenant.

(i) Landlord and Tenant shall each appoint one arbitrator who shall by profession be a real estate professional who shall have been active over the five (5) year period ending on the date of such appointment in the leasing of commercial high-rise properties in the Los Angeles area. [INTENTIONALLY DELETED] Each such arbitrator shall be appointed within fifteen (15) days after the Outside Agreement Date.

(ii) The two arbitrators so appointed shall, within fifteen (15) days of the date of the appointment of the last appointed arbitrator, agree upon and appoint a third arbitrator who shall be a real estate professional, who shall be qualified under the same criteria set forth in subparagraph (i) for qualification of the initial two arbitrators.

(iii) The three arbitrators shall, within thirty (30) days of the appointment of the third arbitrator,

reach a decision as to Fair Market Rental Rate, and shall notify Landlord and Tenant thereof.

(iv) The decision of the majority of the three arbitrators shall be binding upon Landlord and Tenant.

(v) If either Landlord or Tenant fails to appoint an arbitrator within fifteen (15) days after the Outside Agreement Date, the arbitrator appointed by one of them shall reach a decision, notify Landlord and Tenant thereof, and such arbitrator's decision shall be binding upon Landlord and Tenant.

(vi) If the two arbitrators fail to agree upon and appoint a third arbitrator, then the appointment of the third arbitrator shall be dismissed, and the matter to be decided shall be forthwith submitted to formal arbitration under the provisions of the American Arbitration Association, but subject to the instructions set forth in this Paragraph.

(vii) The cost of arbitration shall be paid by Landlord and Tenant equally.

(viii) Any formal arbitration conducted pursuant to subparagraph 5(b)(vi) above shall be in accordance with the Commercial Rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrators may be entered in any court having jurisdiction thereof.

Section 6. Rental Adjustment.

(a) For the purposes of this Section 6(a), the following terms are defined as follows:

(i) Tenant's Percentage Share: Tenant's Percentage Share shall mean that portion of the total rentable area of the Building occupied by Tenant as set forth as a percentage in Section 1(s) above.

(ii) Operating Expenses Allowance: Operating Expenses Allowance shall mean that portion of Tenant's Percentage Share of the Operating Expenses which Landlord has included in the Annual Basic Rent and which amount is set forth in Section 1(r) above.

(iii) Operating Expenses: Operating Expenses shall consist of all direct costs of operation and maintenance of the Building, the Common Areas and the Site as determined by standard accounting practices, calculated assuming the Building is fully occupied, including the following costs by way of illustration, but not limitation: real property taxes and assessments and any taxes or assessments hereafter imposed in lieu thereof; rent taxes, gross receipt taxes (whether assessed against Landlord or assessed against Tenant and collected by Landlord, or both); water and sewer charges; the net cost and expense of insurance for which Landlord is responsible hereunder or which Landlord or any first mortgagee with a lien affecting the Premises reasonably deems necessary in connection with the operation of the Building; utilities; janitorial services; security; labor; parking expenses, utilities surcharges, or any other costs levied, assessed or imposed by, or at the direction of, or resulting from statutes or regulations or interpretations thereof, promulgated by any federal, state, regional, municipal or local government authority in connection with the use or occupancy of the Building or the Premises or the parking facilities serving the Building or the Premises; the cost (amortized over such reasonable period as Landlord shall determine together with interest at the maximum rate allowed by law on the unamortized balance) of (a) any capital improvements made to the Building by Landlord after the first year of the Term of the Lease that reduce other Operating Expenses, or made to the Building by Landlord after the date of the Lease that are required under any governmental law or regulation that was not applicable to the Building at the time it was constructed, or (b) replacement of any Building equipment needed to operate the Building at the same quality levels as prior to the replacement; costs incurred in the management of the Building, if any (including supplies, wages and salaries of employees used in the management, operation and maintenance of the Building, and payroll taxes and similar governmental charges with respect thereto); Building management office rental, if said office is located in the Building; a management fee (subject to the provisions of Section 61); air-conditioning; waste disposal; heating; ventilating; elevator maintenance; supplies;

materials; equipment; tools; repair and maintenance of the structural portions of the Building, including the plumbing, heating, ventilating, air-conditioning and electrical systems installed or furnished by Landlord and maintenance, costs and upkeep of all parking and common areas; rental of personal property used in maintenance; costs and expenses of gardening and landscaping; maintenance of signs (other than Tenant's signs); personal property taxes levied on or attributable to personal property used in connection with the entire Building, including the Common Areas; reasonable audit or verification fees; and costs and expenses of repairs, resurfacing, repairing, maintenance, painting, lighting, cleaning, refuse removal, security and similar items, including appropriate reserves. Operating Expenses shall not include depreciation on the Building or equipment therein, Landlord's executive salaries, real estate brokers' or leasing agents' commissions and other costs related to leasing the Building; interest expense on Building financing; amortization of cost of tenant improvements in the Building; ground rent; income and franchise taxes; dividends; and attorneys' fees and expenses which are not related to the operation of the Building.

As used herein, the term "real property taxes" shall include any form of 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, agricultural, lighting, drainage or other improvement or special assessment district thereof, as against any legal or equitable interest of Landlord in the Premises, including, but not limited to, the following:

(A) any tax on Landlord's "right" to rent or "right" to other income from the Premises or as against Landlord's business of leasing the Premises;

(B) 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 estate 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 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. It is the intention of Tenant and Landlord that all such new and increased assessments, taxes, fees, levies and charges be included within the definition of "real property taxes" for the purposes of this Lease;

(C) any 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 or excise tax levied by the state, 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 by Tenant of the Premises, or any portion thereof;

(D) 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;

(E) any assessment, tax, fee, levy or charge by any governmental agency related to any transportation plan, fund or system instituted within the geographic area of which the Building is a part; or

(F) reasonable legal and other professional fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce real property taxes.

Notwithstanding any provision of this Section 6(a) expressed or implied to the contrary, "real property taxes" shall not include Landlord's federal or state income, franchise, inheritance or estate taxes.

Notwithstanding anything to the contrary in the definition of Operating Expenses, Operating Expenses shall not include the following:

(i) Any ground lease rental;

(ii) Capital expenditures required by Landlord's failure to comply with laws enacted on or before the date the Building's temporary certificate of occupancy, or the equivalent, is validly issued;

(iii) Costs incurred for capital improvements in excess of Ten Thousand Dollars ($10,000.00) per year made to reduce Operating Expenses above the amount reasonably anticipated to be saved as the result of such capital improvements;

(iv) Costs incurred by Landlord for the repair of damage to the Building, to the extent that Landlord is reimbursed by insurance proceeds;

(v) Costs, including permit, license and inspection costs, incurred with respect to the installation of tenant improvements made for tenants in the Building or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for Tenant or other occupants of the Building;

(vi) Depreciation and amortization, except as provided herein, and except with respect to materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party, where such depreciation and amortization would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied, and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life;

(vii) Leasing commissions, attorneys' fees, and other costs and expenses incurred in connection with negotiations or disputes with present or prospective tenants or other occupants of the Building;

(viii) Except as provided to the contrary in (iii) above, costs incurred by Landlord for alterations which are considered capital improvements and replacements under generally accepted accounting principles, consistently applied;

(ix) Except as provided to the contrary in (iii) above, costs of a capital nature, including, without limitation, capital improvements, capital repairs, capital equipment and capital tools, all as determined in accordance with generally accepted accounting principles, consistently applied;

(x) Expenses in connection with services or other benefits which are not offered to Tenant, or for which Tenant is charged directly, but which are not provided to another tenant or occupant of the Building;

(xi) Costs incurred by Landlord due to the violation by Landlord or any other tenants of the Building of the terms and conditions of any lease of space in the Building;

(xii) Overhead and profit increments paid to Landlord or to subsidiaries or affiliates of Landlord for services in the Building to the extent the same exceed the cost of such services rendered by unaffiliated third parties on a competitive basis;

(xiii) Interest, principal, points and fees on debt or amortization on any mortgage or mortgages or any other debt instrument encumbering the Building or the Project;

(xiv) Landlord's general corporate overhead and general administrative expenses;

(xv) Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord or in the parking garage of the Building;

(xvi) Except as provided to the contrary in (iii) above, rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature, except equipment not affixed to the Building which is used in providing janitorial or similar services;

(xvii) All items and services for which Tenant or any other tenant of the Building reimburses Landlord (other than through the pass-through of Operating Expenses) and which Landlord provides selectively to

one or more tenants (other than Tenant) without reimbursement;

(xviii) Advertising and promotional expenditures, and costs of purchase and installation of signs in or on the Building (except for the Building directory) identifying the owner of the Building or any tenant of the Building;

(xix) Electric power costs for which any tenant directly contracts with the local public service company;

(xx) Labor costs (direct and indirect) incurred in connection with any operation of the retail, restaurant and garage operations in the Building;

(xxi) Costs incurred in connection with upgrading the Building to comply with handicapped, life, fire and safety codes in effect prior to the date the TCO or its equivalent was issued;

(xxii) Tax penalties incurred as a result of Landlord's negligence or inability or unwillingness to make payments when due;

(xxiii) All assessments which are not specifically charged to Tenant because of what Tenant has done, which can be paid by Landlord in installments, shall be paid by Landlord in the maximum number of installments permitted by law and charged as Operating Expenses only in the year in which the assessment installment is actually paid;

(xxiv) Any increase of, or reassessment in, real property taxes and assessments resulting from a sale or other change in ownership of the Building or Project during the first three (3) years of the Term of the Lease, except in the event Tenant causes the sale or change of ownership, then such increase shall be included in the definition of Operating Expenses;

(xxv) To the extent that Tenant is taxed separately for, or pays for the taxes on, Building Nonstandard Work, taxes on Building Nonstandard Work with respect to Tenant's Premises and the premises of all other tenants;

(xxvi) Any other expenses (the value of which have not been addressed by the foregoing exceptions) which, in accordance with generally accepted accounting practices, consistently applied, would not normally be treated as an Operating Expense by landlords of comparable first-class institutional quality office buildings.

(a) If at any time starting with the first year following the expiration of the Base Year ("First Year"), if and only if, Landlord determines that Tenant's Percentage Share of Operating Expenses for the First Year, as estimated by Landlord, will exceed the Operating Expenses Allowance (as set forth in Section 1(r) hereof), Landlord shall deliver to Tenant an estimate of Tenant's Percentage Share of Operating Expenses, and Tenant shall pay to Landlord, within ten (10) days of the delivery of such estimate, the difference between such estimate and the Operating Expenses Allowance for the portion of the First Year which has then expired, and Tenant shall pay during the balance of the First Year through February of the succeeding calendar year a fraction of the balance of such excess Operating Expenses as would fully amortize such excess over the remaining months of the first calendar year through and including February of the succeeding calendar year. By the first day of March of each succeeding calendar year during the Term of this Lease, Landlord shall endeavor to deliver to Tenant a statement ("Estimate Statement") wherein Landlord shall estimate the Operating Expenses for the current calendar year, and the amount by which Tenant's Percentage Share of the Operating Expenses on account of the operation or maintenance of the Building is in excess of the Operating Expenses Allowance. Provided, however, if Landlord determines that Tenant's Percentage Share of the Operating Expenses for such current calendar year is greater than that set forth in the Estimate Statement, then Landlord may deliver on the first day of June, September, or December, as appropriate, a revised Estimate Statement, and Tenant shall pay to Landlord, within ten (10) days of the delivery of such revised Estimate Statement, the difference between such revised Estimate Statement and the original Estimate Statement for the portion of the current calendar year which has then expired, and Tenant shall pay during the balance of such current calendar year through February of the succeeding calendar year a fraction of the balance of such difference as would fully amortize such excess over the remaining months of the then current calendar year through and including February of the succeeding calendar year. If Tenant's Percentage Share of the Operating Expenses estimated in the Estimate Statement exceeds the Operating

Expenses Allowance, then such excess amount shall be divided into twelve (12) equal monthly installments, and Tenant shall pay to Landlord, concurrently with the regular monthly rent payment next due following the receipt of such statement, an amount equal to one (1) monthly installment multiplied by the number of months from January in the calendar year in which said statement is submitted to the month of such payment, both months inclusive. Subsequent installments shall be paid concurrently with the regular monthly rent payments for the balance of the calendar year and shall continue until the next calendar year's Estimate Statement is rendered. By the first day of March of each succeeding calendar year during the Term of this Lease, Landlord shall endeavor to deliver to Tenant a statement ("Actual Statement") wherein Landlord shall state the actual Operating Expenses for the preceding calendar year. If the Actual Statement reveals a greater increase in Tenant's Percentage Share of Operating Expenses than was estimated by Landlord in the Estimated Statement delivered as provided herein, then upon receipt of the Actual Statement from Landlord, Tenant shall pay a lump sum equal to said total increase over the Operating Expenses Allowance, less the total of the monthly installments of increases set forth on the Estimate Statement which were paid in the previous calendar year. If, in any calendar year, Tenant's Percentage Share of Operating Expenses is less than the amount paid by Tenant pursuant to Landlord's Estimate Statement for such preceding calendar year, then upon receipt of Landlord's Actual Statement, any overpayment made by Tenant on the monthly installment basis provided above shall be credited toward the next monthly rent falling due and the monthly installment of Tenant's Percentage Share of Operating Expenses to be paid pursuant to the then current Estimate Statement shall be adjusted to reflect such lower expenses for the most recent calendar year, or if this Lease has been terminated, such excess shall be credited against any amount which Tenant owes Landlord pursuant to this Lease and, to the extent all amounts which Tenant owes Landlord pursuant to this Lease have been paid, Landlord shall promptly pay such excess to Tenant. Any delay or failure by Landlord in delivering any estimate or statement pursuant to this paragraph shall not constitute a waiver of its right to require an increase in rent nor shall it relieve Tenant of its obligations pursuant to this paragraph, except that Tenant shall not be obligated to make any payments based on such estimate or statement until ten (10) days after receipt of such estimate or statement.

(b) In the event Tenant shall dispute the amount set forth in the Actual Statement described above in

Section 6(b), Tenant shall have the right not later than one (1) year following receipt of such Actual Statement to cause Landlord's books and records with respect to the preceding calendar year to be audited by a certified public accountant mutually acceptable to Landlord and Tenant. The amounts payable under Section 6(b) by Landlord to Tenant or by Tenant to Landlord, as the case may be, shall be appropriately adjusted on the basis of such audit. If such audit discloses a liability for further refund by Landlord to Tenant in excess of two percent (2%) of the payments previously made by Tenant for such calendar year, the cost of such audit shall be borne by Landlord; otherwise the cost of such audit shall be borne by Tenant. If such audit reveals that Landlord has overcharged Tenant, then within ten (10) business days after the results of such audit are made available to Landlord, Landlord shall credit Tenant against next rent due or reimburse Tenant the amount of such overcharge plus interest thereon at the rate of two percent (2%) in excess of the Reference Rate, not to exceed the maximum rate permitted by law (the "Interest Rate"). The "Reference Rate" shall mean the interest rate publicly announced from time to time by Security Pacific National Bank as its Prime Rate, and if such term is no longer utilized, the interest rate utilized by Security Pacific National Bank (or if Security Pacific National Bank ceases to exist, the largest state chartered bank in the State of California), to replace the Prime Rate. If Tenant shall not request an audit in accordance with the provisions of this Section 6(c) within one (1) year of receipt of Landlord's Actual Statement, such Actual Statement shall be conclusively binding upon Landlord and Tenant.

Notwithstanding anything set forth to the contrary in this Section 6(c), so long as Tenant remains a partner of Landlord, Tenant shall have one year after receipt of each Actual Statement in which to request an audit of such Actual Statement; however, when Tenant is no longer a partner, Tenant shall have up to three (3) years following receipt of such Actual Statement to request an audit thereof. Provided however, no such increase can be assessed against Tenant after the expiration of two (2) years following the expiration of the Lease, and if such audit shows that Tenant is entitled to a decrease, no such decrease can accrue to Tenant's benefit after the expiration of two (2) years following the expiration of the Lease.

(c) Even though the Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Percentage Share of Operating Expenses for the year

in which this Lease terminates, Tenant shall immediately pay any increase due over the estimated expenses paid, and conversely, any overpayments made in the event said expenses decrease shall be immediately rebated by Landlord to Tenant. Provided, however, no such increase or decrease can be assessed after the expiration of the two (2) year period following the expiration of the Lease.

(d) Notwithstanding anything set forth to the contrary in this Section 6, Landlord agrees that Tenant shall only have to pay its pro rata share of increases in real property taxes five (5) days prior to the date payment is due to the appropriate taxing authority, on a per tax bill basis rather than monthly, but Tenant shall be required to pay Tenant's pro rata share of increases in insurance premiums on a monthly basis, unless Landlord actually pays its insurance premiums on a less frequent basis. In the event Landlord actually pays its insurance premiums on a less frequent basis, then Tenant shall be required to pay its pro rata share of increases on such less frequent basis. With respect to real property taxes levied against Landlord which are attributable to Tenant's Leasehold Improvements, Tenant shall pay, as part of personal property taxes pursuant to Section 12 of the Lease, the taxes which are attributable to the Building Nonstandard Improvements.

Section 7. Security Deposit. Intentionally Omitted.

Section 8. Use. Tenant shall use the Premises for general office purposes and purposes incident thereto, and all other lawful non-retail uses compatible with a first-class headquarters office building, and shall not use or permit the Premises to be used for any other purpose without the prior written consent of Landlord (except that retail uses may be made of the ground floor by Carnation Company with respect to its business operations and products). In addition, retail uses may be made of the ground floor by an assignee or sublessees of Tenant provided such uses are consistent with ground floor uses permitted by other first-class institutional quality prestige office buildings in the Glendale-Pasadena area. Tenant shall not use or occupy the Premises in violation of any recorded covenants, conditions and restrictions affecting the Site or of any law or of the Certificate of Occupancy, or TCO or its equivalent, issued for the Building of which the Premises are a part, and shall, upon five (5) days' written notice from Landlord, discontinue any use of the Premises which is declared by any governmental

authority having jurisdiction to be a violation of any recorded covenants, conditions and restrictions affecting the Site or of any law or of said Certificate of Occupancy, or TCO or its equivalent. Tenant shall not interfere with radio or television broadcasting or reception from or in the Building or elsewhere. Tenant shall comply with any direction of any governmental authority having jurisdiction which shall, by reason of the nature of Tenant's use or occupancy of the Premises, impose any duty upon Tenant or Landlord with respect to the Premises or with respect to the use or occupation thereof. Tenant shall not do or permit to be done anything which will invalidate the cost of any fire, extended coverage or any other insurance policy covering the Building and/or property located therein and shall comply with all rules, orders, regulations and requirements of the Pacific Fire Rating Bureau or any other organization performing a similar function. Tenant shall promptly within ten (10) days after demand reimburse Landlord as additional rent for any additional premium charged for such policy by reason of Tenant's failure to comply with the provisions of this Section 8, or if Tenant's use does not invalidate, but instead increases the cost of, the insurance, Tenant shall pay for such increased cost. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building, or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises and shall keep the Premises in first class repair and appearance. Tenant shall not place a load upon the Premises exceeding the average pounds of live load per square foot of floor area ("Excess Load") specified for the Building by Landlord's architect or engineer, with the partitions to be considered a 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. Tenant's business machines and mechanical equipment which cause vibration or noise that may be transmitted to the Building structure or to any other space in the Building shall be so installed, maintained and used by Tenant as to eliminate such vibration or noise. Tenant shall be responsible for the cost of all structural engineering required to determine Excess Load.

Section 9. Payments and Notices. All rents and other sums payable by Tenant to Landlord hereunder shall be

paid to Landlord at the address designated by Landlord in Section 1(b) above or at such other places as Landlord may hereafter designate in writing. Any notice required or permitted to be given hereunder must be in writing and may be given by personal delivery by a nationally or locally recognized overnight or same-day delivery service or by mail, and if given by mail shall be deemed sufficiently given if sent by registered or certified mail addressed to Tenant at the Building of which the Premises are a part, or to Landlord at both of the addresses designated in Section 1(b). Either party may by written notice to the other specify a different address for notice purposes except that Landlord may in any event use the Premises as Tenant's address for notice purposes. If more than one person or entity constitutes the "Tenant" under this Lease, service of any notice upon any one of said persons or entities shall be deemed as service upon all of said persons or entities.

Section 10. Brokers. The parties recognize that the brokers who negotiated this Lease are the brokers whose names are stated in Section 1(v), and agree that Landlord shall be solely responsible for the payment of brokerage commissions to said brokers, and that Tenant shall have no responsibility therefor. As part of the consideration for Landlord's entering into this Lease, Tenant represents and warrants to Landlord that to Tenant's knowledge no other broker, agent or finder negotiated or was instrumental in negotiating or consummating this Lease and that Tenant knows of no other real estate broker, agent or finder who is, or might be, entitled to a commission or compensation in connection with this Lease based on a claim that they represent Tenant. Any broker, agent or finder of Tenant whom Tenant has failed to disclose herein shall be paid by Tenant. Tenant shall hold Landlord harmless from all damages and indemnify Landlord for all said damages paid or incurred by Landlord resulting from any claims that may be asserted against Landlord by any broker, agent or finder undisclosed by Tenant herein. As part of the consideration for Tenant's entering into this Lease, Landlord warrants and represents to Tenant that, to Landlord's knowledge, no other broker, agent or finder negotiated or was instrumental in negotiating or consummating this Lease and that Landlord knows of no other real estate broker, agent or finder who is, or might be, entitled to a commission or compensation in connection with this Lease, based on a claim that they represent LPC, or an affiliate of same, and, if such representation is not accurate with respect only to claims that such broker represents LPC, any such commission shall be paid by LPC. Under such circumstances, Landlord agrees to use its best efforts to cause LPC to pay such commission.

Section 11. Holding Over. If Tenant holds over after the expiration or earlier termination of the Term hereof without the express written consent of Landlord, Tenant shall become a tenant at sufference only, at a rental rate equal to the higher of the Annual Basic Rent which would be applicable to the Premises upon the date of such expiration (subject to adjustment as provided in Section 6 hereof and prorated on a daily basis), or the amount per rentable square foot, without deduction for economic concessions, being quoted in a final offer by Landlord to prospective tenants for comparable space in the Building, and otherwise subject to the terms, covenants and conditions herein specified, so far as applicable. Acceptance by Landlord of rent after such expiration or earlier termination shall not constitute a holdover hereunder or result in a renewal. The foregoing provisions of this Section 11 are in addition to and do not affect Landlord's right of re-entry or any rights of Landlord hereunder or as otherwise provided by law. If Tenant fails to surrender the Premises upon the expiration of this Lease, despite demand to do so by Landlord, 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.

Section 12. Taxes on Tenant's Property.

(a) Tenant shall pay at least ten (10) days before delinquency, taxes levied against any personal property or trade fixtures placed by, or on behalf of, Tenant in or about the Premises and that portion of the Aggregate Improvements that constitute Building Nonstandard Improvements (which shall, for the purposes of this paragraph, include Tenant's Changes). If any such taxes on Tenant's personal property or trade fixtures or Building Nonstandard Improvements are levied against Landlord or Landlord's property, or if the assessed value of the Premises is increased by the inclusion therein of a value placed upon such personal property, trade fixtures of Tenant, or such Building Nonstandard Improvements, and, if Landlord, after written notice to Tenant, pays the taxes based upon such increased assessments, which Landlord shall have the right to do regardless of the validity thereof, but only under proper protest if requested by Tenant, Tenant shall upon demand repay to Landlord the taxes levied against Landlord, or the proportion of such taxes resulting from such increase in the assessment; provided that, in any such event, at Tenant's sole cost and expense, Tenant shall have the right, in the name of Landlord and with Landlord's full cooperation, to bring suit in any court of competent jurisdiction to recover

the amount of any such taxes so paid under protest, and any amount so recovered shall belong to Tenant.

(b) The real property taxes and assessments levied against Landlord which are attributable to Tenant's Building Nonstandard Improvements shall be deemed to be taxes levied against personal property of Tenant and shall be governed by the provisions of Section 12(a) above. If the records of the County Assessor are available and sufficiently detailed to serve as a basis for determining the taxes attributable to Building Nonstandard Work, such records shall be binding on both Landlord and Tenant. If the records of the County Assessor are not available or sufficiently detailed to serve as a basis for making said determination, the actual cost of construction of the Building Nonstandard Work shall be used.

(c) Nothing herein shall be construed to require Tenant to be double-charged for such taxes, directly or indirectly, and to the extent any of such taxes are charged to Tenant as part of Operating Expenses, Tenant shall not have to pay such taxes pursuant to this provision.

Section 13. Condition of Premises. Provided that no material adverse effect occurs with respect to Tenant's use of the Premises, Tenant's execution of the Lease shall constitute a specific acknowledgment and acceptance of the various start-up inconveniences that may be associated with the use of the Building Common Areas such as certain construction obstacles including scaffolding, delays in the use of freight elevator service, certain elevators not being available to Tenant, the passage of work crews using elevators, uneven air-conditioning service and other typical conditions incident to recently constructed office buildings. Further, Tenant's execution of the Lease shall constitute an acknowledgment, in light of the practical impossibility of ensuring that every floor slab has been installed with absolutely no deflection, that all wood floor coverings, wood paneling, and similar interior Aggregate Improvements have been and/or will be designed to accommodate the actual floor slab deflection unique to each particular area of the Premises to be so improved.

Section 14. Alterations.

(a) Tenant may, at any time and from time to time during the Term of this Lease, at its sole cost and expense, make alterations, additions, installations, substitutions, improvements and decorations (hereinafter collectively called "Changes") in and to the Premises,

excluding structural changes, on the following conditions, and providing such Changes will not result in a violation of or require a change in the Certificate of Occupancy or TCO applicable to the Premises:

(i) the outside appearance, character or use of the Building shall not be affected, and no Changes shall weaken or impair the structural strength or, in the reasonable opinion of Landlord, lessen the value of the Building or create the potential for unusual expenses to be incurred upon the removal of Changes and the restoration of the Premises upon the termination of this Lease; provided, however, no matter pertaining to signage shall be subject to Landlord's approval, although Tenant agrees to consult with Landlord regarding the sign;

(ii) no part of the Building outside of the Premises shall be physically affected;

(iii) the proper functioning of any of the mechanical, electrical, sanitary and other service systems or installations of the Building ("Service Facilities") shall not be adversely affected and there shall be no construction which might interfere with Landlord's free access to the Service Facilities or interfere with the moving of Landlord's equipment to or from the enclosures containing the Service Facilities;

(iv) in performing the work involved in making such Changes, Tenant shall be bound by and observe all of the conditions and covenants contained in this paragraph;

(v) all work shall be done at such times and in such manner as Landlord from time to time may designate;

(vi) Tenant shall not be permitted to install and make part of the Premises any materials, fixtures or articles which are subject to liens, conditional sales contracts or chattel mortgages;

(vii) If Landlord provides notice to Tenant at the time of such installation, at the date upon which the term of this Lease shall end, or the date

of any earlier termination of this Lease, Tenant shall on Landlord's written request restore the Premises to their condition prior to the making of any Changes permitted by this paragraph, reasonable wear and tear excepted.

(b) Before proceeding with any Change (exclusive of changes to items constituting Tenant's personal property), Tenant shall submit to Landlord plans and specifications for the work to be done, which shall require Landlord's written approval. Landlord shall then prepare or cause to be prepared, at Tenant's expense, mechanical, electrical and plumbing drawings and may confer with consultants in connection with the preparation of such drawings and may also submit to such consultant(s) any of the plans prepared by Tenant. If Landlord or such consultant(s) shall disapprove of any of the Tenant's plans, Tenant shall be advised of the reasons for such disapproval. In any event, Tenant agrees to pay to Landlord, as additional rent, the cost of such consultation and review immediately upon receipt of invoices either from Landlord or such consultant(s). Any Change for which approval has been received shall be performed strictly in accordance with the approved plans and specifications, and no amendments or additions to such plans and specifications shall be made without the prior written consent of Landlord.

(c) If the proposed Change requires approval by or notice to the lessor of a superior lease or the holder of a mortgage, and Tenant has received notification that such approval is required, no Change shall be proceeded with until such approval has been received, or such notice has been given, as the case may be, and all applicable conditions and provisions of said superior lease or mortgage with respect to the proposed Change or alteration have been met or complied with at Tenant's expense; and Landlord, if it approves the Change, will request such approval or give such notice, as the case may be. Provided, however, the criteria for approval by the lessor of a superior lease or the holder of a mortgage cannot be materially more stringent with respect to the Tenant than the approval rights of Landlord.

(d) After Landlord's written approval has been sent to Tenant and the approval by or notice to the lessor of a superior lease or the holder of a superior mortgage has been received or given, as the case may be, Tenant shall enter into an agreement for the performance of the work to be done pursuant to this paragraph with a contractor or contractors

selected by Tenant and approved by Landlord. All costs and expenses incurred in Changes shall be timely paid by Tenant. Tenant's contractors shall obtain on behalf of Tenant and at Tenant's sole cost and expense all necessary governmental permits and certificates for the commencement and prosecution of Tenant's Changes and for final approval thereof upon completion. In the event Tenant shall request any changes in the work to be performed after the submission of the plans referred to in this Section 14, such additional changes shall be subject to the same approvals and notices as the changes initially submitted by Tenant.

(e) Intentionally Omitted.

(f) All Changes and the performance thereof shall at all times comply with (i) all laws, rules, orders, ordinances, directions, regulations and requirements of all governmental authorities, agencies, offices, departments, bureaus and boards having jurisdiction thereof, (ii) all rules, orders, directions, regulations and requirements of the Pacific Fire Rating Bureau, or of any similar insurance body or bodies, and (iii) all rules and regulations of Landlord, and Tenant shall cause Changes to be performed in compliance therewith and in a good and first class workmanlike manner, using materials and equipment at least equal in quality and class to the original installations of the Building. Changes shall be performed in such manner as not to interfere with the occupancy of any other tenant in the Building nor delay, or impose any additional expense upon Landlord in construction, maintenance or operation of the Building, and shall be performed by contractors or mechanics approved by Landlord pursuant to this paragraph, who shall coordinate their work in cooperation with any other work being performed with respect to the Building. Throughout the performance of Changes, Tenant, at its expense, shall carry, or cause to be carried, worker's compensation insurance in statutory limits, and general liability insurance for any occurrence in or about the Building, of which Landlord and its managing agent shall be named as parties insured, in such limits as Landlord may reasonably prescribe, with insurers reasonably satisfactory to Landlord, all in compliance with Section 21(b). Provided, however, nothing herein or in this Lease shall preclude Tenant from having deductibles on all such policies that Tenant has for comparable insurance carried in connection with its operations or from carrying insurance with companies with which Tenant normally and regularly places its insurance with respect to its other operations, including its affiliated companies.

(g) Tenant further covenants and agrees that any mechanic's lien filed against the Premises or against the Building for work claimed to have been done for, or materials claimed to have been furnished to, Tenant, will be discharged by Tenant, by bond or otherwise, within ten (10) days after the filing thereof, at the cost and expense of Tenant. All alterations, decorations, additions or improvements upon the Premises, made by either party, including (without limiting the generality of the foregoing) all wallcovering, built-in cabinet work, paneling and the like, shall, unless Landlord elects otherwise at the time of installation, become the property of Landlord, and shall remain upon, and be surrendered with, the Premises, as a part thereof, at the end of the Term hereof, except that Landlord may, by written notice to Tenant given at least thirty (30) days prior to the end of the Term, require Tenant to remove all partitions, counters, railings and the like installed by Tenant, and Tenant shall repair any damage to the Premises arising from such removal or, at Landlord's option, shall pay to Landlord all of Landlord's actual documented and reasonable costs of such removal and repair.

(h) All articles of personal property and all business and trade fixtures, machinery and equipment, furniture and movable partitions owned by Tenant or installed by Tenant at its expense in the Premises shall be and remain the property of Tenant and may be removed by Tenant at any time during the Lease Term, provided Tenant is not in default hereunder, and provided further that Tenant shall repair any damage caused by such removal. If Tenant shall fail to remove all of its effects from said Premises upon termination of this Lease for any cause whatsoever, Landlord may, after five (5) days' notice to Tenant, at its option, remove the same in any manner that Landlord shall choose, and store said effects without liability to Tenant for loss thereof, and Tenant agrees to pay Landlord on demand any and all expenses incurred in such removal, including court costs and attorneys' fees and storage charges on such effects for any length of time that the same shall be in Landlord's possession, or Landlord may, at its option, without notice, sell said effects, or any of the same, at private sale and without legal process, for such price as Landlord may obtain and apply the proceeds of such sale upon any amounts due under this Lease from Tenant to Landlord and upon the expense incident to the removal and sale of said effects.

(i) Subject to Landlord's agreement to minimize any disturbance of Tenant's use of the Premises, Landlord reserves the right at any time, and from time to time, without

the same constituting an actual or constructive eviction, and without incurring any liability to Tenant therefor or otherwise affecting Tenant's obligations under this Lease, to make such changes, alterations, additions, improvements, repairs or replacements in or to the Site or the Building (including the Premises if required to do so by any law or regulation) and the fixtures and equipment thereof, as well as in or to the street entrances, halls, passages and stairways thereof, as Landlord may deem necessary or desirable. Nothing contained in this Section 14 shall be deemed to relieve Tenant of any duty, obligation or liability of Tenant with respect to making any repair, replacement or improvement or complying with any law, order or requirement of any government or other authority, and nothing contained in this Section 14 shall be deemed or construed to impose upon Landlord any obligation, responsibility or liability whatsoever, for the care, supervision or repair of the Building, or any part thereof, other than as otherwise provided in this Lease. The provisions of this Section 14 regarding approval rights of Landlord or any superior mortgage holder or lessor shall not be applicable to Tenant's sign rights.

Section 15. Repairs.

(a) Except as provided specifically to the contrary in this Lease, Tenant shall, when and if needed or whenever requested by Landlord to do so, at Tenant's sole cost and expense, maintain and make all repairs to the Premises and every part thereof, to keep, maintain and preserve the Premises in first-class condition, excepting ordinary wear and tear. Any such maintenance shall be performed by such contractors selected by Tenant and approved by Landlord. Tenant shall upon the expiration or sooner termination of the Term hereof surrender the Premises to Landlord in the same condition as when received, reasonable wear and tear excepted. The phrase "same condition" shall mean the condition of the Premises when Tenant commenced business operations, rather than the condition described in Attachment 1 to the Work Letter Agreement. Landlord shall have no obligation to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof, and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Premises or the Building except as specifically herein set forth.

(b) Anything contained in Section 15(a) above to the contrary notwithstanding, Landlord shall repair and maintain the structural portions of the Building, including the

basic plumbing, heating, ventilating, air conditioning and electrical systems installed or furnished by Landlord, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault, or omission of any duty by Tenant, its agents, servants, employees or invitees, in which case, Tenant shall pay to Landlord as additional rent the reasonable cost of such maintenance and repairs, unless and to the extent Landlord is entitled to receive the proceeds from insurance carried as part of Operating Expenses. Landlord shall not be liable for any failure to make any such repairs, or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Section 22 hereof and in item G of the General Conditions, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Building or the Premises or in or to fixtures, appurtenances and equipment therein. Except as provided in Section 15(c) to the contrary, Tenant waives the right to make repairs at Landlord's expense under any law, statute or ordinance now or hereafter in effect. Notwithstanding anything to the contrary contained in Sections (a) and (b) of this Section 15, Tenant shall maintain and repair at its sole cost and expense, and with maintenance contractors approved by Landlord, all non-base Building facilities, including lavatory, shower, toilet, washbasin and kitchen facilities and heating and air-conditioning systems, including all plumbing connected to said facilities or systems installed by Tenant or on behalf of Tenant or existing in the Premises at the time of delivery of possession of the Premises to Tenant by Landlord. The provisions of the immediately preceding sentence shall not apply to the basic heating and air-conditioning system provided by Landlord to all tenants of the Building.

(c) Notwithstanding any provision set forth in Section 15(b) to the contrary, if Tenant provides written notice to Landlord of an event or circumstance which requires the action of Landlord with respect to repair and/or maintenance, and Landlord fails to provide such action within a reasonable period of time, given the circumstances, after the receipt of such written notice, but in no event earlier than twenty-one (21) days after receipt of such written notice, then Tenant may proceed to take the required action upon delivery of an additional written notice to Landlord specifying Tenant is taking such required action, and if such action was required under the terms of this Lease to be taken by Landlord, then

Tenant shall be entitled to prompt reimbursement by Landlord of Tenant's reasonable costs and expenses in taking such action plus interest thereon at the Interest Rate (as defined in Section 6(c) above). In the event Tenant takes such action, and such work will affect the Building's life safety system, heating, ventilating and air conditioning systems or elevator systems, Tenant shall use only those contractors used by Landlord in the Building for work on such systems. Further, if Landlord does not deliver a detailed written objection to Tenant within thirty (30) days after receipt of an invoice by Tenant of its costs of taking action which Tenant claims should have been taken by Landlord, and if such invoice from Tenant sets forth a reasonably particularized breakdown of its costs and expenses in connection with taking such action on behalf of Landlord, then Tenant shall be entitled to deduct from rental payable by Tenant under this lease, the amount set forth in such invoice. If, however, Landlord delivers to Tenant within thirty (30) days after receipt of Tenant's invoice, a written objection to the payment of such invoice, setting forth with reasonable particularity Landlord's reasons for its claim that such action did not have to be taken by Landlord pursuant to the terms of this Lease, then Tenant shall not be entitled to such deduction from rental, but as Tenant's sole remedy, Tenant may proceed to claim a default by Landlord or, if elected by either Landlord or Tenant, the matter shall proceed to resolution pursuant to Section 63.

Section 16. Liens. Tenant shall not permit any mechanic's, materialmen's or other liens to be filed against the real property of which the Premises form a part nor against the Tenant's leasehold interest in the Premises without causing such lien to be removed by bonding or otherwise within ten (10) days after filing. Landlord shall have the right at all reasonable times to post and keep posted on the Premises any notices which it deems necessary for protection from such liens. If any such liens are filed, and are not removed by bonding or otherwise within ten (10) days after filing, Landlord may, without waiving its rights and remedies based on such breach of Tenant and without releasing Tenant from any of its obligations, cause such liens to be released by any means it shall deem proper, including payment in satisfaction of the claim giving rise to such lien. Tenant shall pay to Landlord at once, upon notice by Landlord, any sum paid by Landlord to remove such liens, together with interest at the maximum rate per annum permitted by law from the date of such payment by Landlord.

Section 17. Entry by Landlord. Except as provided in Section 19 and 20 of this Lease and in item G of the General Conditions to the contrary, subject to Landlord's agreement to minimize any disturbance of Tenant's use of the Premises by exercise of the following rights, Landlord reserves and shall at any and all times have the right to enter the Premises to inspect the same, to supply janitor service and any other service to be provided by Landlord to Tenant hereunder, to submit said Premises to prospective purchasers, or, during the Last twelve (12) months of the term of this Lease, to prospective tenants, to post notices of nonresponsibility, to alter, improve or repair the Premises or any other portion of the Building, all without being deemed guilty of any eviction of Tenant and without abatement of rent, and may, in order to carry out such purposes, erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, provided that the business of Tenant shall be interfered with as little as is reasonably practicable. Tenant hereby waives any claim for damages for any injury or inconvenience or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults and safes and areas reasonably designated by Tenant as Secured Areas, and Landlord shall have the means which Landlord may deem proper to open said doors in an emergency in order to obtain entry to the Premises, and any entry to the Premises obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof, and any damages caused on account thereof shall be paid by Tenant. It is understood and agreed that no provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations except as otherwise expressly agreed herein to be performed by Landlord. Landlord shall attempt in the exercise of its rights under this Section 17 to minimize any disturbance of Tenant's use and possession of the Premises and to provide as much notice to Tenant as may be reasonably possible prior to any such exercise of Landlord's rights under this Section 17.

Section 18. Utilities and Services. Notwithstanding anything set forth in this Section 18 to the contrary, but subject to the provisions hereinbelow requiring direct payment by Tenant for after-hours and extra or excess

usage, Landlord shall provide to the Premises, as part of the Operating Expenses, the following services and utilities, consistent with the quality and quantity of such services and utilities provided in other comparable first class office buildings in the vicinity of the Building: (a) heat, ventilation, air conditioning and other cooling as required for the comfortable use and occupancy of the Premises during the Business Hours described below (however, Landlord shall provide to the Premises, upon Tenant's request and agreement to pay after-hours costs as provided hereinbelow, heat, ventilation, air conditioning and other cooling twenty-four (24) hours per day, seven (7) days per week, three hundred sixty-five (365) days per year); (b) janitorial services, five (5) days per week, as reasonably required to keep the Premises in a clean and wholesome condition, Mondays through Fridays, holidays excepted, pursuant to the Building standard cleaning specification attached to the Lease as Exhibit "H", provided Tenant shall leave the Premises in a reasonably tidy condition at the end of each business day; (c) electrical power twenty-four (24) hours per day, seven (7) days per week, three hundred sixty-five (365) days per year, for normal office purposes pursuant to the model for construction attached to the Work Letter Agreement as Attachment 2, including, but not limited to, normal fluorescent and incandescent lighting, including task and task ambient lighting systems, office equipment for the normal functioning of a business headquarters office, including, but not limited to, duplicating (reproduction) machines and kitchen equipment (some uses of which will require separate electrical consumption); (d) replacement of Building standard fluorescent tube ballasts as required from time to time as a result of normal usage; (e) Building security services (comparable to the security services provided by the other comparable office buildings in the vicinity of the Building) on site containing a system, equipment, personnel, and procedures to be more particularly set forth in Building. Standard Security Specifications to be mutually agreed upon between the parties hereto prior to the Commencement Date and thereafter attached to the Lease as Exhibit "I", which specifications shall require that, if requested by Tenant, Landlord provide one or more security guards physically present as reasonably necessary at the Building twenty-four (24) hours per day, seven (7) days per week, three hundred sixty-five (365) days per year, and upon request, such security guards shall escort occupants or visitors of the Building to their vehicles in the garage of the Building (Tenant, at its sole cost and expense, shall be permitted to install its own security system for the Premises, provided such system is compatible and coordinated with the Building's security

system); and (f) window washing services as set forth on Exhibit "H". The parties shall agree upon the security specifications in subparagraph (e) above which shall include the standards set forth herein and shall otherwise be comparable to the security specifications utilized by other comparable office buildings. If the parties are unable to agree upon the security specifications, such specifications shall be determined by an arbitrator selected pursuant to the rules of the American Arbitration Association. Notwithstanding the foregoing, the cost of Tenant's after-hours HVAC shall not be included as part of the Operating Expenses, but shall be paid by Tenant as set forth hereinbelow. In addition, the costs of security guards to provide escort service shall not be included as part of the Operating Expenses in the Base Year, and shall be included as part of the Operating Expenses, to the extent actually incurred, in years subsequent to the Base Year. Provided, however, that with respect to the food service center, technical service center and cafeteria, if Tenant utilizes Utilities and Services in excess of the Utilities and Services required for office space use, Tenant shall pay for the cost of such extra or excess use of Utilities and/or Services.

Landlord, in accordance with Attachment 2 to the Work Letter Agreement, shall provide (i) an air-handler on every floor of Tenant's Premises, (ii) capacity in the form of a sufficient amount of chillers and air ducts, but not the systems for, separate twenty-four (24) hour air conditioning for Tenant's computer, word processing and telephone closet areas, if any (however, any after-hours use of HVAC shall be paid by Tenant as set forth below), and (iii) an additional five (5) ton cumulative HVAC capacity per floor. Tenant shall have the right, at its sole cost and expense, to install, maintain and repair a self-contained HVAC unit on a portion of the roof of the Building approved by Landlord, and shall have access to the roof of the Building and the core to install such HVAC unit and chilled water lines from such unit to all of the Tenant's initial and expanded Premises. Tenant shall also have access to the core of the Building to install and maintain, at Tenant's sole cost and expense, communication lines. Such access to the roof and core shall be coordinated so as to eliminate or minimize any delay in completion of the Building and shall be subject to Landlord's controls and supervision and any work performed in connection with the installation of any such HVAC unit, chilled water lines and communication lines shall be done by a contractor approved by Landlord and shall not interfere with the Building systems and any helipad and shall be subject to the requirements of Section 14 regarding

alterations. Tenant shall be liable to Landlord for any damages resulting from such access and work, and any interference caused thereby with Landlord's work of construction shall constitute a Tenant Delay. Tenant's rights under this paragraph shall not be exclusive, and Landlord may permit other tenants to have HVAC units on the portions of the roof not needed by Tenant therefor.

Landlord shall provide access to and egress from the Premises, the Common Areas of the Building and the parking garage twenty-four (24) hours per day, seven (7) days per week, three hundred sixty-five (365) days per year (after-hours access may require the use of a magnetic card or compliance with other reasonable security devices required by Landlord). In addition, Landlord shall provide the following items and services in the Building at least in the quantity and quality comparable to the comparable office buildings in the vicinity of the Building and sufficient to provide Tenant with the ability to use the Premises for normal office use: (y) domestic running water and necessary supplies in the washrooms sufficient for normal use thereof by occupants of the Building, and (z) heat, ventilation, air cooling, lighting, and electrical power in those areas of the Building from time to time as designated by Landlord for use during the Business Hours by Tenant and in common with all tenants and other persons of the Building but under the exclusive control of Landlord.

The business hours of the Building shall be 7:30 A.M. to 6:30 P. M., Monday through Friday, and 8:00 A. M. through 1:00 P.M., Saturdays, with New Year's Day, Washington's Birthday, Memorial Day, July 4th, Labor Day, Thanksgiving Day, Christmas Day and any other day mutually agreed to by Landlord and Tenant excepted ("Business Hours").

Except as provided above, Tenant shall not be charged for excess usage during Business Hours until the total consumption during Business Hours exceeds the amount set forth in Attachment 2 to the Work Letter Agreement to be attached to the Lease. In the event that Tenant requires utilities, HVAC and/or services in excess of normal office usage during Business Hours or at any time after Business Hours (except Tenant will not be charged for after-hours, non-excess, use of water or electricity, except to the extent same are necessary to provide after-hours (HVAC), Landlord agrees to provide such extra utilities and services and Tenant agrees to reimburse to Landlord its actual costs of providing such extra service and/or utilities, without a profit to Landlord. In such event,

Landlord shall have the right (to the extent Landlord or any affiliate of LPC regularly exercises such rights under similar circumstances in similar buildings owned or controlled by Landlord or one of its affiliates) to separately meter Tenant's Premises or portions thereof at Tenant's expense in order to monitor excess electrical consumption . Normal power availability shall not be in violation of Title 24 of the California Administrative Code and other applicable codes and statutes. Landlord and Tenant hereby agree that wattage standard for determining overuse by Tenant will be equal to five (5) watts per rentable square foot per year.

Following the Base Year, notwithstanding anything to the contrary set forth in this Section 18, Tenant shall have the right to designate and change the type of security system and the janitorial service employed by Landlord for the Building.

Tenant specifically undertakes to install and maintain at Tenant's cost such fire protection equipment, including, without limitation, emergency lighting, as required by any governmental authority or insurer, and, if so required, Tenant shall appoint one of Tenant's personnel to coordinate with the fire protection facilities and personnel of Landlord. Any incandescent light bulbs used in the Premises shall be paid for by Tenant; upon Tenant's request, Tenant's personnel shall install incandescent light bulbs or other Building Nonstandard bulbs in the Premises; Tenant agrees to pay Landlord upon demand Landlord's actual cost for all such incandescent light bulbs installed or other Building Nonstandard Improvements.

Section 19. Indemnification. Because Tenant is required to maintain insurance covering its property and activities within the Premises, and because of the probable existence of waiver of subrogation set forth in Section 21(f), except for claims covered by insurance obtained by Landlord as part of Operating Expenses, to the fullest extent permitted by law, Tenant hereby agrees to defend, indemnify and hold Landlord harmless against and from any and all claims arising from Tenant's use of the Premises or the conduct of its business or from any activity, work, or thing done, permitted or suffered by Tenant, its agents, contractors, employees or invitees in or about the Premises, but including the roof to the extent the roof of the Building is affected by any antennae or HVAC unit installed by Tenant on the roof of the Building. To the extent such damages and claims are not covered by insurance obtained by Landlord. Tenant hereby agrees to further indemnify and hold harmless Landlord against and from any and

all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any act, neglect, fault or omission of Tenant, or of its agents, employees or invitees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in or about such claim or any action or proceeding brought thereon; and in case of any action or proceeding brought against Landlord by reason of any such claim, Tenant, upon notice from Landlord, hereby agrees to defend the same at Tenant's expense by counsel approved in writing by Landlord. Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property in, upon or about the Premises from any cause whatsoever, except that which is caused by the failure of Landlord to observe any of the terms and conditions of this Lease, where such failure has persisted for an unreasonable period of time after written notice of such failure, and Tenant hereby waives all its claims in respect thereof against Landlord. Notwithstanding Sections 19 and 20 of this Lease, because Landlord is required to maintain insurance on the Building, and because of the probable existence of waiver of subrogation set forth in Section 21(f), Tenant shall not be required to defend, save harmless and indemnify Landlord from any liability for injury, loss, accident or damage (collectively, "Damages") to any person resulting from Landlord's negligent acts or omissions or willful misconduct or that of its agents, contractors, servants, employees or licensees, in connection with Landlord's activities on or about the Premises, unless such Damages are covered by insurance obtained by Tenant. Whereupon Landlord hereby indemnifies and agrees to hold Tenant harmless from and against Landlord's negligence or willful misconduct or that of its agents, contractors, servants, employees or licensees in connection with Landlord's activities outside the Premises, but otherwise within the Project. Such exclusion from Tenant's indemnity and such agreement by Landlord to so indemnify and hold Tenant harmless are not intended to and shall not relieve any insurance carrier of its obligations under policies required to be carried by Tenant and Landlord pursuant to the provisions of this Lease to the extent that such policies cover (or, if such policies would have been carried as required, would have covered) the result of negligent acts or omissions or willful misconduct of Landlord or Tenant or those of its agents, contractors, servants, employees or licensees; provided, however, the provisions of this sentence shall in no way be construed to imply the availability of any double or duplicate coverage following the primary liability of such carriers or of such implied carriers. Landlord's and Tenant's indemnification

obligations hereunder may or may not be coverable by insurance, but the failure of either Landlord or Tenant to carry insurance covering the indemnification obligation shall not be considered a default under this Lease. In addition, Tenant shall not be liable for any consequential damages to Landlord, and Landlord shall not be liable for any consequential damages to Tenant.

Section 20. Damage to Tenant's Property. Notwithstanding the provisions of Section 19 to the contrary, Landlord or its agents shall not be liable for any damage to property entrusted to employees of the Building, nor for loss of or damage to any property by theft or otherwise, nor for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak from any part of the Building or from the pipes, appliances or plumbing works therein or from the roof, street or sub-surface or from any other place or resulting from dampness, or any other patent or latent cause whatsoever, except to the extent such damage is both covered by insurance carried by Landlord as part of Operating Expenses and is not covered by insurance carried by Tenant. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building or of defects therein or in the fixtures or equipment located therein.

Section 21. Insurance.

(a) During the term hereof, Tenant, at its sole expense, subject to the qualifications set forth in Section 14(f) as to deductibles and companies, shall obtain and keep in force the following insurance:

(i) All Risk insurance upon property of every description and kind owned by Tenant and located in the Building or for which Tenant is legally liable or installed by or on behalf of Tenant, including, without limitation, fittings, installations, fixtures and any other personal property, Aggregate Improvements (other than "Building Standard Work" as described in Section 1(1) hereof), and alterations, in an amount not less than ninety percent (90%) of the full replacement cost thereof. All such insurance policies shall name Tenant and Landlord as named insureds thereunder, and, at Landlord's request, shall name Landlord's mortgagees (and, if applicable, ground or primary lessors) as loss payees thereunder, all as their respective interests may appear. Landlord will not

be required to carry insurance of any kind on any "Building Nonstandard Work", as described in Section 1(m) hereof, on Tenant's furniture or furnishings, or on any of Tenant's fixtures, equipment, improvements, alterations or appurtenances under this Lease; and Landlord shall not be obligated to repair any damage thereto or replace the same.

(ii) Comprehensive general liability insurance coverage (including auto), including personal injury, bodily injury, broad form property damage, owner's protective coverage, contractual liability, and products and completed operations liability, in limits not less than $5,000,000 inclusive. All such insurance policies shall name Tenant as a named insured thereunder and shall name Landlord and Landlord's mortgagees (and, if applicable, ground or primary lessors of Landlord) as additional insureds thereunder, all as their respective interests may appear.

(iii) Worker's Compensation and Employer's Liability insurance as required by law.

(iv) Loss of income and extra expense insurance for which Tenant may self-insure in such amounts as will reimburse Tenant for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent tenants or attributable to prevention of access to the Premises or to the Building as a result of such perils.

(v) Intentionally Omitted.

(vi) Any other form or forms of insurance as Tenant, Landlord, or Landlord's mortgagees or ground or primary lessors may reasonably require from time to time in form, in amounts and for insurance risks against which a prudent tenant of a comparable size and in a comparable business would protect itself.

(b) All policies shall be issued by insurers that are acceptable to Landlord and in form satisfactory from time to time to Landlord. Tenant will deliver certificates of insurance on the Landlord's standard form (or, if required by the mortgagees of Landlord, or any ground or primary lessors, certified copies of each such insurance Policy) to Landlord as

soon as practicable after the placing of the required insurance, but not later than the date Tenant takes possession of all or any part of the Premises. All policies shall contain an undertaking by the insurers to notify Landlord and Landlord's mortgagees (and, if applicable, ground or primary Lessors) in writing, by registered or certified U.S. Mail, return receipt requested, not less than thirty (30) days before any material change, reduction in coverage, cancellation, or other termination thereof.

(c) During the term hereof, Landlord, as part of the Operating Expenses, and with companies and in such amounts (including deductibles) as are carried by prudent Landlords of comparable buildings, shall obtain and keep in force the following insurance and such other insurance as Tenant may reasonably designate:

(i) All Risk insurance and fire and extended coverage insurance, earthquake insurance (to the extent reasonably available) and, whenever any construction is taking place, builders' risk insurance, upon the Project (except for the Building Nonstandard Work, alterations and personal property of Tenant and any tenant improvements, personal property and alterations of other tenants) in an amount not less than one hundred percent (100%) of the full replacement cost thereof. All such insurance policies shall name Tenant and Landlord as named insureds thereunder, and, at Landlord's request, shall name Landlord's mortgagees (and, if applicable, ground or primary lessors) as loss payees thereunder, all as their respective interests may appear. Notwithstanding the foregoing, Landlord will not be required to carry insurance of any kind on any "Building Nonstandard Work", as described in Section 1(m) hereof, on Tenant's or other tenants' furniture or furnishings, or on any of Tenant's fixtures, equipment, improvements, alterations, or appurtenances under this Lease or other tenants' leases; and Landlord shall not be obligated to repair any damage thereto or replace the same.

(ii) Comprehensive general liability insurance coverage (including auto), including personal injury, bodily injury, public liability, broad form property damage, owner's protective coverage, contractual liability, and products and completed operations liability, in limits of

liability (including umbrella coverage) not less than $25,000,000, inclusive. All such insurance policies shall name Landlord as a named insured thereunder and shall name Tenant, Landlord and Landlord's mortgagees (and, if applicable, ground or primary lessors of Landlord) as additional insureds thereunder, all as their respective interests may appear.

(iii) Worker's Compensation and Employer's Liability insurance as required by law in an amount not less than $500,000.

(iv) Rent Continuation insurance in commercially reasonable amounts.

(v) Fidelity insurance in an amount not less than $5,000,000 to protect against losses due to employee dishonesty, theft by a property manager or any other third parties and mysterious disappearances.

(vi) Any other form or forms of insurance as Tenant, Landlord, or Landlord's mortgagees or ground or primary lessors may reasonably require from time to time.

All policies shall be issued by insurers that are reasonably acceptable to Tenant and in form reasonably satisfactory from time to time to Tenant. Landlord will deliver certificates of insurance on the Landlord's standard form (or, if required by the mortgagees of Landlord, or any ground or primary lessors, certified copies of each such insurance Policy) to Tenant as soon as practicable after the placing of the required insurance. Notwithstanding any contribution by Tenant to the cost of insurance premiums, as provided herein, or Tenant being named an additional insured. Tenant acknowledges that it has no right to receive any proceeds from any insurance policies carried by Landlord, except to the extent proceeds remain after the repairs have been completed, which remaining amount shall be credited to reduce Operating Expenses.

(d) Tenant will not keep, use, sell, or offer for sale in or upon the Premises, any article which may be prohibited by any insurance policy periodically in force covering the Building and Building Standard Work. If Tenant's occupancy or business in or on the Premises, whether or not Landlord has consented to the same, results in any increase in premiums for the insurance periodically carried by Landlord

with respect to the Building or the Building Standard Work, Tenant shall pay any such increase in premiums as additional rent within ten (10) days after being billed therefor by Landlord. In determining whether increased premiums are a result of Tenant's use of the Premises, a schedule issued by the organization computing the insurance rate on the Building or the Leasehold Improvements showing the various components of such rate shall be presumptive evidence of the several items and charges which make up such rate. Tenant shall promptly comply with all reasonable requirements of the insurance authority or any present or future insurer relating to the Premises.

(e) All such policies shall contain a provision that they shall not be materially changed or cancelled without at least ten (10) days prior notice to Tenant.

(f) All policies covering real or personal property which either party obtains hereunder shall include a clause or endorsement denying the insurer any rights of subrogation against the other party to the extent rights have been waived by the insured before the occurrence of injury or loss, if same are obtainable without unreasonable cost, Landlord and Tenant waive any rights of recovery against the other for injury or loss due to hazards covered by policies of insurance containing such a waiver of subrogation clause or endorsement to the extent of the injury or loss covered thereby. Landlord and Tenant agree to notify the other in the event that either is not able to obtain the required waiver of subrogation.

(g) Neither party shall because of Section 19 become an insurer within the meaning of the California Insurance Code nor shall they become liable under the terms of California Insurance Code Section 790.03. Further, to the extent that either party fails to maintain the insurance required under this Lease which such party is obligated to carry, such failure shall automatically be deemed to result in self-insurance of such insurance requirements and, without implying a waiver of any remedies reserved by either party for such failure, such self-insurance shall be treated for purposes of this paragraph in the same manner as the insurance policies would have been treated had such policies been carried as provided above, with full waiver of subrogation as applicable.

Section 22. Damage or Destruction.

(a) In the event the Building is damaged by fire or other perils, and if the damage thereto is such that the Building can be repaired, reconstructed or restored within a period of one (1) year from the date of the happening of such casualty, which one (1) year period will be extended for Force Majeure occurrences ("Reconstruction Period"), Landlord shall commence and proceed diligently with the work or repair, reconstruction and restoration and the Lease shall continue in full force and effect; provided, however, the costs for such reconstruction and restoration work shall be paid by the parties pursuant to Section 22(f) below, and Landlord's obligation to perform such work hereunder is conditioned upon receipt of any payment required to be made by Tenant pursuant to said Section 22(f). If such work or repair, reconstruction and restoration is such as to require a period longer than the Reconstruction Period, Landlord either may elect to so repair, reconstruct or restore the Building and the Lease shall continue in full force and effect, or Landlord may elect not to repair, reconstruct or restore the Building and the Lease shall, in such event, terminate. Under any of the conditions of this Section 22(a), Landlord shall give written notice to Tenant of its intentions within thirty (30) days from the date of such event of damage or destruction. In the event Landlord elects not to restore the Building, this Lease shall be deemed to have terminated as of the date of such partial destruction. Notwithstanding anything to the contrary contained in this Section 22(a), if all or any part of the Premises or Building is damaged or destroyed, and Tenant, as a result, cannot be given reasonable use of, and reasonable access to, a substantially repaired and restored Premises, Building Common Areas and the utilities and services pertaining to the Building and the Premises, within the Reconstruction Period (as may be extended by delays due to Tenant's failure to pay any costs thereof as required pursuant to Section 22(f) below), Tenant may terminate this Lease upon written notice to Landlord, given at any time within thirty (30) days following such damage or destruction.

(b) Upon any termination of this Lease under any of the provisions of this Section 22, the parties shall be released thereby without further obligation to the other from the date possession of the Premises is surrendered to Landlord, except for items which have theretofore accrued and are then unpaid.

(c) In the event of repair, reconstruction and restoration by Landlord as herein provided, the rent provided to be paid under this Lease shall be abated as provided in item G of the General Conditions. Tenant shall not be entitled to any compensation or damages for loss in the use of the whole or any part of the Premises and/or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

(d) Tenant shall not be released from any of its obligations under this Lease except to the extent and upon the conditions expressly stated in this Section 22.

(e) Intentionally Omitted.

(f) It is hereby understood that if Landlord is obligated to or elects to repair or restore as herein provided, Landlord shall make repairs to the Building and the Premises excluding alterations and personal property of Tenant) at Landlord's cost, without contribution from Tenant (except that as long as the Carnation Company, or its successors, are a limited partner of Landlord and as long as LPC or its affiliate is the Building Manager, Landlord's cost shall be deemed to be the sole cost of LPC); provided, however, that notwithstanding any of the above to the contrary, (i) Tenant shall be solely responsible for the costs of the Building Non-Standard Work and its alterations and personal property, and (ii) if Landlord carried the insurance required of Landlord hereunder and if insurance proceeds received by Landlord are insufficient to cover the entire cost of the repair and restoration to the Building and Building Standard Work, Tenant shall pay to Landlord on a timely basis fifty percent (50%) of the shortfall.

(g) Notwithstanding anything to the contrary contained in this Section 22, Landlord shall not have any obligations whatsoever to repair, reconstruct or restore the Premises when the damage resulting from any casualty covered under this Section 22 occurs during the last twelve (12) months of the term of this Lease or any extension hereof.

(h) The provisions of California Civil Code § 1932, Section 2, and § 1933, Section 4, are hereby waived by Tenant, as Tenant's rights are governed by this Section 22.

Section 23. Eminent Domain.

(a) In case the whole of the Premises, or such part thereof as shall substantially interfere with Tenant's use and occupancy thereof, shall be taken for any public or quasi-public purpose by any lawful power or authority by excercise of the right of appropriation, condemnation or eminent domain, or sold to prevent such taking, either party shall have the right to terminate this Lease effective as of the date possession is required to be surrendered to said authority. Tenant shall not assert any claim against Landlord for any compensation because of such taking, and Landlord shall be entitled to receive the entire amount of any award without deduction for any estate or interest of Tenant; provided, however, that notwithstanding the foregoing, Tenant is granted the right to recover from the condemning authority, or from Landlord to the extent such award was received by Landlord, any award or compensation attributable to (i) the taking or purchase of Tenant's Leasehold Estate (but only during the initial Term), (ii) Tenant's personal property, chattels, or trade fixtures and (iii) Tenant's relocation expenses. In the event the amount of property or the type of estate taken shall not substantially interfere with the conduct of Tenant's business, Landlord shall be entitled to the entire amount of the award without deduction for any estate or interest of Tenant, however, Tenant may recover from the condemning authority any award or compensation attributable to the items set forth in the immediately preceding sentence. Landlord shall promptly proceed to restore the Premises to substantially their same condition prior to such partial taking, and a proportionate allowance shall be made to Tenant for the rent corresponding to the time during which, and to the part of the Premises of which, Tenant shall be so deprived on account of such taking and restoration. Nothing contained in this Section 23 shall be deemed to give Landlord any interest in any award separately made to Tenant for the taking of personal property and trade fixtures belonging to Tenant or for moving costs incurred by Tenant in relocating Tenant's business.

(b) In the event of taking of the Premises or any part thereof for temporary use (i) this Lease shall be and remain unaffected thereby and rent shall abate as provided in Item G of the General Conditions, and (ii) Tenant shall be entitled to receive for itself such portion or portions of any award made for such use with respect to the period of the taking which is within the term, provided that if such taking shall remain in force at the operation or earlier termination of this Lease, Tenant shall then pay to Landlord a sum equal to

the reasonable cost of performing Tenant's obligations under Section 15 with respect to surrender of the Premises and upon such payment shall be excused from such obligations. For purposes of this Section 23(b), a temporary taking shall be defined as a taking for a period of two hundred seventy (270) days or less.

Section 24. Bankruptcy. Intentionally Omitted.

Section 25. Defaults and Remedies.

(a) The occurrence of any one or more of the following events shall constitute a default hereunder by Tenant:

(i) The abandonment of the Premises by Tenant. Abandonment is herein defined to include, but is not limited to, any absence by Tenant from the Premises for five (5) days or longer while in default.

(ii) The failure by Tenant to make any payment of rent or additional rent or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of ten (10) days after written notice thereof from Landlord to Tenant; provided, however, that any such notice shall be in addition to, and not in lieu of, any notice required under California Code of Civil Procedure § 1161.

(iii) The failure by Tenant to observe or perform any of the express or implied covenants or provisions of this Lease to be observed or performed by Tenant, other than as specified in Section 25(a) (i) or (ii) above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that any such notice shall be in addition to, and not in lieu of, any notice required under California Code of Civil Procedure § 1161; provided, further, that if the nature of Tenant's default is such that more than thirty (30) 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 thirty-day period and thereafter diligently prosecute such cure to completion.

(iv) Intentionally Omitted.

(b) In the event of any such default by Tenant, in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder. In the event that Landlord shall elect to so terminate this Lease then Landlord may recover from Tenant:

(i) the worth at the time of award of any unpaid rent which had 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 term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus

(iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform his obligations under this Lease or which in the ordinary course of things would be likely to result therefrom.

As used in Sections 25(b)(i) and (ii) above, the "worth at the time of award" is computed by allowing interest at the maximum rate permitted by law per annum. As used in Section 25(b)(iii) above, the "worth at the time of award" is 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%).

(c) In the event of any such default by Tenant, Landlord shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant for such period of time as may be required by applicable law, after which time Landlord may dispose of such property in accordance with applicable law. No re-entry or taking possession of the Premises by Landlord

pursuant to this Section 25(c) shall be construed as an election to terminate this Lease, unless a written notice of such intention is given to Tenant, or unless the termination thereof be decreed by a court of competent jurisdiction.

(d) All rights, options and remedies of Landlord contained in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in this Lease. No waiver of any default of Tenant hereunder shall be implied from any exceptance by Landlord of any rent or other payments due hereunder, or any omission by Landlord to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect defaults other than as specified in said waiver. The consent or approval of Landlord to or of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent similar acts by Tenant. No waiver of any default of Landlord hereunder shall be implied from any payments made by Tenant of any rents or other payments due hereunder or by any omission of Tenant to take any action on account of such default. If such default persists or is repeated, no express waiver shall affect defaults other than as specified in said waiver.

(e) Landlord shall not be in default in the performance of any obligation required to be performed by Landlord under this Lease, unless Landlord has failed 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, that 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 deemed in default if it commences such performance within thirty (30) days and thereafter diligently pursues the same to completion. Upon any such default by Landlord, Tenant may exercise any of its rights provided in law or at equity, subject to the limitations on liability set forth in Section 49 below.

Section 26. Assignment and Subletting. Tenant shall not voluntarily assign or encumber its interest in this Lease or in the Premises, or sublease all or any part of the Premises, or allow any other person or entity to occupy or use all or any part of the Premises, without first obtaining Landlord's prior written consent, which shall not be

unreasonably withheld. Any assignment, encumbrance or sublease without Landlord's prior written consent shall be voidable, at Landlord's election. Tenant shall have the right at any time to sublease all or any portion of the Premises upon thirty (30) days' prior notice to Landlord, together with the information described below, but without Landlord's consent or approval, to any related entity or affiliate of Tenant, whether by merger or consolidation, or any successor corporation. No consent to an assignment, encumbrance, or sublease shall constitute a further waiver of the provisions of this Section 26, nor release or relieve Tenant from any of its obligations hereunder or under this Lease. Tenant shall notify Landlord in writing of Tenant's intent to assign, encumber, or sublease this Lease, the name of the proposed assignee or sublessee, information concerning the financial responsibility of the proposed assignee or sublessee and the terms of the proposed assignment or subletting, and Landlord shall, within thirty (30) days of receipt of such written notice and any additional information requested by Landlord concerning the proposed assignee's or sublessee's financial responsibility, elect one of the following:

(a) Consent to such proposed assignment, encumbrance or sublease; or

(b) Refuse to give such consent, which refusal shall be on reasonable grounds.

Without limiting Landlord's grounds for disapproval, Landlord's disapproval shall be deemed reasonable if it is based on Landlord's analysis of (a) the proposed assignee's or sublessee's credit, character and business or professional standing, (b) whether the assignee's or sublessee's use and occupancy of the Premises will be consistent with Section 1(u) and Section 8 of this Lease and whether the assignee's or sublessee's proposed intensity of use is consistent with that shown by Tenant and/or (c) whether the proposed assignee or sublessee is a then-existing or prospective tenant of the Building. Subject to the foregoing, Tenant shall have the right at any time to assign or sublease all or any portion of the Premises to any assignee or subtenant of a type and quality suitable for a comparable first-class office building, subject to Landlord's consent, which consent shall not be unreasonably withheld, conditioned or delayed. During the initial twenty (20) year term, Tenant may retain one hundred percent (100%) of any "Profit", as defined below, derived from a permitted assignment or sublease; after the initial twenty (20) year term, any such Profits, as defined below, shall be shared

equally by Landlord and Tenant. Except as provided in Section 25 to the contrary, Landlord shall not have the ability to recapture the Premises or any portion of the Premises during the initial or any extended term of the Lease.

"Profits", as that term is used in the Lease, shall mean the gross revenue received from the assignee or sublessee during the sublease term —or during the assignment, less:

(a) The gross revenue paid to Landlord by Tenant during the period of the sublease term or during the assignment;

(b) The gross revenue paid to Landlord by Tenant for all days the portion of the Premises in question was vacated from the date that Tenant first vacated that portion of the Premises until the date the assignee or sublessee was to pay rent;

(c) Any improvement allowance or other economic concession (planning allowance, moving expenses, etc.) paid by Tenant to sublessee or assignee;

(d) Broker's commission;

(e) Attorneys' fees;

(f) Lease takeover payments; and

(g) Unamortized cost of initial and subsequent improvements to the Premises by Tenant.

Landlord agrees that upon the request of Tenant, Landlord shall provide approved subtenants subleasing a full floor or more, or assignees of Tenant previously approved by Landlord, for subleases or assignments at rental rates equal to or higher than the amount of rents paid by Tenant, with a recognition agreement from Landlord agreeing to honor the sublease or Lease (in the case of an assignment) as a direct sublease or lease with Landlord even if Tenant defaults under the Lease: provided, however, that nothing herein or in any such recognition agreement shall relieve Tenant of its obligations under this Lease. Landlord shall receive reasonable attorneys' fees for the recognition agreement and for reviewing assignments and subleases.

Section 27. Quiet Enjoyment. Landlord covenants and agrees with Tenant that upon Tenant paying the rent required under this Lease and paying all other charges and performing all of the covenants and provisions aforesaid on Tenant's part to be observed and performed under this Lease, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises in accordance with this Lease.

Section 28. Subordination. Nothing in this Section 28 shall permit this Lease to be cancelled or terminated as long as Tenant does not default pursuant to Section 25. Without the necessity of any additional document being executed by Tenant for the purpose of effecting a subordination, and at the election of Landlord or any first mortgagee with a lien on the Building or any ground lessor with respect to the Building, this Lease shall be subject and subordinate at all times to: (a) all ground leases or underlying leases which may now exist or hereafter be executed affecting the Building or the land upon which the Building is situated or both, and (b) the lien of any mortgage or deed of trust which may now exist or hereafter be executed in any amount for which the Building, land, ground leases or underlying leases, or Landlord's interest or estate in any of said items is specified as security. Notwithstanding the foregoing, Landlord shall have the right to subordinate or cause to be subordinated any such ground leases or underlying leases or any such liens to this Lease. In the event that any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, if requested by the ground lessor, mortgagee or beneficiary, as applicable, attorn to and become the Tenant of the successor in interest to Landlord, and in such event Tenant's right to possession of the Premises shall not be disturbed if Tenant is not in default and so long as Tenant shall pay the rent and all other amounts required to be paid to Landlord pursuant to the terms hereof and observe and perform all of the provisions of this Lease, unless the Lease is otherwise terminated pursuant to its terms. Tenant covenants and agrees to execute and deliver, upon demand by Landlord and in the form requested by Landlord, any additional documents evidencing the priority or subordination of this Lease with respect to any such ground leases or underlying leases or the lien of any such mortgage or deed of trust.

Section 29. Estoppel Certificate.

(a) Within fifteen (15) calendar days following any written request which Landlord may make from time to time, Tenant shall execute and deliver to Landlord a statement, in a form substantially similar to the form of Exhibit "E" attached hereto, certifying (i) the Commencement Date of this Lease; (ii) the fact that this Lease is unmodified and in full force and effect (or, if there have been modifications hereto, that this Lease is in full force and effect, as modified, and stating the date and nature of such modifications); (iii) the date to which the rental and other sums payable under this Lease have been paid; (iv) the fact that there are no current defaults under this Lease by either Landlord or Tenant, except as specified in Tenant's statement; and (v) such other matters requested by Landlord. Landlord and Tenant intend that any statement delivered pursuant to this Section 29 may be relied upon by any mortgagee, beneficiary, purchaser or prospective purchaser of the Building or any interest therein.

(b) Tenant's failure to deliver such statement within such time shall be conclusive upon Tenant (i) that this Lease is in full force and effect without modification, except as may be represented by Landlord, (ii) that there are no uncured defaults in Landlord's performance, and (iii) that not more than one (1) month's rent has been paid in advance, except as provided in Section 36 hereof.

(c) Landlord shall, at any time and from time to time, within fifteen (15) calendar days following notice by Tenant, execute, acknowledge and deliver to Tenant a statement in writing prepared by Tenant and edited by Landlord, as appropriate, certifying 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 modified and stating the modifications), the dates to which Tenant has paid rent, adjustments to rent, and other charges in advance, if any, stating whether or not to the best knowledge of Landlord, Tenant is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which Landlord may have knowledge, or containing any other information or certifications which reasonably may be requested by Tenant, any proposed assignee or sublessee of Tenant, or any proposed lender of Tenant. Any such statement, delivered pursuant to this subsection, may be relied upon by any proposed assignee or sublessee or any proposed lender of Tenant. Landlord's failure to deliver such statement within such time shall be conclusive

upon Landlord (i) that this Lease is in full force and effect without modification, except as represented by Tenant, and (ii) there are no uncured defaults in Tenant's performance.

Section 30. Building Planning. Intentionally Omitted.

Section 31. Rules and Regulations. Subject to item F of the General Conditions Section, Tenant shall faithfully observe and comply with the "Rules and Regulations", a copy of which is attached hereto and marked Exhibit "F", and all reasonable and non-discriminatory modifications thereof and additions thereto from time to time put into effect by Landlord. Landlord shall endeavor to enforce the Rules and Regulations reasonably and without discrimination. Landlord shall not be responsible to Tenant for the violation or non-performance by any other tenant or occupant of the Building of any of said Rules and Regulations.

Section 32. Conflict of Laws. This Lease shall be governed by and construed pursuant to the laws of the State of California.

Section 33. Successors and Assigns. Except as otherwise provided in this Lease, all of the covenants, conditions and provisions 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.

Section 34. Surrender of Premises. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Landlord, operate as an assignment to it of any or all subleases or subtenancies. Upon the expiration or termination of this Lease, Tenant shall peaceably surrender the Premises and all alterations and additions thereto broom-clean, in good order, repair and condition, reasonable wear and tear excepted, and shall comply with the provisions of Sections 14(g) and 14(h). The delivery of keys to any employee of Landlord or to Landlord's agent or any employee thereof shall not be sufficient to consitute a termination of this Lease or a surrender of the Premises.

Section 35. Professional Fees.

(a) In the event that Landlord should bring suit for the possession of the Premises, for the recovery of

any sum due under this Lease, or because of the breach of any provisions of this Lease, or for any other relief against Tenant hereunder, or should either party bring suit against the other with respect to matters arising from or growing out of this Lease, then all costs and expenses, including, without limitation, its actual professional fees such as appraisers', accountants' and 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.

(b) Intentionally Omitted.

Section 36. Performance by Tenant. Tenant acknowledges that the late payment by Tenant to Landlord of any sums due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such cost being extremely difficult and impractical to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any encumbrance and note secured by an encumbrance covering the Premises or the Building of which the Premises are a part. Therefore, if any monthly installment of Annual Basic Rent is not received by Landlord by the date when due, or if Tenant fails to pay any other sum of money due hereunder and such failure to pay any other sum continues for two (2) days after notice thereof by Landlord, Tenant shall pay to Landlord, as additional rent, the product of one quarter of one percent (.25%) times the overdue amount as a late charge, plus any late charges or penalties Landlord is required to pay to its Lender, without notice to Tenant, provided that Landlord has previously notified Tenant by notice of the terms and conditions pertaining to such lender-related late charges or penalties. Such overdue amount shall also bear interest, as additional rent, at the Interest Rate from the date the monthly installment of Annual Basic Rent or other sum of money is due until the date of payment to Landlord. Landlord's acceptance of any late charge or interest shall not constitute a waiver of Tenant's default with respect to the overdue amount or 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.

Section 37. Mortgagee and Senior Lessor Protection. No act or failure to act on the part of Landlord which would entitle Tenant under the terms of this Lease, or by

law, to be relieved of Tenant's obligations hereunder or to terminate this Lease, shall result in a release of such obligations or a termination of this Lease, unless (a) Tenant has given notice by registered or certified mail to any beneficiary of a deed of trust or mortgage covering the Premises and to the Lessor under any master or ground lease covering the Building, the Site or any interest therein whose identity and address shall have been furnished to Tenant, and (b) Tenant offers such beneficiary, mortgagee or lessor a reasonable opportunity to cure the default, including time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effect a cure.

Section 38. Definition of Landlord. The term "Landlord" as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner or owners, at the time in question, of the fee title to, or a lessee's interest in a ground lease of the Site or master lease of the Building. In the event of any transfer, assignment or other conveyance or transfers of any such title or interest, Landlord herein named (and in case of any subsequent transfers or conveyances, the then grantor) shall be automatically freed and relieved from and after the date of such transfer, assignment or conveyance of all liability with respect to the performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter to be performed and, without further agreement, the transferee of such title or interest shall be deemed to have assumed and agreed to observe and perform any and all obligations of Landlord hereunder, during its ownership of the Premises. Landlord may transfer its interest in the Premises without the consent of Tenant, except as provided to the contrary in that certain Eight Hundred North Brand Boulevard Limited Partnership Agreement (or any comparable partnership agreement between Landlord and Tenant) executed concurrently with this Lease, and such transfer or subsequent transfer shall not be deemed a violation on Landlord's part of any of the terms and conditions of this Lease.

Section 39. Waiver. The failure of Landlord to seek redress for violation of, or to insist upon strict performance of, any term, covenant or condition of this Lease or the Rules and Regulations attached hereto as Exhibit "F", shall not be deemed a waiver of such violation or prevent a subsequent act which would have originally constituted a violation from having all the force and effect of an original violation, nor shall the failure of Landlord to enforce any of said Rules and Regulations against any other tenant of the

Building be deemed a waiver of any such Rule or Regulation, nor shall any custom or practice which may become established between the parties in the administration of the terms hereof be deemed a waiver of, or in any way affect, the right of Landlord to insist upon the performance by Tenant in strict accordance with said terms. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. Failure of Tenant to seek redress for violation of, or to insist upon the strict performance of, any term, covenant or condition of this Lease or the Rules and Regulations attached hereto, shall not be deemed a waiver of such violation or prevent a subsequent act which would have originally constituted a violation from having all the force and effect of the original violation, nor shall any custom or practice which may become established between the parties in the administration of the terms hereof be deemed a waiver of, or in any way affect, the right of Tenant to insist upon the performance by Landlord of its obligations in strict accordance with said terms. Any payment of rents or other sums hereunder by Tenant shall not be deemed a waiver of any preceding breach by Landlord of any term, covenant or condition of this Lease, regardless of Tenant's knowledge of such preceding breach at the time of payment of such rent or other sums.

Section 40. Identification of Tenant. Intentionally Omitted.

Section 41. Parking and Transportation. Tenant shall have the option, upon thirty (30) days' prior notice to Landlord, to rent parking privileges for use by Tenant and Tenant's employees (including independent contractors who are expected to work in the Building on a regular basis), twenty-four (24) hours per day, seven (7) days per week in the parking facility adjacent to the Building at the rate of three and one-half (3.5) non-tandem parking privileges per one thousand (1,000) square feet of rentable space initially leased by Tenant. For any parking privilege leased by Tenant over 250,000 rentable square feet, Tenant shall have the option, upon the same terms and conditions as set forth above, to rent three (3) non-tandem parking privileges per one thousand (1,000) square feet of rentable space. Tenant shall have the right to specify the location of its reserved parking spaces, and the Tenant's ratio of standard size cars to compact cars shall be the same as designated by Landlord for other tenants

in the Building. Within the ratios of parking referenced above, Tenant shall be permitted one hundred (100) reserved parking privileges at a location designated by Tenant. The parking rate shall be equal to $40.00 per parking privilege per month for all parking provided to Tenant for the first five (5) years of the Term of the Lease. At the beginning of the sixth (6th) year of the Lease Term and on each anniversary thereafter, the parking rates shall be increased to the lesser of: (i) the prevailing market rental rate for parking, provided by comparable office buildings in the vicinity of the Building, or (ii) a five percent (5%) increase, cumulative annually. Other tenant's parking privileges shall not be used in Tenant's reserved parking area. At any time during the Lease Term, Tenant may decrease or increase the number of parking privileges, if Tenant gives Landlord thirty (30) days prior written notice; provided, however, that in no event shall Tenant's parking privileges exceed the ratios set forth above. Notwithstanding the foregoing limit on parking charges, the parking charges for visitors shall be at the prevailing market rates determined by Landlord from time to time; however, Landlord shall provide a validation system to Tenant which will allow Tenant to purchase validations from time to time from Landlord and then make such validations available to the clients, customers, guests and visitors of Tenant. The parking structure shall have security comparable to security provided by other first-class quality office building parking structures. Tenant shall comply with the Parking Rules and Regulations attached hereto as Exhibit "J" and incorporated herein by this reference and all reasonable modifications thereto which are promulgated from time to time by the Landlord which are not incompatible with the foregoing.

Section 42. Office and Communications Services.

(a) Landlord has advised Tenant that certain office and communications services may be offered to tenants of the Building by a concessionaire under contract to Landlord ("Provider"). Tenant shall be permitted to contract with Provider for the provision of any or all of such services on such terms and conditions as Tenant and Provider may agree. Tenant shall also be permitted to obtain office and communications services from any other reputable person or entity in the business of providing the same (herein called an "Alternate Provider"), provided that Landlord shall not be required thereby to make any alterations in or to any part of the Building or the use of any facilities or equipment of the Building, and provided further that no such services provided by an Alternate Provider, or any equipment or facilities used

or to be used in connection therewith, shall be incompatible in any respect with, or shall interfere with or otherwise impair or adversely affect, the operation, reliability or quality of the Building systems or any services, equipment or facilities used or operated by Provider or any tenant in the Building.

(b) Tenant acknowledges and agrees that: (i) Landlord has made no warranty or representation to Tenant with respect to the availability of any such services, whether provided by Provider or any Alternate Provider, or the quality, reliability or suitability thereof; (ii) neither Provider nor any Alternate Provider is acting as the agent or representative of Landlord in the provision of such services, and Landlord shall have no liability or responsibility for any failure or inadequacy of such services, or any equipment or facilities used in the furnishing thereof, or any act or omission of Provider or any Alternate Provider, or their agents, employees, representatives, officers or contractors; (iii) Landlord shall have no responsibility or liability for the installation, alteration, repair, maintenance, furnishing, operation, adjustment or removal of any such services, equipment or facilities; and (iv) any contract or other agreement between Tenant and Provider or any Alternate Provider shall be independent of this Lease, the obligations of Tenant hereunder, and the rights of Landlord hereunder, and, without limiting the foregoing, no default or failure of Provider or any Alternate Provider with respect to any such services, equipment or facilities, or under any contract or agreement relating thereto, shall have any effect on this Lease or give to Tenant any offset or defense to the full and timely performance of its obligations hereunder, or entitle Tenant to any abatement of rent or additional rent or any other payment required to be made by Tenant hereunder, or constitute any actual or constructive eviction of Tenant, or otherwise give rise to any claim of any nature against Landlord.

Section 43. Terms and Headings. The words “Landlord” and “Tenant” as used herein shall include the plural as well as the singular. Words used in any gender include other genders. If there is more than one Tenant, i.e. if two or more persons or entities are jointly referred to in this Lease as “Tenant”, the obligations hereunder imposed upon Tenant shall be joint and several. The paragraph headings of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

Section 44. Examination of Lease. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for a Lease, and it is not effective as a Lease or otherwise until execution by and delivery to both Landlord and Tenant.

Section 45. 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.

Section 46. Prior Agreement; 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 or understanding, oral or written, express or implied, 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. The parties acknowledge that all prior agreements, representations and negotiations are deemed superseded by the execution of this Lease to the extent they are not incorporated herein.

Section 47. Separability. 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 provisions shall remain in full force and effect.

Section 48. Recording. Neither Landlord nor Tenant shall record this Lease nor a short form memorandum thereof without the consent of the other, and, if such recording occurs, it shall be at the sole cost and expense of the party requesting the recording, including any documentary transfer taxes or other expenses related to such recordation.

Section 49. Limitation on Liability. The obligations of Landlord and LPC under this Lease do not constitute personal obligations of the individual partners, directors, officers or shareholders of Landlord or LPC, and Tenant shall not seek recourse against the individual partners, directors, officers or shareholders of Landlord or LPC or any of their personal assets for satisfaction of any liability in respect to this Lease. Notwithstanding the foregoing, absent fraud, willful misconduct, or bad faith, Landlord's liability shall be limited to Landlord's equity interest in the Project.

Section 50. Riders. Clauses, plats and riders, if any, signed by Landlord and Tenant and affixed to this Lease, are a part hereof.

Section 51. Signs. The rights and obligations of Landlord and Tenant are set forth in item H of the General Conditions Section.

Section 52. Modification for Lender. If, in connection with obtaining construction, interim or permanent financing for the Building, the lender shall request reasonable modifications in this Lease as a condition to such financing, Tenant will not unreasonably withhold, delay or defer its consent thereto, provided that such modifications do not increase the obligations of Tenant hereunder or materially and adversely affect the leasehold interest hereby created or Tenant's rights hereunder.

Section 53. Accord and Satisfaction. No payment by Tenant or receipt by Landlord of a lesser amount than the rent payment herein stipulated shall be deemed to be other than on account of the rent, 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 provided in this Lease. Tenant agrees that each of the foregoing covenants and agreements shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by any statute or at common law.

Section 54. Financial Statements. At any time during the term of this Lease, Tenant shall, upon ten (10) days' prior written notice from Landlord, provide Landlord with a current financial statement and financial statements of the two (2) years prior to the current financial statement year, but only to such extent that such information is available to the general public or is made available to any of Tenant's lenders. Such statement shall be prepared in accordance with generally accepted accounting principles, and, if such is the normal practice of Tenant, shall be audited by an independent certified public accountant. Provided, however, such information shall only be requested in connection with a sale or refinancing of the Building and shall only be disclosed if each recipient of such information agrees to keep the information confidential.

Section 55. Tenant as Corporation. Tenant and the persons executing this Lease on behalf of Tenant represent and warrant that the individuals executing this Lease on Tenant's behalf are duly authorized to execute and deliver this Lease on its behalf in accordance with a duly adopted resolution of the

board of directors of Tenant, a copy of which is to be delivered to Landlord on execution hereof, and in accordance with the By-Laws of Tenant.

Section 56. No Partnership or Joint Venture. Notwithstanding the fact that Landlord and Tenant are partners under a separate partnership agreement, nothing in this Lease shall be deemed to constitute Landlord and Tenant as partners or joint venturers. It is the express intent of the parties hereto that their relationship with regard to this Lease be and remain that of landlord and tenant.

Section 57. Option to Extend. Unless the Lease has been terminated as a result of Tenant's default or other causes specified in the Lease, or if not terminated, so long as Tenant is not in default. Landlord hereby grants Tenant four (4) options to extend the term of this Lease for an additional five (5) year term each for one or more contiguous, full floors of the Premises then under lease by Tenant at the "Fair Market Rental Rate", as defined in Section 5, in existence at the beginning of each renewal period. Landlord shall notify Tenant of Tenant's right to renew fourteen (14) months prior to the scheduled commencement of each renewal period. The options must then be exercised by written notice received by Landlord twelve (12) months prior to the expiration of the term, or any extensions provided herein, and the option shall expire if not properly exercised within twelve (12) months prior to the expiration of the term, or any extensions provided herein. Provided that Tenant has properly exercised the option, the term of this Lease shall be extended by the option term of five (5) years and all terms, covenants and conditions of the Lease shall remain unmodified and in full force and effect except that the Annual Basic Rent, as provided for elsewhere in this Lease, shall be modified as set forth in Section 5. The options to extend set forth herein are not personal to Tenant, but may be assigned to any assignee or subtenant of Tenant. In addition, the exercise of the options shall have no effect on any sign or identity rights provided to Tenant herein, so long as Tenant leases at least 50, 000 rentable square feet in the Building. If Tenant fails to lease 50, 000 rentable square feet, the sign rights and controls provided to Tenant in Item H of the General Conditions regarding the Project and Building shall terminate.

Section 58. Option to Expand. In addition to the initial Premises, including any Hold Space added to the Tenant's Premises, Tenant shall have the following Options to Expand in full floor increments contiguous to the Premises as follows:

(A) First Option Space. Tenant may add to the Premises one full floor space, ("First Option Space") contiguous to the portion of the Premises consisting of the upper floors of the Building for a term commencing on the Delivery Date of the First Option Space which shall be the third annual anniversary of the Commencement Date upon the terms and conditions set forth herein, only if:

(i) Tenant delivers to Landlord at least twelve (12) months prior to said third annual anniversary of the Commencement Date written notice exercising its option to lease the First Option Space, and

(ii) Tenant is not in default at the time Tenant exercises its first option or at the commencement of the lease of the First Option Space.

(B) Second Option Space. Tenant may add to the Premises one or two full floor space ("Second Option Space") contiguous to the portion of the Premises consisting of the upper floors of the Building for a term commencing on the Delivery Date of the Second Option Space which shall be the fifth annual anniversary of the Commencement Date, upon the terms and conditions set forth herein, only if:

(i) Tenant delivers to Landlord at least twelve (12) months prior to said fifth annual anniversary of the Commencement Date written notice exercising its option to lease the Second Option Space, and

(ii) Tenant is not in default at the time Tenant exercises its second option or at the commencement of the lease of the Second Option Space.

(C) Third Option Space. Tenant may add to the Premises one full floor space ("Third Option Space") contiguous to the portion of the Premises consisting of the upper floors of the Building for a term commencing on the Delivery Date of the Third Option Space which shall be the eighth annual anniversary of the Commencement Date, upon the terms and conditions set forth herein, only if:

(i) Tenant delivers to Landlord at least twelve (12) months prior to said eighth annual anniversary of the Commencement Date written notice

exercising its option to lease the Third Option Space, and

(ii) Tenant is not in default at the time Tenant exercises its third option or at the commencement of the lease of the Third Option Space, and

(iii) The Third Option Space is not available if Tenant exercised the second option for both full floors constituting the Second Option Space, but is available if Tenant does not exercise the Second Option Space at all or if Tenant exercises the Second Option Space as to only one floor.

(D) Fourth Option Space. Tenant may add to the Premises one or two full floor space ("Fourth Option Space") contiguous to the portion of the Premises consisting of the upper floors of the Building for a term commencing on the Delivery Date of the Fourth Option Space which shall be the tenth annual anniversary of the Commencement Date, upon the terms and conditions set forth herein, only if:

(i) Tenant delivers to Landlord at least twelve (12) months prior to said tenth annual anniversary of the Commencement Date written notice exercising its option to lease the Fourth Option Space, and

(ii) Tenant is not in default at the time Tenant exercises its fourth option or at the Commencement of the lease of the Fourth Option Space.

(E) Fifth Option Space. Tenant may add to the Premises one or two full floor space ("Fifth Option Space") contiguous to the portion of the Premises consisting of the upper floors of the Building for a term commencing on the Delivery Date of the Fifth Option Space which shall be the fifteenth annual anniversary of the Commencement Date, upon the terms and conditions set forth herein, only if:

(i) Tenant delivers to Landlord at least twelve (12) months prior to said fifteenth annual anniversary of the Commencement Date written notice exercising this option to lease the Fifth Option Space, and

(ii) Tenant is not in default at the time Tenant exercises its fifth option or at the commencement of the lease of the Fifth Option Space.

(F) Terms. The following terms shall apply to each option space:

(i) If Tenant elects to exercise its Hold Space Option, appropriate adjustments of future options shall be made so that each time Tenant exercises an option, the floor covered by that option shall be contiguous to the Premises being leased by Tenant;

(ii) Annual Basic Rent and all other economic terms for the option space shall be equal to and/or determined by the Fair Market Rental Rate definition set forth in Section 5(b) (as modified in Section 58(H) below), as of the date on which the option space is to be added to the Premises;

(iii) Tenant shall take the option space "as is", but in broom clean condition with all improvements to be Tenant's responsibility at Tenant's cost, subject to Landlord contributing an allowance as provided in Section 58(H) below and Landlord using its best efforts to cause the vacated tenant to remove all of its property, installations and alterations which it shall, under its lease, be required to remove and which Tenant shall request to be removed;

(iv) Landlord, shall, four (4) months prior to the exercise dates of each expansion option, provide Tenant with a written notice that an Option to Expand is to become available for exercise. The space covered by each Option to Expand shall be delivered to Tenant on the appropriate Delivery Date for each Option to Expand. Landlord may, however, deliver the option space up to one-half (1/2) year earlier and up to one (1) year later (six (6) months later with respect to the Third Option Space) than the Delivery Dates set forth above if Landlord notifies Tenant of its intention to do so at least six (6) months prior to the exercise date for each Option to Expand;

(v) Each of Tenant's remaining options shall remain in effect even though Tenant may, at its discretion, decide not to exercise any single option;

(vi) All other terms and conditions of this Lease (including payment of Operating Expenses) shall apply to the Option Space, except as otherwise set forth herein.

(G) Documentation. Landlord and Tenant shall execute and deliver appropriate documentation to evidence the addition of any option space to the Premises under the terms and conditions of this Lease relating thereto.

(H) Tenant Allowance. All Option Space covered by this option shall be delivered to Tenant in "as is" condition as provided in Section F(iii) above with a tenant allowance as set forth in Section 5(b); provided, however, that if all or any part of any option space has never been improved with tenant improvements for occupancy by another tenant ("Non-Improved Option Space"), the following provisions of this subsection shall apply to all or part of such Non-Improved Option Space. Such Non-Improved Option Space shall be prepared for Tenant's occupancy in accordance with the applicable terms and provisions of the Work Letter Agreement (including the performance by Landlord of Base Building work with respect to such space). Submission of Tenant's plans and drawings and Tenant's move in to such space shall be accomplished in the same manner and on the same terms and conditions as those prescribed for the Premises in the Work Letter Agreement. Without limiting the foregoing, Landlord shall pay to Tenant, in accordance with the comparable terms and provisions of the Work Letter Agreement, an allowance for the construction of Leasehold Improvements in connection with such Non-Improved Option Space; provided, however, that the amount of the allowance per rentable square foot of such Non-Improved Option Space shall be equal to the greater of $36.90 per rentable square foot or the allowance determined under Section 5(b), which shall be paid to Tenant in accordance with the comparable terms of the provisions of the Work Letter Agreement.

(I) Delivery. Upon the exercise by Tenant of an option as aforesaid, Landlord shall deliver possession of the Option Space in question on the applicable Delivery Dates for such space which shall be the dates set forth in Sections 58(A) through 58(E) above, respectively, or Landlord may deliver such space within the period of six (6) months prior or twelve (12) months after (except with respect to the Third Option Space, which shall be delivered within the period six (6) months prior or six

(6) months after) the applicable Delivery Date. If the Delivery Date is to be designated by Landlord as any date other than the Delivery Dates set forth above, but within the aforestated time periods, Landlord may change the Delivery Date to any date within the applicable time period if Landlord gives Tenant at least six (6) months advance written notice of the new date of delivery of the space in question. Landlord shall not lease any portion of the Option Space to any other tenant for a term (including renewal terms) which extends beyond the date such Option Space is to be added to the Premises if the option in respect thereto should be timely exercised by Tenant. If any tenant under a lease holds over beyond the date for vacating such option space to be occupied by Tenant, Landlord agrees to take whatever steps are necessary, including legal action, to remove such tenant, if such holding over conflicts with Tenant's election. All option space shall be contiguous to the Premises and shall be rolling so that in the event the first option is not exercised, the second option shall roll to the space covered by the first option causing all option space to be contiguous to the Premises.

(J) Not Personal. The Options to Expand are not personal to Tenant and shall inure to the benefit of the assignees or full-floor subtenants of Tenant.

(K) Not Forfeitable. No failure by Tenant to exercise any prior option shall preclude Tenant from exercising a subsequent option.

Section 59. First Right to Lease. After the Commencement Date, Landlord agrees not to lease any unleased rentable space in the Building ("First Right Space") until five (5) business days following Tenant's receipt of a Special Notice. Accordingly, after the Commencement Date, whenever Landlord desires to lease any of the First Right Space, Landlord shall send Tenant a Special Notice setting forth its desire to lease all or a portion of the First Right Space. The Special Notice shall contain the following information ("terms"):

A. First Right Space description.

B. Rental.

C. Operating Expense Adjustment Allowance.

D. CPI increases, if any.

E. Rent Credits or Free Rent (if any).

F. Condition of Premises ("as is" or with tenant improvement allowance or building standard items or a combination thereof).

G. Time to Construct Improvements prior to Commencement of Rent.

H. Other Economic Concessions (if any).

I. Length of Lease, which shall be for a period of time coterminous with the Lease.

Tenant may, upon notice delivered by Tenant and received by Landlord within said five (5) business day period ("Period"), elect to lease all of the First Right Space described in the Special Notice on all of the terms set forth in the Special Notice. If Tenant does not elect to lease such First Right Space, then thereafter, for a period of six (6) months ("Time Period"), Landlord may lease all of such First Right Space substantially as described in the Special Notice to anyone else on the terms set forth in the Special Notice or on terms more beneficial to the Landlord than the terms set forth in the Special Notice. If Landlord does not lease such First Right Space to anyone else during the Time Period, then Landlord shall, after the expiration of the Time Period, be required to send Tenant another Special Notice, and the above-described procedures shall be repeated, until all of the First Right Space has been leased; provided, however, Landlord reserves the right to send a new Special Notice to Tenant at any time prior to the expiration of the Time Period. At Landlord's election, any Special Notice may refer to one or more separate parcels of First Right Space and if such Special Notice refers to more than one such parcel, Tenant may elect to take all, some, one, or none of such parcels and Landlord, once the five (5) day period has lapsed, may lease one or more or all of the parcels comprising the First Right Space specified in such Special Notice until the Time Period elapses. The First Right set forth herein is not personal to Tenant and may be assigned to any assignee of Tenant. For the purpose of the First Right Space only, the term Tenant shall be limited to the Carnation Company, an assignee which assumes the entire Lease, or a subtenant which subleases the entire Premises.

Section 60. Directory Board. Landlord, at Landlord's sole cost and expense, which may be included as Operating Expenses, shall furnish Tenant with spaces for one (1) designated name per one thousand (1,000) rentable square feet of space leased by Tenant herein on the Building directory board in the lobby of the Building and any other directory which may be or become a part of the Project.

Section 61. Management. Except as provided below, Landlord is granted the right to designate the building manager at any time during the period of the Lease. Landlord shall designate LPC or its affiliate as the initial building manager, or may designate any other managing agent, subject to the Tenant's reasonable approval, as the initial manager who shall continue as manager until replaced as set forth herein. Any management agreement shall provide that the managing agent shall operate the Building in a first-class manner and in the most cost-effective manner possible so as to minimize Operating Expenses consistent with providing institutional quality services. Tenant shall have the right, no more than twice a year, to review and copy all documents and information pertaining to Operating Expenses and Taxes, at Tenant's expense and during normal business hours after reasonable notice to Landlord. In the event LPC, or a company affiliated with or owned by LPC, is a limited or general partner of the Landlord entity, Tenant agrees that LPC may manage the Building at the same fee charged by an independent management company, as reasonably determined by Landlord and Tenant. Either Landlord or Tenant may terminate LPC, or any other building manager, as building manager at any time for cause, with any dispute thereof subject to Section 63 below. If LPC or an affiliate of LPC ceases to be a joint venture partner with Carnation Company and provided Carnation Company is the Tenant hereunder at such time, Carnation Company may terminate LPC as building manager at any time without cause.

Section 62. Storage. Tenant shall be allowed to construct, at Tenant's sole cost and expense, storage space in any non-rentable, non-usable portions of the Building, provided that such space shall not be located on floors leased by other tenants of the Building unless approved by Landlord. Tenant acknowledges that Landlord does not presently intend to create any storage space for use by Tenant. The location and design of the storage area, if any, shall be subject to Landlord's reasonable consent. The amount of rent to be charged for storage space, if any, shall be equal to the marginal increase in the Building's Operating Expenses directly attributable to such storage space. Tenant shall be required to maintain,

repair and insure the storage space pursuant to the other terms and conditions of the Lease and otherwise perform its obligations hereunder with respect to the storage space.

Section 63. Dispute Resolution.

(a) Any action or proceeding brought by or on behalf of Tenant or Landlord (except where Arbitration is otherwise specified and required under this Lease) arising out of this Lease or in any way related to the terms and provisions of this Lease shall be brought and maintained in the Superior Court of the State of California for the County of Los Angeles, and each party to this Lease hereby recites, consents and agrees that said Court shall have personal jurisdiction over each party in any such action or proceeding and that said Court is a convenient forum for the litigation of any such action or proceeding. Each party hereby recites, consents and agrees that any controversy arising out of this Lease shall be heard by a reference under Section 638, et seq. of the California Code of Civil Procedure (or such successor statute thereto as may hereafter be enacted) and that a reference shall be ordered by said Court to any retired judge of said Court, promptly upon commencement of such action or proceeding, by agreement of the parties or (failing such agreement) upon motion brought by any party hereto, to try any or all of the issues in any such action or proceeding, whether of fact or of law, and to report a settlement or decision thereon.

(b) The reference hereunder shall be made to one person in the following manner: the party commencing the action or proceeding shall deliver to the other party or parties a list of five (5) qualified and available retired Los Angeles County Superior Court judges. The party receiving the list shall have thirty (30) days from delivery of such list within which to select one (1) judge from the list who shall try the matter, or, if such party objects to all of the judges specified on such list, then the Court for the County of Los Angeles shall order a reference to any other retired judge of said Court. All provisions of the California Codes of Civil Procedure and Evidence, including the right to have an authorized clerk and certified court reporter in attendance, shall apply in such action or proceeding. The judgment rendered in any such proceeding shall have the same force and effect and shall entitle all parties to the same rights (including appeals) as if the action had been tried by the court.

(c) It is agreed that if, at any time, a dispute shall arise as to any amount or sum of money to be paid by one party to the other under the provisions hereof, the party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest", and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said party to institute suit for the recovery of such sum, and if it shall be adjudged by a court of competent jurisdiction that there was no legal obligation on the part of said party to pay such sum or any part thereof, said party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease; if, at any time, a dispute shall arise between the parties hereto as to any work to be performed by either of them under the provisions hereof, the party against whom the obligation to perform the work is asserted may perform such work and pay the costs thereof "under protest", the performance of such work shall in no event be regarded as a voluntary performance and shall survive the right on the part of said party to institute suit for the recovery of the costs of such work, and if it shall be adjudged by a court of competent jurisdiction that there was no legal obligation on the part of said party to perform such work or any part thereof, said party shall be entitled to recover the costs of such work or the cost of so much thereof as said party was not legally required to perform under the provisions of this Lease. No payment or performance shall be considered to be under protest unless at the time of payment or performance the protesting party advises the other by notice that such payment or performance is under protest.

(d) Until a final determination, which is no longer capable of being appealed, has been rendered, each party shall pay its obligation to the other pursuant to this Lease.

IN WITNESS WHEREOF, the parties have executed this Lease the day and year first above written.

TENANT:

CARNATION COMPANY, a Delaware Corporation

By: /s/ Jule N. Kvamme

Jule N. Kvamme
Its Executive Vice President and Chief
Administrative Officer

LANDLORD:

EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership

By: Lincoln Property Company No. 1384, a California Limited Partnership, its general partner,

By: /s/ John R. Miller

John R. Miller, a managing general partner

We agree to be bound by the obligations imposed on Lincoln Property Company N.C., Inc. pursuant to Section B of the General Conditions and Sections 4, 10 and 22(f) of the Lease, subject to the provisions set forth in Section 49 of this Lease.

LINCOLN PROPERTY COMPANY N.C., INC., a Texas Corporation

By: /s/ John R. Miller

Its: Senior Vice President

EXHIBIT 10.96

VARIOUS AMENDMENTS TO LEASE AGREEMENT FOR NESTLE BUILDING

AMENDMENT A

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT A TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 17th day of February, 1988, by and between EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership ("Landlord") and CARNATION COMPANY, a Delaware corporation ("Tenant").

W I T N E S S E T H :

WHEREAS, Landlord and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987 (the "Lease"), and

WHEREAS, the parties now desire to amend the Lease as provided hereinbelow.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. The following is hereby added to the Lease as Section 64:

"64. Non Discrimination. Tenant hereby covenants by and for itself, its successors and assigns, and all persons claiming under or through them, and this Lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of sex, marital status, race, color, religion, creed, national origin, or ancestry, in the leasing, subleasing, renting, transferring, use, occupancy, tenure or enjoyment of the Premises herein leased, nor shall Tenant itself, or any person claiming under or through it, establish or permit such practice or practices of discrimination or segregation with reference to the selection, location, number, or occupancy of tenants, lessees, sublessees, tenants, or vendees in the Premises herein leased."

2. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

EIGHT HUNDRED NORTH BRAND BOULEVARD,
a California Limited Partnership

By: Lincoln Property Company No. 1384
a California Limited Partnership,
its general partner

By: /s/ John R. Miller

John R. Miller, a
managing general partner

TENANT:

CARNATION COMPANY
a Delaware Corporation

By: /s/ Jule N. Kvamma

Jule N. Kvamma
Its Executive Vice President
and Chief Administrative Officer

AMENDMENT B

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT B TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 30th day of September, 1989, by and between EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership ("Landlord"), and CARNATION COMPANY, a Delaware corporation ("Tenant").

R E C I T A L S:

A. Landlord and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987, as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988 (collectively, the "Lease"); and

B. Tenant now desires to exercise its Hold Space Option described in Section 2(a) of the Lease to add one (1) full floor to the Premises leased by Tenant under the Lease; and

C. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Tenant hereby exercises its Hold Space Option described in Section 2(a) of the Lease to add one (1) full floor of the Building contiguous to the portion of the Premises located on the upper floors of the Building (the "Hold Space"); based on the current plans for the Building, Landlord and Tenant confirm that the Hold Space shall consist of the entire eleventh (11th) floor of the Building. Accordingly, the Hold Space is hereby added to the Premises leased by Tenant under the Lease upon the same terms and conditions, including Annual Basic Rent and Allowance, as set forth in the Lease, subject only to the

condition that the Hold Space shall be delivered by Landlord in Package 2 as described in Section 1(p) of the Lease as modified by Paragraph 4 below.

2. Tenant hereby acknowledges and agrees that although Section 2 (a) of the Lease permits Tenant to add one or two full floors as its Hold Space, Tenant, by electing to add only one (1) full floor pursuant to this Amendment, shall no longer have any right to add any more floors as its Hold Space under the Hold Space Option.

3. Pursuant to Section 1(g) of the Lease, Landlord and Tenant hereby agree that the Premises shall consist of all of the rentable square feet (a) in the Basement of the Building, (b) in the Plaza Level of the Building, and (c) of the ten (10) Upper Office Floors of the Building consisting of Floors 11 through 21, it being acknowledged that there is no floor 13 of the Building. As of the date of this Amendment, subject to Landlord's actual measurement and Tenant's field check to be performed pursuant to Section 2.1(a) of the Lease, Landlord and Tenant agree that the approximate amount of rentable square feet of the Premises will be 281,606 square feet, consisting of approximately (i) 24,877 rentable square feet in the Basement, (ii) 24,927 rentable square feet in the Plaza level, and (iii) 231,802 rentable square feet on Upper Office Floors 11 through 21 of the Building (including the Hold Space added pursuant hereto). Notwithstanding Sections 1(g) and 1(p) of the Lease, Tenant shall have no further right to increase or decrease the rentable square footage of the Premises (except in connection with Tenant's field check pursuant to Section 2.1(a) of the Lease) or to increase or decrease the number of Upper Office Floors to be initially leased by Tenant. Provided, however, notwithstanding anything above to the contrary, Tenant's rights to additional space pursuant to Section 58 Option to Expand and Section 59 First Right of Lease remain in full force and effect.

4. In accordance with the provisions of Paragraphs 1 and 3 above, Landlord and Tenant confirm that the four (4) Packages described in Section 1(p) of the Lease shall consist of the following: (a) Package 1 shall consist of all of the rentable square feet in the Basement and the Plaza Level; (b) Package 2 shall consist of the lowest three (3) full floors of the Upper Office Floors of the Building plus the Hold Space (i.e., Floors 11, 12, 14 and 15); (c) Package 3 shall consist of the next highest three (3) full floors of the Upper Office Floors of the Building (i.e., Floors 16, 17 and 18); and (d) Package 4 shall consist of the remaining Upper Office Floors of the Building (i.e., Floors 19, 20 and 21).

5. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

EIGHT HUNDRED NORTH BRAND BOULEVARD,
a California Limited Partnership

By: Lincoln Property Company No. 1384, a California Limited Partnership, its general partner

By: /s/ John R. Miller

John R. Miller,
a managing general partner

TENANT:

CARNATION COMPANY
a Delaware corporation

By: /s/ WARREN N. BRAKENSIEK

WARREN N. BRAKENSIEK
Its: CORPORATE SECRETARY

AMENDMENT C

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT C TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 25th day of July, 1990, by and between EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership ("Landlord"), and CARNATION COMPANY, a Delaware corporation ("Tenant").

R E C I T A L S:

A. Landlord and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987, as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, and that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989 (collectively, the "Lease"); and

B. Tenant now desires to expand the Premises leased by Tenant under the Lease to include that certain space containing approximately 313 rentable square feet on the third (3rd) floor of the Building as outlined on Exhibit "1" attached hereto and incorporated herein by this reference (the "Additional Space"); and

C. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Addition of Additional Space.

(a) Notwithstanding the provisions of Sections 1(k) or 1(p) of the Lease, the Additional Space shall be added to and become part of the Premises during the "Additional Space Lease Term", which shall be the period commencing upon the Additional Space Commencement Date (as defined hereinbelow) and expiring on the date which is five (5) years thereafter, unless the Lease is terminated prior to such date in accordance with the provisions thereof. Tenant shall have no option to extend the Additional Space Lease Term and thus Section 57 of the Lease shall not apply with respect to the Additional Space. During the Additional Space Lease Term, the Additional Space shall be leased to Tenant upon the same terms and conditions as affect the remainder of the Premises as set forth in the Lease, except as otherwise expressly provided in this Amendment. The Additional Space shall not be considered part of the Upper Office Floors of the Building leased by Tenant under the Lease for any purpose thereunder (including determining the location of Tenant's Option Space in Section 58 of the Lease), and the leasing of such Additional Space shall not reduce or affect the rights granted to Tenant as set forth in Sections 58 and 59 of the Lease.

(b) As used herein, the "Additional Space Commencement Date", shall mean the earlier of the following:

(i) the date Tenant commences business operations from all or any portion of the Additional Space; or

(ii) the later of: (A) August 27, 1990; (B) the date Landlord substantially completes construction of the Aggregate Improvements for the

Additional Space pursuant to the Work Letter Agreement attached hereto as Exhibit "2" and incorporated herein by this reference, as evidenced by Landlord's obtaining a TCO or the equivalent of a TCO for the Additional Space, which date shall be accelerated for each day Landlord is delayed in substantially completing the Aggregate Improvements for the Additional Space and obtaining such TCO or its equivalent because of a Tenant Delay (as defined in Exhibit "2"); or (C) the earlier of the date the Project is Substantially Completed and in a condition described in Attachment 2 attached to the Lease and Landlord has obtained a TCO, or its equivalent for the Project, or the date the Project would have been Substantially Completed and in the condition described in Attachment 2 to the Lease, and by which date Landlord would have obtained a TCO or its equivalent for the Project except for Tenant Delays.

(c) Notwithstanding the provisions of the Lease to the contrary, including Section 4 thereof, Tenant shall not have any right to terminate the Lease nor shall Landlord be liable to Tenant for any loss or damage as a result of Landlord's failure or inability to substantially complete the Aggregate Improvements for the Additional Space by August 27, 1990 or any date thereafter; nevertheless, Landlord acknowledges Tenant's desire to occupy the Additional Space by August 27, 1990, and agrees to use commercially reasonable efforts and due diligence to substantially complete the Aggregate Improvements for the Additional Space by such date.

2. Tenant's Percentage Share and Operating Expenses Allowance. Notwithstanding the provisions of Sections 1(r) and 1(s) of the Lease, Tenant's Percentage Share and the Operating Expenses Allowance shall be calculated separate and apart with respect to the Additional Space as compared to the remainder of the Premises. With respect to the Additional Space, Tenant's Percentage Share shall be the percentage determined by dividing the rentable square feet in the Additional Space by the rentable square feet in the Building (i.e., approximately 0.62%), and the Operating Expenses Allowance shall not be determined based upon the Operating Expenses incurred during any Base Year, but shall be equal to $6.50 per rentable square foot within the Premises. In addition, with respect to the Additional Space, Tenant shall be responsible for paying the amount by which Tenant's Percentage Share of Operating Expenses exceeds the Operating Expenses Allowance for each and every month during the Term of the Lease, including the Base Year and First Year, notwithstanding the provisions of Section 6(a) of the Lease to the contrary.

3. Basic Rent. Notwithstanding the provisions of Sections 1(q) and 5(b) of the Lease, the Annual Basic Rent for the Additional Space during the Additional Space Lease Term shall be equal to $27.00 per rentable square foot within the Additional Space per year, payable in installments of Monthly Basic Rent equal to $2.25 per rentable square foot within the Additional Space per month; provided, however, Landlord agrees to abate Tenant's obligation to pay the Monthly Basic Rent for the Additional Space for the first four (4) full months of the Additional Space Lease Term. During such abatement period, Tenant shall still be responsible for the payment of all of its other monetary obligations under the Lease, including Tenant's Percentage Share of Operating Expenses in excess of the Operating Expenses Allowance with respect to the Additional Space as described in Paragraph 2 above.

4. Parking. Notwithstanding Sections 1(y) and 41 of the Lease to the contrary, as a result of the addition of the Additional Space, Tenant shall be entitled during the Additional Space Lease Term to rent one (1) unreserved parking privilege in

the parking facility adjacent to the Building, subject to a monthly parking charge equal to the prevailing market rental rate for parking charged from time to time by Landlord and other landlords of comparable office buildings in the vicinity of the Building. Such parking privilege shall be subject to the parking rules and regulations set forth in Section 41 of the Lease and Exhibit "J" attached thereto.

5. Aggregate Improvements. Notwithstanding the provisions of Section 1(p) of the Lease or Exhibit "C" attached thereto, the parties agree that Landlord shall be responsible for constructing the Aggregate Improvements for the Additional Space in accordance with the Work Letter Agreement attached to this Amendment as Exhibit "2". Accordingly, the Work Letter Agreement attached to the Lease as Exhibit "C" shall not apply with respect to the Additional Space, except as otherwise provided in Exhibit "2".

6. Building Planning. In the event Landlord requires all or any portion of the Additional Space for use in conjunction with another suite or for other reasons connected with the Building planning program, upon notifying Tenant in writing, Landlord shall have the right to move Tenant over a weekend to other space in the Building of substantially similar size as the Additional Space and improved with Aggregate Improvements at least substantially equal in quality, efficiency and utility to the Aggregate Improvements required to be constructed in the Additional Space pursuant to Exhibit "2". Landlord shall pay for the costs of such relocation, including the cost of the Aggregate Improvements for the new space, Tenant's moving expenses, telephone installation and stationery reprinting charges. Upon such relocation, the terms and conditions regarding the Additional Space as set forth in this Amendment shall remain in full force and effect, save and excepting that a revised Exhibit "1" shall become part of the Lease and shall reflect the location of the new space and all appropriate adjustments to Tenant's Percentage Share and Base Rent shall be made to take into account the rentable square feet of the new space; provided, however, in no event shall Tenant's Percentage Share and/or Annual Basic Rent increase in the event the new space contains more rentable square feet that the Additional Space.

7. No Further Modification. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

EIGHT HUNDRED NORTH BRAND BOULEVARD, a
California Limited Partnership

By: Lincoln Property Company No. 1384, a
California Limited Partnership, its
general partner

By: /s/ John R. Miller

John R. Miller,
a managing general partner

TENANT:

CARNATION COMPANY
a Delaware corporation

By: /s/ Richard R. Cheney

Richard R. Cheney
Its: Vice President, Administrative Services

EXHIBIT “1”

FLOOR PLAN OF ADDITIONAL SPACE

[Floor plan appears here]

EXHIBIT “1”

EXHIBIT "2"

WORK LETTER AGREEMENT

This Work Letter Agreement supplements Amendment C to Carnation Building Office Lease ("Amendment C"), executed concurrently herewith by and between Landlord and Tenant, covering certain premises described in Amendment C as the Additional Space. Amendment C amends that certain Carnation Building Office Lease dated as of December 22, 1987, as amended by Amendment A dated as of February 17, 1988 and Amendment B dated as of September 30, 1989 (collectively, the "Lease"). All capitalized terms not defined herein shall have the same meanings as set forth in Amendment C or the Lease, as applicable.

1. Construction of Base Building. Landlord shall construct the Building shell and core ("Base Building") on the Site in accordance with the Model and the other requirements of Section 1.1 of Exhibit "C" attached to the Lease.

2. Aggregate Improvements.

(a) Landlord and Tenant acknowledge and agree that Landlord shall, through Landlord's contractor, construct the interior leasehold improvements for the Additional Space, including distribution from main loop for Tenant's floor for heating, ventilating and air conditioning services to the Additional Space, distribution from standard temporary sprinkler services to the Additional Space, and all other interior leasehold improvements described in the Plans (defined below) as approved by Landlord and Tenant (collectively "Aggregate Improvements"). The design and construction of the Aggregate Improvements shall be in accordance with the following provisions of this Work Letter Agreement.

(b) Tenant understands and agrees that the installation of certain elements of the Aggregate Improvements may be performed before or after execution of Amendment C for reasons of economics or convenience. Such elements may include, among other things, the extension of mechanical and electrical distribution systems outside the Building core, wall constructions, column enclosures, painting, ceiling hanger wires and window treatment.

(c) All items of the Aggregate Improvements for the Additional Space which are permanently affixed to the Additional Space shall become the property of Landlord upon expiration or earlier termination of the Lease and shall remain in the Additional Space at all times during the term of the Lease.

3. Plans and Specifications. Prior to execution of this Work Letter Agreement, Landlord and Tenant have approved detailed plans, specifications and working drawings for the construction of the Aggregate Improvements for the Additional Space prepared by Rothenberg Sawasy Architects, Project No. S88050.06, last revised June 28, 1990, and containing six (6) sheets (the "Plans"). A copy of sheet TA-2 of the approved Plans is attached hereto as Schedule I and incorporated herein by this reference.

4. Changes. Tenant shall not request or make any changes or substitutions to the Plans without Landlord's prior approval, which approval shall not be unreasonably withheld; provided, however, Landlord may disapprove, in its sole and absolute discretion, any such changes or substitutions which: (i) are not

compatible with the Model, the Base Building, the design, construction and equipment of Building, or the standards and specifications set forth in the Final Plans for the Base Building; (ii) do not comply with applicable laws and ordinances or the rules and regulations of governmental authorities having jurisdiction; (iii) do not comply with applicable insurance regulations for a fire-resistant Class A Building; or (iv) overload the floors unless Tenant pays the cost necessary to reinforce the floors. Any such requested changes or substitutions shall be subject to the provisions of Paragraph 5 below, and shall constitute a Tenant Delay as described in Paragraph 7 below.

5. Aggregate Improvement Cost; Allowance .

(a) As used herein, the "Cost of Aggregate Improvements" means all costs of the design, installation, engineering and construction of the Aggregate Improvements for the Additional Space, including, without limitation: (i) architectural, engineering, design and consultants' fees and plans and studies for the Aggregate Improvements, including the Plans and any preliminary versions thereof, including the space plan; (ii) governmental agency plancheck, permit and other fees; (iii) sales and use taxes; (iv) Title 24 fees; (v) testing and inspection costs; and (vi) general contractor's profit and overload.

(b) Landlord and Tenant hereby agree that in lieu of a specific dollar allowance to be provided by Landlord to Tenant for the design and construction of the Aggregate Improvements for the Additional Space, the allowance to be so provided by Landlord (the "Leasehold Improvement Allowance") shall be equal to that sum which would pay for the Cost of Aggregate Improvements associated with the quality and quantity of those improvements depicted on the Plans referenced in Paragraph 3 above. The Leasehold Improvement Allowance shall not be increased or used for any of Tenant's moving expenses, furniture, equipment or other personal property, any upgrade of restrooms or elevator lobbies on any floor of the Building, or for any other purpose other than in connection with the design, installation, engineering and construction of the Aggregate Improvements for the Additional Space.

(c) If Tenant requests any changes or substitutions to the Plans described in Paragraph 3 above, and Landlord approves such changes or substitutions pursuant to Paragraph 4 above, and such changes and/or substitutions result in increased costs of constructing the Aggregate Improvements above the cost of those improvements depicted on the originally approved Plans, then Tenant shall pay all such excess costs to Landlord (subject to Paragraph 5(d) below) within thirty (30) days after receipt of Landlord's notice of such increased costs but not before Landlord has to pay such increased costs to the contractor; provided, however, in no event shall Tenant be required to pay any fee of any kind to Landlord for profit, overhead, general conditions or supervision with respect to the design and construction of the Aggregate Improvements for the Additional Space.

(d) In the event Tenant is required to pay any portion of the Cost of Aggregate Improvements pursuant to Paragraph 5(c) above, Tenant may elect to pay such amount either (i) directly to Landlord as and when required under Paragraph 5(c), or (ii) as a dollar for dollar credit reducing the amount of Monthly Basic Rent to be abated pursuant to Paragraph 3 of Amendment C, but not exceeding the total Monthly Basic Rent to be abated. Tenant shall make such election in writing on or before the date payment is due.

6. Construction of Aggregate Improvements . When Landlord determines that Landlord's contractor will have reasonable access to the Building and Additional Space to construct the Aggregate Improvements and that the Additional Space is in a condition that the Landlord's contractor can commence construction, Landlord shall cause Landlord's contractor to proceed to secure a building permit and commence construction of the Aggregate Improvements.

7. Tenant Delays. As used herein and in Amendment C, but subject to the notice and cure provisions set forth in Section 1(p) of the Lease, "Tenant Delays" shall mean any actual delay in completion of the work required to be performed by Landlord with respect to the Project or Additional Space (including, but not limited to, Substantially Completing the Project, substantially completing the Aggregate Improvements for the Additional Space and obtaining a TCO or its equivalent for the Project and Additional Space), which is caused in whole or in substantial part by any act or omission of Tenant in performing its obligations under the Lease, Amendment C or this Work Letter Agreement. Tenant Delays shall include those delays described as Tenant Delays in Section l(p) of the Lease, as well as any actual delay caused as a result of Tenant's requesting or making modifications or substitutions to the approved Plans described in Paragraph 3 above. No Tenant Delay shall be deemed to have occurred unless Landlord has provided Tenant with the requisite notice as set forth on pages 15 and 16 of Section 1(p) of the Lease.

TENANT:

CARNATION COMPANY
a Delaware corporation

By: /s/ Richard R. Cheney

Richard R. Cheney
Its: Vice President, Administrative Services

LANDLORD:

EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership

By: Lincoln Property Company No. 1384, a California Limited Partnership,
its general partner

By: /s/ John R. Miller

John R. Miller,
a managing general partner

EXHIBIT "2"

AMENDMENT D

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT D TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 21st day of August, 1990, by and between EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership ("Landlord"), and CARNATION COMPANY, a Delaware corporation ("Tenant").

R E C I T A L S:

A. Landlord and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987, as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989, and that certain Amendment C to Carnation Building Office Lease dated as of July 25, 1990 (collectively, the "Lease"); and

B. Tenant now desires to expand the Premises leased by Tenant under the Lease to include the entire tenth (10th) floor of the Building containing approximately 24,494 rentable square feet, as outlined on the Floor Plan attached hereto as Exhibit "A" and incorporated herein by this reference (the "10th Floor Space"); and

C. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Addition of 10th Floor Space. The Premises are hereby expanded to include the 10th Floor Space. The 10th Floor Space shall be leased by Tenant upon the same terms and conditions as affect the remainder of the Premises as set forth in the Lease (including the same initial 20-year Lease Term and renewal terms described in Sections 1(k) and 57 of the Lease), except as otherwise expressly provided in this Amendment and except that the terms and conditions applicable to the Additional Space added to the Premises pursuant to Amendment C are not applicable to the 10th Floor Space.

2. Commencement Date. Notwithstanding the date the Aggregate Improvements for the 10th Floor Space (as described in Paragraph 6 below) are substantially completed by Tenant or the date Tenant receives a TCO or its equivalent for the 10th Floor Space, the Commencement Date for the 10th Floor space shall be the same as the Commencement Date for the remainder of the Premises (excluding the Additional Space) and such Commencement Date shall continue to be determined pursuant to Section 1 (p) of the Lease without any reference or regard to the 10th Floor Space or the status of the Aggregate Improvements therefor, it being acknowledged by Tenant that: (a) the 10th Floor Space and the remainder of the Premises (excluding the Additional Space) have previously been delivered by Landlord to Tenant in the condition described on Attachment 1 to the Work Letter Agreement attached to the Lease as Exhibit C; (b) the 10th Floor Space is not part of any Package described in Section 1(p) and thus will not delay or extend the Commencement Date or the Final Period described therein, notwithstanding any subsequently occurring Force Majeure Delays or Landlord Delays which actually delay substantial completion of the Aggregate Improvements for the 10th Floor

Space; and (c) Package 4 was deemed delivered pursuant to Section 1(p) of the Lease on March 30, 1990, and thus the Commencement Date for the Premises and 10th Floor Space is scheduled to occur on August 27, 1990, which is 150 days after such deemed delivery date. Notwithstanding subclause (b) above, Landlord agrees that for each day that Tenant is actually delayed beyond the Commencement Date in substantially completing the Aggregate Improvements for the 10th Floor Space as a result of Force Majeure Delays occurring after the date hereof, and/or as a result of Landlord Delays occurring after the date hereof for which Tenant has provided Landlord requisite notice and opportunity to cure as set forth on Pages 15 and 16 of Section 1(p), Tenant shall be entitled to a corresponding abatement of one (1) day's Base Rent otherwise payable for the 10th Floor Space. Such abatement shall be in addition to the 6-month abatement provided in Paragraph 4(a) below.

3. Tenant's Percentage Share and Operating Expenses. As a result of the addition of the 10th Floor Space, the Premises now consist of approximately 306,100 rentable square feet, excluding the Additional Space. Accordingly, Tenant's Percentage Share for the Premises (excluding the Additional Space) is increased by 4.87% to 60.96% to account for the addition of the 10th Floor Space (i.e., 60.96% equals 306,100 rentable square feet within the Premises excluding the Additional Space, divided by 502,165 rentable square feet in the Building). Tenant's Percentage Share of Operating Expenses and the Operating Expenses Allowance for the Premises and the 10th Floor Space (excluding the Additional Space) shall be determined as set forth in Paragraphs 1(r) and 6 of the Lease; provided, however, the exclusion from Operating Expenses for increases or reassessments in real property taxes and assessments set forth in clause (xxiv) of Paragraph 6(a) on page 33 of the Lease shall not apply in calculating the amount of Operating Expenses payable by Tenant for the 10th Floor Space.

4. Basic Rent. Notwithstanding the provisions of Section 1(q) of the Lease, the Annual Basic Rent for the 10th Floor Space shall be as follows:

(a) Years 1 through 5: $27.00 per rentable square foot per year, payable in monthly installments equal to $2.25 per rentable square foot per month; provided, however, Tenant's obligation to pay Annual Basic Rent shall be abated for the first six (6) months and seven (7) days of Year 1.

(b) Years 6 through 10: $29.70 per rentable square foot per year, payable in monthly installments equal to $2.475 per rentable square foot per month.

(c) Years 11 through 15: the "Fair Market Rental Rate" (as defined in Section 5(b) of the Lease) for the 10th Floor Space in existence at the beginning of the 11th year.

(d) Years 16 through 20: the "Fair Market Rental Rate" (as defined in Section 5(b) of the Lease) for the 10th Floor Space in existence at the beginning of the 16th year.

(e) Renewal term(s), if Tenant exercises its option(s) to extend pursuant to Section 57 of the Lease: the "Fair Market Rental Rate" (as defined in Section 5(b) of the Lease) for the 10th Floor Space in existence at the beginning of the applicable renewal term.

5. Parking. Tenant's right to reserved spaces within the parking ratios set forth in Section 41 of the Lease is hereby increased from one hundred (100) to one hundred fifty (150) spaces. Landlord and Tenant acknowledge that, except for the

parking charges described below, the parking ratios and the rules and regulations for parking set forth in Section 41 and Exhibit "J" of the Lease (as modified by the immediately preceding sentence) shall also apply to the 10th Floor Space (i.e., since prior to the addition of the 10th Floor Space, the Premises contained in excess of 250,000 rentable square feet, Tenant shall be entitled to rent three (3) non-tandem parking privileges per each 1,000 rentable square feet within the 10th Floor Space). Notwithstanding the parking charges specified in Section 41 of the Lease, the monthly parking charges for Tenant's parking privileges applicable to the 10th Floor Space shall be as follows: (a) during the first five (5) years of the Term of the Lease, Forty Dollars ($40.00) per parking privilege per month; and (b) during the remainder of the Term of the Lease and any option term, the prevailing market rental rate for parking charged from time to time by Landlord and other landlords of comparable office buildings in the vicinity of the Building.

6. Aggregate Improvements. Tenant shall be solely responsible for constructing the Aggregate Improvements for the 10th Floor Space in accordance with the applicable terms and conditions of the Work Letter Agreement attached to the Lease as Exhibit "C" (including the same Leasehold Improvement Allowance to be provided by Landlord in the amount of $36.90 per rentable square foot within the 10th Floor Space), with the following modifications:

(a) Tenant acknowledges that Landlord has completed the Base Building work with respect to the 10th Floor Space as required pursuant to Paragraph 1 of the Work Letter Agreement, and has also delivered possession of the 10th Floor Space to Tenant in the condition described in Attachment 1 to the Work Letter Agreement; and

(b) Prior to execution of this Amendment, Landlord and Tenant have approved the Design Development Drawings and Tenant Building Plans for the 10th Floor Space as required pursuant to Paragraphs 2.1 and 2.2 of the Work Letter Agreement.

7. Option to Expand. Section 58 of the Lease is amended to redefine the location of each Option Space as follows:

(a) The First Option Space shall now consist of approximately 12,500 contiguous rentable square feet (plus or minus 10% as determined by Landlord) on the 9th floor of the Building. Landlord shall determine the exact location and size of the First Option Space in accordance with the foregoing parameters and shall notify Tenant thereof in Landlord's notice to be delivered pursuant to Subsection 58(F)(iv) of the Lease.

(b) The Second Option Space shall now consist of either (i) the entire 9th floor of the Building, or (ii) both the entire 9th and the entire 8th floors of the Building, as specified by Tenant in its exercise notice for the second expansion option. The parties acknowledge that if Tenant exercised its first expansion option, the 9th floor portion of the Second Option Space will consist of the remaining rentable square feet of the 9th floor not leased by Tenant pursuant to the first expansion option.

(c) If Tenant exercised its second expansion option, and as a result is leasing both the entire 8th and 9th floors of the Building, then there shall be no Third Option Space and Tenant's third expansion option shall be of no force or effect. However, if Tenant is not leasing both the entire 9th and 8th floors of the Building pursuant to its

first and second expansion options, then: (i) if Tenant did not exercise either of such options, the Third Option Space shall consist of the entire 9th floor of the Building; (ii) if the First Option Space is the only space leased by Tenant pursuant to Tenant's exercise of its prior expansion options, the Third Option Space shall consist of either (A) the remainder of the 9th floor, or (B) both the remainder of the 9th floor and the entire 8th floor, as specified by Tenant in its exercise notice for the third expansion option; or (iii) if the entire 9th floor is leased by Tenant pursuant to Tenant's exercise of its prior expansion options, the Third Option Space shall consist of the entire 8th floor of the Building.

(d) If at the time of Tenant's exercise of its fourth expansion option, Tenant previously expanded into only the First Option Space described in Paragraph 7(a) above and no other Option Space, then the Fourth Option Space shall consist of either of the following, as specified by Tenant in its exercise notice for the fourth expansion option: (i) the remainder of the 9th floor not then leased by Tenant; or (ii) such remaining portion of the 9th floor plus the entire 8th floor of the Building; or (iii) such remaining portion of the 9th floor plus the entire 8th and 7th floors of the Building. If, however, at the time of Tenant's exercise of its fourth expansion option, Tenant previously expanded into the entire 9th floor or did not expand into any portion of the 9th floor pursuant to Tenant's prior expansion options, then the Fourth Option Space shall consist of one (1) or two (2) full floors (as specified by Tenant in its exercise notice for the fourth expansion option) which is/are contiguous to the 10th Floor Space or any any Option Space leased by Tenant pursuant to Paragraph 58 of the Lease, as amended hereby. As an illustration of the immediately preceding sentence, if at the time of Tenant's exercise of its fourth expansion option, Tenant exercised all of the prior expansion options for all of the Option Space available for expansion as described above, the Fourth Option Space will consist of either (A) the entire 6th floor of the Building, or (B) both the entire 6th and the entire 7th floors of the Building, as determined by Tenant.

(e) If at the time of Tenant's exercise of its fifth expansion option, Tenant previously expanded into only the First Option Space described in Paragraph 7(a) above and no other Option Space, then the Fifth Option Space shall consist of either of the following, as specified by Tenant in its exercise notice for the fifth expansion option: (i) the remainder of the 9th floor not then leased by Tenant; or (ii) such remaining portion of the 9th floor plus the entire 8th floor of the Building; or (iii) such remaining portion of the 9th floor plus the entire 8th and 7th floors of the Building. If, however, at the time of Tenant's exercise of its fifth expansion option, Tenant previously expanded into the entire 9th floor or did not expand into any portion of the 9th floor pursuant to Tenant's prior expansion options, then the Fifth Option Space shall consist of one (1) or two (2) full floors (as specified by Tenant in its exercise notice for the fifth expansion option) which is/are contiguous to the 10th Floor Space or any Option Space leased by Tenant pursuant to Paragraph 58 of the Lease, as amended hereby. As an illustration of the immediately preceding sentence, if at the time of Tenant's exercise of its fifth expansion option, Tenant exercised all of the prior expansion options for all of the Option Space available for expansion as described above, the Fifth Option Space will consist of

either (A) the entire 4th floor of the Building, or (B) both the entire 4th and the entire 5th floors of the Building, as determined by Tenant.

In addition, Paragraph 58(F)(i) of the Lease is hereby deleted in its entirety.

8. No Further Modifications. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership

By: Lincoln Property Company No. 1384, a California Limited Partnership, its general partner

By: /s/ John R. Miller

John R. Miller,
a managing general partner

TENANT:

CARNATION COMPANY
a Delaware corporation

By: /s/ Richard R. Cheney

Richard R. Cheney
Its: Vice President, Administrative Services

AMENDMENT E

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT E TO CARNATION BUILDING OFFICE LEASE [ILLEGIBLE] ("Amendment") is made as of the 31st day of December ??? and between EIGHT HUNDRED NORTH BRAND BOULEVARD, a [ILLEGIBLE] Limited Partnership ("Landlord"), and CARNATION COMPANY [ILLEGIBLE] Delaware corporation ("Tenant")

R E C I T A L S:

A. Landlord and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987 (the "Original Lease"), as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989, that certain Amendment C to Carnation Building Office Lease dated as of July 25, 1990, and that certain Amendment D to Carnation Building Office Lease dated as of August 2, 1990. The Original Lease and Amendments A, B, C and D thereto are collectively referred to herein as the "Lease"; and

B. Tenant now desires to expand the Premises leased by Tenant under the Lease to include a portion of the ninth (9th) floor of the Building containing approximately 17,870 rentable square feet, as outlined on the Floor Plan attached hereto as Exhibit "1" and incorporated herein by this reference (the "9th Floor Space"); and

C. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Addition of 9th Floor Space. The Premises are hereby expanded to include the 9th Floor Space. The 9th Floor Space shall be leased by Tenant upon the same terms and conditions as affect the remainder of the Premises as set forth in the Lease, except as otherwise expressly provided in this Amendment and except that the terms and conditions applicable to the "Additional Space" on the 3rd floor of the Building added to the Premises pursuant to Amendment C are not applicable to the 9th Floor Space.

2. Commencement Date and Term. Notwithstanding the date the Aggregate Improvements for the 9th Floor Space (as described in Paragraph 6 below) are substantially completed by Tenant or the date Tenant receives a TCO or its equivalent for the 9th Floor Space, the Commencement Date for the 9th Floor space shall be January 1, 1991 without any reference or regard to the commencement date provisions of the Lease (including Section 1(p) of the Original Lease), and notwithstanding any subsequently occurring Force Majeure Delays or Landlord Delays which actually delay substantial completion of the Aggregate Improvements for the 9th Floor Space, it being acknowledged by Tenant that the 9th Floor Space has previously been delivered by Landlord to Tenant in the condition described on Attachment 1 to the Work Letter Agreement attached to the Original Lease as Exhibit C. The Term of the Lease for the 9th Floor Space shall commence upon January 1, 1991 and shall expire coterminously with the remainder of the Premises excluding the Additional Space (i.e., on

August 26, 2010), subject to renewal as described in Section 5 of the Original Lease and earlier termination pursuant to the provisions of the Lease (except that since Landlord has timely completed all of its obligations set forth in Section 4 of the Original Lease, the termination rights and damage provisions thereof have no further force or effect).

3. Tenant's Percentage Share and Operating Expenses. As a result of the addition of the 9th Floor Space, the Premises now consist of approximately 323,970 rentable square feet, excluding the Additional Space. Accordingly, effective as of January 1, 1991, Tenant's Percentage Share for the Premises (excluding the Additional Space) is increased to 64.51% to account for the addition of the 9th Floor Space (i.e., 64.51% equals 323,970 rentable square feet within the Premises excluding the Additional Space, divided by 502,165 rentable square feet in the Building). Tenant's Percentage Share of Operating Expenses and the Operating Expenses Allowance for the Premises and the 9th Floor Space (excluding the Additional Space) shall be determined as set forth in Paragraphs 1(r) and 6 of the Original Lease with the Base Year for the 9th Floor Space to be the same Base Year for the remainder of the Premises (excluding the Additional Space) notwithstanding that the January 1, 1991 Commencement Date for the 9th Floor Space will occur after the August 27, 1990 Commencement Date for the remainder of the Premises; provided, however, the exclusion from Operating Expenses for increases or reassessments in real property taxes and assessments set forth in clause (xxiv) of Paragraph 6(a) on page 33 of the Original Lease shall not apply in calculating the amount of Operating Expenses payable by Tenant for the 9th Floor Space.

4. Basic Rent. Notwithstanding the provisions of Section 1(q) of the Original Lease, the Annual Basic Rent for the 9th Floor Space shall initially be $27.00 per rentable square foot within the 9th Floor Space per year, payable in monthly installments equal to $2.25 per rentable square foot per month; provided, however, Tenant's obligation to pay Annual Basic Rent for the 9th Floor Space shall not be commence until the January 1, 1991 Commencement Date described above and shall be abated for the first six (6) months following such Commencement Date (i.e. from January 1, 1991 until June 30, 1991). The Annual Basic Rent for the 9th Floor Space shall be adjusted at the same times and for the same time periods as the Annual Basic Rent is scheduled to be adjusted for the 10th Floor Space pursuant to Paragraph 4(b) of Amendment D, notwithstanding that the January 1, 1991 Commencement Date for the 9th Floor Space differs from the August 27, 1990 Commencement Date for the 10th Floor Space and remainder of the Premises, as follows:

(a) The first adjustment, which shall be for years 6 through 10 of the Term of the Lease (i.e., from August 27, 1995 to August 26, 2000), shall equal $32.40 per rentable square foot within the 9th Floor Space per year, payable in monthly installments equal to $2.70 per rentable square foot per month.

(b) The second adjustment, which shall be for years 11 through 15 of the Term of the Lease (i.e. from August 27, 2000 to August 26, 2005), shall equal the "Fair Market Rental Rate" (as defined in Section 5(b) of the Original Lease) for the 9th Floor Space in existence at the beginning of the 11th year.

(c) The third adjustment, which shall be for years 16 through 20 of the Term of the Lease (i.e., August 27, 2005, to August 26, 2010), shall equal the "Fair Market

Rental Rate" (as defined in Section 5(b) of the Original Lease) for the 9th Floor Space in existence at the beginning of the 16th year.

(d) The Annual Base Rent during the renewal term(s), if Tenant exercises its option(s) to extend pursuant to Section 57 of the Original Lease, shall equal the "Fair Market Rental Rate" (as defined in Section 5(b) of the Original Lease) for the 9th Floor Space in existence at the beginning of the applicable renewal term.

5. Parking. Tenant's right to reserved spaces within the parking ratios set forth in Section 41 of the Original Lease (as amended by Paragraph 5 of Amendment D) is not increased due to the addition of the 9th Floor Space. Landlord and Tenant acknowledge that, except for the parking charges described below, the parking ratios and the rules and regulations for parking set forth in Section 41 and Exhibit "J" of the Original Lease (as modified by the immediately preceding sentence) shall also apply to the 9th Floor Space (i.e., since prior to the addition of the 9th Floor Space, the Premises contained in excess of 250,000 rentable square feet, Tenant shall be entitled to rent three (3) non-tandem parking privileges per each 1,000 rentable square feet within the 9th Floor Space). Notwithstanding the parking charges specified in Section 41 of the Original Lease, the monthly parking charges for Tenant's parking privileges applicable to the 9th Floor Space shall be as follows: (a) during the first five (5) years of the Term of the Lease with respect to the remainder of the Premises excluding the Additional Space (i.e., until August 26, 1995), Forty Dollars ($40.00) per parking privilege per month; and (b) during the remainder of the Term of the Lease and any option term, the prevailing market rental rate for parking charged from time to time by Landlord and other landlords of comparable office buildings in the vicinity of the Building.

6. Aggregate Improvements. Tenant shall be solely responsible for constructing the Aggregate Improvements for the 9th Floor Space in accordance with the applicable terms and conditions of the Work Letter Agreement attached to the Original Lease as Exhibit "C" (including the same Leasehold Improvement Allowance to be provided by Landlord in the amount of $36.90 per rentable square foot within the 9th Floor Space), with the following modifications:

(a) Tenant acknowledges that Landlord has completed the Base Building work with respect to the 9th Floor Space as required pursuant to Paragraph 1 of the Work Letter Agreement, and has also delivered possession of the 9th Floor Space to Tenant in the condition described in Attachment 1 to the Work Letter Agreement; and

(b) Tenant shall be required to deliver to Landlord for Landlord's approval the Tenant's Design Development Drawings for the 9th Floor Space at least sixty (60) days prior to the date Tenant commences construction of the Aggregate Improvements for the 9th Floor Space, and Landlord will have three (3) days after receipt of the Design Development Drawings to approve them or advise Tenant of Landlord's reasonable revisions therefor pursuant to the procedures set forth in Section 2.1 of Exhibit "C" of the Original Lease.

7. Option to Expand. Section 58 of the Original Lease, as previously amended by Paragraph 7 of Amendment D, is again amended to redefine the location of each Option Space as follows:

(a) Since the 9th Floor Space leased by Tenant pursuant to this Amendment E includes all of the First Option Space described in Paragraph 7(a) of Amendment D, there is no longer any first expansion option or First Option Space;

(b) The Second Option Space shall now consist of either (i) the remaining rentable square feet of the 9th floor not leased by Tenant pursuant to this Amendment E (the "Remaining 9th Floor Space"), or (ii) both the Remaining 9th Floor Space and the entire 8th floor of the Building, as specified by Tenant in its exercise notice for the second expansion option.

(c) If Tenant exercised its second expansion option, and as a result is leasing both the entire 8th and 9th floors of the Building, then there shall be no Third Option Space and Tenant's third expansion option shall be of no force or effect. However, if Tenant is not leasing both the entire 9th and 8th floors of the Building pursuant to its second expansion option, then: (i) if Tenant did not exercise the second expansion option, the Third Option Space shall consist of the Remaining 9th Floor Space; or (ii) if Tenant exercised its second expansion option but only with respect to the Remaining 9th Floor Space, the Third Option Space shall consist of the entire 8th floor of the Building.

(d) If at the time of Tenant's exercise of its fourth expansion option, Tenant did not exercise either its second or third expansion options, then the Fourth Option Space shall consist of either of the following, as specified by Tenant in its exercise notice for the fourth expansion option: (i) the Remaining 9th Floor Space; or (ii) the Remaining 9th Floor Space plus the entire 8th floor of the Building; or (iii) the remaining 9th Floor Space plus the entire 8th and 7th floors of the Building. If, however, at the time of Tenant's exercise of its fourth expansion option, Tenant previously expanded into the Remaining 9th Floor Space, then the Fourth Option Space shall consist of one (1) or two (2) full floors (as specified by Tenant in its exercise notice for the fourth expansion option) which is/are contiguous to the lowest floor of the Option Space actually leased by Tenant pursuant to the foregoing provisions of this Paragraph 7. As an illustration of the immediately preceding sentence, if at the time of Tenant's exercise of its fourth expansion option, Tenant exercised all of the prior expansion options for all of the Option Space available for expansion as described above, the Fourth Option Space will consist of either (A) the entire 6th floor of the Building, or (B) both the entire 6th and the entire 7th floors of the Building, as determined by Tenant.

(e) If at the time of Tenant's exercise of its fifth expansion option, Tenant did not exercise any of its expansion options, then the Fifth Option Space shall consist of either of the following, as specified by Tenant in its exercise notice for the fifth expansion option: (i) the Remaining 9th Floor Space; or (ii) the Remaining 9th Floor Space plus the entire 8th floor of the Building; or (iii) the remaining 9th Floor Space plus the entire 8th and 7th floors of the Building. If, however, at the time of Tenant's exercise of its fifth expansion option, Tenant previously expanded into the Remaining 9th Floor Space, then the Fifth Option Space shall consist of one (1) or two (2) full floors (as specified by Tenant in its exercise notice for the fifth expansion option) which is/are contiguous to the lowest floor of the Option Space actually leased by Tenant pursuant to the foregoing provisions of this Paragraph 7. As an illustration

of the immediately preceding sentence, if at the time of Tenant's exercise of its fifth expansion option, Tenant exercised all of the prior expansion options for all of the Option Space available for expansion as described above, the Fifth Option Space will consist of either (A) the entire 4th floor of the Building, or (B) both the entire 4th and the entire 5th floors of the Building, as determined by Tenant.

8. No Further Modifications. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership

By: Lincoln Property Company No. 1384, a California Limited Partnership, its general partner

By: /s/ John R. Miller

John R. Miller,
a managing general partner

TENANT:

CARNATION COMPANY
a Delaware corporation

By: /s/ WARREN N. BRAKENSIEK

WARREN N. BRAKENSIEK
Its: CORPORATE SECRETARY

EXHIBIT “1”

FLOOR PLAN OF 9TH FLOOR SPACE

[Floor plan appears here]

EXHIBIT “1”

AMENDMENT F

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT F TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 11th day of September, 1991, by and between EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership ("Landlord"), and NESTLE FOOD COMPANY, a Delaware corporation, successor-in-interest to Carnation Company, a Delaware corporation ("Tenant").

R E C I T A L S:

A. Landlord and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987 (the "Original Lease"), as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989, that certain Amendment C to Carnation Building Office Lease dated as of July 25, 1990, that certain Amendment D to Carnation Building Office Lease dated as of August 2, 1990, and that certain Amendment E to Carnation Building Office Lease dated as of December 31, 1990. The Original Lease and Amendments A, B, C, D and E thereto are collectively referred to herein as the "Lease"; and

B. Tenant now desires to expand the Premises leased by Tenant under the Lease to include a portion of the eighth (8th) floor of the Building containing approximately 14,428 rentable square feet, as outlined on the Floor Plan attached hereto as Exhibit "1" and incorporated herein by this reference (the "8th Floor Space"); and

C. A portion of the 8th Floor Space containing approximately 2,622 rentable square feet as outlined on Exhibit "1" is currently leased to Lincoln Property Company N.C., Inc. ("LPC") and is referred to herein as the "LPC Space"; the remaining portion of the 8th Floor Space containing approximately 11,806 rentable square feet as outlined on Exhibit "1" is currently leased to Walt Disney Imagineering ("Disney") and is referred to herein as the "Disney Space";

D. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Addition of 8th Floor Space. The Premises are hereby expanded to include the 8th Floor Space. The 8th Floor Space shall be leased by Tenant upon the same terms and conditions as affect the remainder of the Premises as set forth in the Lease, except as otherwise expressly provided in this Amendment and except that the terms and conditions applicable to the "Additional Space" on the 3rd floor of the Building added to the Premises pursuant to Amendment C are not applicable to the 8th Floor Space. As a result of the addition of the 8th Floor Space, the Premises now consist of approximately 338,711 rentable square feet (including the Additional Space, which consists of approximately 313 rentable square feet).

2. Commencement Date and Term. Notwithstanding the date the Aggregate Improvements for the 8th Floor Space (as described in Paragraph 6 below) are substantially completed by

Tenant or the date Tenant receives a TCO or its equivalent for the 8th Floor Space, (a) the Commencement Date for the Disney Space shall be the later of September 1, 1991 or the date Tenant is given complete and uninterrupted access to the Disney Space in its "AS IS" condition, and (b) the Commencement Date for the LPC Space shall be the date LPC vacates the LPC Space and Tenant is given complete and uninterrupted access to the LPC Space in its "AS IS" condition. Each such Commencement Date shall be determined without any reference or regard to the commencement date provisions of the Lease (including Section 1(p) of the Original Lease), and notwithstanding any subsequently occurring Force Majeure Delays or Landlord Delays which actually delay substantial completion of the Aggregate Improvements for the 8th Floor Space. The Commencement Date for the LPC Space will occur no later than October 15, 1991, and Landlord agrees to cause LPC to vacate the LPC Space by October 15, 1991. Landlord and Tenant have walked through the 8th Floor Space and agree that (i) the 8th Floor Space is in the condition described on Attachment 1 to the Work Letter Agreement attached to the Original Lease as Exhibit "C", (ii) the LPC Space has also been improved with tenant improvements which Tenant intends to substantially demolish and replace with Aggregate Improvements pursuant to Paragraph 6 below (including removing the demising walls separating the LPC Space from the Disney Space), and (iii) prior to the Commencement Date for the LPC Space, Landlord and/or LPC may remove from the LPC Space any tenant improvements and fixtures they desire, including, without limitation, doors, glass, cabinetry, light fixtures and ceiling tiles. The Term of the Lease for the 8th Floor Space shall commence upon the applicable Commencement Date therefor as described above and shall expire on December 31, 1995, without any option to extend the Term pursuant to the Lease.

3. Tenant's Percentage Share and Operating Expenses. Notwithstanding the provisions of Section 1(r) and 1(s) of the Original Lease, Tenant's Percentage Share of Operating Expenses and the Operating Expenses Allowance shall be calculated separate and apart with respect to the 8th Floor Space as compared to the remainder of the Premises. With respect to the 8th Floor Space, Tenant's Percentage Share shall be the percentage determined by dividing the rentable square feet in the 8th Floor Space by the rentable square feet in the Building (i.e., approximately 2.87%), and the Operating Expenses Allowance shall be determined based upon the Operating Expenses incurred during the 1991 calendar year, which shall be the "Base Year" applicable to the 8th Floor Space; provided, however, the exclusion from Operating Expenses for increases or reassessments in real property taxes and assessments set forth in clause (xxiv) of Paragraph 6(a) on page 33 of the Original Lease shall not apply in calculating the amount of Operating Expenses payable by Tenant for the 8th Floor Space.

4. Basic Rent. Notwithstanding the provisions of Section 1(q) of the Original Lease, the Annual Basic Rent for the 8th Floor Space during the Lease Term therefor shall be $27.00 per rentable square foot within the 8th Floor Space per year, payable in monthly installments equal to $2.25 per rentable square foot per month; provided, however, Tenant's obligation to pay Annual Basic Rent for the Disney Space shall not commence until the Commencement Date for the Disney Space described in Paragraph 2 above and shall be abated for the first eight (8) months following such Commencement Date. During such abatement period, Tenant shall still be responsible for the payment of all of its other monetary obligations under the Lease, including, without limitation, Tenant's Percentage Share of Operating Expenses in excess of the Operating Expenses Allowance with

respect to the 8th Floor Space as described in Paragraph 3 above. There shall be no such rental abatement with respect to the LPC Space.

5. Parking. Tenant's right to reserved spaces within the parking ratios set forth in Section 41 of the Original Lease (as amended by Paragraph 5 of Amendment D) is not increased due to the addition of the 8th Floor Space. Landlord and Tenant acknowledge that, except for the parking charges described below, the parking ratios and the rules and regulations for parking set forth in Section 41 and Exhibit "J" of the Original Lease (as modified by the immediately preceding sentence) shall also apply to the 8th floor Space (i.e., since prior to the addition of the 8th Floor Space, the Premises contained in excess of 250,000 rentable square feet, Tenant shall be entitled to rent three (3) non-tandem parking privileges per each 1,000 rentable square feet within the 8th Floor Space). Notwithstanding the parking charges specified in Section 41 of the Original Lease, the monthly parking charges for Tenant's parking privileges applicable to the 8th Floor Space shall be the prevailing market rental rate for parking charged from time to time by Landlord and other landlords of comparable office buildings in the vicinity of the Building.

6. Aggregate Improvements. Tenant acknowledges and agrees that (a) the 8th Floor Space will be accepted by Tenant in its "AS IS" condition on the Commencement Date therefor as described in Paragraph 2 above, (b) Landlord shall have no obligation to construct, or provide an improvement allowance or otherwise pay for, any Aggregate Improvements or other alterations for the 8th Floor Space, except as described in Paragraph 6(c) (iii) below, and (c) Tenant shall be solely responsible for constructing the Aggregate Improvements for the 8th Floor Space (including, without limitation, the removal of any existing demising walls separating the LPC Space from the Disney Space) in accordance with the applicable terms and conditions of the Work Letter Agreement attached to the Original Lease as Exhibit "C" with the following modifications:

(i) Landlord has completed the Base Building work with respect to the 8th Floor Space as required pursuant to Paragraph 1 of the Work Letter Agreement;

(ii) Tenant shall be required to deliver to Landlord for Landlord's approval the Tenant's Design Development Drawings for the 8th Floor Space prior to the date Tenant commences construction of the Aggregate Improvements for the 8th Floor Space, and Landlord will have three (3) days after receipt of the Design Development Drawings to approve them or advise Tenant of Landlord's reasonable revisions therefor pursuant to the procedures set forth in Section 2.1 of Exhibit "C" of the Original Lease; and

(iii) the Leasehold Improvement Allowance to be provided by Landlord shall be equal to $30.00 per usable square foot within the Disney Space, it being acknowledged and agreed that there shall be no Leasehold Improvement Allowance for the LPC Space.

7. Brokers. Landlord and Tenant hereby represent and warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment, excepting only The Prudential Stevenson Commercial Real Estate and Lincoln Property Company (the "Brokers"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Tenant shall have no obligation or responsibility for paying any leasing commission or brokerage fee to the Brokers, who shall be paid by Disney pursuant to a separate agreement with

the Brokers. 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 any dealings with any real estate broker or agent, other than the Brokers, occurring by, through or under the indemnifying party.

8. Option to Expand. Pursuant to this Amendment F, Tenant will receive a Thirty Dollar ($30.00) Leasehold Improvement Allowance for the Disney Space and acknowledges that it will not receive any Leasehold Improvement Allowance for the LPC Space. In the event that the Tenant subsequently leases what is herein referred to as the Disney Space and/or the LPC Space pursuant to the Option to Expand set forth in Section 58 of the Original Lease, then the Disney Space and the LPC Space shall, at that point in time, be treated as previously improved space. Therefore, if Tenant elects to subsequently exercise its Option to Expand as to such spaces, Tenant shall not receive the Thirty-Six and 90/100 Dollars ($36.90) per rentable square foot Improvement Allowance Guaranty for non-improved option space, but instead shall receive a tenant improvement allowance ("T.I. Allowance") which may be higher or may be lower than Thirty-Six and 90/100 Dollars ($36.90) per rentable square foot and which T.I. Allowance shall be determined pursuant to Section 58 of the Original Lease and the definition of "Fair Market Rental Rate" as set forth in Section 5(b) of the Original Lease.

9. Special Payment. As additional consideration to Landlord for executing this Amendment and relocating LPC to other space in the Building (the "Relocation Space") so that Tenant will have the opportunity to occupy contiguous space on the 8th floor, Tenant shall pay to Landlord for the benefit of both Landlord and LPC (pursuant to an allocation to be agreed to by LPC and Landlord) the sum of One Hundred Twenty-Four Thousand Forty-Five and 44/100 Dollars ($124,045.44) as reimbursement for costs incurred by Landlord and LPC in connection with LPC's relocation from the LPC Space to the Relocation Space (including, without limitation, telephone and computer cabling and installation costs, and tenant improvement costs with respect to both the Relocation Space and the original lease of the LPC Space). Tenant shall pay such amount to Landlord upon the execution of this Amendment.

10. No Further Modifications. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership

By: Lincoln Property Company No. 1384, a California Limited Partnership, its general partner

By: /s/ John R. Miller

John R. Miller,
a managing general partner

TENANT:

NESTLE FOOD COMPANY, a Delaware corporation, successor-in-interest to Carnation Company, a Delaware corporation

By: [ILLEGIBLE]

Its: Vice President

EXHIBIT “1”

FLOOR PLAN OF
8th FLOOR SPACE

[Floor plan appears here]

AMENDMENT G

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT G TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 24th day of January, 1992, by and between EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership ("Landlord"), and NESTLE FOOD COMPANY, a Delaware corporation, formerly known as Carnation Company, a Delaware corporation ("Tenant").

R E C I T A L S:

A. Landlord and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987 (the "Original Lease"), as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989, that certain Amendment C to Carnation Building Office Lease dated as of July 25, 1990, that certain Amendment D to Carnation Building Office Lease dated as of August 2, 1990, that certain Amendment E to Carnation Building Office Lease dated as of December 31, 1990, and that certain Amendment F to Carnation Building Office Lease dated as of September 11, 1991. The Original Lease and Amendments A, B, C, D, E and F thereto are collectively referred to herein as the "Lease"; and

B. Prior to the execution of this Amendment, Tenant sub-subleased from Walt Disney Imagineering ("Disney") the entire seventh (7th) floor of the Building which Disney is subleasing from Glendale Federal Bank, Federal Savings Bank ("Glendale Federal"), and prior to or concurrently with the execution of this Amendment, Tenant and Disney will execute an additional sub-sublease agreement pursuant to which Tenant will sub-sublease from Disney the entire fourth (4th), fifth (5th) and sixth (6th) floors of the Building which Disney is currently subleasing from Glendale Federal (the entire 4th, 5th, 6th and 7th floors of the Building are hereinafter referred to collectively as the "Glendale Federal Space"); and

C. Landlord and Tenant desire to expand the Premises leased by Tenant under the Lease to include; (i) a portion of the second (2nd) floor of the Building which contains 8,613 rentable square feet and 7,458 usable square feet, as outlined on the Floor Plan attached hereto as Exhibit "1" and incorporated herein by this reference (the "2nd Floor Space"); (ii) a portion of the eighth (8th) floor of the Building which contains, 2,759 rentable square feet, as outlined on the Floor Plan attached hereto as Exhibit "2" and incorporated herein by this reference (the "Added 8th Floor Premises"); and (iii) the Glendale Federal Space, which contains 97,963 rentable square feet, as outlined on Exhibit "3" attached hereto and incorporated herein by this reference; and

D. The 2nd Floor Space, the Added 8th Floor Premises and the Glendale Federal Space contain a total of 109,335 rentable square feet and are sometimes collectively referred to hereinafter as the "New Space"; and

E. Landlord and Tenant desire to amend the Lease to (i) add the New Space to the Premises, (ii) remove from the Premises the "Additional Space" located on the third (3rd) floor

of the Building which was added to the Premises pursuant to Amendment C, and accordingly terminate the Lease with respect to the Additional Space, (iii) extend the Term of the Lease with respect to the 8th Floor Space added to the Premises pursuant to Amendment F, and (iv) otherwise modify the Lease, all upon the terms and conditions as hereinafter provided; and

F. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Expansion of Premises. The Premises are hereby expanded to include the New Space for a term commencing upon the applicable Commencement Date set forth in Paragraph 2 below. The New Space shall be leased by Tenant upon the same terms and conditions as affect the remainder of the Premises as set forth in the Lease, except as otherwise expressly provided in this Amendment and except that the terms and conditions applicable to the Additional Space are not applicable to the New Space. As a result of the addition of The New Space, the Premises now consist of approximately 447,733 rentable square feet (excluding the Additional Space).

2. Commencement Date and Term. Notwithstanding the date the Aggregate Improvements for the 2nd Floor Space (as described in Paragraph 8 below) or any alterations or other improvements to the New Space are substantially completed by Tenant or the date Tenant receives a TCO or its equivalent for the New Space, (a) the Commencement Date for the 2nd Floor Space and the Added 8th Floor Premises shall be January 1, 1992, and (b) the Commencement Date for the Glendale Federal Space shall be September 1, 1995 (which is the date following the scheduled expiration of Landlord's existing lease with Glendale Federal and Tenant's sub-sublease with Disney for the Glendale Federal Space). Each such Commencement Date shall be determined without any reference or regard to the commencement date provisions of the Lease (including Section 1(p) of the Original Lease), and notwithstanding any subsequently occurring Force Majeure Delays or Landlord Delays which actually delay substantial completion of the Aggregate Improvements for the 2nd Floor Space or any alterations or other improvements to the New Space. The Term of the Lease for the New Space shall commence upon the applicable Commencement Date therefor as described above and shall expire coterminously with the Lease Term for the remainder of the Premises (excluding the Additional Space) (i.e., on August 26, 2010), subject to renewal and earlier termination pursuant to the provisions of the Lease.

3. Extension of Lease Term for 8th Floor Space. The Term of the Lease for the 8th Floor Space, which is currently scheduled to expire on December 31, 1995, is hereby extended so that it will expire coterminously with the Lease Term for the remainder of the Premises (excluding the Additional Space) (i.e., on August 26, 2010), subject to renewal and earlier termination pursuant to the provisions of the Lease. All of the applicable terms and provisions of the Lease shall continue to apply to the 8th Floor Space during such extended term except that the Annual Basic Rent and Monthly Basic Rent payable for the 8th Floor Space shall be as set forth in Paragraph 6 below.

4. Termination of Additional Space. Landlord and Tenant hereby acknowledge and agree that the Lease with respect to the Additional Space terminated as of 12:00 midnight, December

31, 1991 (the "Termination Date"). Effective as of the Termination Date, the Premises leased by Tenant from Landlord under the Lease no longer include the Additional Space. Tenant shall receive a rent credit from Landlord for the amount of rent, if any, paid by Tenant to Landlord for the Additional Space and applicable to any time period following the Termination Date.

5. Tenant's Percentage Share and Operating Expenses. Tenant shall be obligated to pay Operating Expenses with respect to the New Space in accordance with the applicable provisions of the Lease, except (a) such obligation shall not commence until the applicable Commencement Date for each portion of the New Space as described in Paragraph 2 above, (b) Tenant's Percentage Share with respect to each such portion of the New Space shall be the percentage determined by dividing the rentable square feet in such portion of the New Space by the rentable square feet in the Building, (c) the Operating Expenses Allowance for the Glendale Federal Space and the Added 8th Floor Premises shall be determined as set forth in Paragraph 1(r) of the Original Lease with the Base Year for the Glendale Federal Space and the Added 8th Floor Premises to be the same as the Base Year for the original Premises leased by Tenant under the Original Lease (i.e., the first twelve (12) months following the August 27, 1990 Commencement Date for the Original Lease), (d) the Operating Expenses Allowance with respect to the 2nd Floor Space shall be determined based upon the Operating Expenses incurred during the 1991 calendar year, which shall be the "Base Year" applicable to the 2nd Floor Space, and (e) the exclusion from Operating Expenses for increases or reassessments in real property taxes and assessments set forth in clause (xxiv) of Paragraph 6(a) on page 33 of the Original Lease shall not apply in calculating the amount of Operating Expenses payable by Tenant for the New Space.

6. Basic Rent. Notwithstanding the provisions of Section 1(q) of the Original Lease or Paragraph 4 of Amendment F, the Annual Basic Rent for the New Space and the 8th Floor Space shall be as follows:

(a) The Annual Basic Rent shall be $27.00 per rentable square foot per year, payable in monthly installments equal to $2.25 per rentable square foot per month with respect to the following space during the following time periods:

Portion of Premises	Portion of Lease Term
(i) 2nd Floor Space and Added 8th Floor Premises	January 1, 1992 until August 26, 1995.
(ii) 8th Floor Space	Applicable Commencement Date for such space (as determined pursuant to Paragraph 2 of Amendment F) until December 31, 1995.

Notwithstanding the foregoing, (A) the Annual Basic Rent for the 2nd Floor Space shall be abated for the period from January 1, 1992 until October 31, 1992, (B) the Annual Basic Rent for 1,508 rentable square feet of the Added 8th Floor Premises shall be abated for the period from January 1, 1992 until April 30, 1992, and (C) the Annual Basic Rent for the portion of the 8th Floor Space defined in Amendment F as the Disney Space shall be abated for the first eight (8) months following the Commencement Date for the Disney Space. During

such abatement period, Tenant shall still be responsible for the payment of all of its other monetary obligations under the Lease, including, without limitation, Tenant's Percentage Share of Operating Expenses in excess of the Operating Expenses Allowance with respect to the New Space and 8th Floor Space.

(b) The Annual Basic Rent shall be $31.50 per rentable square foot per year, payable in monthly installments equal to $2.625 per rentable square foot per month, with respect to the following space during the following time periods:

	Portion of Premises	Portion of Lease Term
(i)	2nd Floor Space and Added 8th Floor Premises	August 27, 1995 to August 26, 2000.
(ii)	Glendale Federal Space	September 1, 1995 to August 26, 2000.
(iii)	8th Floor Space	January 1, 1996 to August 26, 2000.

(c) During the period from August 27, 2000 to August 26, 2005, the Annual Basic Rent for the New Space and 8th Floor Space shall be equal to the "Fair Market Rental Rate" (as defined in Section 5(b) of the Original Lease) for the New Space and 8th Floor Space in existence as of August 27, 2000.

(d) During the period from August 27, 2005 until August 26, 2010, the Annual Basic Rent for the New Space and 8th Floor Space shall be equal to the "Fair Market Rental Rate" (as defined in Section 5(b) of the Original Lease) for the New Space and 8th Floor Space in existence as of August 27, 2005.

(e) The Annual Basic Rent during the renewal term for the 8th Floor Space and New Space (if Tenant exercises its option(s) to extend pursuant to Section 57 of the Original Lease) shall be equal to the "Fair Market Rental Rate" (as defined in Section 5(b) of the Original Lease) for the New Space and 8th Floor Space in existence at the beginning of the applicable renewal term.

7. Parking. Tenant's right to reserved spaces within the parking ratios set forth in Section 41 of the Original Lease (as amended by Paragraph 5 of Amendment D) is not increased due to the addition of the New Space. Landlord and Tenant acknowledge that, except for the parking charges described below, commencing upon the applicable Commencement Date for the New Space, the parking ratios and the rules and regulations for parking set forth in Section 41 and Exhibit "J" of the Original Lease (as modified by the immediately preceding sentence) shall also apply to the New Space during the applicable Lease Term for the New Space (i.e., since prior to the addition of the New Space, the Premises contained in excess of 250,000 rentable square feet, Tenant shall be entitled during the applicable Lease Term for the New Space to rent three (3) non-tandem parking privileges per each 1,000 rentable square feet within the New Space). Notwithstanding the parking charges specified in Section 41 of the Original Lease, the monthly parking charges for

Tenant's parking privileges applicable to the New Space shall be the prevailing market rental rate for parking charged from time to time by Landlord and other landlords of comparable office buildings in the vicinity of the Building.

8. Alterations and Improvements. Tenant acknowledges and agrees that (a) the New Space is in the condition described on Attachment 1 to the Work Letter Agreement attached to the Original Lease as Exhibit "C" and all Base Building work (as defined in Paragraph 1 of the Work Letter Agreement) with respect to the New Space has been completed, (b; the Glendale Federal Space and the Added 8th Floor Premises have also been improved with tenant improvements which are acceptable to Tenant and/or which Tenant may demolish, refurbish or alter at Tenant's expense in accordance with Section 14 of the Original Lease (including removing any existing demising walls within the Added 8th Floor Premises and/or separating the Added 8th Floor Premises from the 8th Floor Space), (c) the New Space has been or will be accepted by Tenant in its "AS IS" condition on the Commencement Date therefor as described in Paragraph 2 above, without any obligation on Landlord's part to construct, or provide an improvement allowance or otherwise pay for, any tenant improvements or alterations for the New Space, except for the Leasehold Improvement Allowance to be paid for by Landlord as described in Paragraph 8(d) (ii) below with respect to the initial Aggregate Improvements for the 2nd Floor Space, and (d) Tenant shall be solely responsible for constructing all alterations and improvements for the New Space in accordance with Section 14 of the Original Lease, and all of the initial Aggregate Improvements for the 2nd Floor Space in accordance with the applicable terms and conditions of the Work Letter Agreement attached to the Original Lease as Exhibit "C" with the following modifications:

(i) Tenant shall be required to deliver to Landlord for Landlord's approval the Tenant's Design Development Drawings for the 2nd Floor Space prior to the date Tenant commences construction of the Aggregate Improvements for the 2nd Floor Space, and Landlord will have three (3) days after receipt of the Design Development Drawings to approve them or advise Tenant of Landlord's reasonable revisions therefor pursuant to the procedures set forth in Section 2.1 of Exhibit "C" of the Original Lease; and

(ii) the Leasehold Improvement Allowance to be provided by Landlord for the 2nd Floor Space shall be equal to $30.00 per usable square foot within the 2nd Floor Space.

9. Option to Expand. Pursuant to the Lease, as amended by this Amendment G, the Premises now consist of all of the rentable space in the Building, excepting only the following space (collectively, the "Remaining Space"): (a) a portion of the 9th floor containing approximately 6,477 rentable square feet (the "Remaining 9th Floor Space"); (b) a portion of the 8th floor containing approximately 7,310 rentable square feet (the Remaining 8th Floor Space"); (c) a portion of the 2nd floor of the Building containing approximately 15,948 rentable square feet; and (d) the entire rentable space on the 3rd floor of the Building containing approximately 24,561 rentable square feet. As a result, all of the Tenant's Option Space which is subject to Tenant's expansion rights in Section 58 of the Original Lease (as previously amended by Amendments D, E and F) is now leased by Tenant, excepting only the Remaining 9th Floor Space and Remaining 8th Floor Space. Accordingly, Landlord and Tenant hereby further amend Section 58 of the Original Lease to redefine the number of expansion options and location of each Option Space as follows:

(i) there is no longer a First Option Space or first expansion option.

(ii) the second expansion option remains in effect, except that the Second Option Space shall now consist of both the Remaining 8th Floor Space and Remaining 9th Floor Space; and

(iii) there shall be no Third, Fourth or Fifth Option Space and no third, fourth or fifth expansion options if Tenant exercises its second expansion option to lease the Second Option Space; however, if Tenant does not exercise its second expansion option, then the Third, Fourth and Fifth Option Space shall consist of, and Tenant's third, fourth and fifth expansion options shall be applicable to, the Second Option Space not previously leased by Tenant pursuant to any preceding expansion option or first right to lease.

10. First Right to Lease. Section 59 of the Original Lease is hereby deleted in its entirety and replaced with the following:

"Section 59. First Right to Lease. After the date of execution of Amendment G, whenever Landlord desires to lease any of the unleased rentable space in the Building (the "First Right Space") (which Landlord and Tenant acknowledge that as of the date this Amendment G is executed consists of the Remaining Space described in Paragraph 9 of Amendment G), Landlord shall send to Tenant a "Special Notice" setting forth its desire to lease all or any portion of the First Right Space. The Special Notice shall contain a description of the First Right Space which Landlord so desires to lease and Landlord's determination of the "Fair Market Rental Rate" (as defined in Section 5(b) of the Original Lease) for such First Right Space. Tenant shall have the right to lease all, but not less than all, of the First Right Space described in the Special Notice at the Fair Market Rental Rate for such space and for a term which shall be coterminous with the Lease, by delivering written notice of such election to Landlord within five (5) business days after receipt of the Special Notice, and, upon and concurrent with Tenant's notice, Tenant may, at its option, object to Landlord's determination of the Fair Market Rental Rate, in which case the parties shall follow the procedure, and the Fair Market Rental Rate for the First Right Space shall be determined, as set forth in Section 5(b) of the Original Lease. At Landlord's election, any Special Notice may refer to one or more separate parcels of the First Right Space and if such Special Notice refers to more than one parcel, Tenant may elect to take all, some, one or none of such parcels within such five (5) business day period pursuant to the foregoing provisions of this Section 59. If Tenant does not timely elect to lease the First Right Space (or any separate parcel(s) of First Right Space) described in the Special Notice, Tenant's first right to lease such First Right Space (or separate parcel (s) thereof) shall terminate, and Landlord may thereafter lease all or any portion of such First Right Space to anyone else on any terms that Landlord desires. The first right set forth in this Section 59 is not personal to Tenant and may be assigned to any assignee of Tenant. For purposes of the First Right Space only, the term Tenant shall be limited to Nestle Food Company, an assignee which assumes the entire Lease, or a subtenant which subleases the entire Premises."

11. Brokers. Landlord and Tenant hereby represent and warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of

this Amendment, excepting only The Prudential Stevenson Commercial Real Estate and Lincoln Property Company (the "Brokers"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Tenant shall have no obligation or responsibility for paying any leasing commission or brokerage fee to the Brokers, who shall be paid by Disney pursuant to a separate agreement with the Brokers. 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 any dealings with any real estate broker or agent, other than the Brokers, occurring by, through or under the indemnifying party.

12. Amendment to Sub-Sublease. Pursuant to Section 16 of the two (2) Sub-Sublease Agreements between Tenant and Walt Disney Imagineering, Tenant was granted certain renewal rights with respect to the Glendale Federal Space. Such renewal rights are hereby null and void since the Glendale Federal Space covered by such renewal rights is being leased directly by Tenant from Landlord pursuant to this Amendment G. In addition, the limited portion of the Landlord's consent pertaining to the grant of such renewal rights to Tenant is also hereby null and void.

13. No Further Modifications. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership

By: Lincoln Property Company No. 1384, a California Limited Partnership, its general partner

By: /s/ John R. Miller

John R. Miller,
a managing general partner

TENANT:

NESTLE FOOD COMPANY, a Delaware corporation, formerly known as Carnation Company, a Delaware corporation

By: [ILLEGIBLE]

Its: Vice President

EXHIBIT 1
2ND FLOOR

[Floor plan appears here]

EXHIBIT 2
8TH FLOOR

[Floor plan appears here]

EXHIBIT 3
FLOOR 4, 5, 6 & 7

[Floor plan appears here]

EXECUTED
ORIGINAL

AMENDMENT H

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT H TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 9th day of November, 1993, by and between EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership ("Landlord"), and NESTLE FOOD COMPANY, a Delaware corporation, formerly known as Carnation Company, a Delaware corporation ("Tenant").

R E C I T A L S:

A. Landlord and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987 (the "Original Lease"), as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989, that certain Amendment C to Carnation Building Office Lease dated as of July 25, 1990, that certain Amendment D to Carnation Building Office Lease dated as of August 2, 1990, that certain Amendment E to Carnation Building Office Lease dated as of December 31, 1990, that certain Amendment F to Carnation Building Office Lease dated as of September 11, 1991, and that certain Amendment G to Carnation Building Office Lease dated as of January 24, 1992. The Original Lease and Amendments A, B, C, D, E, F and G thereto are collectively referred to herein as the "Lease"; and

B. Landlord and Tenant now desire to further amend the Lease to expand the Premises leased by Tenant under the Lease to include: (i) certain space located in the ground level parking garage of the Building which contains 2,571 usable square feet (including the store entrance area), as outlined on the Floor Plan attached hereto as Exhibit "1" and incorporated herein by this reference (the "Company Store Space"); (ii) certain space located within the freight dock of the Building for expansion of Tenant's existing kitchen within the Plaza Level adjacent thereto, which additional space contains 154 usable square feet, as outlined in the Floor Plan attached hereto as Exhibit "2" and incorporated herein by this reference (the "Additional Kitchen Space"); and (iii) certain space located on the third (3rd) floor of the Building which contains approximately 313 rentable square feet, as outlined in the Floor Plan attached hereto as Exhibit "3" and incorporated herein by this reference (the "3rd Floor Space"); and

C. The Company Store Space Additional Kitchen Space and the 3rd Floor Space are sometimes collectively referred to herein as the "Supplemental Space."

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Defined Terms. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

2. Expansion of Premises. The Premises are hereby expanded to include the Supplemental Space for a term commencing upon the applicable Commencement Date set forth in Paragraph 3 below. The Supplemental Space shall be leased by Tenant upon the same terms and conditions as affect the remainder of the Premises as set forth in the Lease, except as otherwise expressly provided in this Amendment.

3. Commencement Date and Term. The Commencement Date for the Company Store Space shall be the earlier of (a) the date Tenant commences business operations from all or any portion of the Company Store Space, or (b) February 15, 1994. The Commencement Date for the Additional Kitchen Space shall be the earlier of (i) the date Tenant commences business operations from all or any portion of the Additional Kitchen Space, or (ii) March 1, 1994. The Commencement Date for the 3rd Floor Space shall be January 1, 1994. Each such Commencement Date shall be determined as set forth above without any reference or regard to the commencement date provisions of the Lease (including Section 1(p) of the Original

Lease), and notwithstanding the date any alterations or other improvements to the applicable Supplemental Space are substantially completed by Tenant or the date Tenant receives a TCO or its equivalent for any Supplemental Space. The Term of the Lease for the Supplemental Space shall commence upon the applicable Commencement Date for the applicable portion thereof as described above and shall expire coterminously with the Lease Term for the remainder of the Premises (i.e., on August 26, 2010), subject to renewal and earlier termination pursuant to the provisions of the Lease. Notwithstanding the foregoing, Tenant shall have the right to terminate its lease of the Company Store Space at any time during the Term thereof by providing to Landlord at least ninety (90) days' prior written notice of its intention to terminate, provided that Tenant, at Tenant's expense, returns the Company Store Space and the parking garage to its original condition prior to the effective date of such termination.

4. Utilities. Notwithstanding the provisions of Sections 6 and 18 of the Original Lease to the contrary, Tenant shall, at Tenant's expense, be solely responsible for providing for the Company Store Space and Additional Kitchen Space all cleaning, janitorial and security services, the replacement of all light bulbs, and the distribution therein of all electricity, HVAC, water, gas, telephone service, trash removal and any other utilities and services. Such services shall be performed by personnel selected by Tenant and reasonably approved by Landlord; provided, however, Landlord shall, at Tenant's expense, provide comparable janitorial service to the Additional Kitchen Space as currently provided by Landlord for Tenant's existing kitchen within the Plaza Level of the Premises. The cost of all such utilities and services shall be promptly paid by Tenant as and when due directly to the persons or entities providing same. If any such utilities or services are not separately metered, Tenant shall pay a pro-rata portion of the costs therefor within thirty (30) days after invoice from Landlord, which pro-rata portion shall be reasonably determined by Landlord based upon Tenant's usage.

5. Tenant's Percentage Share and Operating Expenses.

(a) 3rd Floor Space. Tenant shall be obligated to pay Operating Expenses with respect to the 3rd Floor Space in accordance with the applicable provisions of the Lease, except (i) such obligation shall not commence until the January 1, 1994 Commencement Date for the 3rd Floor Space, (ii) Tenant's Percentage Share with respect to the 3rd Floor Space shall be the percentage determined by dividing the rentable square feet of the 3rd Floor Space by the rentable square feet in the Building, (iii) the Operating Expenses Allowance with respect to the 3rd Floor Space shall be determined based upon the Operating Expenses incurred during the 1993 calendar year, which shall be the "Base Year" applicable to the 3rd Floor Space, and (iv) the exclusion from Operating Expenses for increases or reassessments in real property taxes and assessments set forth in clause (xxiv) of Paragraph 6(a) on page 33 of the Original Lease shall not apply in calculating the amount of Operating Expenses payable by Tenant for the 3rd Floor Space.

(b) Company Store Space and Additional Kitchen Space. Tenant shall not be required to pay any Operating Expenses with respect to the Company Store Space or the Additional Kitchen Space pursuant to the provisions of Section 6 of the Original Lease, and the square footage of the Company Store Space and the Additional Kitchen Space shall not be added to the rentable square feet of the Building or the Premises for purposes of determining Tenant's Percentage Share of Operating Expenses with respect to the remainder of the Premises. Tenant shall, however, pay for any taxes or assessments (including any increases in existing taxes and assessments) which are imposed against Landlord, the Building or the Site as a result of Tenant's lease, use or occupancy of the Company Store Space and the Additional Kitchen Space, including, without limitation, as a result of any improvements to the parking garage, loading dock and Building and the addition of rentable area to the Building to provide for the Company Store Space and the Additional Kitchen Space. If any such new or increased taxes and assessments are not separately assessed, Tenant shall pay for such portion thereof attributable to the Company Store Space and the Additional Kitchen Space, as equitably determined by Landlord. Tenant shall also pay for the cost of any increased security services, if any, provided by Landlord for the Building and any increases in Landlord's insurance premiums incurred as result of the addition of the Company Store Space and the Additional Kitchen Space and/or Tenant's lease, use or occupancy thereof.

6. Basic Rent. Notwithstanding the provisions of the Lease to the contrary, the Annual Basic Rent payable by Tenant for the Supplemental Space shall be as follows:

(a) Company Store Space. The Annual Basic Rent payable for the Company Store Space during the period from the Commencement Date for the Company Store Space until February 28, 1999 shall be $18.00 per usable square foot within the Company Store Space per year, payable in monthly installments equal to $1.50 per usable square foot per month, and shall be adjusted thereafter on the applicable Company Store Adjustment Date set forth below in this Paragraph 6(a) to the greater of (i) the Annual Basic Rent in effect as of the date immediately preceding the applicable Company Store Adjustment Date, or (ii) the "Market Base Rent" (as defined below) for the Company Store Space as of the applicable Company Store Adjustment Date. For purposes of this Paragraph 6(a), the applicable "Company Store Adjustment Dates" shall be March 1, 1999, March 1, 2004, March 1, 2009, and, if Tenant exercises its option(s) to extend pursuant to Section 57 of the Original Lease, the applicable commencement date(s) for such renewal term(s). As used herein, the "Market Base Rent" for the Company Store Space shall be determined by Landlord and shall mean the prevailing monthly basic rental rate per usable square foot of the Company Store Space as of the applicable Company Store Adjustment Date set forth above for space comparable to the Company Store Space and located in the Building or in comparable first-class office buildings in the vicinity of the Building, as reasonably determined by Landlord.

(b) Additional Kitchen Space. The Annual Basic Rent payable for the Additional Kitchen Space shall be as set forth in the following schedule:

Portion of Lease Term	Annual Basic Rent per Usable Square Foot Within the Additional Kitchen Space	Monthly Basic Rent per Usable Square Foot Within the Additional Kitchen Space
Commencement Date for Additional Kitchen Space to August 26, 2000	$27.00	$2.25
August 27, 2000 to August 26, 2005	$30.00	$2.50
August 27, 2005 to August 26, 2010	$35.00	$2.9167
Renewal Term(s)	Fair Market Rental Rate (as defined in Section 5(b) of the Original Lease)	Fair Market Rental Rate (as defined in Section 5(b) of the Original Lease)

(c) 3rd Floor Space. The Annual Basic Rent payable for the 3rd Floor Space during the period from January 1, 1994 through August 26, 2000, shall equal $27.00 per rentable square foot within the 3rd Floor Space per year, payable in monthly installments equal to $2.25 per rentable square foot per month, and shall be adjusted thereafter on the applicable 3rd Floor Adjustment Date set forth below in this Paragraph 6(c) to an amount equal to the "Fair Market Rental Rate" (as defined in Section 5(b) of the Original Lease) for the 3rd Floor Space as of the applicable 3rd Floor Adjustment Date. For purposes of this Paragraph 6(c), the applicable "3rd Floor Adjustment Dates" for the 3rd Floor Space shall be August 27, 2000, August 27, 2005 and if Tenant exercises its option(s) to extend pursuant to Section 57 of the Original Lease, the applicable commencement date for such renewal term(s).

7. Parking. Notwithstanding the provisions of the Lease to the contrary (including Section 41 of the Original Lease), Tenant shall not be entitled to any additional parking privileges as a result of the addition of the Supplemental Space. In addition, effective as of the date Tenant initiates any demolition, improvement or alteration work for the Company Store Space (the "Construction Date"), __ ( ) of Tenant's reserved parking privileges which are located as shown on Exhibit "4" attached hereto shall be relocated to a new location as depicted on Exhibit "4".

8. Use. Notwithstanding Section 8 of the Original Lease to the contrary, the Company Store Space shall be used by Tenant solely as a company store, consistent and compatible with a first-class headquarters office building, for the sale to Tenant's current or former employees or individuals specifically authorized by Tenant to purchase products at the Company Store, of pre-packaged food items made or distributed by Tenant or any affiliate of Tenant. The Company Store Space shall not be used for any other purpose. The Additional Kitchen Space shall be used by Tenant solely as an extension of Tenant's existing kitchen on the Plaza Level or, with Landlord's consent, which consent shall not be unreasonably withheld, for any other lawful purpose, consistent and compatible with a first-class headquarters office building, and shall not be used for any other purpose. In no event shall Tenant sell or solicit the sale of any item from the Company Store Space to any person or entity other that Tenant's current or former employees or individuals specifically authorized by Tenant to purchase products at the Company Store. Tenant's use of the Supplemental Space shall comply with all of the applicable provisions of the Lease. Tenant shall not assign or sublease all or any portion of the Company Store Space except in connection with assignment of Tenant's entire leasehold interest pursuant to the Lease. Tenant shall be solely responsible, at Tenant's expense, for obtaining all permits, licenses (including a business license) and other governmental approvals required for the opening and operation of Tenant's business in the Company Store Space or Additional Kitchen Space, and Landlord shall have no responsibility therefor, although Landlord shall reasonably cooperate with Tenant in Tenant's efforts to secure such permits and approvals. Tenant acknowledges that Landlord has made no representations or warranties regarding the ability of Tenant to use the Company Store Space or Additional Kitchen Space for the use permitted hereinabove.

9. Alterations and Improvements. Tenant acknowledges and agrees that (a) all Base Building work with respect to the Supplemental Space has been completed by Landlord (b) the 3rd Floor Space has also been improved with tenant improvements which are acceptable to Tenant, and/or which Tenant may refurbish or alter at Tenant's expense in accordance with Section 14 of the Original Lease, (c) the Supplemental Space is being leased to Tenant in its "AS IS" condition as of the date hereof, without any obligation on Landlord's part to construct, or provide an improvement allowance or otherwise pay for, any tenant improvements or alterations for the Supplemental Space, and (d) Tenant shall, at its expense, be solely responsible for designing, constructing and obtaining the permits and approvals for all alterations and improvements to the Supplemental Space in accordance with Section 14 of the Original Lease. All such alterations and improvements (including all signs for the Company Store Space) shall be subject to Landlord's approval, which shall not be unreasonably withheld, conditioned or delayed, and the approval of all applicable governmental authorities. Tenant shall pay to Landlord, within thirty (30) days after invoice, all costs incurred by Landlord in relocating parking stalls in the ground level parking garage of the Building and restriping and repairing such parking garage as a result of the construction of the Company Store Space within the parking garage as described in this Amendment.

10. Building Planning. In the event Landlord requires all or any portion of the 3rd Floor Space for use in conjunction with another suite or for other reasons connected with the Building planning program, upon notifying Tenant in writing, Landlord shall have the right to move Tenant over a weekend to other space on the second (2nd) or third (3rd) floors of in the Building of substantially similar size as the 3rd Floor Space and improved with tenant improvements at least substantially equal in quality, efficiency and utility to the tenant improvements existing in the 3rd Floor Space as of January 1, 1994. Landlord shall pay for the costs of such relocation, including the cost of such tenant improvements for the new space, Tenant's moving expenses, telephone installation and stationery reprinting charges. Upon such relocation, the terms and conditions regarding the 3rd Floor Space as set forth in this Amendment shall remain in full force and effect, save and excepting that a revised Exhibit "3" shall become part of the Lease and shall reflect the location of the new space and all appropriate adjustments to Tenant's Percentage Share and Base Rent shall be made to take into account the rentable square feet of the new space; provided, however, in no event shall Tenant's Percentage Share and/or Annual Basic Rent increase in the event the new space contains more rentable square feet than the 3rd Floor Space.

11. Brokers. Landlord and Tenant hereby represent and warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment. 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 any dealings with any real estate broker or agent, other than the Brokers, occurring by, through or under the indemnifying party.

12. No Further Modifications. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership

By: Lincoln Property Company No. 1384, a California Limited Partnership, its general partner

By: /s/ John R. Miller

John R. Miller,
a managing general partner

TENANT:

NESTLÉ FOOD COMPANY, a Delaware corporation, successor-in-interest to Carnation Company, a Delaware corporation

By: [ILLEGIBLE]

Its:

EXHIBIT “1”

COMPANY STORE SPACE

[Floor plan appears here]

Exhibit 1

EXHIBIT “2”

ADDITIONAL KITCHEN SPACE

[Floor plan appears here]

EXHIBIT “3”

3rd FLOOR SPACE

[Floor plan appears here]

EXHIBIT “4”

RELOCATION OF RESERVED PARKING PRIVILEGES

[To be attached]

[LETTERHEAD OF NESTLÉ]

June 24, 1994

EIGHT HUNDRED NORTH BRAND BOULEVARD,
A California Limited Partnership
800 N. Brand Boulevard
Glendale, CA 91203

Attention: John R. Miller
Lincoln Property Company No. 1384

This letter will serve to amend Amendment H dated November 9, 1993 ("Amendment H") to the Lease between EIGHT HUNDRED NORTH BRAND BOULEVARD ("Landlord") and NESTLE FOOD COMPANY ("Tenant") dated December 22, 1987 ("Lease") as follows:

> Delete the first sentence of Paragraph 8 of Amendment H and replace said sentence with the following new sentence: "Notwithstanding Section 8 of the Original Lease to the contrary, the Company Store Space shall be used by Tenant solely as a company store, consistent and compatible with a first-class headquarters office building, for the sale to Tenant's current or former employees or individuals specifically authorized by Tenant to purchase products at the Company Store, of products made or distributed by Tenant or any affiliate of Tenant, including prepackaged food items, cosmetics, or toiletries made or distributed by Tenant or any Tenant affiliate."

Except as modified above, all terms and conditions of Amendment H and the Lease shall remain in full force and effect.

NESTLÉ FOOD COMPANY

By: /s/ Robert H. Sanders

Robert H. Sanders
Vice President

AGREED TO AND ACCEPTED:

EIGHT HUNDRED NORTH BRAND BOULEVARD,
A California Limited Partnership

By: Lincoln Property Company No. 1384, a
California Limited Partnership, its general partner

By /s/ John R. Miller

Its

[LETTERHEAD OF NESTLÉ]

Date: December 6, 1994

Eight Hundred North Brand Boulevard
c/o Lincoln Property Company No. 1384
800 North Brand Blvd.
Glendale, CA 91203
Attn: Mr. John Miller

Dear John:

As you are aware, Section 9 of Amendment G ("Amendment G"), dated January 24, 1992, to the Carnation Building Office Lease (the "Lease") between Nestle Food Company ("Tenant") and Eight Hundred North Brand Boulevard ("Landlord") amended Section 58 of the Lease to redefine the number of expansion options and the location of each Option Space available to Tenant. Specifically, the terms of Section 9 (ii) of Amendment G redefine Tenant's second expansion option as consisting of the Remaining 8th Floor Space and Remaining 9th Floor Space, as those terms are defined in Amendment G. Tenant has been asked to waive its right to exercise its second expansion option as it relates to the Remaining 9th Floor Space only, in order to permit an extension of the Lease between Landlord and United Services Automobile Association ("USAA") for an additional three (3) year period, effective from August 18, 1995 until August 17, 1998. Tenant hereby agrees to waive its right to exercise its second expansion option as it relates to the Remaining 9th Floor Space, provided however (i) Tenant shall retain its second expansion option with respect to the Remaining 8th Floor Space only, so that the Second Option Space will now consist of the Remaining 8th Floor Space; and (ii) the Third Option Space shall now consist of, and Tenant shall have a third expansion option to lease, (a) the Remaining 8th Floor Space, in the event Tenant does not exercise its second expansion option with respect to the Remaining 8th Floor Space, and/or (b) the Remaining 9th Floor Space (it being understood that Tenant's third expansion option shall be to lease either both the Remaining 8th Floor Space (assuming Tenant has not exercised its second expansion option) and the

Remaining 9th Floor Space, or either the Remaining 8th Floor Space or the Remaining 9th Floor Space).

If you agree with the above, please sign in the space provided below, and this letter shall serve to amend the terms of the Lease. Thank you.

Very truly yours,

/s/ Robert H. Sanders
Robert H. Sanders,
Vice President, Nestlé Food Company

Agreed:
Eight Hundred North Brand Boulevard, a
California Limited Partnership

By: Lincoln Property Company No. 1384, a
California Limited Partnership, its general partner

By: /s/ John R. Miller

John R. Miller, a managing general partner

AMENDMENT I

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT I TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 17th day of March, 1995, by and between EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership ("Landlord"), and NESTLE FOOD COMPANY, a Delaware corporation, formerly known as Carnation Company, a Delaware corporation ("Tenant").

R E C I T A L S:

A. Landlord and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987 (the "Original Lease"), as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989, that certain Amendment C to Carnation Building Office Lease dated as of July 25, 1990, that certain Amendment D to Carnation Building Office Lease dated as of August 2, 1990, that certain Amendment E to Carnation Building Office Lease dated as of December 31, 1990, that certain Amendment F to Carnation Building Office Lease dated as of September 11, 1991, that certain Amendment G to Carnation Building Office Lease dated as of January 24, 1992, that certain Amendment H to Carnation Building Office Lease dated as of November 9, 1993, and that certain Letter Agreement dated December 6, 1994. The Original Lease and the foregoing amendments are collectively referred to herein as the "Lease"; and

B. Landlord and Tenant now desire to further amend the Lease in certain respects, as hereinafter set forth in this Amendment.

A G R E E M E N T:

NOW, THEREFORE, incorporating the foregoing recitals and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Defined Terms. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

2. Management. The last sentence of Section 61 of the Original Lease is hereby deleted in its entirety. In addition, Landlord agrees that, as long as Lincoln Property Company Management Services, L.P. or its affiliate (including, without limitation, LPC) ("Lincoln"), is providing property management services for the Building, the management fee included in Operating Expenses shall not exceed three percent (3%) of total revenues (including tenant reimbursables) per year. In the event Lincoln is no longer providing property management

services, Landlord agrees that the management fee included in Operating Expenses shall be determined in accordance with the applicable provisions of the Lease, including, without limitation, the Operating Expense exclusion (xii) on page 32 of the Lease and Section 61 of the Lease.

3. Liability of LPC. Effective from and after the date hereof, LPC shall no longer have any obligations or liability pursuant to Section 22(f) of the Original Lease, and any such obligations imposed upon LPC under such provisions of the Lease shall be borne by the Landlord.

4. Expansion Rights. Tenant hereby waives its right to exercise its second expansion option. Tenant hereby further waives its rights under Section 59 of the Original Lease (as last amended in Amendment G) to lease Suite 860 of the Building which contains approximately 2,126 Rentable Square Feet ("Suite 860") during the period that such space is leased to Lincoln (or Lincoln's successor as the Building manager) pursuant to Lincoln's existing lease for Suite 860, as the same may be extended or otherwise modified from time to time; provided, however, such waiver shall not affect Tenant's third, fourth and fifth expansion options set forth in the Lease (as last amended by Letter Agreement dated December 6, 1994. If Tenant exercises its third, fourth and/or fifth expansion option(s) with respect to the Remaining 8th Floor Space and as a result Lincoln (or Lincoln's successor as the Building manager) is forced to relocate from Suite 860 to other space in the Building, Tenant waives its rights under Section 59 of the Original Lease (as last amended in Amendment G) to lease such relocated space provided (a) such relocated space does not exceed 2,300 rentable square feet, and (b) such waiver shall not affect Tenant's then remaining third, fourth and/or fifth expansion options to lease such relocated space set forth in the Lease.

5. No Further Modifications. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

EIGHT HUNDRED NORTH BRAND BOULEVARD, a California Limited Partnership

By: Lincoln Property Company No. 1384,
a California Limited Partnership,
its general partner

By: /s/ John R. Miller

John R. Miller,
a managing general partner

TENANT:

NESTLÉ FOOD COMPANY,
a Delaware corporation, formerly known as
Carnation Company, a Delaware corporation

By: /s/ Robert H. Sanders

Robert H. Sanders
Its: Vice President

EXECUTED
ORIGINAL

AMENDMENT J

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT J TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 1st day of September, 1995, by and between DOUGLAS EMMETT JOINT VENTURE, a California general partnership ("Landlord"), and NESTLE FOOD COMPANY, a Delaware corporation, formerly known as Carnation Company, a Delaware corporation ("Tenant").

R E C I T A L S:

A. Landlord's predecessor-in-interest, Eight Hundred North Brand Boulevard, a California Limited Partnership ("Eight Hundred") and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987 (the "Original Lease"), as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989, that certain Amendment C to Carnation Building Office Lease dated as of July 25, 1990, that certain Amendment D to Carnation Building Office Lease dated as of August 2, 1990, that certain Amendment E to Carnation Building Office Lease dated as of December 31, 1990, that certain Amendment F to Carnation Building Office Lease dated as of September 11, 1991, that certain Amendment G to Carnation Building Office Lease dated as of January 24, 1992, that certain Amendment H to Carnation Building Office Lease dated as of November 9, 1993, that certain Letter Agreement dated December 6, 1994, and that certain Amendment I to Carnation Building Office Lease dated as of March 17, 1995. The Original Lease and the foregoing amendments are collectively referred to herein as the "Lease";

B. Landlord has succeeded to Eight Hundred's interest as landlord under the Lease as a result of Landlord's purchase of the Building and Eight Hundred's assignment of the Lease to Landlord in connection therewith.

C. Landlord and Tenant now desire to further amend the Lease in certain respects, as hereinafter set forth in this Amendment.

A G R E E M E N T:

NOW, THEREFORE, incorporating the foregoing recitals and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Defined Terms. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

2. Parking. The fifth (5th) and sixth (6th) sentences of Section 41 of the Original Lease are hereby deleted in their entirety and replaced with the following:

"The parking rate payable for the parking privileges applicable to the initial Premises leased by Tenant (for purposes hereof, the initial Premises shall consist of all of the rentable square feet in the Basement of the Building, the Plaza Level of the Building, and Floors 11 through 21 of the Building) shall equal: (i) $40.00 per parking privilege per month for the period from the Commencement Date of August 27, 1990 through August 31, 1995; and (ii) $45.00 per parking privilege per month during the period from September 1, 1995 through August 31, 1997. Commencing September 1, 1997 and on each September 1st thereafter during the Term, the parking rate shall be adjusted annually to equal $45.00 per parking privilege per month, plus a five percent (5%) annual increase determined on a cumulative and compounded basis for each year from and after September 1, 1996 (even though Tenant shall not be obligated to pay any such increase in the parking rate attributable to the time period prior to September 1, 1997), and continuing each September 1st thereafter; provided, however, in no event shall such parking rate, as a result of such adjustment, exceed the prevailing monthly market rental for reserved and unreserved parking (as applicable) provided by comparable office buildings in the vicinity of the Building. For example, if the prevailing monthly market rental for parking equals $50.00 per parking privilege on September 1, 1997, $55.00 on September 1, 1998 and $50.00 on September 1, 1999, then the parking rate shall equal (1) on September 1, 1997, $47.25 per parking privilege per month (i.e., $47.25 equals $45.00 x 1.05, and $47.25 is less than the $50.00 prevailing monthly market rental), (2) on September 1, 1998, $49.61 per parking privelege per month (i.e., $49.61 equals $45.00 x 1.05 x 1.05, and $49.61 is less than the $55.00 prevailing monthly rental rate), and (3) on September 1, 1999, $50.00 per parking privelege per month (i.e., the $50.00 prevailing monthly rental rate is less than the annual 5% increased rate of $52.09). Landlord may, at its option, elect by written notice to Tenant not to charge Tenant all or any portion of the such annual increase in the parking rate without waiving its right to charge Tenant the entire increase in any subsequent year."

The foregoing modifications shall not, however, affect the parking rates payable for any of the parking privileges applicable to the 10th Floor Space, 9th Floor Space, 8th Floor Space or New Space, as more particularly set forth in Amendments D, E, F and G.

3. No Further Modifications. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

DOUGLAS EMMETT JOINT VENTURE, a
California general partnership

By: Douglas, Emmett & Company, its agent

By: [ILLEGIBLE]

Print Name: [ILLEGIBLE]

Its: Executive Vice President

TENANT:

NESTLÉ FOOD COMPANY,
a Delaware corporation, formerly known as
Carnation Company, a Delaware corporation

By: /s/ Robert Sanders

Print Name: Robert Sanders

Its: Vice President

ORIGINAL

AMENDMENT K
TO CARNATION BUILDING OFFICE LEASE

This Amendment K to Carnation Building Office Lease (the "Amendment"), dated October 23,1995, is by and between DOUGLAS EMMETT JOINT VENTURE, a California general partnership ("Landlord"), with offices at 12121 Wilshire Boulevard, Suite 910, Los Angeles, California 90025, and NESTLE FOOD COMPANY, a Delaware corporation, formerly known as Carnation Company, a Delaware corporation ("Tenant").

WHEREAS,

A. Eight Hundred North Brand Boulevard, a California Limited Partnership ("Eight Hundred") and Tenant entered into that certain written Carnation Building Office Lease dated December 22, 1987, as amended by Amendment A as of February 17; 1988, Amendment B as of September 30, 1989; Amendment C as of July 25, 1990; Amendment D as of August 2,1990; Amendment E as of December 31, 1990; Amendment F as of September 11, 1991; Amendment G as of January 24, 1992; Amendment H as of November 9, 1993; Amendment I as March 17, 1995 and Amendment J as of September 1, 1995, (collectively the "Lease");

B. On or about May 17, 1995, DOUGLAS EMMETT JOINT VENTURE, a California general partnership acquired all rights, title and interest of Eight Hundred in and to the Building in which the Premises are located, becoming successors-in-interest to Eight Hundred, and Landlord under the Lease;

C. Pursuant to the terms and conditions of Amendment H, Landlord and Tenant expanded the Premises to include approximately 154 usable square feet (the "Additional Kitchen Space");

D. Landlord and Tenant now desire to further amend the Lease to clarify the operating expenses to be passed through with relation to the Additional Kitchen Space.

NOW, THEREFORE, in consideration of the terms and conditions contained herein, Landlord and Tenant agree;

1. **Confirmation of Defined Terms.** All terms previously defined in the Lease shall carry the same meaning for the purposes of this Amendment K.

2. Revision of Amendment H. Section 5 (b) of Amendment H shall be amended to delete any reference to the Additional Kitchen Space.

3. Application of Operating Expense Base Year. Effective February 7, 1994, Tenant agrees that in addition to any fixed rent payable for the Additional Kitchen Space, Tenant shall also pay to Landlord as additional rent Operating Expenses thereon, pursuant to the terms and conditions of Section 6 of the Lease. Landlord and Tenant further agree that, pursuant to the requirements of Section 1 (r), the Operating Expenses Allowance for the Additional Kitchen Space shall be $8.73.

INITIAL	INITIAL	INITIAL	INITIAL

[LETTERHEAD OF DOUGLAS, EMMETT & COMPANY]

June 28, 1996

Nestle Food Company
800 North Brand Boulevard
Glendale, CA 91203
Attn.: Richard S. Feldman

Re: Lease between Douglas Emmett Joint Venture (as successor to Eight Hundred North Brand Boulevard) ("Landlord") and Nestle Food Company, formerly known as Carnation Company ("Tenant"), dated December 22, 1987, as amended (the "Lease")

Dear Rick:

The parties acknowledge that, pursuant to letter dated July 1, 1995, Section 21 of the Lease was amended to require that Tenant carry on the 800 North Brand Boulevard building in Glendale, California (the "Building"), during the period July 1, 1995 until June 30, 1996, a $50,000,000 layer of "all risk" property coverage in accordance with and subject to the terms contained in said July 1st letter. The parties desire to, effective July 1, 1996, again amend Section 21 of the Lease as set forth below. For the period July 1,1996, until June 30, 1997 (and thereafter until either Landlord or Tenant provides at least ninety (90) days prior written notice to the other that Tenant shall no longer be obligated to carry the "all risk" property coverage referenced below), Tenant shall be obligated to carry "all risk" property coverage, including California earthquake and boiler and machinery coverage, respecting the Building, in an amount equal to the full replacement cost of the Building and its contents, with a deductible equal to no more than 10% of the replacement cost of the Building in the case of earthquake coverage, and with a deductible equal to no more than $25,000 in the case of other perils, at a cost of approximately $170,000 for the year beginning July 1, 1996 and ending June 30, 1997, and, thereafter, at a cost which is at or below that competitively available to Landlord in the market. Said deductible of $25,000 in the case of other perils may, at Tenant's discretion, be increased up to a maximum of $1,000,000 at any time upon fifteen (15) days written notice from Tenant to Landlord. (Landlord may, subject to Tenant's prior written approval, which shall not unreasonably be withheld, purchase additional insurance for the purpose of lowering the deductible for earthquake and/or such other perils.) Coverage secured by Landlord or Tenant hereunder shall be with carriers selected by the party securing such coverage, in the reasonable discretion of such party

The arrangement herein shall remain in effect until either Landlord or Tenant provides the ninety (90) day notice of termination referenced above. In the event of such termination, each respective party's obligations respecting insurance shall be as set forth in the Lease, unmodified by the terms of this letter or said letter dated July 1, 1995. Said letter dated July 1, 1995, shall, as of July 1, 1996, be superseded by this letter and be of no written force and effect.

Except as set forth above, all terms and conditions of the Lease shall remain in full force and effect.

Please execute a copy hereof acknowledging your understanding as above.

Very truly yours,

DOUGLAS EMMETT JOINT VENTURE,
a California general partnership

By: Douglas Emmett Realty Fund,
a California limited partnership,
General Partner

By: Douglas Emmett Realty Advisors,
a California corporation
General Partner

By: /s/ Jordan Kaplan

Jordan Kaplan, Vice President

By: Douglas Emmett Realty Fund, No. 2
a California limited partnership,
General Partner

By: Douglas Emmett Realty Advisors,
a California corporation
General Partner

By: /s/ Jordan Kaplan

Jordan Kaplan, Vice President

AGREED TO AND ACCEPTED:

NESTLE FOOD COMPANY,
a Delaware Corporation

By: /s/ N. Paul Devereaux

N. Paul Devereaux, Vice President

Dated: 7-02-96

EXECUTED
ORIGINAL

AMENDMENT L

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT L TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 23rd day of July, 1998 by and between DOUGLAS EMMETT JOINT VENTURE, a California general partnership ("Landlord"), and NESTLE USA, INC., a Delaware corporation, formerly known as Nestle Food Company, a Delaware corporation and Carnation Company, a Delaware corporation ("Tenant").

R E C I T A L S:

A. Landlord's predecessor-in-interest, Eight Hundred North Brand Boulevard, a California Limited Partnership ("Eight Hundred") and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987 (the "Original Lease"), as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989, that certain Amendment C to Carnation Building Office Lease dated as of July 25, 1990, that certain Amendment D to Carnation Building Office Lease dated as of August 2, 1990, that certain Amendment E to Carnation Building Office Lease dated as of December 31, 1990, that certain Amendment F to Carnation Building Office Lease dated as of September 11, 1991, that certain Amendment G to Carnation Building Office Lease dated as of January 24, 1992, that certain Amendment H to Carnation Building Office Lease dated as of November 9, 1993, that certain Letter Agreement dated December 6, 1994, and that certain Amendment I to Carnation Building Office Lease dated as of March 17, 1995.

B. Landlord has succeeded to Eight Hundred's interest as landlord under the Original Lease and foregoing amendments as a result of Landlord's purchase of the Building and Eight Hundred's assignment to Landlord of the Original Lease and foregoing amendments in connection therewith.

C. Landlord and Tenant subsequently amended the Original Lease and foregoing amendments pursuant to that certain Amendment J to Carnation Building Office Lease dated as of September 1, 1995 and that certain Amendment K to Carnation Building Office Lease dated as of October 23, 1995. The Original Lease and the foregoing amendments referred in Recital A and this Recital C are collectively referred to herein as the "Lease"

D. Landlord and Tenant desire to expand the Premises leased by Tenant under the Lease to include: (i) a portion of the 9th floor of the Building known as Suite 900 (and referred to in Amendment G as the Remaining 9th Floor Space) and containing 6,477 rentable square feet, as outlined on the Floor Plan attached hereto as Exhibit "1" and incorporated herein by this reference ("Suite 900"); and (ii) a portion of the second (2nd) floor of the Building known as Suite 250 and containing 6,680 rentable square feet, as outlined on the Floor Plan attached hereto as Exhibit "2" and incorporated herein by this reference ("Suite 250").

E. Suite 900 and Suite 250 contain a total of 13,157 rentable square feet and are sometimes collectively referred to hereinafter as the "Newly Added Space"; and

F. Landlord and Tenant desire to amend the Lease to (i) add the Newly Added Space to the Premises, and (ii) otherwise modify the Lease, all upon the terms and conditions as hereinafter provided; and

A G R E E M E N T:

NOW, THEREFORE, incorporating the foregoing recitals and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Defined Terms. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

2. Expansion of Premises. The Premises are hereby expanded to include the Newly Added Space for a term commencing upon the applicable Commencement Date set forth in Paragraph 3 below. The Newly Added Space shall be leased by Tenant upon the same terms and conditions as affect the remainder of the Premises as set forth in the Lease, except as otherwise expressly provided in this Amendment. Tenant's lease of the Newly Added Space herein is not pursuant to or in accordance with, and is not the result of Tenant's exercise of, any of Tenant's expansion options in the Lease.

3. Commencement Date and Term. Notwithstanding the date the Aggregate Improvements for the Newly Added Space (as described in Paragraph 7 below) are substantially completed by Tenant or the date Tenant receives a TCO or its equivalent for the Newly Added Space, (a) the Commencement Date for Suite 900 shall be September 1, 1998, and (b) the Commencement Date for Suite 250 Space shall be February 5, 1999. Each such Commencement Date shall be determined without any reference or regard to the commencement date provisions of the Lease (including Section l(p) of the Original Lease), and notwithstanding any subsequently occurring Force Majeure Delays or Landlord Delays which actually delay substantial completion of the Aggregate Improvements for the Newly Added Space. The Term of the Lease for the Newly Added Space shall commence upon the applicable Commencement Date therefor as described above and shall expire coterminously with the Lease Term for the remainder of the Premises (i.e., on August 26, 2010), subject to renewal and earlier termination pursuant to the provisions of the Lease.

4. Tenant's Percentage Share and Operating Expenses. Tenant shall be obligated to pay Operating Expenses with respect to the Newly Added Space in accordance with the applicable provisions of the Lease, except (a) such obligation shall not commence until the applicable Commencement Date for each portion of the Newly Added Space as described in Paragraph 2 above, (b) Tenant's Percentage Share with respect to Suite 900 shall be 1.29% and Tenant's Percentage Share with respect to Suite 250 shall be 1.33%, (c) the Operating Expenses Allowance with respect to the Newly Added Space shall be determined based upon the Operating Expenses incurred during the 1998 calendar year, which shall be the "Base Year" applicable to the

Newly Added Space, and (d) the exclusion from Operating Expenses for increases or reassessments in real property taxes and assessments set forth in clause (xxiv) of Paragraph 6(a) on page 33 of the Original Lease shall not apply in calculating the amount of Operating Expenses payable by Tenant for the Newly Added Space.

5. Basic Rent. Notwithstanding the provisions of the Lease to the contrary, the Annual Basic Rent payable for the Newly Added Space shall be as follows:

(a) The Annual Basic Rent payable during the period from the applicable Commencement Date through August 26, 2010 ("Newly Added Space Initial Term") shall be $30.00 per rentable square foot of the Newly Added Space per year, payable in equal monthly installments of $2.50 per rentable square foot of the Newly Added Space, subject to Annual CPI Increases as provided in Paragraph 5(b) below.

(b) The Annual Basic Rent payable for the Newly Added Space shall increase (the "Annual CPI Increase") on each applicable Adjustment Date (defined below) during the Newly Added Space Initial Term to an amount equal to (i) the Annual Basic Rent payable for such Newly Added Space in effect immediately prior to such Adjustment Date multiplied by (ii) the number one (1) plus a fraction, the numerator of which is equal to the positive difference, if any, between (A) the Index (defined below) for the calendar month which is three (3) months prior to the calendar month in which the Adjustment Date occurs (the "Comparison Index"), and (B) the Index for the calendar month which is three (3) months prior to the calendar month in which the applicable Commencement Date for the Newly Added Space occurs (the "Reference Index"), and the denominator of which shall be the Reference Index; provided, however, that in no event shall such Annual Basic Rent be increased for each year after the applicable Commencement Date by less than two percent (2%) nor more than four percent (4%) per year, determined on a cumulative and compounded basis from and after each such applicable Commencement Date. The Annual Basic Rent shall be increased in accordance with this Paragraph 5 (b) as of each anniversary of the applicable Commencement Date for the Newly Added Space ("Adjustment Date"), it being acknowledged by the parties that there shall be different Adjustment Dates for Suite 900 and Suite 250 (and thus different Basic Annual Rent amounts and different timing of the Annual CPI Increase for each such Suite) since the applicable Commencement Date for each such Suite is also different as provided in Paragraph 2 above. Landlord may deliver notice (an "Increase Notice") to Tenant of any Annual CPI Increase at any time following publication of the Comparison Index to be used in connection therewith; provided, however, that no delay of Landlord in delivering such Increase Notice to Tenant shall waive or prejudice the right of Landlord to subsequently deliver such Increase Notice and to collect all increases in Annual Basic Rent from and after the Adjustment Date with respect thereto. For purposes of this Paragraph 5(b), the "Index" shall mean the Consumer Price Index for All Urban Consumers, All Items (1982-84=100) for Los Angeles-Anaheim-Riverside, California, as published by the United States Department of Labor, Bureau of Labor Statistics. Should the Bureau of Labor Statistics cease publishing the Index, or publish the Index less frequently or on a different schedule, or alter the Index in some other manner (including, without limitation, changing the name of the Index or the geographic area covered by the Index), Landlord, in its good faith discretion, may adopt a substitute Index or procedure which reasonably reflects and monitors consumer prices for the year(s) at issue.

(c) The Annual Basic Rent payable during the renewal term(s) for the Newly Added Space (if Tenant exercises its option(s) to extend pursuant to Section 57 of the Original Lease) shall be equal to the "Fair Market Rental Rate" (as defined in Section 5(b) of the Original Lease) for the Newly Added Space in existence at the beginning of the applicable renewal term.

6. Parking. Tenant's right to reserved spaces within the parking ratios set forth in Section 41 of the Original Lease (as amended by Paragraph 5 of Amendment D) is not increased due to the addition of the Newly Added Space. Tenant shall be entitled during the applicable Lease Term for the Newly Added Space to rent three (3) non-tandem parking privileges per each 1,000 rentable square feet within the Newly Added Space. The parking charges for such spaces shall be as specified in Section 41 of the Original Lease, as modified pursuant to Amendment J.

7. Improvements. Tenant acknowledges and agrees that (a) the Newly Added Space is in the condition described on Attachment 1 to the Work Letter Agreement attached to the Original Lease as Exhibit "C" and all Base Building work (as defined in Paragraph 1 of the Work Letter Agreement) with respect to the Newly Added Space has been completed, (b) the Newly Added Space has been or will be accepted by Tenant in its "AS IS" condition on the applicable Commencement Date therefor as described in Paragraph 2 above, without any obligation on Landlord's part to construct, or provide an improvement allowance or otherwise pay for, any tenant improvements or alterations for the Newly Added Space, except for the Leasehold Improvement Allowance to be provided by Landlord as described in Paragraph 7(d)(ii) below, and (c) Tenant shall, at its expense (subject to Landlord's contribution of such Leasehold Improvement Allowance) be solely responsible for constructing all alterations and improvements for the Newly Added Space in accordance with the applicable terms and conditions of the Work Letter Agreement attached to the Original Lease as Exhibit "C" with the following modifications:

(i) Tenant shall be required to deliver to Landlord for Landlord's approval the Tenant's Design Development Drawings for the Newly Added Space prior to the date Tenant commences construction of the Aggregate Improvements for the Newly Added Space, and Landlord will have three (3) days after receipt of the Design Development Drawings to approve them or advise Tenant of Landlord's reasonable revisions therefor pursuant to the procedures set forth in Section 2.1 of Exhibit "C" of the Original Lease;

(ii) the Leasehold Improvement Allowance to be provided by Landlord for the Newly Added Space shall be equal to $15.00 per rentable square foot within the Newly Added Space; and

(iii) Sections 5.2 and 5.4 of Exhibit "C" of the Original Lease shall not apply with respect to the construction of such Aggregate Improvements for the Newly Added Space.

8. Option to Expand. The parties agree and acknowledge that Tenant's remaining expansion options contained in the Lease now consist solely of the fourth and fifth expansion options (i.e., there are no longer any first, second or third expansion options or any

First, Second or Third Option Space), and are applicable solely to the Remaining 8th Floor Space (which is the only remaining Option Space available for lease by Tenant).

9. Brokers. Landlord and Tenant hereby represent and warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment, and that they know of no real estate broker or agent who is entitled to a commission in connection with this Amendment. 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 any dealings with any real estate broker or agent occurring by, through or under the indemnifying party.

10. No Further Modifications. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

DOUGLAS EMMETT JOINT VENTURE, a California general partnership

By: Douglas, Emmett & Company, its agent

By: /s/ Ken Panzer

Print Name: Ken Panzer

Its: Executive Vice President

TENANT:

NESTLE USA, INC., a Delaware corporation, formerly known as Nestle Food Company, a Delaware corporation and Carnation Company, a Delaware corporation

By: /s/ George T. Scott

Print Name: George T. Scott

Its: Vice President

EXHIBIT "1"

FLOOR PLAN OF SUITE 900

[Floor plan appears here]

EXHIBIT "2"

FLOOR PLAN OF SUITE 250

[Floor plan appears here]

EXECUTED
ORIGINAL

AMENDMENT M

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT M TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 3rd day of May, 1999 by and between DOUGLAS EMMETT JOINT VENTURE, a California general partnership ("Landlord"), and NESTLE USA, INC., a Delaware corporation, formerly known as Nestle Food Company, a Delaware corporation and Carnation Company, a Delaware corporation ("Tenant").

R E C I T A L S:

A. Landlord's predecessor-in-interest, Eight Hundred North Brand Boulevard, a California Limited Partnership ("Eight Hundred") and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987 (the "Original Lease"), as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989, that certain Amendment C to Carnation Building Office Lease dated as of July 25, 1990, that certain Amendment D to Carnation Building Office Lease dated as of August 2, 1990, that certain Amendment E to Carnation Building Office Lease dated as of December 31, 1990, that certain Amendment F to Carnation Building Office Lease dated as of September 11, 1991, that certain Amendment G to Carnation Building Office Lease dated as of January 24, 1992, that certain Amendment H to Carnation Building Office Lease dated as of November 9, 1993, that certain Letter Agreement dated December 6, 1994, and that certain Amendment I to Carnation Building Office Lease dated as of March 17, 1995.

B. Landlord has succeeded to Eight Hundred's interest as landlord under the Original Lease and foregoing amendments as a result of Landlord's purchase of the Building and Eight Hundred's assignment to Landlord of the Original Lease and foregoing amendments in connection therewith.

C. Landlord and Tenant subsequently amended the Original Lease and foregoing amendments pursuant to that certain Amendment J to Carnation Building Office Lease dated as of September 1, 1995, that certain Amendment K to Carnation Building Office Lease dated as of October 23, 1995 and that certain Amendment L to Carnation Building Office Lease dated as of July 23, 1998. The Original Lease and the foregoing amendments referred in Recital A and this Recital C are collectively referred to herein as the "Lease."

D. Landlord and Tenant desire to expand the Premises leased by Tenant under the Lease to include a portion of the 2nd floor of the Building known as Suite 230 and containing 3,567 rentable square feet, as outlined on the Floor Plan attached hereto as Exhibit "I" and incorporated herein by this reference ("Suite 230").

E. Landlord and Tenant desire to amend the Lease to (i) add Suite 230 to the Premises, and (ii) otherwise modify the Lease, all upon the terms and conditions as hereinafter provided.

A G R E E M E N T:

NOW, THEREFORE, incorporating the foregoing recitals and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Defined Terms. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

2. Expansion of Premises. The Premises are hereby expanded to include Suite 230 for a term commencing upon the Commencement Date for Suite 230 set forth in Paragraph 3 below. Suite 230 shall be leased by Tenant upon the same terms and conditions as affect the remainder of the Premises as set forth in the Lease, except as otherwise expressly provided in this Amendment. Tenant's lease of Suite 230 herein is not pursuant to or in accordance with, and is not the result of Tenant's exercise of, any of Tenant's expansion options in the Lease.

3. Commencement Date and Term. Landlord shall deliver possession of Suite 230 to Tenant on or before June 10, 1999 in its "AS IS" condition (as described in Paragraph 7 below). The Commencement Date for Suite 230 shall be the earlier of (a) July 1, 1999, or (b) the date the Aggregate Improvements for Suite 230 (as described in Paragraph 7 below) are substantially completed by Tenant, as evidenced by Tenant's receipt of a TCO or its equivalent for Suite 230. Such Commencement Date shall be determined without any reference or regard to the commencement date provisions of the Lease (including Section 1(p) of the Original Lease), and notwithstanding any subsequently occurring Force Majeure Delays or Landlord Delays which actually delay substantial completion of the Aggregate Improvements for Suite 230. The Term of the Lease for Suite 230 shall commence upon the Commencement Date therefor as described above, and shall expire coterminously with the Lease Term for the remainder of the Premises (i.e., on August 26, 2010), subject to renewal and earlier termination pursuant to the provisions of the Lease.

4. Tenant's Percentage Share and Operating Expenses. Tenant shall be obligated to pay Operating Expenses with respect to Suite 230 in accordance with the applicable provisions of the Lease, except (a) such obligation shall not commence until the Commencement Date for Suite 230 as described in Paragraph 3 above, (b) Tenant's Percentage Share with respect to Suite 230 shall be 0.71%, (c) the Operating Expenses Allowance with respect to Suite 230 shall be determined based upon the Operating Expenses incurred during the 1999 calendar year, which shall be the "Base Year" applicable to Suite 230, and (d) the exclusion from Operating Expenses for increases or reassessments in real property taxes and assessments set forth in clause (xxiv) of Paragraph 6(a) on page 33 of the Original Lease shall not apply in calculating the amount of Operating Expenses payable by Tenant for Suite 230.

5. Basic Rent. Notwithstanding the provisions of the Lease to the contrary, the Annual Basic Rent payable for Suite 230 shall be as follows:

(a) The Annual Basic Rent payable during the period from the Commencement Date specified in Paragraph 3 hereof through August 26, 2010 ("Suite 230 Initial Term") shall be $30.00 per rentable square foot of Suite 230 per year, payable in equal monthly installments of $2.50 per rentable square foot of Suite 230, subject to Annual CPI Increases as provided in Paragraph 5(b) below.

(b) The Annual Basic Rent payable for Suite 230 shall increase (the "Annual CPI Increase") on each applicable Adjustment Date (defined below) during Suite 230 Initial Term to an amount equal to (i) the Annual Basic Rent payable for Suite 230 in effect immediately prior to such Adjustment Date multiplied by (ii) the number one (1) plus a fraction, the numerator of which is equal to the positive difference, if any, between (A) the Index (defined below) for the calendar month which is three (3) months prior to the calendar month in which the Adjustment Date occurs (the "Comparison Index"), and (B) the Index for the calendar month which is three (3) months prior to the calendar month in which the Commencement Date for Suite 230 occurs (the "Reference Index"), and the denominator of which shall be the Reference Index; provided, however, that in no event shall such Annual Basic Rent be increased for each year after the Commencement Date by less than two percent (2%) nor more than four percent (4%) per year, determined on a cumulative and compounded basis from and after each such applicable Commencement Date. The Annual Basic Rent shall be increased in accordance with this Paragraph 5(b) as of each anniversary of the Commencement Date for Suite 230 ("Adjustment Date"). Landlord may deliver notice (an "Increase Notice") to Tenant of the Annual CPI Increase at any time following publication of the Comparison Index to be used in connection therewith; provided, however, that no delay of Landlord in delivering such Increase Notice to Tenant shall waive or prejudice the right of Landlord to subsequently deliver such Increase Notice and to collect all increases in Annual Basic Rent from and after the Adjustment Date with respect thereto. For purposes of this Paragraph 5(b), the "Index" shall mean the Consumer Price Index for All Urban Consumers, All Items (1982-84=100) for Los Angeles-Orange County-Riverside, California, as published by the United States Department of Labor, Bureau of Labor Statistics. Should the Bureau of Labor Statistics cease publishing the Index, or publish the Index less frequently or on a different schedule, or alter the Index in some other manner (including, without limitation, changing the name of the Index or the geographic area covered by the Index), Landlord, in its good faith discretion, may adopt a substitute Index or procedure which reasonably reflects and monitors consumer prices for the year(s) at issue.

(c) The Annual Basic Rent payable during the renewal term(s) for Suite 230 (if Tenant exercises its option(s) to extend pursuant to Section 57 of the Original Lease) shall be equal to the "Fair Market Rental Rate" (as defined in Section 5(b) of the Original Lease) for Suite 230 in existence at the beginning of the applicable renewal term.

6. Parking. Tenant's right to reserved spaces within the parking ratios set forth in Section 41 of the Original Lease (as amended by Paragraph 5 of Amendment D) is not increased due to the addition of Suite 230. Tenant shall be entitled during the applicable Lease

Term for Suite 230 to rent three (3) non-tandem parking privileges per each 1,000 rentable square feet within Suite 230. The parking charges for such spaces shall be as specified in Section 41 of the Original Lease, as modified pursuant to Amendment J.

7. Improvements. Tenant acknowledges and agrees that (a) Suite 230 is in the condition described on Attachment 1 to the Work Letter Agreement attached to the Original Lease as Exhibit "C" and all Base Building work (as defined in Paragraph 1 of the Work Letter Agreement) with respect to Suite 230 has been completed, (b) Suite 230 has been or will be accepted by Tenant in its "AS IS" condition on the date Landlord delivers possession of Suite 230 to Tenant as described in Paragraph 3 above, without any obligation on Landlord's part to construct, or provide an improvement allowance or otherwise pay for, any tenant improvements or alterations for Suite 230, except for the Leasehold Improvement Allowance to be provided by Landlord as described in Paragraph 7(d)(ii) below, and (c) Tenant shall, at its expense (subject to Landlord's contribution of such Leasehold Improvement Allowance) be solely responsible for constructing all alterations and improvements for Suite 230 in accordance with the applicable terms and conditions of the Work Letter Agreement attached to the Original Lease as Exhibit "C" with the following modifications:

(i) Tenant shall be required to deliver to Landlord for Landlord's approval the Tenant's Design Development Drawings for Suite 230 prior to the date Tenant commences construction of the Aggregate Improvements for Suite 230, and Landlord will have three (3) days after receipt of the Design Development Drawings to approve them or advise Tenant of Landlord's reasonable revisions therefor pursuant to the procedures set forth in Section 2.1 of Exhibit "C" of the Original Lease;

(ii) the Leasehold Improvement Allowance to be provided by Landlord for Suite 230 shall be equal to $15.00 per rentable square foot within Suite 230; and

(iii) Sections 5.2 and 5.4 of Exhibit "C" of the Original Lease shall not apply with respect to the construction of such Aggregate Improvements for Suite 230.

8. Brokers. Landlord and Tenant hereby represent and warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment, and that they know of no real estate broker or agent who is entitled to a commission in connection with this Amendment. 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 any dealings with any real estate broker or agent occurring by, through or under the indemnifying party.

9. No Further Modifications. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

DOUGLAS EMMETT JOINT VENTURE, a California general partnership

By: Douglas, Emmett & Company, its agent

By: /s/ Ken Panzer

Print Name: Ken Panzer

Its: Executive Vice President

TENANT:

NESTLE USA, INC., a Delaware corporation, formerly known as Nestle Food Company, a Delaware corporation and Carnation Company, a Delaware corporation

By: /s/ George T. Scott

Print Name: George T. Scott

Its: Vice President

EXHIBIT "1"

FLOOR PLAN OF SUITE 230

[Floor plan appears here]

EXECUTED
ORIGINAL

AMENDMENT N

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT N TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 10th day of May, 2000 by and between DOUGLAS EMMETT JOINT VENTURE, a California general partnership ("Landlord"), and NESTLE USA, INC., a Delaware corporation, formerly known as Nestle Food Company, a Delaware corporation and Carnation Company, a Delaware corporation ("Tenant").

R E C I T A L S:

A. Landlord's predecessor-in-interest, Eight Hundred North Brand Boulevard, a California Limited Partnership ("Eight Hundred") and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987 (the "Original Lease"), as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989, that certain Amendment C to Carnation Building Office Lease dated as of July 25, 1990, that certain Amendment D to Carnation Building Office Lease dated as of August 2, 1990, that certain Amendment E to Carnation Building Office Lease dated as of December 31, 1990, that certain Amendment F to Carnation Building Office Lease dated as of September 11, 1991, that certain Amendment G to Carnation Building Office Lease dated as of January 24, 1992, that certain Amendment H to Carnation Building Office Lease dated as of November 9, 1993, that certain Letter Agreement dated June 24, 1994, and that certain Amendment I to Carnation Building Office Lease dated as of March 17, 1995.

B. Landlord has succeeded to Eight Hundred's interest as landlord under the Original Lease and foregoing amendments as a result of Landlord's purchase of the Building and Eight Hundred's assignment to Landlord of the Original Lease and foregoing amendments in connection therewith.

C. Landlord and Tenant subsequently amended the Original Lease and foregoing amendments pursuant to that certain Amendment J to Carnation Building Office Lease dated as of September 1, 1995, that certain Amendment K to Carnation Building Office Lease dated as of October 23, 1995, that certain Amendment L to Carnation Building Office Lease dated as of July 23, 1998, and that certain Amendment M to Carnation Building Office Lease dated as of May 3, 1999. The Original Lease and the foregoing amendments referred in Recital A and this Recital C are collectively referred to herein as the "Lease."

D. Landlord and Tenant desire to modify the Lease by (i) establishing the Fair Market Rental Rate of the "Relevant Space" defined herein; (ii) redefining the Base Year for such Relevant Space; (iii) establishing the parking rates for that period of the Lease Term defined herein; and (iv) providing for the installation and maintenance of "Kiosks," as defined herein, in the Building Common Areas. The referenced modifications unless otherwise noted, are effective as of date hereof and, unless otherwise provided for herein, shall end concurrently

with the expiration of the Lease, and shall be made upon the terms and conditions set forth below.

A G R E E M E N T :

NOW, THEREFORE, incorporating the foregoing recitals and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. **Defined Terms**. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

2. **Basic Rent for Relevant Space**. Effective as of August 27, 2000 (the "Adjustment Date"), the Basic Rent payable by Tenant for the "Relevant Space" consisting of the 2nd floor space – 8,613 rentable square feet; 3rd floor space – 313 rentable square feet; floors 4, 5, 6 and 7 – each 24,491 rentable square feet; 8th floor space – 2,759 rentable square feet and extension of term on 14,428 rentable square feet; 9th floor space – 17,870 rentable square feet; 10th floor space – 24,494 rentable square feet; for a total of 166,441 rentable square feet shall be deemed to be the "Fair Market Rental Rate" as of such Adjustment Date, which Fair Market Rental Rate has been determined in accordance with the provisions of Section 5(b) of the Original Lease, as amended ("Adjusted Annual Basic Rent").

2.1 **Fair Market Rental Rate**. Landlord and Tenant hereby agree that the Basic Rent shall equal $29.40 per year per rentable square foot for such Relevant Space, payable in installments of Basic Rent equal to $2.45 per rentable square foot of the Relevant Space per month for the period from August 27, 2000 to August 26, 2005.

3. **Tenant's Operating Expenses for Relevant Space**. Tenant shall continue to be obligated to pay Operating Expenses with respect to the Relevant Space in accordance with the applicable provisions of the Lease, as amended, except effective as of the Adjustment Date, and notwithstanding any provision to the contrary contained in the Lease, as amended, the Operating Expenses Allowance with respect to the Relevant Space shall be determined based upon the Operating Expenses incurred during the 2000 calendar year, which shall be the "Base Year" applicable to such Relevant Space. Accordingly, for the Relevant Space, since the Base Year is the calendar year 2000, Tenant will not be required to pay Operating Expenses for the Relevant Space attributable to the time period from and including August 27, 2000 to and including December 31, 2000, but after December 31, 2000 Tenant shall pay for the Operating Expenses attributable to the Relevant Space in excess of the Operating Expense Allowance attributable to the Relevant Space for the Base Year of 2000.

4. **Parking**. The fifth (5th) and sixth (6th) sentences of Section 41 of the Lease, as amended, are, for the period from and including August 27, 2000 to and including August 26, 2005, hereby deleted in their entirety and replaced with the following:

"The parking rate payable for the parking privileges applicable to the Premises shall equal $50.00 per unreserved parking privilege

per month through August 26, 2000. Commencing on the Adjustment Date and on each anniversary thereof during the five (5) years of the Term following such Adjustment Date ("Parking Rate Adjustment Term"), the parking rate for such unreserved privileges shall be adjusted annually to equal $50.00 per parking privilege per month, plus a five percent (5%) annual increase determined on a cumulative and compounded basis for each year from and after the Adjustment Date (even though Tenant shall not be obligated to pay any such increase in the parking rate attributable to the time period prior to the Adjustment Date), continuing on each anniversary of the Adjustment Date during the Parking Rate Adjustment Term; provided, however, in no event shall such parking rate, as a result of such adjustment, exceed the prevailing monthly market rental for unreserved parking (as applicable) provided by other comparable Class A office buildings in the Glendale area office market."

5. **Kiosks**. Landlord hereby grants to Tenant the right to maintain in their existing locations the two (2) existing kiosks ("Existing Kiosks") and to install three (3) additional kiosks presenting Tenant's products and advertising materials in the ground floor lobby toward the cafeteria entrance ("New Additional Kiosks"); provided however, that the location, size, content, appearance and use of each such New Additional Kiosks shall be comparable in size, content, appearance and use to either (i) the Existing Kiosks, or (ii) the plans set forth on Exhibit A attached hereto. Tenant agrees to maintain the Kiosks in a first class condition so as not to detract in any way from the appearance, condition or reputation of the Building and Landlord agrees that the Existing Kiosks are currently maintained in a first class condition. Tenant may not change the size, content, appearance, use and location of the Existing Kiosks or the New Additional Kiosks without Landlord's approval, which approval will not be unreasonably withheld or delayed. Landlord and Tenant hereby acknowledge and agree that (i) Tenant's rights to the Existing Kiosks and the New Kiosks shall continue through the remainder of Tenant's current Lease term, (ii) Tenant's rights to the Existing Kiosks and New Kiosks shall continue during any applicable renewal term of the Lease, as amended hereby, only to the extent Tenant shall lease all of the Premises leased by Tenant as of the date of Tenant's lease of all of the "Expansion Space," as that term is defined in that certain Amendment O to Carnation Building Office Lease, dated July 24, 2000, between Landlord and Tenant, and (iii) in the event that Tenant shall fail to lease all of the Premises leased by Tenant as of the date of Tenant's lease of all of the "Expansion Space" during any renewal term of the Lease, as amended hereby, Tenant shall during such renewal term and thereafter have no further rights with respect to the Existing Kiosks and the New Kiosks.

6. **Brokers**. Landlord and Tenant hereby represent and warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment, and that they know of no real estate broker or agent who is entitled to a commission in connection with this Amendment. 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 any dealings with any real estate broker or agent occurring by, through or under the indemnifying party.

7. **No Further Modifications.** Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

DOUGLAS EMMETT JOINT VENTURE,
a California general partnership

By: Douglas, Emmett & Company, its agent

By: /s/ Ken Panzer

Print Name: Ken Panzer

Its:

TENANT:

NESTLE USA, INC.,
a Delaware corporation, formerly known as Nestle Food Company, a Delaware corporation and Carnation Company, a Delaware corporation

By: /s/ George T. Scott

Print Name: George T. Scott

Its: Vice President of Labor Relations and General Services

EXHIBIT A

[Floor plan appears here]

EXECUTED
ORIGINAL

AMENDMENT O

TO CARNATION BUILDING OFFICE LEASE

This AMENDMENT O TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made as of the 24th day of July, 2000 by and between DOUGLAS EMMETT JOINT VENTURE, a California general partnership ("Landlord"), and NESTLE USA, INC., a Delaware corporation, formerly known as Nestle Food Company, a Delaware corporation and Carnation Company, a Delaware corporation ("Tenant").

R E C I T A L S:

A. Landlord's predecessor-in-interest, Eight Hundred North Brand Boulevard, a California Limited Partnership ("Eight Hundred") and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987 (the "Original Lease"), as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989, that certain Amendment C to Carnation Building Office Lease dated as of July 25, 1990, that certain Amendment D to Carnation Building Office Lease dated as of August 2, 1990, that certain Amendment E to Carnation Building Office Lease dated as of December 31, 1990, that certain Amendment F to Carnation Building Office Lease dated as of September 11, 1991, that certain Amendment G to Carnation Building Office Lease dated as of January 24, 1992, that certain Amendment H to Carnation Building Office Lease dated as of November 9, 1993, that certain Letter Agreement dated June 24, 1994, and that certain Amendment I to Carnation Building Office Lease dated as of March 17, 1995.

B. Landlord has succeeded to Eight Hundred's interest as landlord under the Original Lease and foregoing amendments as a result of Landlord's purchase of the Building and Eight Hundred's assignment to Landlord of the Original Lease and foregoing amendments in connection therewith.

C. Landlord and Tenant subsequently amended the Original Lease and foregoing amendments pursuant to that certain Amendment J to Carnation Building Office Lease dated as of September 1, 1995, that certain Amendment K to Carnation Building Office Lease dated as of October 23, 1995, that certain Amendment L to Carnation Building Office Lease dated as of July 23, 1998, that certain Amendment M to Carnation Building Office Lease dated as of May 3, 1999, and that certain Amendment N to Carnation Building Office Lease dated May 10, 2000. The Original Lease and the foregoing amendments referred in Recital A and this Recital C are collectively referred to herein as the "Lease."

D. Landlord and Tenant desire to modify the Lease by expanding the Premises defined in the Lease ("Existing Premises") to include the following: (i) approximately 28,248 rentable (24,239 usable) comprised of (a) approximately 4,000 rentable (3,600 usable) square feet of space located on the second floor of the Building and known as Suite 260 ("Suite 260"), (b) 21,334 rentable (18,074 usable) square feet of space located on the third floor of the

Building and known as Suite 300, and (c) approximately 2,914 rentable (2,565 usable) square feet of space located on the third floor of the Building and known as Suite 360 (collectively, "First Rights Space") and more particularly described in Exhibit A-I attached hereto and incorporated herein by this reference; and (ii) approximately 7,310 rentable (6,272 usable) square feet of space located on the eighth (8 th) floor of the Building known as Suite 840 (the "Remaining Fourth Option Space" or "Suite 840"), more particularly described in Exhibit A-2 attached hereto and incorporated herein by this reference. The First Rights Space and the Remaining Fourth Option Space shall be collectively referred to herein as the "Expansion Space," and shall consist of 35,558 rentable (30,511 usable) square feet in the aggregate. The referenced modifications, shall be made upon the terms and conditions set forth below.

A G R E E M E N T :

NOW, THEREFORE, incorporating the foregoing recitals and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows.

1. **Defined Terms**. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

2. **Premises**.

2.1. **In General**. Effective as of the "Expansion Space Commencement Date," as that term is defined in Section 3 below, Tenant shall lease from Landlord and Landlord shall lease to Tenant the Expansion Space. Consequently, effective upon the Expansion Space Commencement Date and continuing throughout the "Expansion Term," as that term is defined in Section 3, below, the Existing Premises shall be increased to include the Expansion Space, and the Existing Premises and the Expansion Space shall collectively be hereinafter referred to as the "Premises."

2.2. **Measurement of the Expansion Space**.

2.2.1 **In General**. The rentable and usable square footage of the Expansion Space (other than Suite 260) shall be as set forth in this Amendment and shall not be subject to remeasurement or modification.

2.2.2 **Suite 260**. The rentable and usable square footage of the Suite 260 shall be remeasured by Landlord within sixty (60) days following the Expansion Space Commencement Date applicable to Suite 260 in accordance with the terms of this Section 2.2.2. Such remeasurement shall be made pursuant to the Standard Method for Measuring Floor Area in Office Buildings, ANS1 Z65.1-1980 (the "Measurement Standard"). In the event that Tenant shall disagree with Landlord's determination of the rentable square footage of Suite 260 in accordance with the terms hereof, then, within five (5) business days following notice thereof by Landlord, Tenant may object to the same by notice to Landlord, in which event (i) the parties shall attempt to agree upon such rentable area for a period not to exceed thirty (30) days, and (ii) in the event that the parties cannot agree upon such rentable area within such 30-day period, then

a third party architect, mutually and reasonably agreed upon by the parties, shall measure Suite 260 in accordance with the Measurement Standard, and the determination of such third party architect shall be binding upon the parties. The cost of the third party architect shall be paid for equally by Landlord and Tenant. The result of the remeasurement made pursuant to this Section 2.2.2 shall be confirmed in writing by the parties, appropriate adjustments to amounts due under this Amendment shall be retroactively reflected therein, and any payments or credits, as applicable, due as a result thereof shall be made promptly following the final determination of the rentable square footage of Suite 260 in accordance with the terms of this Section 2.2.2.

3. **Term**. The term of Tenant's lease of the Expansion Space (the "Expansion Term") shall commence on the "Expansion Space Commencement Date and shall expire, subject to the terms of the Lease, concurrently with Tenant's lease of the Existing Premises, on August 26, 2010 (the "Expiration Date"). For purposes of this Lease, the "Expansion Space Commencement Date" shall mean (i) with respect to Suite 260, the date which is the earlier to occur of (a) the date which is sixty (60) days following the date Landlord delivers Suite 260 to Tenant, which delivery is anticipated to occur on August 1, 2000, and (b) the date Tenant commences the conduct of business from Suite 260, (ii) with respect to Suite 300, the date which is the earlier to occur of (a) the date which is ninety (90) days following the date Landlord delivers Suite 300 to Tenant, which delivery is anticipated to occur on August 1, 2000, and (b) the date Tenant commences the conduct of business from Suite 300, (iii) with respect to Suite 360, the date which is the earlier to occur of (a) the date which is ninety (90) days following the date Landlord delivers Suite 360 to Tenant, which delivery is anticipated to occur on October 1, 2000, and (b) the date Tenant commences the conduct of business from Suite 360, and (iv) with respect to Suite 840, the date which is the earlier to occur of (a) the date which is sixty (60) days following the date Landlord delivers Suite 840 to Tenant, which delivery is anticipated to occur on August 1, 2000, and (b) the date Tenant commences the conduct of business from Suite 840.

4. **Rent**.

4.1. **Basic Rent for Expansion Space**. Commencing on the Expansion Space Commencement Date for each of Suite 260, Suite 300, Suite 360 and Suite 840 and continuing throughout the remainder of the Expansion Term, Tenant shall pay to Landlord annual Basic Rent in connection with the Expansion Space, in equal monthly installments, in accordance with the following:

Period of Expansion Term	Annual Basic Rent Per Rentable Square Foot
Expansion Space Commencement Date – August 26, 2005	$29.40
August 27, 2005 – Expiration Date	$35.00

Upon Tenant's execution and delivery of this Amendment Tenant shall pay to Landlord the monthly installment of Basic Rent for the Expansion Space payable for the first full month of the Expansion Term.

5. **Tenant's Operating Expenses for Expansion Space**.

5.1. **Before August 27, 2005**. Prior to August 27, 2005 the Operating Expenses Allowance with respect to the Expansion Space shall be determined based upon the Operating Expenses incurred during the 2000 calendar year, which shall be the "Base Year" applicable to such Expansion Space. Accordingly, for the Expansion Space, since the Base Year is the calendar year 2000, Tenant will not be required to pay Operating Expenses for the Expansion Space attributable to the time period from and including August 27, 2000 to and including December 31, 2000, but after December 31, 2000 Tenant shall pay for the Operating Expenses attributable to the Expansion Space in excess of the Operating Expense Allowance attributable to the Expansion Space for the Base Year of 2000.

5.2. **On and After August 27, 2005**. Commencing as of August 27, 2005 and continuing through and including the Expiration Date, the Operating Expense Allowance with respect to the Expansion Space shall be determined based upon the Operating Expenses incurred during the calendar year 2005 (calculated in accordance with the terms of the Lease), which during such period shall be the "Base Year" applicable to the Expansion Space.

6. **Condition of Expansion Space**. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty regarding the condition of the Expansion Space, or with respect to the suitability of the Expansion Space for the conduct of Tenant's business. Tenant shall accept the Expansion Space in its presently existing, "as-is" condition.

7. **Brokers**. Landlord and Tenant hereby represent and warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment, and that they know of no real estate broker or agent who is entitled to a commission in connection with this Amendment. 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 any dealings with any real estate broker or agent occurring by, through or under the indemnifying party.

8. **No Further Modifications**. Except as otherwise provided herein, the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the day and year first above written.

LANDLORD:

DOUGLAS EMMETT JOINT VENTURE,
a California general partnership

By: Douglas, Emmett & Company, its agent

By: /s/ Ken Panzer

Print Name: Ken Panzer

Its:

TENANT:

NESTLE USA, INC.,
a Delaware corporation, formerly known as Nestle Food Company, a Delaware corporation and Carnation Company, a Delaware corporation

By: /s/ George T. Scott

Print Name: George T. Scott

Its: Vice President of Labor Relations and General Services

EXHIBIT A-1

OUTLINE OF FIRST RIGHTS SPACE

[Floor plan appears here]

[Floor plan appears here]

EXHIBIT A-1
2

EXHIBIT A-2

OUTLINE OF REMAINING FOURTH OPTION SPACE

[Floor plan appears here]

[LETTERHEAD OF DOUGLAS, EMMETT & COMPANY]

February 22, 2001

Steve Thomas
Nestlé USA
800 North Brand Boulevard
Glendale, California 91203

Re: Amendment "O" of the Lease by and between Douglas Emmett Joint Venture 1995 ("Landlord"), and Nestlé USA ("Tenant").

Dear Steve:

Pursuant to Amendment "O" of the above referenced Lease, Suite 260 has been re-measured by the architectural firm, WWCOT, and has been found to be 3,941 rsf.

Since Nestlé has been paying rent on an estimated size of 4,000 rsf, there is a credit owed to Nestle, in the amount of 59 rsf times $2.45 or $144.55 per month. We will establish how many months rent was over-paid by $144.55 and will give the appropriate total credit in the April rent statement.

Please acknowledge receipt of this letter and the new rent for Suite 260, by signing in the space provided below.

If there are any questions, please call.

Sincerely,

/s/ David E. Bussert
David E. Bussert
Property Manager

/s/ Steve Thomas

Steve Thomas

Feb 23, 2001

Date

SPECIAL OPERATING EXPENSE AMENDMENT
TO CARNATION BUILDING OFFICE LEASE

THIS SPECIAL OPERATING EXPENSE AMENDMENT TO CARNATION BUILDING OFFICE LEASE ("Amendment") is made and entered into as of December 10, 2002 by and between DOUGLAS EMMETT JOINT VENTURE, a California general partnership ("Landlord"), and NESTLE USA, INC., a Delaware corporation, formerly known as Nestle Food Company, a Delaware corporation, and Carnation Company, a Delaware corporation ("Tenant").

RECITALS

A. Landlord's predecessor-in-interest, Eight Hundred North Brand Boulevard, a California Limited Partnership ("Eight Hundred") and Tenant entered into that certain Carnation Building Office Lease dated as of December 22, 1987 (the "Original Lease"), as amended by that certain Amendment A to Carnation Building Office Lease dated as of February 17, 1988, that certain Amendment B to Carnation Building Office Lease dated as of September 30, 1989, that certain Amendment C to Carnation Building Office Lease dated as of July 25, 1990, that certain Amendment D to Carnation Building Office Lease dated as of August 2, 1990, that certain Amendment E to Carnation Building Office Lease dated as of December 31, 1990, that certain Amendment F to Carnation Building Office Lease dated as of September 11, 1991, that certain Amendment G to Carnation Building Office Lease dated as of January 24, 1992, that certain Amendment H to Carnation Building Office Lease dated as of November 9, 1993, that certain Letter Agreement dated June 24, 1994, and that certain Amendment I to Carnation Building Office Lease dated as of March 17, 1995.

B. Landlord has succeeded to Eight Hundred's interest as landlord under the Original Lease and foregoing amendments as a result of Landlord's purchase of the Building and Eight Hundred's assignment to Landlord of the Original Lease and foregoing amendments in connection therewith.

C. Landlord and Tenant subsequently amended the Original Lease and foregoing amendments pursuant to that certain Amendment J to Carnation Building Office Lease dated as of September 1, 1995, that certain Amendment L to Carnation Building Office Lease dated as of July 23, 1998, that certain Amendment M to Carnation Building Office Lease dated as of May 3, 1999, that certain Amendment N to Carnation Building Office Lease dated as of May 10, 2000 and that certain Amendment O to Carnation Building Office Lease dated as of July 24, 2000. The Original Lease and the foregoing amendments referred in Recital A and this Recital C are collectively referred to herein as the "Lease".

D. Landlord and Tenant desire the modify the Lease as provided in this Amendment to amend certain portions of the Operating Expense provisions set forth in the Original Lease.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto mutually covenant and agree as follows:

1. Defined Terms. Except as otherwise set forth herein, each term used in this Amendment shall have the same meaning as the meaning ascribed to such term in the Lease.

2. Changes to Operating Expense Provisions. Effective from and after January 1, 1997, Section 6 of the Original Lease is hereby modified as follows:

a. Replace the following language in Section 6(a)(iii) on page 28 of the Original Lease:

> "the cost (amortized over such reasonable period as Landlord shall determine together with interest at the maximum rate allowed by law on the unamortized balance) of (a) any capital improvements made to the Building by Landlord after the first year of the Term of the Lease that reduce other Operating Expenses, or made to the Building by Landlord after the date of the Lease that are required under any governmental law or regulation that was not applicable to the Building at the time it was constructed, or (b) replacement of any Building equipment needed to operate the Building at the same quality levels as prior to the replacement;"

with the following language:

> "the cost (amortized over the useful life with interest at ten percent (10%) per annum on the unamortized balance) of any capital improvements in excess of Ten Thousand Dollars ($10,000.00) per year made to the Building by Landlord (a) after the first year of the Term of the Lease that reduce other Operating Expenses, or (b) after the date of the Lease that are required under any governmental law or regulation that was not applicable to the Building at the time it was constructed, or (c) to replace any Building equipment needed to operate the Building at the same quality levels as prior to the replacement; provided, however, that if there are expenditures made by Landlord which would otherwise quality as a capital expenditure and the cost of same is less than Ten Thousand Dollars ($10,000.00) per year, the cost of same may be included in Operating Expenses for the year in which such expense is incurred. The parties agree that in determining whether a capital expenditure is less than $10,000, the expenditure will be evaluated on the basis of whether the entire expenditure for a capital expenditure could logically have been incurred as part of a single project in accordance with sound management practices.

For example, if the condition of multiple sets of drapes warranted a replacement of the drapes and such replacement would cost $40,000 if replaced at the same time, the Landlord will not be permitted to replace the drapes on a window-by-window basis at $2,000 per window and therefore include the costs as an Operating Expense in the year in which the expense was incurred, but rather, provided the above described replacement met the conditions described in subparagraph (c) above, such costs shall be included on an amortized basis as provided above . By way of another example, if all base building doors were in the same poor condition and needed replacing, and the cost of each door was $1,000 and if there were 25 doors, the cost of replacing the doors would be $25,000 and therefore could not be included in Operating Expenses in the year in which the expense was incurred, but rather, provided the above described replacement met the conditions described in subparagraph (c) above, such costs shall be included on an amortized basis as provided above. On the other hand, if three doors were damaged and needed replacing, provided the above described replacement met the conditions described in subparagraph (c) above, provided the above described replacement met the conditions described in subparagraph (c) above, then the $3,000 could be included in Operating Expenses in the year in which the expense was incurred. Likewise, if one drape was damaged and needed replacing, provided the above described replacement met the conditions described in subparagraph (c) above, the cost could be included in Operating Expenses in the year in which the expense was incurred. (the capital improvements described in (a), (b), and (c) above, as well as the capital expenditures described in the proviso immediately after (c) above, collectively, the "Permitted Capital Expenditures");"

b. Subparagraphs (ii), (iii) and (viii) on page 31 of the Original Lease and subparagraphs (ix) and (xvi) on page 32 of the Original Lease are hereby deemed deleted and shall be of no further force or effect.

c. Add in place of former subparagraph (ii) on page 31 of the Original Lease, deleted pursuant to Paragraph 2 (b) of this Amendment, the following new subparagraph (ii): "All capital expenditures or costs of a capital nature, including without limitation, capital improvements or replacements, capital repairs, capital equipment or capital tools, all as determined in accordance with generally accepted accounting principles, consistently applied, other than the Permitted Capital Expenditures."

3. 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 Amendment, and no real estate broker or agent is entitled to a commission in connection with the this Amendment. 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, 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 any dealings with any real estate broker or agent occurring by, through, or under the indemnifying party.

4. Entire Agreement; Amendment. The Lease, as amended by this Amendment, constitutes the full and complete agreement and understanding between the parties hereto and shall supersede all prior communications, representations, understandings or agreements, if any, whether oral or written, concerning the subject matter contained in the Lease, as so amended, and no provision of the Lease, as so amended, may be modified, amended, waived or discharged, in whole or in part, except by a written instrument executed by all of the parties hereto.

5. Authority. Each person executing this Amendment represents and warrants that he or she is duly authorized and empowered to execute it, and does so as the act of and on behalf of the party indicated below.

6. Force and Effect. Except as modified by this Amendment, the terms and provisions of the Lease are hereby ratified and confirmed and are and shall remain in full force and effect. Should any inconsistency arise between this Amendment and the Lease as to the specific matters which are the subject of this Amendment, the terms and conditions of this Amendment shall control. This Amendment shall be construed to be a part of the Lease and shall be deemed incorporated in the Lease by this reference.

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

LANDLORD:

DOUGLAS EMMETT JOINT VENTURE,
a California general partnership

By: Douglas, Emmett & Company, its agent

By: [ILLEGIBLE]

Name: [ILLEGIBLE]

Its: Senior Vice President

TENANT:

NESTLE USA, INC.,
a Delaware corporation, formerly known as Nestle Food Company, a Delaware corporation, and Carnation Company, a Delaware corporation

By: /s/ Robert H. Sanders

Name: Robert H. Sanders

Its: Vice President

EXHIBIT 23.3

CONSENT OF ERNST & YOUNG LLP

Consent of Independent Auditors

We consent to the reference to our firm under the captions “Financial Statements” and to the use of our report dated January 21, 2003 on the Statement of Revenues Over Certain Operating Expenses for the Nestle Building, our report dated November 26, 2002 on the Statement of Revenue Over Certain Operating Expenses for the NASA Buildings and our report dated November 26, 2002 on the Statement of Revenues Over Certain Operating Expenses for the Caterpillar Nashville Building, in Amendment No. 2 to the Registration Statement (Form S-11 No. 333-85848) and related Prospectus of Wells Real Estate Investment Trust, Inc. for the registration of 330,000,000 shares of its common stock.

/s/ Ernst & Young LLP

Atlanta, Georgia
January 22, 2003

EXHIBIT 23.4

CONSENT OF ERNST & YOUNG LLP

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Financial Statements" and to the use of our report dated January 31, 2002 on the Statement of Revenues over Certain Operating Expenses for the KeyBank Parsippany Building, in Post-Effective Amendment No. 2 to the Registration Statement (Form S-11 No. 333-85848) and related Prospectus of Wells Real Estate Investment Trust, Inc. for the registration of 330,000,000 shares of its common stock.

/s/ Ernst & Young LLP

New York, New York
January 22, 2003

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 April 5, 2002, by the following persons and in the capacities indicated below.

Signature	Title
/s/ LEO F. WELLS, III **Leo F. Wells, III**	President and Director (Principal Executive Officer)
/S/ DOUGLAS P. WILLIAMS **Douglas P. Williams**	Executive Vice President and Director (Principal Financial and Accounting Officer)
/S/ JOHN L. BELL **John L. Bell**	Director
/S/ RICHARD W. CARPENTER **Richard W. Carpenter**	Director
/S/ BUD CARTER **Bud Carter**	Director
/S/ WILLIAM H. KEOGLER, JR. **William H. Keogler, Jr.**	Director
/S/ DONALD S. MOSS **Donald S. Moss**	Director
/S/ WALTER W. SESSOMS **Walter W. Sessoms**	Director
/S/ NEIL H. STRICKLAND **Neil H. Strickland**	Director

EXHIBIT 24.2

POWER OF ATTORNEY

POWER OF ATTORNEY

The 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 July 10, 2002, by the following person and in the capacity indicated below.

Signatures	Title
/s/ MICHAEL R. BUCHANAN	Director
Michael R. Buchanan	