As filed with the Securities and Exchange Commission on February 9, 2001

Registration No. 333-44900

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1 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
Norcross, Georgia 30092
(770) 449-7800
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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

Maryland	58-2328421
(State or other Jurisdiction of Incorporation)	(I.R.S. Employer Identification Number)

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

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

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

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

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

[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 December 20, 2000, and Supplement No. 1 dated February 5, 2001 (the supplement is contained inside the back cover page of the prospectus). Supplement No. 1 includes descriptions of acquisitions of interests in office buildings in Houston, Texas, Minnetonka, Minnesota and Oklahoma City, Oklahoma.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

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

Wells Real Estate Investment Trust, Inc. (Wells REIT) is a real estate investment trust. We invest in commercial real estate properties primarily consisting of high grade office buildings which are leased to large corporate tenants. We currently own interests in 26 office buildings located in 15 states.

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

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

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

- lack of a public trading market for the shares
- reliance on Wells Capital, Inc., our advisor, to select properties and conduct our operations
- authorization of substantial fees to the advisor and its affiliates
- borrowing - which increases the risk of loss of our investments
- conflicts of interest facing the advisor and its affiliates

You should see the complete discussion of the risk factors beginning on page 16.

The Offering:

- The shares will be offered on a best efforts basis to investors at $10 per share.
- We will pay selling commissions to broker-dealers of 7% and a dealer manager fee for reimbursement of marketing expenses of 2.5% out of the offering proceeds raised.
- We will invest approximately 84% of the offering proceeds raised in real estate properties, and the balance will be used to pay fees and expenses.
- The offering will terminate on or before December 19, 2002.

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.

December 20, 2000

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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:

- pays dividends to investors of at least 95% of its taxable income each year for years prior to 2001 and 90% of its taxable income for all future years beginning with the year 2001;
- avoids the "double taxation" treatment of income that generally results from investments in a corporation because a REIT is not generally subject to federal corporate income taxes on its net income, provided certain income tax requirements are satisfied;
- combines the capital of many investors to acquire or provide financing for real estate properties; and
- offers the benefit of a diversified real estate portfolio under professional management.

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

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

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

A: Wells Capital, Inc. (Wells Capital) is our advisor and makes recommendations on all property acquisitions to our board of directors. Our board of directors must approve all of our acquisitions.

Q: Who is Wells Capital?

A: Wells Capital is a Georgia corporation formed in 1984. As of September 30, 2000, Wells Capital had sponsored public real estate programs which have raised in excess of $567,927,422 from approximately 32,868 investors and which own and operate a total of 52 commercial real estate properties.

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

A: Yes. Wells Capital generally seeks to acquire office buildings located in densely populated suburban markets leased to large corporations on a triple-net basis. Typically, each of our corporate tenants have 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, Motorola, Fairchild Technologies, Siemens Automotive, PricewaterhouseCoopers, IBM, and Dial Corporation.

Q. Do you currently own any real estate properties?

A. Yes. As of the date of this prospectus, our REIT has acquired and owns interests in 26 real estate properties.

We own the following properties directly:

Tenant	Building Type	Location	Occupancy
Motorola, Inc.	Office Building	Plainfield, New Jersey	100%
Delphi Automotive Systems, Inc.	Office Building	Troy, Michigan	100%
Avnet, Inc.	Office Building	Tempe, Arizona	100%
Motorola, Inc.	Office Building	Tempe, Arizona	100%
ASM Lithography, Inc.	Office and Warehouse Building	Tempe, Arizona	100%
Dial Corporation	Office Building	Scottsdale, Arizona	100%
Metris Direct, Inc.	Office Building	Tulsa, Oklahoma	100%
Cinemark USA, Inc. and The Coca-Cola Company	Office Building	Plano, Texas	100%
Marconi Data Systems, Inc.	Office, Assembly and Manufacturing Building	Wood Dale, Illinois	100%
Alstom Power, Inc.	Office Building	Richmond, Virginia	100%
Matsushita Avionics Systems Corporation	Office Building	Lake Forest, California	100%
Pennsylvania Cellular Telephone Corp.	Office Building	Harrisburg, Pennsylvania	100%
PricewaterhouseCoopers	Office Building	Tampa, Florida	100%

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

Tenant	Building Type	Location	Occupancy
Quest Software, Inc.	Office Building	Irvine, California	100%
Siemens Automotive Corporation	Office Building	Troy, Michigan	100%
Gartner Group, Inc.	Office Building	Ft. Myers, Florida	100%
Johnson Matthey, Inc.	Research and Development, Office and Warehouse Building	Tredyffrin Township, Pennsylvania	100%
Sprint Communications Company L.P.	Office Building	Leawood, Kansas	100%
EYBL CarTex, Inc.	Manufacturing and Office Building	Fountain Inn, South Carolina	100%

Tenant	Building Type	Location	Occupancy
Fairchild Technologies U.S.A., Inc.	Manufacturing and Office Building	Fremont, California	100%
Cort Furniture Rental Corporation	Office and Warehouse Building	Fountain Valley, California	100%
Iomega Corporation	Office Building	Ogden City, Utah	100%

ODS Technologies, L.P. and GAIAM, Inc.	Office Building	Broomfield, Colorado	100%
Ohmeda, Inc.	Office Building	Louisville, Colorado	100%
Alstom Power, Inc.	Office Building	Knoxville, Tennessee	100%
Avaya, Inc.	Office Building	Oklahoma City, Oklahoma	100%

If you want to read more detailed information about each of these properties, see the "Description of Properties" 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: Our leases are "triple-net" leases, generally having terms of seven to ten years, many of which have renewal options for an additional five to ten years. "Triple-net" means that the tenant is responsible for repairs, maintenance, property taxes, utilities, insurance and other operating costs. We often enter into leases where we have responsibility for replacement of specific structural components of a property such as the roof of the building or the parking lot.

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

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

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

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

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

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

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

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

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

A: Yes and No. Generally, dividends that you receive, including dividends that are reinvested pursuant to our dividend reinvestment plan, will be taxed as ordinary income to the extent they are from current or accumulated earnings and profits. We expect that some portion of your dividends will not be subject to tax in the year received due to the fact that depreciation expenses reduce taxable income but do not reduce cash available for distribution. Amounts not subject to tax immediately will reduce the tax basis of your investment. This, in effect, defers a portion of your tax until your investment is sold or the Wells REIT is liquidated, at which time you will be taxed at capital gains rates. However, because each investor's tax considerations are different, we suggest that you consult with your tax advisor. You should also review the section of the prospectus entitled "Federal Income Tax Considerations."

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

A: We will use your investment proceeds to purchase commercial real estate such as high grade office buildings. We intend to invest a minimum of 84% of the proceeds from this offering to acquire real estate properties, and 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 investments. These short-term investments will not earn as high of a return as we expect to earn on our real estate investments, and we cannot guarantee how long it will take to fully invest the proceeds in real estate.

We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares of common stock in our initial public offering, which commenced on January 30, 1998 and was terminated on December 19, 1999. Of the $132,181,919 raised in the initial offering, we invested a total of $111,032,812 in real estate properties. As of December 10, 2000, we had received approximately $169,671,659 in gross offering proceeds from the sale of 16,967,166 shares of common stock in our second offering, which commenced on December 20, 1999 and was terminated on December 19, 2000. Of this additional $169,671,659 raised in the second offering, we invested or expect to invest approximately $142,524,194 in real estate properties.

Q: What kind of offering is this?

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

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 December 19, 2002.

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 and personal automobiles. These minimum levels may be higher in certain states, so you should carefully read the more detailed description in the "Suitability Standards" section of this prospectus.

Q: Is there any minimum investment required?

A: Yes. Generally, you must invest at least $1,000. Except in Maine, Minnesota, 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. The purchase price will be placed into an account with Bank of America, N.A., where your funds will be held, along with those of other subscribers, until we withdraw funds for the acquisition of real estate properties or the payment of fees and expenses.

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

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

In addition, after you have held your shares for at least one year, you may be able to have your shares repurchased by the 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 shareholders through distributions.

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

A: Our management team has extensive previous experience investing in and managing commercial real estate. Below is a short description of the background of each of our directors. See the "Management -- Executive Officers and Directors" section on page 31 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 in 1985 and has been involved in real estate sales, management and brokerage services for over 27 years;

- Douglas P. Williams - Executive Vice President, Secretary and Treasurer of 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;

- Richard W. Carpenter - President and a director of Realmark Holdings Corp., a residential and commercial real estate developer;

- Bud Carter - Former broadcast news director and anchorman and current Senior Vice President for The Executive Committee, an organization established to aid corporate presidents and CEOs;

- William H. Keogler, Jr. - Founder and former executive officer and director of Keogler, Morgan & Company, Inc., a full service brokerage firm;

- Donald S. Moss - Former executive officer of Avon Products, Inc.;

- Walter W. Sessoms - Former executive officer of BellSouth Telecommunications, Inc.; and

- Neil H. Strickland - Founder of Strickland General Agency, Inc., a property and casualty general insurance agency concentrating on commercial customers.

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

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

- Four detailed quarterly dividend reports;

- Three quarterly financial reports;

- An annual report; and

- An annual IRS Form 1099.

Q: When will I get my detailed tax information?

A: Your Form 1099 tax information will be 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:

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

Prospectus Summary

This 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. We currently own interests in 26 commercial real estate properties located in 15 states. Our office is located at 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092. Our telephone number outside the State of Georgia is 800-448-1010 (770-449-7800 in Georgia). We refer to Wells Real Estate Investment Trust, Inc. as the Wells REIT in this prospectus.

Our Advisor

Our advisor is Wells Capital, Inc., which is responsible for managing our affairs on a day-to-day basis and for identifying and making acquisitions on our behalf. We refer to Wells Capital, Inc. as Wells Capital in this prospectus.

Our Management

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 nine members on our board of directors. Seven of the directors are independent of Wells Capital and have responsibility for reviewing its performance. Our directors are elected annually by the shareholders.

Our REIT Status

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

Summary Risk Factors

Following are the most significant risks relating to your investment:

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

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

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

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

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

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

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

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

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

- Our investment in vacant land to be developed may create risks relating to the builder's ability to control construction costs, failure to perform or failure to build in conformity with plans, specifications and timetables.

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

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

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

Before you invest in the Wells REIT, you should see the complete discussion of the "Risk Factors" beginning on page 16 of this prospectus.

Description of Properties

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

actually acquire any property that we describe in a supplement as a reasonable probability acquisition because one or more contingencies to the purchase may prevent the acquisition.

Estimated Use of Proceeds of Offering

We anticipate that we will invest at least 84% of the proceeds of this offering in real estate properties. We will use the remainder of 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 upon a majority vote of the shareholders. See the "Investment Objectives and Criteria" section of this prospectus for a more complete description of our business and objectives.

Conflicts of Interest

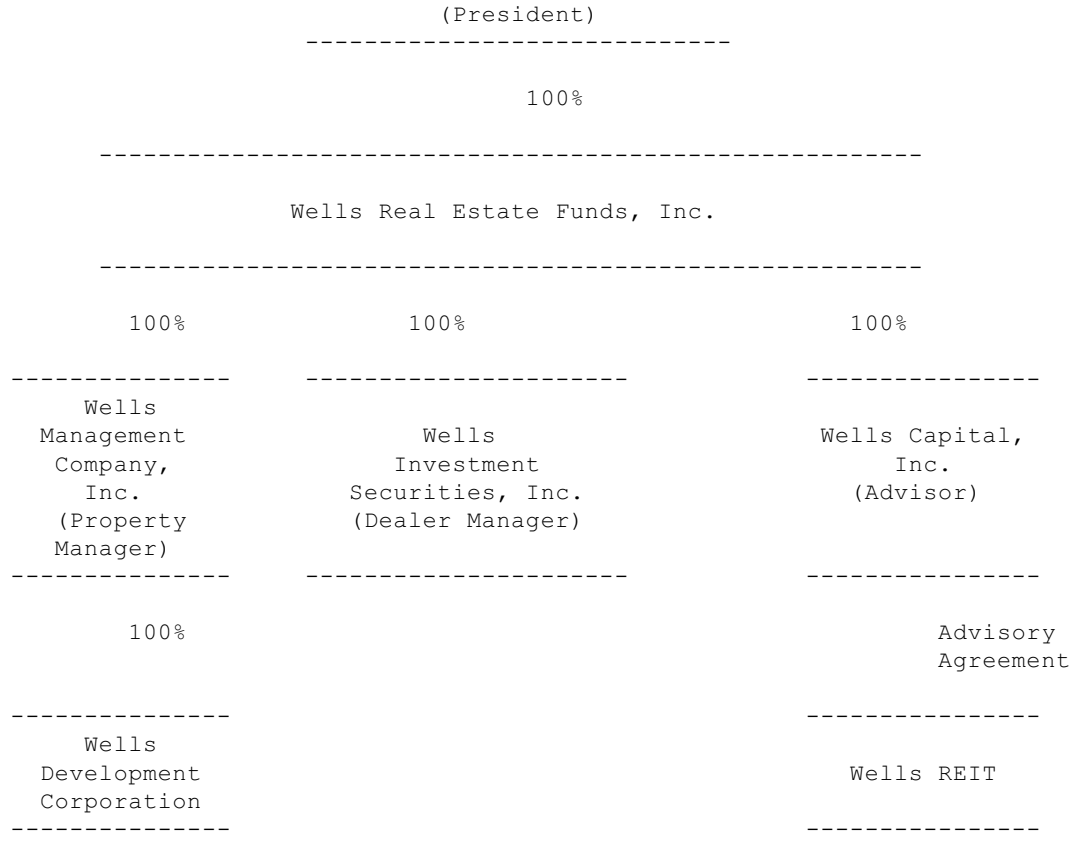
Wells Capital, as our advisor, will experience conflicts of interest in connection with the management of our business affairs, including the following:

- Wells Capital will have to allocate its time between the Wells REIT and other real estate programs and activities in which it is involved;
- Wells Capital must determine which Wells program or other entity should enter into a joint venture with the Wells REIT for the acquisition and operation of specific properties;
- Wells Capital may compete with other Wells programs for the same tenants in negotiating leases or in selling similar properties at the same time; and
- 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 51 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.

LEO F. WELLS, III



Prior Offering Summary

Wells Capital and its affiliates have previously sponsored 13 publicly offered real estate limited partnerships and the Wells REIT on an unspecified property or "blind pool" basis. As of September 30, 2000, they have raised approximately $567,927,422 from approximately 36,868 investors in these 14 public real estate programs. The "Prior Performance Summary" on page 114 of this prospectus contains a discussion of the Wells programs sponsored to date. Certain statistical data relating to the Wells programs with investment objectives similar to ours is also provided in the "Prior Performance Tables" included at the end of this prospectus.

The Offering

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

Terms of the Offering

We will begin selling shares in this offering upon the effective date of this prospectus, and this offering will terminate on or before December 19, 2002. However, we may terminate this offering at any time prior to such termination date. We will hold your investment proceeds in our account until we withdraw funds for the acquisition of real estate properties or the payment of fees and expenses. We generally admit shareholders to the Wells REIT on a daily basis.

Compensation to Wells Capital

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

Type of Compensation	Form of Compensation	Estimated $$ Amount for Maximum Offering (135,000,000 shares)
	Offering Stage	
Sales Commissions	7.0% of gross offering proceeds	$94,500,000
Dealer Manager Fee	2.5% of gross offering proceeds	$33,750,000
Offering Expenses	3.0% of gross offering proceeds	$18,600,000
	Acquisition and Development Stage	
Acquisition and Advisory Fees	3.0% of gross offering proceeds	$40,500,000
Acquisition Expenses	0.5% of gross offering proceeds	$ 6,750,000
	Operational Stage	
Property Management and Leasing Fees	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 Commission	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 46.

Dividend Policy

In order to remain qualified as a REIT, we are required to distribute 95% of our annual taxable income to our shareholders in all years prior to 2001 and 90% of our annual taxable income for all future years beginning with the year 2001. We have paid dividends to our shareholders at least quarterly since the first quarter after we commenced operations on June 5, 1998. We calculate

our quarterly dividends based upon daily record and dividend declaration dates so investors will be entitled to dividends immediately upon purchasing shares. We expect to pay dividends to you on a quarterly basis.

Listing

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

Dividend Reinvestment Plan

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

Share Redemption Program

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

Wells Operating Partnership, L.P.

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

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

ERISA Considerations

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

Description of Shares

General

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

Shareholder Voting Rights and Limitations

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

Restriction on Share Ownership

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

For a more complete description of the shares, including restrictions on the ownership of shares, please see the "Description of Shares" section of this prospectus on page 142.

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

We depend on key personnel.

Our success depends to a significant degree upon the continued

contributions of certain key personnel, including Leo F. Wells, III, Douglas P. Williams, M. Scott Meadows, Michael C. Berndt and Allen G. Delenick, each of whom would be difficult to replace. 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 and its affiliates are general partners and sponsors of other real estate programs having investment objectives and legal and financial obligations similar to the Wells REIT. Because Wells Capital and its affiliates have interests in other real estate programs and also engage in other business activities, they may have conflicts of interest in allocating their time between our business and these other activities. During times of intense activity in other programs and ventures, they may devote less time and resources to our business than is necessary or appropriate. (See "Conflicts of Interest.")

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

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

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

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

- the possibility that our co-venturer, co-tenant or partner in an investment might become bankrupt;
- that such co-venturer, co-tenant or partner may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals; or
- that such co-venturer, co-tenant or partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives.

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

Affiliates of Wells Capital are currently sponsoring a public offering on behalf of Wells Fund XII and are currently in the process of registering a

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

Under certain joint venture arrangements, neither co-venturer may have the power to control the venture, and an impasse could be reached regarding matters pertaining to the joint venture, which might have a negative influence on the joint venture and decrease potential returns to you. In the event that a

co-venturer has a right of first refusal to buy out the other co-venturer, it may be unable to finance such buy-out at that time. It may also be difficult for us to sell our interest in any such joint venture or partnership or as a co-tenant in property. In addition, to the extent that our co-venturer, partner or co-tenant is an affiliate of Wells Capital, certain conflicts of interest will exist. (See "Conflicts of Interest -- Joint Ventures with Affiliates of Wells Capital.")

General Investment Risks

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

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

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

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

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

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

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

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

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

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

limited to the lesser of (1) during any calendar year, 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. In addition, the board of directors reserves the right to reject any request for redemption or to amend or terminate the share redemption program at any time. Therefore, in making a decision to purchase shares of the Wells REIT, you should not assume that you will be able to sell any of your shares back to us pursuant to our share redemption program. (See "Description of Shares - Share Redemption Program.")

We established the offering price on an arbitrary basis.

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 shareholders and potential investors in this offering do not have preemptive rights to any shares issued by the Wells REIT in the future. Therefore, in the event that we (1) sell shares in this offering or sell additional shares in the future, including those issued pursuant to the dividend reinvestment plan, (2) sell securities that are convertible into shares, (3) issue shares in a private offering of securities to institutional investors, (4) issue shares of common stock upon the exercise of the options granted to our independent directors or employees of Wells Capital and Wells Management or the warrants issued and to be issued to participating broker-dealers or our independent directors, or (5) issue shares to sellers of properties acquired by us in connection with an exchange of limited partnership units from Wells OP, existing shareholders and investors purchasing shares in this offering may experience dilution of their equity investment in the Wells REIT.

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

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

The availability and timing of cash dividends is uncertain.

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

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

Substantially all of the gross proceeds of the offering will be used for investment in properties and for payment of various fees and expenses. (See "Estimated Use of Proceeds.") In addition, we do not anticipate that we will maintain any permanent working capital reserves. Accordingly, in the event that we develop a need for additional capital in the future for the improvement of our properties or for any

other reason, we have not identified any sources for such funding, and we cannot assure you that such sources of funding will be available to us for potential capital needs in the future.

Real Estate Risks

General Real Estate RisksReal 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. Most of our properties are specifically suited to the particular needs of our tenants. Therefore, we may have difficulty obtaining a new tenant for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenues resulting in less cash dividends to be distributed to shareholders. In addition, the resale value of the property could be

diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

We are dependent on tenants for our revenue.

Most of our properties are occupied by a single tenant and, therefore, the success of our investments are materially dependant on the financial stability of our tenants. Lease payment defaults by tenants could cause us to reduce the amount of distributions to shareholders. A default of a tenant on its lease payments to us would cause us to lose the revenue from the property and cause us to have to find an alternative source of revenue to meet the mortgage payment and prevent a foreclosure if the property is subject to a mortgage. In the event of a default, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and 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.

Motorola, Inc and Marconi Data Systems, Inc. are two of the major tenants in properties which we currently own. In the aggregate, rental income from these two tenants represents approximately 27.9% of our total gross rental revenues. Rental income from Motorola, Inc. represents approximately

18.0% of our gross rental revenues and rental income from Marconi Data Systems, Inc. represents approximately 9.9% of our gross rental revenues. The revenues generated by the properties these two 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 either 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 Properties" 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.

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

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

We may invest some or all of the proceeds available for investment in the acquisition and development of properties upon which we will develop and

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

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

We may enter into one or more contracts, either directly or indirectly through joint ventures with affiliates, to acquire real property from Wells Development Corporation (Wells Development), an affiliate

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

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

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

property management and leasing operations. We cannot assure you that we would be able to collect the entire amount of our earnest money deposit under such circumstances. (See "Investment Objectives and Criteria -- Acquisition of Properties from Wells Development Corporation.")

Competition for investments may increase costs and reduce returns.

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

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

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

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

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

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

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. In connection with the acquisition and ownership of our properties, we may be potentially liable for such costs. The cost of defending against claims of liability, of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect the business, assets or results of operations of the Wells REIT and, consequently, amounts available for distribution to you.

Financing Risks

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

Loans obtained to fund property acquisitions will generally be secured by 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 the value of the shares and the dividends payable to shareholders to be reduced. (See "Description of Properties -- 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 which affect our ability to incur additional debt and our distribution and operating policies. Loan documents we enter into may contain customary negative covenants which may limit our ability to further mortgage the property, to discontinue insurance coverage, replace Wells Capital as our advisor or impose other limitations.

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

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

Federal Income Tax Risks

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

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

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

Legislative or regulatory action could adversely affect investors.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of the federal income tax laws applicable to investments similar to an investment in shares of the Wells REIT. Additional changes to 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 a shareholder. Any such changes could have an adverse effect on an investment in shares or on the market value or the resale potential of our properties. You are urged to consult with your own tax advisor with respect to the impact of recent legislation on your investment in shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares.

Retirement Plan Risks

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

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

- your investment is consistent with your fiduciary obligations under ERISA and the Internal Revenue Code;

- your investment is made in accordance with the documents and instruments governing your plan or IRA, including your plan's investment policy;
- your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA;
- your investment will not impair the liquidity of the plan or IRA;
- your investment will not produce "unrelated business taxable income" for the plan or IRA;
- you will be able to value the assets of the plan annually in accordance with ERISA requirements; and
- your investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

For a more complete discussion of the foregoing issues and other risks associated with an investment in shares by retirement plans, please see the "ERISA Considerations" section of this prospectus on page 139.

Suitability Standards

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

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

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

The minimum purchase is 100 shares ($1,000), except in certain states as described below. You may not transfer less shares than the minimum purchase requirement. In addition, you may not transfer, fractionalize or subdivide your shares so as to retain less than the number of shares required for the minimum purchase. In order to satisfy the minimum purchase requirements for retirement

plans, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs, provided that each such contribution is made in increments of $100. You should note that an investment in shares of the Wells REIT will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Internal Revenue Code.

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

Except in the states of Maine, Minnesota, Nebraska and Washington, if you have satisfied the minimum purchase requirements and have purchased units in other Wells programs or units or shares in

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

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

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

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

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

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

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

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

Estimated Use of Proceeds

The following tables set forth information about how we intend to use the proceeds raised in this offering assuming that we sell 62,000,000 shares and 135,000,000 shares, respectively, pursuant to this offering. Many of the figures set forth below represent management's best estimate since they cannot be precisely calculated at this time. We expect that at least 84.0% 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.

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

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

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(Footnotes to "Estimated Use of Proceeds")

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

3. Includes selling commissions equal to 7.0% 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 the 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 attributable to the units sold by them and may reallow out of its dealer manager fee up to 1.5% of gross offering proceeds in marketing fees and due diligence expenses to broker-dealers participating in this offering based on such factors as the volume of units sold by such participating broker-dealers, marketing support provided by such participating broker-dealers and bona fide conference fees incurred. The amount of selling commissions may often be reduced under certain circumstances for volume discounts. See the "Plan of Distribution" section of this prospectus for a description of such provisions.

4. Organization and offering expenses consist of reimbursement of actual legal, accounting, printing and other accountable offering expenses, including amounts to reimburse Wells Capital, our advisor, for

marketing, salaries and direct expenses of its employees while engaged in registering and marketing the shares and other marketing and organization costs, other than selling commissions and the dealer manager fee. Wells Capital and its affiliates will be responsible for the payment of organization and offering expenses, other than selling commissions and the dealer manager fee, to the extent they exceed 3.0% of gross offering proceeds without recourse against or reimbursement by the Wells REIT. We currently estimate that approximately $18,600,000 of organization and offering costs will be incurred if the maximum offering of 135,000,000 shares is sold.

5. Until required in connection with the acquisition and development of properties, substantially all of the net proceeds of the offering and, thereafter, the working capital reserves of the Wells REIT,

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

6. Acquisition and advisory fees are defined generally as fees and commissions paid by any party to any person in connection with the purchase, development or construction of properties. We will pay Wells Capital, as our advisor, acquisition and advisory fees up to a maximum amount of 3.0% 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.

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 approximately 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 shareholders as fiduciaries. The board is responsible for the management and control of our affairs. The board has retained Wells Capital to manage our day-to-day affairs and the acquisition and disposition of our investments, subject to the board's supervision. The articles of incorporation of the Wells REIT were reviewed and ratified by the board of directors, including the independent directors, at their initial meeting. This ratification by the 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 nine directors. The articles of incorporation also provide that a majority of the directors must be independent directors. An "independent director" is a person who is not an officer or employee of the Wells REIT, Wells Capital or their affiliates and has not otherwise been affiliated with such entities for the previous two years. Of the nine current directors, seven of our directors are considered independent directors.

Proposed transactions are often discussed before being brought to a final board vote. During these discussions, independent directors often offer ideas for ways in which deals can be changed to make them acceptable and these suggestions are taken into consideration when structuring transactions. Each director will serve until the next annual meeting of shareholders or until his successor has been duly

elected and qualified. Although the number of directors may be increased or decreased, a decrease shall not have the effect of shortening the term of any incumbent director.

Any director may resign at any time and may be removed with or without cause by the shareholders upon the affirmative vote of at least a majority of all the votes entitled to be cast at a meeting called for the purpose of the proposed removal. The notice of the meeting shall indicate that the purpose, or one of the purposes, of the meeting is to determine if the director shall be removed. The term "cause" as used in this context is a term used in the Maryland Corporation Law. Since the Maryland Corporation Law does not define the term "cause," shareholders may not know exactly what actions by a director may be grounds for removal.

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

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

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

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

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

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

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

- the amount of the fee paid to Wells Capital in relation to the size, composition and performance of our investments;
- the success of Wells Capital in generating appropriate investment opportunities;
- rates charged to other REITs and other investors by advisors performing similar services;
- additional revenues realized by Wells Capital and its affiliates through their relationship with us, whether we pay them or they are paid by others with whom we do business;
- the quality and extent of service and advice furnished by Wells Capital and the performance of our investment portfolio; and
- the quality of our portfolio relative to the investments generated by Wells Capital for its other clients.

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

Committees of the Board of Directors

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

Audit Committee

The Audit Committee meets on a regular basis at least three times a year. The Audit Committee members are Messrs. Bell, Carpenter, Carter, Keogler, Moss, Sessoms and Strickland. The board of directors adopted our Audit Committee Charter at its quarterly board meeting held September 27, 2000. The 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 shareholders and others, the system of internal controls which management has established, and the audit and financial reporting process.

Compensation Committee

Our board of directors has also established a Compensation Committee to administer the 2000 Employee Stock Option Plan, as described below, which was approved by the shareholders at our annual shareholders 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.

Executive Officers and Directors

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

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

Leo F. Wells, III is the President and a director of the Wells REIT and the President, Treasurer and sole director of Wells Capital, our advisor. He is also the sole shareholder and sole director of Wells Real Estate Funds, Inc., the parent corporation of Wells Capital. Mr. Wells is President of Wells & Associates, Inc., a real estate brokerage and investment company formed in 1976 and incorporated in 1978, for which he serves as principal broker. He is also the President, Treasurer and sole director of:

- Wells Management Company, Inc., our Property Manager;
- Wells Investment Securities, Inc., our Dealer Manager;
- Wells Advisors, Inc., a company he organized in 1991 to act as a non-bank custodian for IRAs; and
- Wells Development Corporation, a company he organized in 1997 to develop real properties.

Mr. Wells was a real estate salesman and property manager from 1970 to 1973 for Roy D. Warren & Company, an Atlanta-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 27 years of experience in real estate sales, management and brokerage services. In addition to being the President and a director of the Wells REIT, he is currently a co-general partner in a total of 26 real estate limited partnerships formed for the purpose of acquiring, developing and operating office buildings and other commercial properties. As of September 30, 2000, these 26 real estate limited partnerships represented investments totaling approximately $313,562,916 from approximately 27,322 investors.

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

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

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

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

John L. Bell was the owner and Chairman of Bell-Mann, Inc., the largest commercial flooring contractor in the Southeast from February 1971 to February 1996. Mr. Bell also served on the Board of Directors of Realty South Investors, a REIT traded on the American Stock Exchange, and was the founder and served as a director of both the Chattahoochee Bank and the Buckhead Bank. In 1997, Mr. Bell initiated and implemented a "Dealer Acquisition Plan" for Shaw Industries, Inc., a floor covering manufacturer and distributor, which plan included the acquisition of Bell-Mann.

Mr. Bell currently serves on the 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.

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

Mr. Carpenter is currently President and director of Realmark Holdings Corp., a residential and commercial real estate developer, and has served in that position since October 1983. Mr. Carpenter is also 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 served as President and Chairman of the Board of Southmark Properties, an Atlanta-based REIT investing in commercial properties. Mr. Carpenter is a past Chairman of the American Bankers Association Housing and Real Estate Finance Division Executive Committee. Mr. Carpenter holds a Bachelor of Science degree from Florida State University, where he was named the outstanding alumnus of the School of Business in 1973.

Bud Carter was an award-winning broadcast news director and anchorman for several radio and television stations in the Midwest for over 20 years. From 1975 to 1980, Mr. Carter served as General Manager of WTAZ-FM, a radio station in Peoria, Illinois and served as editor and publisher of The Peoria

Press, a weekly business and political journal in Peoria, Illinois. From 1981 until 1989, Mr. Carter was also an owner and General Manager of Transitions, Inc., a corporate outplacement company in Atlanta, Georgia.

Mr. Carter currently serves as Senior Vice President for The Executive Committee, a 43-year old 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 14 noncompeting CEOs and presidents. Mr. Carter is a graduate of the University of Missouri where he earned degrees in journalism and social psychology.

William H. Keogler, Jr. was employed by Brooke Bond Foods, Inc. as a Sales Manager from June 1965 to September 1968. From July 1968 to December 1974, Mr. Keogler was employed by Kidder Peabody & Company, Inc. and Dupont, Glore, Forgan as a corporate bond salesman responsible for managing the industrial corporate bond desk and the utility bond area. From December 1974 to July 1982, Mr. Keogler was employed by Robinson-Humphrey, Inc. as the Director of Fixed Income Trading Departments responsible for all municipal bond trading and municipal research, corporate and government bond trading, unit trusts and SBA/FHA loans, as well as the oversight of the publishing of the Robinson-Humphrey Southeast Unit Trust, a quarterly newsletter. Mr. Keogler was elected to the Board of Directors of Robinson-Humphrey, Inc. in 1982. From July 1982 to October 1984, Mr. Keogler was Executive Vice President, Chief Operating Officer, Chairman of the Executive Investment Committee and member of the Board of Directors and Chairman of the MFA Advisory Board for the Financial Service Corporation. He was responsible for the creation of a full service trading department specializing in general securities with emphasis on municipal bonds and municipal trusts. Under his leadership, Financial Service Corporation grew to over 1,000 registered representatives and over 650 branch offices. In March 1985, Mr. Keogler founded Keogler, Morgan & Company, Inc., a full service brokerage firm, and Keogler Investment Advisory, Inc., in which he served as Chairman of the Board of Directors, President and Chief Executive Officer. In January 1997, both companies were sold to SunAmerica, Inc., a publicly traded New York Stock Exchange company. Mr. Keogler continued to serve as President and Chief Executive Officer of these companies until his retirement in January 1998.

Mr. Keogler serves on the Board of Trustees of Senior Citizens Services of Atlanta. He graduated from Adelphi University in New York where he earned a degree in psychology.

Donald S. Moss was employed by Avon Products, Inc. from 1957 until his retirement in 1986. While at Avon, Mr. Moss served in a number of key positions, including Vice President and Controller from 1973 to 1976, Group Vice President of Operations-Worldwide from 1976 to 1979, Group Vice President of Sales-Worldwide from 1979 to 1980, Senior Vice President-International from 1980 to 1983 and Group Vice President-Human Resources and Administration from 1983 until his retirement in 1986. Mr. Moss was also a member of the board of directors of Avon Canada, Avon Japan, Avon Thailand, and Avon Malaysia from 1980-1983.

Mr. Moss is currently a director of The Atlanta Athletic Club. He formerly was the National Treasurer and a director of the Girls Clubs of America from 1973 to 1976. Mr. Moss graduated from the University of Illinois where he received a degree in business.

Walter W. Sessoms was employed by 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. He is a member of the Governor's Education Reform Commission.

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 $500 per month plus $125 for each board meeting he attends. 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 shareholders at the annual shareholders 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 in connection with the 2000 annual meeting of stockholders and will continue to issue options to purchase 1,000 shares (Subsequent Options) to each independent director then in office on the date of each annual stockholder's meeting. The Initial Options and the Subsequent Options are collectively referred to as the "Director Options." Director Options may not be granted at any time when the grant, along with grants to other independent directors, would exceed 10% of our issued and outstanding shares. As of September 30, 2000, each independent director had been granted options to purchase a total of 3,500 shares under the Director Option Plan, of which 1,000 of those shares were exercisable. The exercise price for the Initial Options is $12.00 per share. The exercise price for the Subsequent Options is the greater of (1) $12.00 per share or (2) the fair market value of the shares on the date they are granted. Fair market value is defined generally to mean:

- the average closing price for the five consecutive trading days ending on such date if the shares are traded on a national exchange;

- the average of the high bid and low asked prices if the shares are quoted on NASDAQ;

- the average of the last 10 sales made pursuant to a public offering if there is a current public offering and no market maker for the shares;

- the average of the last 10 purchases (or fewer if less than 10 purchases) under our share redemption program if there is no current public offering; or

- the price per share under the dividend reinvestment plan if there are no purchases under the share redemption program.

One-fifth of the Initial Options were exercisable beginning on the date we granted them, one-fifth of the Initial Options became exercisable beginning in July 2000 and an additional one-fifth of the Initial Options will become exercisable on each anniversary of the date we granted them for a period of three years until 100% of the shares become exercisable. The 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 of the Wells REIT (Director Warrant Plan) was approved by our shareholders at the annual shareholders 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 in the future. 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, the board of directors may provide in writing in connection with any such transaction for any or all of the following alternatives: (1) for the assumption by the successor corporation of the Warrants theretofore granted or the substitution by such corporation for such Warrants of awards covering the stock of the successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; (2) for the continuance of the 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.

2000 Employee Stock Option Plan

Our 2000 Employee Stock Option Plan of the Wells REIT (Employee Option Plan) was approved by our shareholders at the annual shareholders 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.

The 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 the Employee Option Plan.

The Compensation Committee shall set the term of the Employee Options in its discretion, although no Employee Option shall have a term greater than five years from the later of (i) the date our shares become listed on a national securities exchange, or (ii) the date the Employee Option is granted. The employee receiving Employee Options shall agree to remain in employment with 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 shareholders, directors and officers for monetary damages to the fullest extent permitted under current Maryland Corporation Law. We also maintain a directors and officers liability insurance policy. Maryland Corporation Law allows

directors and officers to be indemnified against judgments, penalties, fines, settlements and expenses actually incurred in a proceeding unless the following can be established:

- an act or omission of the director or officer was material to the cause of action adjudicated in the proceeding, and was committed in bad faith or was the result of active and deliberate dishonesty;

- the director or officer actually received an improper personal benefit in money, property or services; or

- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his act or omission was unlawful.

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

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

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

- the directors, Wells Capital or its affiliates have determined, in good faith, that the course of conduct which caused the loss or liability was in our best interests;

- the directors, Wells Capital or its affiliates were acting on our behalf or performing services for us;

- in the case of affiliated directors, Wells Capital or its affiliates, the liability or loss was not the result of negligence or misconduct by the party seeking indemnification;

- in the case of independent directors, the liability or loss was not the result of gross negligence or willful misconduct by the party seeking indemnification; and

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

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

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

reduce the legal remedies available to the Wells REIT and our shareholders against the officers and directors.

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

- there has been a successful adjudication on the merits of each count involving alleged securities law violations;
- such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction; or
- a court of competent jurisdiction approves a settlement of the claims against the indemnitee and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the Securities and Exchange Commission and of the published position of any state securities regulatory authority in which the securities were offered as to indemnification for violations of securities laws.

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

- approves the settlement and finds that indemnification of the settlement and related costs should be made; or
- dismisses with prejudice or there is a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee and a court approves the indemnification.

The Advisor

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

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

Name	Age	Position
Leo F. Wells, III	56	President, Treasurer and sole director
Douglas P. Williams	50	Senior Vice President and Assistant Secretary
Stephen G. Franklin	53	Senior Vice President
Kim R. Comer	45	Vice President
Linda L. Carson	57	Vice President
Allen G. Delenick	44	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 shareholder of Financial Service Corporation ("FSC"), an independent financial planning broker-dealer. Mr. Franklin and the other shareholders of FSC later sold their interests in FSC to Mutual of New York Life Insurance Company.

Kim R. Comer rejoined Wells Capital as National Vice President of Marketing in April 1997 after working for Wells Capital in similar capacities from January 1992 through September 1995. Mr. Comer currently serves as Vice President and Director of Customer Care Services. In prior positions with Wells Capital, he served as Vice President of Marketing for the southeast and northeast regions. Mr. Comer has over ten years experience in the securities industry and is a registered representative and financial principal with the NASD. Additionally, he has substantial financial experience including experience as controller and chief financial officer of two regional broker-dealers. In 1976, Mr. Comer graduated with honors from Georgia State University with a BBA degree in accounting.

Linda L. Carson is a Vice President of Wells Capital. She is primarily responsible for fund, property and corporate accounting, SEC reporting and coordination of all audits by the independent public accountants. Ms. Carson also serves as Secretary of Wells Investment Securities, Inc., our Dealer Manager. Ms. Carson joined Wells Capital in 1989 as Staff Accountant, became Controller in 1991 and assumed her current position in 1996. Prior to joining Wells Capital, Ms. Carson was an accountant with an electrical distributor. She is a graduate of City College of New York and has completed additional accounting courses at Kennesaw State. She is also a member of the National Society of Accountants.

Allen G. Delenick is a Vice President of Wells Capital. He is primarily responsible for identifying and analyzing properties for acquisition by conducting due diligence and preparing discounted cash flow analyses on potential acquisitions. Prior to joining Wells Capital in 1998, Mr. Delenick worked for Carter & Associates in Atlanta. In this capacity, he was responsible for project financings, development analysis, acquisitions and dispositions analysis, and occupancy cost analysis. Mr. Delenick previously worked for Portman Properties in Atlanta and Rosewood Properties in Dallas. His primary responsibilities included real estate financial analysis and acquisitions and development due diligence.

He graduated from Lehigh University with a B.S. in business and economics. Mr. Delenick also received an M.B.A. in finance and an M.S. in real estate from Southern Methodist University.

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

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

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

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

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

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

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

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

Wells Capital may not make any acquisition of property or financing of such acquisition on our behalf without the prior approval of a majority of our

independent directors. The actual terms and conditions of transactions involving investments in properties shall be determined in the sole discretion of Wells Capital, subject at all times to such board approval.

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

- organization and offering expenses in an amount up to 3.0% 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, at the lesser of actual cost or 90% of competitive rates charged by unaffiliated persons providing similar services.

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

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

Shareholdings

Wells Capital currently owns 20,000 limited partnership units of Wells

OP, our operating partnership, 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. Wells Capital, also owns 100 shares of the Wells REIT, which it acquired upon the initial formation of the Wells REIT. (See "The Operating Partnership Agreement.") Any resale of the shares that Wells Capital currently owns and the resale of any shares which may be acquired by our affiliates are subject to the provisions of Rule 144 promulgated under the Securities Act of 1933, which rule limits the number of shares that may be sold at any one time and the manner of such resale. Although Wells Capital and its affiliates are not prohibited from acquiring additional shares, Wells Capital has no options or warrants to acquire any additional shares and has no current plans to acquire additional shares. Wells Capital has agreed to abstain from voting any shares it now owns or hereafter acquires in any vote for the election of directors or any vote regarding the approval or termination of any contract with Wells Capital or any of its affiliates.

Affiliated Companies

Property Manager

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

Name	Age	Positions
M. Scott Meadows	36	Senior Vice President and Secretary
Michael C. Berndt	53	Vice President and Chief Investment Officer
Michael L. Watson	55	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 the Real Property Administrator (RPA) designation of the Building Owners and Managers Institute International. He is currently completing the final phase to receive the Certified Property Manager (CPM) designation from the Institute of Real Estate Management.

Michael C. Berndt is a Vice President and Chief Investment Officer of Wells Management. He is primarily responsible for performing due diligence on properties for acquisition, reviewing all major leasing activities and development and being the primary contact for Wells Management's banks, attorneys, and outside accountants. Prior to joining Wells Management in 1996, Mr. Berndt held several positions with financial, investment and real estate organizations, including Ernst & Young (formerly Ernst & Ernst) and Roe, Martin & Neiman, Inc., a registered investment advisory firm. He also primarily served as in-house counsel and Senior Vice President of Acquisitions for Combined Equities, Inc. and President of Phoenix Financial Corporation, an NASD broker-

dealer. He graduated from Samford University with a B.S. in Accounting. Mr. Berndt also received a J.D. from Cumberland Law School and an LL.M. in Taxation from New York University School of Law. Mr. Berndt is a licensed attorney in the State of Alabama and a Certified Public Accountant.

Michael L. Watson is a Vice President of Wells Management. He is primarily responsible for 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 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 which Wells Capital and its affiliates operate or in which they own an interest. As of September 30, 2000, Wells Management was managing in excess of 4,293,000 square feet of office buildings and shopping centers. We will pay Wells Management property management and leasing fees not exceeding the lesser of: (A) 4.5% of gross revenues, or (B) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Wells REIT, calculated on an annual basis. For purposes of this calculation, net asset value shall be defined as the excess of (1) the aggregate of the fair market value of all properties owned by the Wells REIT (excluding vacant properties), over (2) the aggregate outstanding debt of the Wells REIT (excluding debts having maturities of one year or less). In addition, we may pay Wells Management a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area (customarily equal to the first month's rent).

In the event that Wells Management assists a tenant with tenant improvements, a separate fee may be charged to the tenant and paid by the tenant. This fee will not exceed 5.0% of the cost of the tenant improvements.

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

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

- Wells Capital;
- Wells Management;

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

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

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

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

Dealer Manager

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

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

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

IRA Custodian

Wells Advisors, Inc. (Wells Advisors) was organized in 1991 for the purpose of acting as a non-bank custodian for IRAs investing in the securities of Wells real estate programs. Wells Advisors currently charges no fees for such services. Wells Advisors was approved by the Internal Revenue Service to act as a qualified non-bank custodian for IRAs on March 20, 1992. In circumstances where Wells Advisors acts as an IRA custodian, the authority of Wells Advisors is limited to holding limited partnership units or REIT shares on behalf of the beneficiary of the IRA and making distributions or reinvestments in such units or shares solely at the direction of the beneficiary of the IRA. Well Advisors is not authorized to vote any of such units or shares held in any IRA except in accordance with the written instructions of the beneficiary of the IRA. Mr. Wells is the President and sole director and owns 50% of the common stock and all of the preferred stock of Wells Advisors. As of September 30, 2000, Wells Advisors was acting as the IRA custodian for in excess of $85,843,000 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, Michael C. Berndt and Allen G. Delenick. Wells Capital seeks to invest in commercial properties that satisfy our investment objectives, typically office buildings located in densely populated suburban markets in which the major

tenant is a company with a net worth of in excess of $100,000,000. The board of directors must approve all acquisitions of real estate properties.

Management Compensation

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

Form of Compensation and 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 to participating broker-dealers.	$94,500,000
Dealer Manager Fee - Wells Investment Securities	Up to 2.5% of gross offering proceeds before reallowance to participating broker-dealers. Wells Investment Securities, in its sole discretion, may reallow a portion of its dealer manager fee of up to 1.5% of the gross offering proceeds to be paid to such participating broker-dealers as a marketing fee and due diligence expense reimbursement, based on such factors as the volume of shares sold by such participating broker-dealers, marketing support and bona fide conference fees incurred.	$33,750,000
Reimbursement of Organization and Offering Expenses - Wells Capital or its Affiliates	Up to 3.0% 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 gross offering proceeds. We currently estimate that approximately $18,600,000 of organization and offering costs will be incurred if the maximum offering of 135,000,000 shares is sold.	$18,600,000
	Acquisition and Development Stage	
Acquisition and Advisory Fees - Wells Capital or its Affiliates (2)	Up to 3.0% of gross offering proceeds for the review and evaluation of potential real property acquisitions.	$40,500,000
Reimbursement of Acquisition Expenses - Wells Capital or its Affiliates (2)	Up to 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.	$6,750,000

	Operational Stage	
Property Management and Leasing Fees - Wells	For the management and leasing of our properties, we will pay Wells Management, our Property Manager, property management and leasing fees equal 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.
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	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.

	capital contributions.	
Subordinated Participation in Net Sale Proceeds - Wells Capital (3)	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 (4)(5)	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.

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(Footnotes to "Management Compensation")

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

2. Notwithstanding the method by which we calculate the payment of acquisition fees and expenses, as described in the table, the total of all such acquisition fees and acquisition expenses shall not exceed, in the aggregate, an amount equal to 6.0% of the contract price of all of the properties which we will purchase, as required by the NASAA Guidelines.

3. The subordinated participation in net sale proceeds and the subordinated incentive listing fee to be received by Wells Capital are mutually exclusive of each other. In the event that the Wells REIT becomes listed and Wells Capital receives the subordinated incentive listing fee prior to its receipt of the subordinated participation in net sale proceeds, Wells Capital shall not be entitled to any such participation in net sale proceeds.

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

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

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

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

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

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

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

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

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

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

We have the option to pay the listing fee in the form of stock, cash, a promissory note or any combination thereof. In the event the subordinated incentive listing fee is paid to Wells Capital as a result of the listing of the shares, we will not be required to pay Wells Capital any further subordinated participation in net 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 be at the lower of the advisor's actual cost or the amount the Wells REIT would be required to pay to independent parties for comparable administrative services in the same geographic location. We will not reimburse Wells Capital or its affiliates for services for which they are entitled to compensation by way of a separate fee.

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

Stock Ownership

The following table shows, as of September 30, 2000, the amount of our common stock beneficially owned (unless otherwise indicated) by (1) any person who is known by us to be the beneficial owner of more than 5% of the outstanding shares of common stock, (2) our directors, (3) our executive officers, and (4) all of our directors and executive officers as a group.

	Shares Beneficially Owned	
	Shares	Percentage

Name and Address of Beneficial Owner		
Leo F. Wells, III (1) 6200 The Corners Parkway, Suite 250 Norcross, GA 30092	344	*
Douglas P. Williams (1) 6200 The Corners Parkway, Suite 250 Norcross, GA 30092	100	*

	Shares Beneficially Owned	
	Shares	Percentage
John L. Bell (2) 800 Mt. Vernon Highway, Suite 230 Atlanta, GA 30328	1,000	*
Richard W. Carpenter (2) Realmark Holdings Corporation P.O. Box 421669 (30342) 5570 Glenridge Drive Atlanta, GA 30342	1,000	*
Bud Carter (2) The Executive Committee 100 Mount Shasta Lane Alpharetta, GA 30022-5440	1,000	*
William H. Keogler, Jr. (2) 469 Atlanta Country Club Drive Marietta, GA 30067	1,000	*
Donald S. Moss (2) 114 Summerour Vale Duluth, GA 30097	12,378	*
Walter W. Sessoms (2) 5995 River Chase Circle NW Atlanta, GA 30328	3,761	*
Neil H. Strickland (2) Strickland General Agency, Inc. 3109 Crossing Park P.O. Box 129 Norcross, GA 30091	1,000	*
Northern Trust Co., Custodian for Wayne County Employees' Retirement System Attn: Laura Santiago P.O. Box 92996 Chicago, IL 60675	2,230,262	8.52%
Police & Fireman Retirement System City of Detroit Attn: Ronald J. Stempin 908 Coleman A. Young Municipal Center Detroit, MI 48226	2,083,333	7.96%
All directors and executive officers as a group /(1)(3)/	21,139	*

* Less than 1% of the outstanding common stock.

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

(2) Includes options to purchase up to 1,000 shares of common stock, which are exercisable within 60 days of September 30, 2000.

(3) Includes options to purchase an aggregate of up to 7,000 shares of common

stock, which are exercisable within 60 days of September 30, 2000.

Conflicts of Interest

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

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

Interests in 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 in the future. Wells Capital and such affiliates have legal and financial obligations with respect to these partnerships which are similar to their obligations to the Wells REIT. As general partners, they may have contingent liability for the obligations of such partnerships as well as those of the Wells REIT which, if such obligations were enforced against them, could result in substantial reduction of their net worth.

Wells Capital and its affiliates are currently sponsoring a real estate program known as Wells Real Estate Fund XII, L.P. (Wells Fund XII). The registration statement of Wells Fund XII was declared effective by the Securities and Exchange Commission (SEC) on March 22, 1999 for the offer and sale to the public of up to 7,000,000 units of limited partnership interest at a price of $10.00 per unit. In addition, the initial registration statement of Wells Real Estate Fund XIII, L.P. (Wells Fund XIII) was filed with the SEC on October 31, 2000 for the registration of up to 4,500,000 units of limited partnership interest at a price of $10 per unit. It is intended that the registration of Wells Fund XIII become effective immediately following the termination of the offering of Wells Fund XII, which will occur on or about March 21, 2001.

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

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

In the event that the Wells REIT, or any other Wells program or other entity formed or managed by Wells Capital or its affiliates is in the market for similar properties, Wells Capital will review the

investment portfolio of each such affiliated entity prior to making a decision as to which Wells program will purchase such properties. (See "Certain Conflict Resolution Procedures.")

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

Other Activities of Wells Capital and its Affiliates

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

In addition to the real estate programs sponsored by Wells Capital and its affiliates discussed above, they are also sponsoring an index mutual fund which invests in various REIT stocks known as the Wells S&P REIT Index Fund (REIT Fund). The REIT Fund is a mutual fund which seeks to provide investment results corresponding to the performance of the S&P REIT Index by investing in the REIT stocks included in the S&P REIT Index.

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

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

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

Competition

Conflicts of interest will exist to the extent that we may acquire properties in the same geographic areas where properties owned by other Wells programs are located. In such a case, a conflict could arise in the leasing of properties in the event that the Wells REIT and another Wells program were to compete for the same tenants in negotiating leases, or a conflict could arise in connection with the resale of properties in the event that the Wells REIT and another Wells program were to attempt to sell similar properties at the same time. (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 affiliates. There is a possibility that in the future the interests of the various parties may become adverse. In the event that a dispute were to arise between the Wells REIT and Wells Capital, Wells Investment Securities or any of their affiliates, separate counsel for such matters will be retained as and when appropriate.

Joint Ventures with Affiliates of Wells Capital

We have entered into joint ventures with other Wells programs to acquire and own properties and are likely to enter into one or more joint venture agreements with other Wells programs for the acquisition, development or improvement of properties. (See "Investment Objectives and Criteria -- Joint Venture Investments.") Wells Capital and its affiliates may have conflicts of interest in determining which Wells program should enter into any particular joint venture agreement. The co-venturer may have economic or business interests or goals which are or which may become inconsistent with our business interests or goals. In addition, should any such joint venture be consummated, Wells Capital may face a conflict in structuring the terms of the relationship between our interests and the interest of the affiliated co-venturer and in managing the joint venture. Since Wells Capital and its affiliates will control both the Wells REIT and the affiliated co-venturer, agreements and transactions between the co-venturers with respect to any such joint venture will not have the benefit of arm's-length negotiation of the type normally conducted between unrelated co-venturers. (See "Risk Factors -- Investment Risks.")

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

A transaction involving the purchase and sale of properties may result in the receipt of commissions, fees and other compensation by Wells Capital and its affiliates, including acquisition and advisory fees, the dealer manager fee, property management and leasing fees, real estate brokerage commissions, and participation in nonliquidating net sale proceeds. However, the fees and compensation payable to Wells Capital and its affiliates relating to the sale of properties are subordinated to the return to the shareholders of their capital contributions plus cumulative returns on such capital. Subject to oversight by the board of directors, Wells Capital has considerable discretion with respect to all decisions

relating to the terms and timing of all transactions. Therefore, Wells Capital may have conflicts of interest concerning certain actions taken on our behalf, particularly due to the fact that such fees will generally be payable to Wells

Capital and its affiliates regardless of the quality of the properties acquired or the services provided to the Wells REIT. (See "Management Compensation.")

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

Certain Conflict Resolution Procedures

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

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

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

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

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

  - the cash requirements of each program;

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

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

  - the anticipated cash flow of each program;

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

  - the size of the investment; and

  - the amount of funds available to each program and the length of time such funds have been available for investment.

If a subsequent development, such as a delay in the closing of a property or a delay in the construction of a property, causes any such investment, in the opinion of our board of directors and Wells Capital, to be more appropriate for a program other than the program that committed to make the investment, Wells Capital may determine that another program affiliated with Wells Capital or its affiliates will make the investment. Our board of directors has a duty to ensure that the method used by Wells Capital for the allocation of the acquisition of properties by two or more affiliated programs seeking to acquire similar types of properties shall be reasonable.

Investment Objectives and Criteria

General

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

- to maximize cash dividends paid to you;

- to preserve, protect and return your capital contributions;

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

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

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

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

Acquisition and Investment Policies

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

We will seek to invest in properties that will satisfy the primary objective of providing cash dividends to shareholders. However, because a significant factor in the valuation of income-producing real properties is their potential for future income, we anticipate that the majority of properties we acquire will have both the potential for growth in value and providing cash dividends to shareholders. To the extent feasible, we will strive to invest in a diversified portfolio of properties, in terms of geography, type of property and industry group of our tenants, that will satisfy our investment objectives of maximizing cash available for 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 will not invest more than 10% of the net offering proceeds available for investment in properties in unimproved or non-income producing properties. A property which is expected to produce income within two years of its acquisition will not be considered a non-income producing property.

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

Although we are not limited as to the geographic area where we may

conduct our operations, we intend to invest in properties located in the United States.

We are not specifically limited in the number or size of properties we may acquire or on the percentage of net proceeds of this offering which we may invest in a single property. The number and mix of properties we acquire will depend upon real estate and market conditions and other circumstances existing at the time we are acquiring our properties and the amount of proceeds we raise in this offering.

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

Our obligation to close the purchase of any investment will generally be conditioned upon the delivery and verification of certain documents from the seller or developer, including, where appropriate:

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

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

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

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

In purchasing, leasing and developing real estate properties, we will be subject to risks generally incident to the ownership of real estate, including:

- changes in general economic or local conditions;
- changes in supply of or demand for similar or competing properties in an area;

- changes in interest rates and availability of permanent mortgage funds which may render the sale of a property

difficult or unattractive;

- changes in tax, real estate, environmental and zoning laws;
- periods of high interest rates and tight money supply which may make the sale of properties more difficult;
- tenant turnover; and
- general overbuilding or excess supply in the market area.

Development and Construction of Properties

We may invest substantially all of the proceeds available for investment in properties on which improvements are to be constructed or completed although we may not invest in excess of 10% of the offering proceeds available for investment in properties which are not expected to produce income within two years of their acquisition. To help ensure performance by the builders of properties which are under construction, completion of properties under construction shall be guaranteed at the price contracted either by an adequate completion bond or performance bond. Wells Capital may rely upon the substantial net worth of the contractor or developer or a personal guarantee accompanied by financial statements showing a substantial net worth provided by an affiliate of the person entering into the construction or development contract as an alternative to a completion bond or performance bond. Development of real estate properties is subject to risks relating to a builder's ability to control construction costs or to build in conformity with plans, specifications and timetables. (See "Risk Factors -- Real Estate Risks.")

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

Acquisition of Properties from Wells Development Corporation

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

- acquire a parcel of land;
- enter into contracts for the construction and development of a commercial building thereon;
- enter into an agreement with one or more tenants to lease all or a majority of the property upon its completion; and
- secure a financing commitment from a commercial bank or other institutional lender to finance the acquisition and development of the property.

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

We will be required to pay a substantial sum to Wells Development at the time of entering into the contract as a refundable earnest money deposit to be credited against the purchase price at closing, which Wells Development will

apply to the cost of acquiring the land and initial development costs. We expect that the earnest money deposit will represent approximately twenty to thirty percent (20-30%) of the purchase price of the developed property set forth in the purchase contract.

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

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

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

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

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

Wells Capital will not cause the Wells REIT to enter into a contract to acquire property from Wells Development if it does not reasonably anticipate that funds will be available to purchase the property at the time of closing. If we enter into a contract to acquire property from Wells Development and, at the time for closing, are unable to purchase the property because we do not have sufficient proceeds available for investment, we will not be required to close the purchase of the property and will be entitled to a refund of our earnest money deposit from Wells Development. Because Wells Development is an entity

without substantial assets or operations, however, Wells Development's obligation to refund our earnest money deposit will be guaranteed by Wells Management. See the "Management -- Affiliated Companies" section of this prospectus for a description of Wells Management.

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

Terms of Leases and Tenant Creditworthiness

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

Wells Capital has developed specific standards for determining the creditworthiness of potential tenants of our properties. While authorized to enter into leases with any type of tenant, we anticipate that a majority of our tenants will be large corporations or other entities which have a net worth in excess of $100,000,000 or whose lease obligations are guaranteed by another corporation or entity with a net worth in excess of $100,000,000. As of September 30, 2000, approximately 75% 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 Properties -- Joint Ventures with Affiliates.") In this connection, we will likely enter into joint ventures with Wells Fund XII, Wells Fund XIII or other Wells programs. Wells Capital also has the authority to cause us to enter into joint ventures, general partnerships, co-tenancies and other participations with real estate developers, owners and others for the purpose of developing, owning and operating real properties. (See "Conflicts of Interest.") In determining whether to invest in a particular joint venture, Wells Capital will evaluate the real property which such joint venture owns or is being formed to own under the same criteria described elsewhere in

this prospectus for the selection of real estate property investments of the Wells REIT. (See generally "Investment Objectives and Criteria.")

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

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

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

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

- we will have a right of first refusal to buy if such co-venturer elects to sell its interest in the property held by the joint venture.

In the event that the co-venturer were to elect to sell property held in any such joint venture, however, we may not have sufficient funds to exercise our right of first refusal to buy the other co-venturer's interest in the property held by the joint venture. In the event that any joint venture with an affiliated entity holds interests in more than one property, the interest in each such property may be specially allocated based upon the respective proportion of funds invested by each co-venturer in each such property. Entering into joint ventures with other Wells programs will result in certain conflicts of interest. (See "Conflicts of Interest -- Joint Ventures with Affiliates of Wells Capital.")

Borrowing Policies

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

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

There is no limitation on the amount we may invest in any single improved property or on the amount we can borrow for the purchase of any property. The NASAA Guidelines only limit our borrowing to 75% of the value of all properties unless any excess borrowing is approved by a majority of the independent directors and is disclosed to shareholders in our next quarterly report. However, under our articles of incorporation, we have a self-imposed limitation on borrowing which precludes us from borrowing in the aggregate in excess of 50% of the value of all of our properties. As of December 10, 2000, we had an

aggregate debt leverage ratio of 10% of the value of our properties.

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

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

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

Disposition Policies

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

- the tenant has involuntarily liquidated;

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

The determination of whether a particular property should be sold or otherwise disposed of will be made after consideration of relevant factors, including prevailing economic conditions, with a view to achieving maximum capital appreciation. We cannot assure you that this objective will be realized. The selling price of a property which is net leased will be determined in large part by the amount of rent payable under the lease. If a tenant has a repurchase option at a formula price, we may be limited in realizing any appreciation. In connection with our sales of properties we may lend the purchaser all or a portion of the purchase price. In these instances, our taxable income may exceed the cash received in the sale. (See "Federal Income Considerations -- Failure to Qualify as a REIT.") The terms of payment will be affected by custom in the area in which the property being sold is located and the then-prevailing economic conditions.

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

Investment Limitations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- lend money to Wells Capital or its affiliates.

Wells Capital will continually review our investment activity to attempt to ensure that we do not come within the application of the Investment Company Act of 1940. Among other things, Wells Capital will attempt to monitor the proportion of our portfolio that is placed in various investments so that we do not come within the definition of an "investment company" under the act. If at any time the character of our investments could cause us to be deemed an investment company for purposes of the Investment Company Act of 1940, we will take the necessary action to 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 interest of the shareholders. Each determination and the basis therefor shall be set forth in our minutes. The methods of implementing our investment policies also may vary as new investment techniques are developed. The methods of implementing our investment objectives and policies, except as otherwise provided in the organizational documents, may be altered by a majority of the directors, including a majority of the independent directors, without the approval of the shareholders.

Description of Properties

General

As of December 10, 2000, we had purchased interests in 26 real estate properties located in 15 states, all of which are leased to tenants on a triple-net basis. The cost of each of the properties will be depreciated for tax purposes over a 40 year period on a straight-line basis. We believe all of the properties are adequately covered by insurance and are suitable for their intended purposes. The following table provides certain additional information about these properties.

Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent	Lease Expiration
Motorola, Inc.	Plainfield, NJ	100%	$33,648,156	236,710	$3,324,428	10/2010
Quest Software, Inc.	Irvine, CA	13.9%	$ 7,193,000	65,006	$1,287,119	12/2003
Delphi Automotive Systems, LLC	Troy, MI	100%	$19,800,000	107,152	$1,848,372	04/2007
Avnet, Inc.	Tempe, AZ	100%	$13,250,000	132,070	$1,516,164	04/2010
Siemens Automotive Corp.	Troy, MI	50%	$14,265,000	77,054	$1,309,918	08/2010
Motorola, Inc.	Tempe, AZ	100%	$16,000,000	133,225	$1,843,834	08/2005
ASM Lithography, Inc.	Tempe, AZ	100%	$17,355,000	95,133	$1,927,788	06/2013
Dial Corporation	Scottsdale, AZ	100%	$14,250,000	129,689	$1,387,672	08/2008

Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent	Lease Expiration
Metris Direct, Inc.	Tulsa, OK	100%	$12,700,000	101,100	$1,187,925	01/2010
Cinemark USA, Inc./ The Coca Cola Co.	Plano, TX	100%	$21,800,000	66,024/ 52,084	$1,366,491/ $1,302,100	12/2009 11/2006
The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 790,642	12/2008
Marconi Data Systems, Inc.	Wood Dale, IL	100%	$32,630,940	250,354	$2,838,952	11/2011
Johnson Matthey, Inc.	Tredyffrin Township, PA	57%	$ 8,000,000	130,000	$ $789,750	06/2007
Alstom Power, Inc.(1)	Richmond, VA	100%	$11,400,000	102,000	$1,183,731	07/2007
Sprint Communications Company, L.P.	Leawood, KA	56.8%	$ 9,500,000	68,900	$ 999,048	05/2007
EYBL Cartex, Inc.	Greenville, SC	56.8%	$ 5,085,000	169,510	$ 508,530	02/2008
Matsushita Avionics Systems Corporation(1)	Lake Forest, CA	100%	$18,400,000	150,000	$1,830,000	01/2007
Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$12,291,200	81,859	$1,416,221	11/2007
Pricewaterhouse-Coopers, LLP	Tampa, FL	100%	$21,127,854	130,091	$1,915,741	12/2008
Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 867,324	11/2004
Cort Furniture Rental Corporation	Fountain Valley, CA	43.7%	$ 6,400,000	52,000	$ 758,964	10/2003
Iomega Corporation	Ogden City, UT	3.7%	$ 5,025,000	108,000	$ 659,868	07/2006
ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,974	$ 913,908	10/2001

Ohmeda, Inc.	Louisville, CO	3.7%	$10,325,000	106,750	$1,004,520	01/2005
Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	87,000	$1,106,520	12/2007
Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	55,017	$ 508,383	01/2008

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

Joint Ventures with Affiliates

The Wells Fund VIII-Fund IX-REIT Joint Venture

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

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

The VIII-IX-REIT Joint Venture Agreement provides that all income, loss, profit, net cash flow, resale gain and sale proceeds of the VIII-IX-REIT Joint Venture are to be allocated and distributed between Wells OP, Wells Fund VIII and Wells Fund IX based upon their respective capital contributions to the joint venture. As of December 10, 2000, the joint venture partners of the VIII-IX-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contribution	Equity Interest
Wells OP	$1,230,826	13.9%
Wells Fund VIII	$4,171,778	47.2%
Wells Fund IX	$3,440,955	38.9%

The Wells Fund XII-REIT Joint Venture

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

The XII-REIT Joint Venture Agreement provides that all income, loss, profit, net cash flow, resale gain and sale proceeds of the XII-REIT Joint Venture are to be allocated and distributed between Wells OP and Wells Fund XII based upon their respective capital contributions to the joint venture. As of December 10, 2000, the joint venture partners of the XII-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contribution	Equity Interest
Wells OP	$7,096,245	50.00%
Wells Fund XII	$7,096,245	50.00%

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

The Wells Fund XI-Fund XII-REIT Joint Venture

Wells OP entered into an Amended and Restated Joint Venture Partnership Agreement with Wells Fund XI and Wells Fund XII for the purpose of the acquisition, ownership, development, leasing, operation, sale and management of real properties known as The 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.

The XI-XII-REIT Joint Venture Agreement provides that all income, profit, loss, cash flow, resale gain, resale loss and sale proceeds of the XI-XII-REIT Joint Venture will be allocated and distributed among Wells OP, Wells Fund XI and Wells Fund XII based on their respective capital contributions to the joint venture. As of December 10, 2000, the joint venture partners of the XI-XII-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

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

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

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

Wells OP entered into an Amended and Restated Joint Venture Agreement with Wells Fund IX, Wells Fund X and Wells Fund XI, known as The Fund IX, Fund X, Fund XI and REIT Joint Venture (IX-X-XI-REIT Joint Venture) for the purpose of the acquisition, ownership, development, leasing, operation, sale and management of real properties. The IX-X-XI-REIT Joint Venture, formerly known as Fund IX and X Associates, was originally formed on March 20, 1997 between Wells Fund IX and Wells Fund X. On June 11, 1998, Wells OP and Wells Fund XI were admitted as joint venture partners to the IX-X-XI-REIT Joint Venture. The investment objectives of Wells Fund IX, Wells Fund X and Wells Fund XI are substantially identical to our investment objectives.

The IX-X-XI-REIT Joint Venture Agreement provides that all income, profit, loss, cash flow, resale gain, resale loss and sale proceeds of the IX-X-XI-REIT Joint Venture will be allocated and distributed among Wells OP, Wells Fund IX, Wells Fund X and Wells Fund XI based on their respective capital contributions to the IX-X-XI-REIT Joint Venture. As of December 10, 2000, the joint venture partners of the IX-X-XI-REIT Joint Venture had made the following contributions

and held the following equity percentage interests:

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

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

The Fremont Joint Venture

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

As of December 10, 2000, Wells OP had made total capital contributions to the Fremont Joint Venture of $6,983,110 and held an equity percentage interest in the Fremont Joint Venture of 77.50%, and the Fund X-XI Joint Venture had made total capital contributions to the Fremont Joint Venture of $2,000,000 and held an equity percentage interest in the Fremont Joint Venture of 22.50%.

The Cort Joint Venture

Wells OP entered into a Joint Venture Agreement 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 real properties, including, but not limited to, the Cort Furniture Building.

As of December 10, 2000, Wells OP had made total capital contributions to the Cort Joint Venture of $2,871,430 and held an equity percentage interest in the Cort Joint Venture of 43.67%, and the Fund X-XI Joint Venture made total capital contributions to the Cort Joint Venture of $3,695,000 and held an equity percentage interest in the Cort Joint Venture of 56.33%.

General Provisions of Joint Venture Agreements

Wells OP is acting as the initial Administrative Venturer of the VIII-IX-REIT Joint Venture, the XII-REIT Joint Venture, the XI-XII-REIT Joint Venture, the IX-X-XI-REIT Joint Venture, the Fremont Joint Venture and the Cort Joint Venture and, as such, is responsible for establishing policies and operating procedures with respect to the business and affairs of each of these joint ventures. However, approval of the other joint venture partners will be required for any major decision or any action which materially affects these joint ventures or their real property investments.

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

accept the offer on the same terms and conditions as the third-party offer to purchase, or (2) consent to the sale of the properties or last remaining property pursuant to such third-party offer.

The Motorola Plainfield Building

The Motorola Plainfield Building is a three-story office building containing approximately 236,710 rentable square feet on a 34.5 acre tract of land. Wells OP purchased the Motorola Plainfield Building on November 1, 2000 for a purchase price of $33,648,156. In consideration for a reduction of the

purchase price and immediate occupancy of the Motorola Plainfield Building, Wells OP agreed to assume a liability in the amount of $424,760 in the form of a rental guaranty from Motorola, Inc. (Motorola) for the remainder of Motorola's previous lease. Construction of the Motorola Plainfield Building was completed in 1976.

The Motorola Plainfield Building is located near Rutgers University in Middlesex County, partially in the Borough of South Plainfield and partially in the Township of Edison.

The Motorola Plainfield Building is leased to 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.

The initial term of the Motorola lease is ten years which commenced on November 1, 2000 and expires on October 31, 2010. Motorola has the right to extend the Motorola lease for two additional five-year periods of time for a base rent equal to the greater of (i) the last year's rent, or (ii) 95% of the then-current "fair market rental rate." The base rent payable for the initial lease term is as follows:

Lease Years	Annual Rent	Monthly Rent
Years 1-5	$ 3,324,428	$ 277,036
Years 6-10	$ 3,557,819	$ 296,485

The Motorola 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, upon giving written notice to Wells OP, Motorola has an expansion right for an additional 143,000 rentable square feet. Upon completion of the expansion, the term of the Motorola lease shall be extended an additional ten 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 ten-year period shall be the greater of (i) the then-current base rent, or (ii) 95% of the then-current "fair market rental rate."

The Quest Building

The Quest Building (formerly the Bake Parkway Building) is a two-story office building containing approximately 65,006 rentable square feet on a 4.4 acre tract of land in Irvine, California. Construction of the Quest Building was completed in 1984 and the building was refurbished in 1996. 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 and was credited with making a capital contribution to the joint venture in the amount of $7,612,733. (See

"Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources.")

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

customer sites.

The initial term of the lease is 42 months which commenced on June 9, 2000 and expires on December 31, 2003. The base rent payable for the initial six months of the lease was $326,700. The annual base rent payable for the remaining portion of the initial lease term is $1,287,119. Quest has the right to extend the lease for two additional one-year periods of time at an annual base rent of $1,365,126.

The Delphi Building

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

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

The Delphi Building is leased to Delphi Automotive Systems LLC (Delphi LLC). Delphi LLC is a wholly-owned subsidiary of Delphi Automotive Systems Corporation (Delphi), formally the Automotive Components Group of General Motors, which was spun 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.

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

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

The Avnet Building

The Avnet Building is a two-story office building containing approximately 132,070 rentable square feet on a 9.63 acre tract of land located in Tempe, Arizona. Wells OP purchased the Avnet Building on June 12, 2000 for a purchase price of $13,250,000. Construction of the Avnet Building was completed in April 2000.

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

The Avnet Building is 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 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 distributes a variety of computer products to consumers and resellers. Avnet sells products of more than 100 of the world's leading component manufacturers to customers around the world.

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

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

Lease Years	Annual Rent	Monthly Rent
Years 1-3	$ 1,516,164	$ 126,347
Years 4-6	$ 1,657,479	$ 138,123
Years 7-10	$ 1,812,000	$ 151,000

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

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

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

Lease Years	Annual Rent
Years 1-10	$ 230,777
Years 11-20	$ 302,108
Years 21-30	$ 390,223

Years 31-40	10% of fair market value of land in year 30
Years 41-50	Rent from year 45 plus 3% per year increase
Years 51-60	Rent from year 55 plus 3% per year increase
Years 61-70	10% of fair market value of land in Year 65
Years 71-85	Rent from year 75 plus 3% per year increase

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

The Siemens Building

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

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

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

Lease Year	Annual Rent	Monthly Rent
Year 1	$ 1,309,918	$ 109,160
Year 2	$ 1,342,281	$ 111,857
Year 3	$ 1,374,643	$ 114,554
Year 4	$ 1,407,006	$ 117,251
Year 5	$ 1,439,369	$ 119,947
Year 6	$ 1,471,731	$ 122,644
Year 7	$ 1,504,094	$ 125,341
Year 8	$ 1,536,457	$ 128,038
Year 9	$ 1,568,819	$ 130,735
Year 10 and first 6 months of Year 11	$ 1,601,182	$ 133,432

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

The Motorola Tempe Building

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

The Motorola Tempe Building is located on a 12.44 acre tract of land at 8075 South River Parkway within the Arizona State University Research Park. The land upon which the Motorola Tempe Building is situated is subject to a long-term ground lease with Price-Elliott Research Park, Inc.

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). The Motorola Tempe Building is occupied by Motorola's Satellite Communications Division (SATCOM). SATCOM is a worldwide developer and manufacturer of space and ground communications equipment and systems. SATCOM is the prime contractor for the Iridium System and is primarily engaged in computer design and development functions.

The initial term of the Motorola lease is seven years which commenced on August 17, 1998 and

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

Lease Years	Annual Rent	Monthly Rent
Years 1-4	$ 1,843,834	$ 153,653
Years 5-7	$ 2,054,329	$ 171,194

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

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

Lease Years	Annual Rent
Years 1-15	$ 243,825
Years 16-25	$ 357,240
Years 26-35	$ 466,015
Years 36-45	10% of Fair Market Value of Land in year 35

Years 46-55	Rent from year 45 plus 3% per year increase
Years 56-65	Rent from year 55 plus 3% per year increase
Years 66-75	10% of Fair Market Value in year 65
Years 76-85	Rent from year 75 plus 3% per year increase

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

The ASML Building

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

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

The ASML Building is 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 is 24% owned by Philips Electronics and has

strategic partnerships with a number of major companies including Lucent Technologies, Applied Materials, Samsung, Hyundai and Motorola.

The initial term of the ASML lease is 15 years which commenced on June 4, 1998 and expires on June 30, 2013. The base rent payable for the ASML Building, out of which Wells OP will be required to make the ground lease payments described below, is as follows:

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

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

The ASML ground lease commenced on August 22, 1997 and expires on December

31, 2082. The ground lease payments required pursuant to the ASML ground lease are as follows:

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

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

The Dial Building

The Dial Building is a two-story office building containing approximately 129,689 rentable square feet located in Scottsdale, Arizona. Wells OP purchased the Dial Building on March 29, 2000 for a purchase price of $14,250,000. Construction of the Dial Building was completed in 1997.

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

The Dial Building is 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.

The initial term of the Dial lease is 11 years which commenced on August 14, 1997 and expires on August 31, 2008. Dial has the right to extend the Dial lease for two additional five-year periods of time at 95% of the then-current fair market rental rate. The annual rent payable for the initial term of the Dial lease is $1,387,672.

The Metris Building

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

The Metris Building is located on a 14.6 acre tract of land located at 4848 South 129th East Avenue in the Silos Corporate Center, a prominent 126 acre

mixed-use park owned by State Farm Insurance Companies. The site is about 11 miles southeast of the Tulsa Commercial Business District and is bordered by the Broken Arrow Expressway, the primary east-west thoroughfare linking the suburb of Broken Arrow to downtown Tulsa.

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

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

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

Lease Years	Annual Rent	Monthly Rent
Years 1-5	$1,187,925	$ 98,994
Years 6-10	$1,306,718	$108,893

The monthly base rent payable for the renewal terms of the Metris lease shall be equal to the then-current market rate based on the then existing rates for comparable space of equivalent quality in suburban Tulsa, Oklahoma taking into account location, quality, age of the office building, size of premises and any other relevant term or condition in making such fair market value rental rate determination as of 12 months prior to commencement of the renewal term. If the parties are unable to agree upon the market rate within 11 months prior to commencement of the renewal term, the market rate shall then be determined by arbitration.

The Cinemark Building

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

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

The 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 66,024 rentable square feet of the Cinemark Building, and The Coca-Cola Company (Coca-Cola) occupies the remaining 52,084 rentable square feet of the Cinemark

Building.

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

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

Lease Years	Annual Rent	Monthly Rent
Years 1-7	$1,366,491	$113,874
Years 8-10	$1,481,738	$123,478
Years 11-15	$1,567,349	$130,612

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

Cinemark shall have a right of first refusal to lease any of the remaining rentable area of the Cinemark Building which subsequently becomes vacant and in which Wells OP receives or makes an acceptable offer or proposal to lease such vacant space to a bona fide third party. Wells OP shall offer to Cinemark in writing the right to include the vacant space under its lease at the rental rate set forth in the third party offer. Cinemark shall then have 15 days to exercise this right of first refusal.

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

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

Lease Year	Annual Rent	Monthly Rent
Year 2	$1,302,100	$108,508
Year 3	$1,354,184	$112,848
Year 4	$1,406,268	$117,189
Year 5	$1,458,352	$121,529
Year 6	$1,510,436	$125,870

Year 7	$1,562,520	$130,210

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

The Gartner Building

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

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

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

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

Lease Year	Annual Rent	Monthly Rent
Year 3	$790,642	$65,887
Year 4	$810,408	$67,534
Year 5	$830,668	$69,222
Year 6	$851,435	$70,953
Year 7	$872,721	$72,727
Year 8	$894,539	$74,545
Year 9	$916,902	$76,409
Year 10	$939,825	$78,319

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

for space of comparable location, size and conditions in comparable office buildings in the Fort Myers area.

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

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

The Marconi Building

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

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

The Marconi Building is subject to a first priority mortgage in favor of Bank of America, N.A. securing the BOA Loan, which is more particularly described in the "Real Estate Loans" section of this prospectus.

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

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

Lease Years	Annual Rent	Monthly Rent
Year 9-10	$2,838,952	$236,579
Years 11-20	$3,376,746	$281,396
Extension Term	$4,667,439	$388,953

The Johnson Matthey Building

The Johnson Matthey Building is a 130,000 square foot research and development, office and warehouse building. The XI-XII-REIT Joint Venture purchased the Johnson Matthey Building on August 17, 1999 for a purchase price of $8,000,000. The Johnson Matthey Building was first constructed in 1973 as a multi-tenant facility and it was subsequently converted into a single-tenant facility in 1998.

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

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

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

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

Lease Year	Annual Rent	Monthly Rent
Year 3	$789,750	$65,813
Year 4	$809,250	$67,438
Year 5	$828,750	$69,063
Year 6	$854,750	$71,229
Year 7	$874,250	$72,854
Year 8	$897,000	$74,750
Year 9	$916,500	$76,375
Year 10	$939,250	$78,271

The monthly base rent payable for each extension term will be equal to the fair market rent taking into consideration rental rates for comparable industrial and research and development properties in the local market area. If the parties cannot agree upon the fair market rent, the matter shall be submitted to arbitration.

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

provide written notice of its intent to purchase the building. If Johnson Matthey exercises its right of first refusal, it must purchase the Johnson Matthey Building on the same terms contained in the offer.

The Alstom Power Richmond Building

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

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

Wells OP originally obtained a construction loan from SouthTrust Bank, N.A. 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 recently 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. (ABB Power) and ABB Alstom Power, Inc. As of June 22, 2000, ABB Alstom Power, Inc. changed its name to Alstom Power, Inc. ABB Power was a subsidiary of Asea Brown Boveri, Inc., a large multi-national engineering and construction company headquartered in Switzerland.

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

Lease Year	Annual Rent	Monthly Rent
Year 1	$1,183,731	$ 98,644
Year 2	$1,213,324	$101,110
Year 3	$1,243,657	$103,638
Year 4	$1,274,748	$106,229
Year 5	$1,306,618	$108,885
Year 6	$1,339,283	$111,607
Year 7	$1,372,765	$114,397

The monthly base rent payable for each extended term of the Alstom Power lease will be equal to the "Market Rate" for new leases of office space in that portion of the Richmond, Virginia market that is located south of the James River and west of I-95 for space similar to the premises. In the event the

parties are unable to agree upon the Market Rate, then each party shall appoint a real estate appraiser. If the appraisers are unable to agree upon the Market Rate, they shall appoint a third appraiser and each shall make a determination of the Market Rate. The appraisal that is farthest from the middle appraisal shall be disregarded and the remaining two appraisals shall be averaged to establish the Market Rate.

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

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

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

The Sprint Building

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

The Sprint Building is located on a 7.1 acre tract of land located adjacent to the Leawood Country Club in Leawood, Kansas near the affluent Overland Park suburb of Kansas City. The site is within walking distance of Ward Parkway Mall and is convenient to downtown Kansas City and I-435, the interstate loop around Kansas City.

The Sprint Building is leased to Sprint Communications Company L.P.

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

The initial term of the Sprint lease is ten years which commenced on May 19, 1997 and expires in May 2007, subject to Sprint's right to extend the lease for two additional five year periods of time. The annual base rent payable under the Sprint lease is $999,048 through May 18, 2002, and $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 rate for comparable office buildings in the suburban south Kansas City, Missouri and south Johnson County, Kansas areas. If the parties are unable to agree upon the current market rate within 30 days of the date negotiations begin, the current market rate shall be determined by three licensed real estate brokers, one of which will be selected by Sprint, one of which will be selected by the XI-XII-REIT Joint Venture and the final appraiser will be selected by the two appraisers previously selected.

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

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

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

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

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

The EYBL CarTex Building

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

The EYBL CarTex Building is located on an 11.9 acre tract of land at 111 SouthChase Boulevard in the SouthChase Industrial Park, which is located

adjacent to I-385 in southwest Greenville, South Carolina.

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

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

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

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

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

The Matsushita Building

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

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

The Matsushita Building is leased to Matsushita Avionics Systems Corporation (Matsushita Avionics). Matsushita Avionics is a wholly-owned subsidiary of Matsushita Electric Corporation of America (Matsushita Electric). Matsushita Avionics manufactures and sells audio-visual products to the airline industry for passenger use in airplanes. Matsushita Electric is a wholly-owned subsidiary of

Matsushita Electric Industrial Co., Ltd. (Matsushita Industrial), a Japanese company which is the world's largest consumer electronics manufacturer. Matsushita Electric has guaranteed the obligations of Matsushita Avionics under the Matsushita lease.

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

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

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

The AT&T Building

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

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

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

The AT&T Building is leased to Pennsylvania Cellular Telephone Corp. (Pennsylvania Telephone), a subsidiary of Vanguard Cellular Systems, Inc. (Vanguard Cellular), and the obligations of Pennsylvania Telephone under the Vanguard Cellular lease are guaranteed by Vanguard Cellular. Vanguard Cellular is an independent operator of cellular telephone systems in the United States with over 664,000 subscribers located in 26 markets in the Mid-Atlantic, Ohio Valley and New England regions of the United States. Vanguard Cellular markets its wireless products and services under the name CellularOne, a nationally

recognized brand name partially owned by Vanguard Cellular. Vanguard

Cellular operates primarily in suburban and rural areas that are close in proximity to major urban areas, which it believes affords several advantages over its traditional urban competitors, including (1) greater network capacity, (2) greater roaming revenue opportunities, (3) lower distribution costs, and (4) higher barriers to entry by competitors.

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

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

Lease Year	Annual Rent	Monthly Rent
Year 3	$1,416,221	$118,018
Year 4	$1,442,116	$120,176
Year 5	$1,468,529	$122,377
Year 6	$1,374,011	$114,501
Year 7	$1,401,491	$116,791
Year 8	$1,429,521	$119,127
Year 9	$1,458,111	$121,509
Year 10	$1,487,274	$123,939

The annual base rent for each extended term under the lease will be equal to 93% of the "fair market rent" determined either (1) as agreed upon by the parties, or (2) as determined by appraisal pursuant to the terms and conditions of the Vanguard Cellular lease. The fair market rent shall be multiplied by the "fair market escalator" (which represents the yearly rate of increases in the fair market rent for the entire renewal term), if any. If the fair market rent is to be determined by appraisal, both the landlord and the tenant shall designate an independent appraiser, and both appraisers shall mutually designate a third appraiser. After their appointment, the appraisers shall determine the fair market rent and the fair market escalator by submitting independent appraisals. The fair market rent and fair market escalator shall be deemed to be the middle appraisal of the three submitted.

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

Within 60 days after Wells OP's receipt of the expansion notice, Wells OP shall consult with Pennsylvania Telephone concerning Pennsylvania Telephone's

specific requirements with regard to the expansion improvements and, within such 60 day period, Wells OP shall notify Pennsylvania Telephone in writing of the total estimated expansion costs to be incurred in planning and constructing the expansion improvements. Within 60 days after Pennsylvania Telephone receives Wells OP's written notification of the costs for the expansion improvements, Pennsylvania Telephone shall notify Wells OP in writing either (1) that Pennsylvania Telephone authorizes Wells OP to proceed with the construction of the expansion improvements, (2) that Pennsylvania Telephone intends to submit revised specifications within 60 days to

reduce the estimated costs of the expansion improvements to an amount satisfactory to Pennsylvania Telephone, or (3) that Pennsylvania Telephone elects not to expand the premises. If Pennsylvania Telephone fails to deliver its notice to proceed within the above mentioned 60 day period, then Pennsylvania Telephone shall be deemed to have elected not to expand.

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

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

The PwC Building

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

The PwC Building is located on approximately 9.0 acres of land located in Sunforest Business Park between Eisenhower Boulevard and George Road approximately 1,250 feet south of West Hillsborough Avenue. The Sunforest Business Park is located in the Westshore Business District, which is a suburban business center surrounding Tampa International Airport.

Wells OP purchased the PwC Building subject to a loan from SouthTrust Bank, N.A. (SouthTrust Loan). The SouthTrust Loan, which is more particularly described in the "Real Estate Loans" section of 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. These services include audit, accounting and tax advice; management, information technology and human resource consulting; financial advisory services including mergers and acquisitions,

business recovery, project finance and litigation support; business process outsourcing services; and legal advice through a global network of affiliated law firms. PwC employs more than 140,000 people in 152 countries.

The initial term of the PwC lease is ten years which commenced on December 28, 1998 and expires in December 2008, subject to PwC's right to extend the lease for two additional five-year periods of time. The current annual base rent payable under the PwC lease is $1,973,213 ($15.17 per square foot) payable in equal monthly installments of $164,434 during 2000. The base rent escalates at the rate of 3%

per year throughout the ten year lease term. In addition, PwC is required to pay a "reserve" of $13,009 ($.10 per square foot) as additional rent.

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

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

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

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

date and the date of expansion notice. PwC shall be responsible for the payment of any costs of the expansion building in excess of the maximum expansion cost.

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

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

The Fairchild Building

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

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

The Fairchild Building is leased to Fairchild Technologies U.S.A., Inc. (Fairchild). Fairchild is a global leader in the design and manufacture of production equipment for semiconductor and compact disk manufacturing. The semiconductor equipment group recently unveiled a new line of semiconductor wafer processing equipment which will provide alternatives to the traditional semiconductor chip production methods.

Fairchild is a wholly-owned subsidiary of the Fairchild Corporation (Fairchild Corp). Fairchild Corp is the largest aerospace fastener and fastening system manufacturer and is one of the largest independent aerospace parts distributors in the world. Fairchild Corp is a leading supplier to aircraft manufacturers such as Boeing, Airbus, Lockheed Martin, British Aerospace and Bombardier and to airlines such as Delta Airlines and U.S. Airways. The obligations of Fairchild under the Fairchild lease are guaranteed by Fairchild Corp.

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

payable under the remainder of the Fairchild lease is as follows:

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

The base rent during the first year of the extended term of the Fairchild lease, if exercised by Fairchild, shall be 95% of the then-fair market rental value of the Fairchild Building subject to the annual 3% increase adjustments. If Fairchild and the Fremont Joint Venture are unable to agree upon the fair rental value for the extended lease term, each party shall select an appraiser and the two appraisers shall establish the rent by agreement.

The Cort Furniture Building

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

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

The Cort Furniture Building is leased to Cort Furniture Rental Corporation (Cort). Cort uses the Cort Furniture Building as its regional corporate headquarters with an attached clearance showroom and warehouse storage areas. Cort is a wholly-owned subsidiary of Cort Business Services Corporation, a New York Stock Exchange Company trading under the symbol CBZ (Cort Business Services). Cort Business Services is the largest and only national provider of high-quality office and residential rental furniture and related accessories. Cort Business Services has operations that cover 32 states and the District of Columbia and includes 119 rental showrooms. The obligations of Cort under the Cort Furniture lease are guaranteed by Cort Business Services.

The initial term of the Cort lease is 15 years which commenced on November 1, 1988 and expires in October 2003. Cort has an option to extend the Cort lease for an additional five-year period of time. The annual base rent payable under the Cort lease is $758,964 through April 30, 2001 at which time the annual base rent will be increased 10% to $834,888 for the remainder of the lease term. The monthly base rent during the first year of the extended term shall be 90% of the then-fair market rental value of the Cort Furniture Building, but will be no less than the rent in the 15th year of the Cort lease. If Cort and the Cort Joint Venture are unable to agree upon a fair rental value for the extended lease term, each party shall select an appraiser and the two appraisers shall provide appraisals on the Cort Furniture Building. If the appraisal values established are within 10% of each other, the average of such appraised value shall be the fair market rental value. If said appraisals are varied by more than 10%, the two appraisers shall appoint a third appraiser and the middle appraisal of the three shall be the fair rental value.

The Iomega Building

The Iomega Building is a warehouse and office building with 108,000 rentable square feet located in Ogden City, Utah. Wells Fund X originally

purchased the Iomega Building on April 1, 1998 for a purchase price of $5,025,000 and contributed the Iomega Building to the IX-X-XI-REIT Joint Venture on July 1, 1998.

The Iomega Building is located on an approximately 8.0 acre tract of land at 2976 South Commerce Way in the Ogden Commercial and Industrial Park, which is one mile north of Roy City, one mile northwest of Riverdale City and three miles southwest of the Ogden central business district.

The Iomega Building is leased to Iomega Corporation (Iomega). Iomega, a New York Stock Exchange company, is a manufacturer of computer storage devices used by individuals, businesses, government and educational institutions, including "Zip" drives and disks, "Jaz" one gigabyte drives and disks, and tape backup drives and cartridges.

The initial term of the Iomega lease is ten years which commenced on August 1, 1996 and expires in July 2006. In March 1999, the IX-X-XI-REIT Joint Venture acquired an adjacent parcel of land and constructed additional parking at the site at an aggregate cost of $874,625. As a result, Iomega increased its monthly base rent and extended the term of its lease until April 30, 2009. The Iomega lease contains no further extension provisions. Iomega's world headquarters are located within one mile of the Iomega Building. The annual base rent payable under the Iomega lease is $659,868. On March 1, 2003 and July 1, 2006, the monthly base rent payable under the Iomega lease will be increased to reflect an amount equal to 100% of the increase in the Consumer Price Index during the preceding 40 months; provided however, that in no event shall the base rent be increased with respect to any one year by more than 6% or by less than 3% per year, compounded annually, on a cumulative basis from the beginning of the lease term.

The Interlocken Building

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

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

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

The entire third floor of the Interlocken Building containing 19,229 rentable square feet (37% of the total rentable square feet) is currently under lease to GAIAM, Inc. (GAIAM). GAIAM, formerly known as Transecom, Inc., is a consumer distributor of environmental friendly products, including on-site video

and audio production of environmental and alternative health videos using state-of-the-art electronics and sound stage. GAIAM was founded in 1988 and currently employs approximately 60 people.

The GAIAM lease currently expires in October 2001, subject to GAIAM's right to extend for one additional term of five years upon 180 days' notice. The annual base rent payable under the GAIAM lease is approximately $313,800 for the initial term of the lease. In accordance with the GAIAM lease, Golden Rule, Inc., an affiliate of GAIAM, occupies 6,621 rentable square feet of the third floor. GAIAM guarantees the entire payment due under the GAIAM lease. GAIAM also leases 1,510 rentable square feet on the first floor. The base rent payable for this space for the remainder of the lease term is as follows:

Year	Annual Rent	Monthly Rent
Year 2	$25,800	$2,150
Year 3	$26,400	$2,200

GAIAM currently subleases 2,910 rentable square feet on the first floor from TECWorks, Inc./Enterprise Bank. The annual base rent payable for this space is $48,012.

The entire second floor of the Interlocken Building containing 17,146 rentable square feet (34% of total rentable square feet) is currently under lease to ODS Technologies, L.P. (ODS). ODS provides in-home financial transaction services via telephone and television, and it has developed interactive computer-based applications for such in-home purchasing. Originally based in Tulsa, Oklahoma, ODS relocated its business to the Interlocken Building.

The ODS lease expires in September 2003, subject to ODS's right to extend for one additional term of three years upon 180 days' notice. The base rent payable for the remainder of the ODS lease is as follows:

Year	Annual Rent	Monthly Rent
Year 3	$282,600	$23,550
Year 4	$288,600	$24,050
Year 5	$294,600	$24,550

The rental payments to be made by the tenant under the ODS lease are also secured by the assignment of a $275,000 letter of credit which may be drawn upon by the landlord in the event of a tenant default under the lease.

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

2000 is approximately $243,696.

The Ohmeda Building

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

The Ohmeda Building is located on a 15.0 acre tract of land in the Centennial Valley Business Park approximately five miles southeast of Boulder and approximately 17 miles northwest of Denver. The Ohmeda Building is situated near Highway 36, which is the main thoroughfare between Boulder and Denver.

The Ohmeda Building is leased to Ohmeda, Inc. (Ohmeda). Ohmeda is a medical supply firm based in Boulder, Colorado and is a worldwide leader in vascular access and hemodynamic monitoring for hospital patients. Ohmeda also has a special products division, which produces neonatal and other oxygen care products. Ohmeda recently extended an agreement with Hewlett-Packard to include co-marketing and promotion of combined Ohmeda/H-P neonatal products.

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

The Ohmeda lease currently expires in January 2005, subject to Ohmeda's right to extend the Ohmeda Lease for two additional five-year periods of time. The base rent payable under the Ohmeda lease is as follows:

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

The Ohmeda Lease contains an option to expand the premises by an amount of square feet up to a total of 200,000 square feet which, if exercised by Ohmeda, will require the IX-X-XI-REIT Joint Venture to expend funds necessary to acquire additional land, if necessary, and to construct the expansion space. Ohmeda's option to expand the premises is subject to deliverance of at least four months' prior written notice to the IX-X-XI-REIT Joint Venture. During the four months subsequent to the notice of Ohmeda's intention to expand the premises, Ohmeda and the IX-X-XI-REIT Joint Venture shall negotiate in good faith and enter into an amendment to the Ohmeda lease for the construction and rental of the expansion space. If Ohmeda exercises its option to expand the premises, the right to terminate clause described above will automatically be canceled, and the primary lease term shall be extended for a period of ten years from the date on which a certificate of occupancy is issued by the City of Louisville with respect to the expansion space.

The base rental for the expansion space payable under the Ohmeda lease shall be calculated to generate a rate of return to the IX-X-XI-REIT Joint Venture on its project costs and any retrofit expenses with respect to the

existing premises incurred by landlord over the new, ten year extended primary lease term, equal to the prime lending rate published by Norwest Bank, N.A. on the first day of such extended primary lease term, plus 3%, plus full amortization of the tenant finish costs with respect to the expansion space and the existing premises. This base rental shall be payable through January 31, 2005. The base rental payable under the Ohmeda lease from February 1, 2005 through the remaining balance of the new, extended ten year primary lease term, shall be based on a combined rental rate equal to the sum of (1) the base rental payable by Ohmeda during lease year number seven for the existing premises, plus (2) the base rent payable by Ohmeda during lease year number seven for the expansion space, plus an amount equal to 2% of the combined rental rate. Thereafter, the base rent payable for the entire premises shall be the base rent payable during the previous lease year plus an amount equal to 2% of the base rent payable during such previous lease year.

The Alstom Power Knoxville Building

The Alstom Power Knoxville Building (formerly known as the ABB Knoxville Building) is a three-story multi-tenant steel-framed office building containing approximately 84,404 square feet located in Knoxville, Tennessee. Wells Fund IX purchased the land and constructed the Alstom Power Knoxville Building. 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. Construction of the Alstom Power Knoxville Building was completed in December 1997.

The Alstom Power Knoxville Building is located on approximately 5.6 acres located in an office park known as Center Point Business Park on Pellissippi Parkway just north of the intersection of Interstates 40 and 75, in Knox County, Tennessee approximately 10 miles west of the Knoxville central business district.

The 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. (ABB Power) and ABB Alstom Power, Inc. As of June 22, 2000, ABB Alstom Power, Inc. changed its name to Alstom Power, Inc. ABB Power was a subsidiary of Asea Brown Boveri, Inc., a large multi-national engineering and construction company headquartered in Switzerland.

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, at which time it will be reduced by $1,000,000 each year until the end of the lease term.

The initial term of the Alstom Power Knoxville lease is nine years and 11 months which commenced on January 1, 1998 and expires in December 2007. The annual base rent payable under the Alstom Power Knoxville lease is $1,106,520 payable in equal monthly installments of $92,210 during the first five years of the initial lease term, $1,233,120 payable in equal monthly installments of $102,760 during the next two years of the initial lease term, and $1,220,484 payable in equal monthly installments of $101,707 during the last two years and 11 months of the initial lease term.

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

Alstom Power has a one-time option to terminate the Alstom Power Knoxville lease as of the seventh anniversary of the rental commencement date which is exercisable by written notice to the IX-X-XI-REIT Joint Venture at

least 12 months in advance of such seventh anniversary. If Alstom Power elects to exercise this termination option, Alstom Power is required to pay to the IX-X-XI-REIT Joint Venture, on or before 90 days prior to the seventh anniversary of the rental commencement date, a termination payment intended to compensate the IX-X-XI-REIT Joint Venture for the present value of certain sums which the joint venture has expended in connection with the Alstom Power Knoxville lease amortized over and attributable to the remaining lease term and a rent payment equal to approximately 15 months of monthly base rental payments. We currently anticipate that the termination payment required to be paid by Alstom Power in the event it exercises its option to terminate the Alstom Power Knoxville lease on the seventh anniversary would be approximately $1,800,000 based upon certain assumptions.

The Avaya Building

The Avaya Building (formerly known as the Lucent Technologies Building) is a one-story office building containing approximately 57,186 rentable square feet which was developed and constructed on certain real property located in Oklahoma City, Oklahoma by Wells Development. The Avaya Building was purchased by the IX-X-XI-REIT Joint Venture on June 24, 1998 for a purchase price of $5,504,276, which was equal to the aggregate cost to Wells Development of the acquisition, construction and development of the Avaya Building, including interest and other carrying costs, and accordingly, Wells Development made no profit from the sale of the Avaya Building to the IX-X-XI-REIT Joint Venture. Construction of the Avaya Building was completed in January 1998.

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

The 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, who remains liable on the lease, is a telecommunications company which was spun off by AT&T in April 1996. Lucent Technologies, which is traded on the New York Stock Exchange, is in the business of designing, developing and marketing communications systems and technologies ranging from microchips to whole networks and is one of the

world's leading designers, developers and manufacturers of telecommunications system software and products.

The initial term of the Avaya lease is ten years which commenced on January 5, 1998 and expires in January 2008. Avaya has the option to extend the initial term of the Avaya lease for two additional five-year periods. The annual base rent payable under the Avaya lease will be $508,383 payable in equal monthly installments of $42,365 during the first five years of the initial lease term, and $594,152 payable in equal monthly installments of $49,513 during the second five years of the initial lease term. The annual base rent for each extended term under the lease will be based upon the fair market rent then being charged by landlords under new leases of office space in the metropolitan Oklahoma City market for similar space in a building of comparable quality with comparable amenities. The Avaya lease provides that if the parties cannot agree upon the appropriate fair market value rate, the rate will be established by real estate appraisers.

Under the Avaya lease, Avaya also has a one-time option to terminate the Avaya lease on the seventh anniversary of the rental commencement date, which is exercisable by written notice to the landlord at least 12 months in advance of such seventh anniversary. If Avaya elects to exercise its option to terminate the Avaya lease, Avaya would be required to pay a termination payment intended to compensate the landlord for the present value of funds expended as a construction allowance and leasing commissions relating to the Avaya lease, amortized over and attributable to the remaining lease term, and a rental payment equal to approximately 18 months of monthly rental payments. We

currently anticipate that the termination payment required to be paid by Avaya, in the event it exercises its option to terminate the Avaya lease on the seventh anniversary, would be approximately $1,339,000 based upon certain assumptions.

Property Management Fees

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

Wells Management has been retained to manage and lease each of the remaining buildings for fees not exceeding the lesser of: (A) 4.5% of gross revenues, or (B) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Wells REIT, calculated on an annual basis. For purposes of this calculation, net asset value shall be defined as the excess of (1) the aggregate of the fair market value of all properties owned by the Wells REIT (excluding vacant properties), over (2) the aggregate outstanding debt of the Wells REIT (excluding debts having maturities of one year or less). In addition, we may pay Wells Management a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area (customarily equal to the first month's rent).

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

Real Estate Loans

The SouthTrust Loans

Wells OP has established various secured lines of credit with SouthTrust Bank, N.A. (SouthTrust) whereby SouthTrust has agreed to loan in the aggregate an amount of up to $72,140,000 to Wells OP 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 December 15, 2000, the interest rate was 8.44% 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 June 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 December 15, 2000, the outstanding principal balance of the $32,393,000 SouthTrust line of credit was $17,028,850.

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 June 10, 2002. This SouthTrust line of credit is secured by a first priority mortgage against the PwC Building. As of December 15, 2000, there was no outstanding principal balance 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 June 10, 2002. This SouthTrust line of credit is secured by first priority mortgages against the Avnet Building and the Motorola Tempe Building. As of December 15, 2000, there was no outstanding principal balance on the $17,800,000 SouthTrust line of credit.

The $7,900,000 SouthTrust Line of Credit

Wells LLC - VA originally obtained a loan from SouthTrust Bank, N.A. in connection with the acquisition, development and construction of the Alstom Power Richmond Building (formerly known as the ABB Richmond Building). After completion of the construction, SouthTrust converted the construction loan into a separate line of credit in the maximum principal amount up to $7,900,000. This SouthTrust line of credit requires payments of interest only and matures on June 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 December 15, 2000, there was no outstanding principal balance on the $7,900,000 SouthTrust line of credit.

The BOA Loan

Wells OP originally obtained a loan in the amount of $6,425,000 from Bank of America, N.A. (BOA Loan), to fund a portion of the purchase price of the AT&T Building (formerly the Vanguard Cellular Building) located in Harrisburg, Pennsylvania. On November 23, 1999, the BOA Loan was converted to a revolving credit loan in the maximum principal amount of $9,825,000 for the acquisition of real properties by Wells OP. On February 24, 2000, the credit limit of the BOA Loan was increased

further to $26,725,000. The BOA Loan requires monthly payments of interest only and matures on January 4, 2002. The interest rate on the BOA Loan is a variable rate per annum equal to the LIBOR for a thirty-day period plus 200 basis points. As of December 15, 2000, the interest rate on the BOA Loan was 8.69% per annum. The BOA Loan is secured by first priority mortgages against both the AT&T Building and the Marconi Building. As of December 15, 2000, the outstanding principal balance of the BOA Loan was $14,300,149.

The Metris Loan

Wells OP assumed a loan (Metris Loan) with Richter-Schroeder Company, Inc. in connection with its purchase of the Metris Building. The Metris Loan requires monthly payments of interest only and matures on February 11, 2003. The interest rate on the Metris Loan is an annual variable rate equal to the LIBOR for a thirty-day period plus 175 basis points. As of December 15, 2000, the interest rate on the Metris Loan was 8.44% per annum. The Metris Loan is secured by a first mortgage against the Metris Building. As of December 15, 2000, the outstanding principal balance of the Metris Loan was $8,000,000.

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

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

This section and other sections of the prospectus contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of the financial condition of the Wells REIT, anticipated capital expenditures required to complete certain projects, amounts of cash distributions anticipated to be distributed to shareholders in the future and certain other matters. Readers of this prospectus should be aware that there are

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

Liquidity and Capital Resources

We began active operations on June 5, 1998, when we received and accepted subscriptions for 125,000 shares pursuant to our initial public offering, which commenced on January 30, 1998. We terminated our initial public offering on December 19, 1999, and on December 20, 1999, we commenced a follow-on public offering of up to 22,200,000 shares of common stock at $10 per share. As of December 31, 1999, we had raised an aggregate of $134,710,850 in offering proceeds through the sale of 13,471,085 shares. As of December 31, 1999, we had paid $4,714,880 in acquisition and advisory fees and acquisition expenses, $16,838,857 in selling commissions and organizational and offering expenses, and $112,287,969 in capital contributions to Wells OP for investments in joint ventures and acquisitions of real properties. As of December 31, 1999, we were holding net offering proceeds of approximately $869,144 available for investment in additional properties.

Between December 31, 1999, and September 30, 2000, we raised an additional $127,695,246 in offering proceeds through the sale of an additional 12,769,524 shares. Accordingly, as of September 30, 2000, we had raised a total of $262,406,096 in offering proceeds through the sale of 26,240,610 shares of common stock. As of September 30, 2000, we had paid a total of $9,161,189 in acquisition and advisory

fees and acquisition expenses, had paid a total of $32,718,532 in selling commissions and organizational and offering expenses, had made capital contributions of $211,641,497 to Wells OP for investments in joint ventures and acquisitions of real property, had utilized $657,844 for the redemption of stock pursuant to our share redemption program, and were holding net offering proceeds of $8,227,034 available for investment in additional properties.

Cash and cash equivalents at September 30, 2000 and 1999 were $12,257,161 and $2,850,263, respectively. The increase in cash and cash equivalents resulted primarily from raising additional capital which was offset by increased investments in real property acquisitions.

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

As of September 30, 2000, we had acquired interests in 25 real estate properties. These properties are generating sufficient cash flow to cover our operating expenses and pay quarterly dividends. Dividends declared for the third quarter of 2000 and the third quarter of 1999 totaled $0.1875 and $0.1750 per share, respectively, which were declared on a daily record date basis in the amount of $0.002038 and $0.001902, respectively, per share payable to the shareholders of record at the close of business of each day during the quarter.

On February 18, 1999, Wells OP entered into a Rental Income Guaranty Agreement with the VIII-IX Joint Venture. The Rental Income Guaranty Agreement provided for a guarantee by Wells OP to the VIII-IX Joint Venture that it would receive rental income on the Quest Building (formerly known as the Bake Parkway Building) previously leased to Matsushita Avionics at least equal to the rental

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

Wells OP had paid approximately $542,645 in rental income guaranty payments to the VIII-IX Joint Venture through September 30, 2000, and will continue making payments in the amount of $6,656 per month through February 2001 to cover initial rental concessions granted to Quest in order to induce Quest to rent the Quest Building. Our maximum liability exposure to the VIII-IX Joint Venture for rental income and building expenses potentially payable under this Rental Income Guaranty Agreement of approximately $3,000,000 was taken into account in the economic analysis performed in making the determination to go forward with the development of the Matsushita Building. Although the lease of the Quest Building by Quest has substantially reduced our financial exposure under the Rental Income Guaranty Agreement, we cannot, at this time, determine the amount of any future liability if Quest

defaults or otherwise fails to make the required payments under its lease. Wells OP continues to guaranty payment under the Rental Income Guaranty Agreement and, consequently, continues to bear some risk, even though their risk has been substantially minimized by the lease with Quest. Payments made to the VIII-IX Joint Venture under the Rental Income Guaranty Agreement are made from capital proceeds raised and are being capitalized over the term of the lease with Matsushita Avionics for the Matsushita Building.

Cash Flows From Operating Activities

Net cash provided by operating activities was $4,737,973 for the nine months ended September 30, 2000 and $2,273,102 for the nine months ended September 30, 1999. The increase in net cash provided by operating activities was due primarily to the purchase of additional properties in late 1999 and 2000.

Cash Flows From Investing Activities

The increase in net cash used in investing activities from $75,420,671 for the nine months ended September 30, 1999 to $113,424,119 for the nine months ended September 30, 2000 was due primarily to the raising of additional capital and funds that have been invested in real property acquisitions.

Cash Flows From Financing Activities

The increase in net cash provided by financing activities from $68,018,429 for the nine months ended September 30, 1999 to $118,013,503 for the nine months ended September 30, 2000 was due primarily to the raising of additional capital and the corresponding increase in funds borrowed to purchase additional properties. We raised $127,695,243 in offering proceeds for the nine months ended September 30, 2000, as compared to $76,927,944 for the nine months ended September 30, 1999. In addition, we received loan proceeds from financing secured by properties of $67,883,130 and repaid notes payable in the amount of

$52,903,328 for the nine months ended September 30, 2000.

Results of Operations

As of September 30, 2000, our real estate properties were 100% occupied by tenants. Gross revenues for the nine months ended September 30, 1999 and for the nine months ended September 30, 2000 were $3,996,290 and $15,734,638, respectively. This increase in revenues was due to the purchase of additional properties during late 1999 and 2000. The purchase of interests in additional properties also resulted in an increase in operating expenses, management and leasing fees, and depreciation expense. Our net income increased to $5,737,537 for the first nine months of 2000 as compared to $2,272,432 for the first nine months of 1999.

Subsequent Events

On November 1, 2000, Wells OP acquired a three-story 236,710 square foot office building (Motorola Plainfield Building) located at Durham Avenue on Interstate 287 in South Plainfield, New Jersey for a purchase price of $33,648,156, plus closing costs of $105,225. The Motorola Plainfield Building is 100% leased to Motorola, Inc. (See "Description of Properties -- The Motorola Plainfield Building.")

Property Operations

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

The Alstom Power Knoxville Building (formerly the ABB Knoxville Building)/ The IX-X-XI-REIT Joint Venture

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2000	Sept. 30, 1999	Sept. 30, 2000	Sept. 30, 1999
Revenues:				
Rental income	$ 288,969	$ 261,986	$ 895,551	$ 784,065
Interest income	19,871	15,024	53,575	46,765
	308,840	277,010	949,126	830,830
Expenses:				
Depreciation	98,454	135,499	295,362	403,699
Management and leasing expenses	36,277	32,260	112,232	93,666
Other operating expenses	(26,544)	(17,097)	(69,178)	(13,390)
	108,187	150,662	338,416	483,975
Net income	$ 200,653	$ 126,348	$ 610,710	$ 346,855
Occupied percentage	100%	98.28%	100%	98.28%
Our ownership percentage	3.71%	3.74%	3.71%	3.74%
Cash distributed to the Wells REIT	$ 11,074	$ 9,855	$ 33,513	$ 28,263
Net income allocated to the Wells REIT	$ 7,451	$ 4,721	$ 22,700	$ 13,043

Rental income increased in 2000, over 1999, due primarily to the increased occupancy level of the property. Total expenses decreased due to a decrease in depreciation expense. This decrease resulted from an accelerated depreciation on tenant improvements for a short-term lease in 1999 for 23,092 square feet. Other operating expenses are negative due to an offset of tenant reimbursements in operating costs, as well as management and leasing fee

reimbursements. Tenants are billed an estimated amount for the current year common area maintenance (CAM) which is then reconciled the following year and the difference billed to the tenant. Net income and cash distributions increased in 2000, over 1999, due to a combination of increased rental income and decreased operating expenses.

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

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

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2000	Sept. 30, 1999	Sept. 30, 2000	Sept. 30, 1999
Revenues:				
Rental income	$ 256,829	$ 256,829	$ 770,486	$ 770,486
Expenses:				
Depreciation	81,576	81,576	244,728	244,728
Management and leasing expenses	12,826	11,618	41,656	35,293
Other operating expenses	(7,585)	3,899	73,410	(188)
	86,817	97,093	359,794	279,833
Net income	$ 170,012	$ 159,736	$ 410,692	$ 490,653

Occupied percentage	100%	100%	100%	100%
Our ownership percentage	3.71%	3.74%	3.71%	3.74%
Cash distributed to the Wells REIT	$ 9,130	$ 8,804	$ 23,726	$ 26,992
Net income allocated to the Wells REIT	$ 6,312	$ 5,969	$ 15,265	$ 18,438

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

Rental income remained stable for the three months ended September 30, 2000, as compared to the same period in 1999. Total expenses decreased for the three month period ended September 30, 2000, as compared to the same period for 1999, due largely to other operating expenses being negative. This was due to an offset of tenant reimbursements in operating costs, as well as management and leasing fee reimbursements. Cash distributions and net income allocated to the Wells REIT for the three month period ended September 30, 2000 increased slightly as compared to 1999.

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

	Three Months Ended	Nine Months Ended

	Sept. 30, 2000	Sept. 30, 1999	Sept. 30, 2000	Sept. 30, 1999
Revenues:				
Rental income	$ 207,454	$ 207,791	$ 635,898	$ 622,070
Expenses:				
Depreciation	71,670	71,670	215,010	215,010
Management and leasing expenses	27,019	18,899	83,736	54,518
Other operating costs	(2,165)	(5,291)	(54,699)	5,342
	96,524	85,278	244,047	274,870
Net income	$ 110,930	$ 122,513	$ 391,851	$ 347,200
Occupied percentage	100%	100%	100%	100%
Our ownership percentage	3.71%	3.74%	3.71%	3.74%
Cash distributed to the Wells REIT	$ 6,800	$ 7,200	$ 22,679	$ 20,952
Net income allocated to the Wells REIT	$ 4,119	$ 4,578	$ 14,566	$ 13,041

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

Cash distributions and net income allocated to the Wells REIT for the quarter ended September 30, 2000 decreased in 2000, as compared to 1999, due to a decrease in net income.

The Avaya Building (formerly the Lucent Technologies Building)/ The IX-X-XI-REIT Joint Venture

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2000	Sept. 30, 1999	Sept. 30, 2000	Sept. 30, 1999
Revenues:				
Rental income	$ 145,752	$ 145,752	$ 437,256	$ 437,256
Expenses:				
Depreciation	45,801	45,801	137,403	137,403
Management and leasing expenses	5,369	5,370	16,109	16,109
Other operating expenses	1,669	1,766	9,688	13,964
	52,839	52,937	163,200	167,476
Net income	$ 92,913	$ 92,815	$ 274,056	$ 269,780
Occupied percentage	100%	100%	100%	100%
Our ownership percentage	3.71%	3.74%	3.71%	3.74%
Cash distributed to the Wells REIT	$ 4,723	$ 4,750	$ 14,048	$ 14,006
Net income allocated to the Wells REIT	$ 3,450	$ 3,468	$ 10,187	$ 10,140

Rental income, depreciation, and management and leasing expenses remained stable in 2000, as compared to 1999, while other operating expenses

were slightly lower, due primarily to a one-time charge for consulting fees in 1999 which did not occur in 2000.

On September 30, 2000, Lucent Technologies, Inc. assigned its interest in the lease as tenant to Avaya, Inc., the former Enterprise Networks Group of Lucent Technologies.

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

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2000	Sept. 30, 1999	Sept. 30, 2000	Sept. 30, 1999
Revenues:				
Rental income	$ 168,250	$ 150,009	$ 504,750	$ 397,755
Expenses:				
Depreciation	55,062	48,495	165,186	145,485
Management and leasing expenses	7,319	8,291	21,879	17,629
Other operating expenses	2,253	1,290	12,620	3,815
	64,634	58,076	199,685	166,929
Net income	$ 103,616	$ 91,933	$ 305,065	$ 230,826
Occupied percentage	100%	100%	100%	100%
Our ownership percentage	3.71%	3.74%	3.71%	3.74%
Cash distributed to the Wells REIT	$ 5,713	$ 5,103	$ 16,940	$ 13,702
Net income allocated to the Wells REIT	$ 3,848	$ 3,435	$ 11,339	$ 8,672

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

The Cort Furniture Building/The Cort Joint Venture

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2000	Sept. 30, 1999	Sept. 30, 2000	Sept. 30, 1999
Revenues:				
Rental income	$ 198,885	$ 198,885	$ 596,656	$ 596,656
Expenses:				
Depreciation	46,641	46,641	139,923	139,923
Management and leasing expenses	8,701	7,590	23,881	22,770
Other operating expenses	6,445	5,993	10,375	19,446
	61,787	60,224	174,179	182,139
Net income	$ 137,098	$ 138,661	$ 422,477	$ 414,517
Occupied percentage	100%	100%	100%	100%
Our ownership percentage	43.7%	43.7%	43.7%	43.7%
Cash distributed to the Wells REIT	$ 76,243	$ 76,926	$ 233,613	$ 230,137
Net income allocated to the Wells REIT	$ 59,867	$ 60,550	$ 184,484	$ 181,008

	=========	=========	=========	=========

Rental income, depreciation, and management and leasing expenses remained stable in 2000, as compared to 1999, while other operating expenses are lower due to common area maintenance (CAM) reimbursements billed in 2000 to the tenants. Tenants are billed an estimated amount for CAM which is then reconciled the following year, and the difference is billed to the tenant. No CAM was charged to the tenant in 1999.

The Fairchild Building/The Fremont Joint Venture

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2000	Sept. 30, 1999	Sept. 30, 2000	Sept. 30, 1999
Revenues:				
Rental income	$ 225,195	$ 225,210	$ 675,585	$ 675,631
Expenses:				
Depreciation	71,382	71,382	214,146	214,146
Management and leasing expenses	9,175	9,303	27,525	27,970
Other operating expenses	3,244	6,457	9,856	13,772
	83,801	87,142	251,527	255,888
Net income	$ 141,394	$ 138,068	$ 424,058	$ 419,743
Occupied percentage	100%	100%	100%	100%
Our ownership percentage	77.5%	77.5%	77.5%	77.5%
Cash distributed to the Wells REIT	$ 158,817	$ 151,627	$ 476,354	$ 459,174
Net income allocated to the Wells REIT	$ 109,587	$ 107,009	$ 328,663	$ 325,318

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

The PwC Building

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2000	Sept. 30, 1999	Sept. 30, 2000	Sept. 30, 1999
Revenues:				
Rental income	$ 552,298	$ 552,297	$1,656,894	$1,656,637
Expenses:				
Depreciation	206,037	205,236	618,111	616,257
Management and leasing expenses	37,760	37,612	116,142	111,147
Other operating expenses	(28,672)	(77,618)	(134,352)	103,599
	215,125	165,230	599,901	831,003
Net income	$ 337,173	$ 387,067	$1,056,993	$ 825,634
Occupied percentage	100%	100%	100%	100%
Our ownership percentage	100%	100%	100%	100%
Cash distributed to the Wells REIT	$ 488,547	$ 526,399	$1,512,625	$1,244,179
Net income allocated to the Wells REIT	$ 337,173	$ 387,067	$1,056,993	$ 825,634

	=========	=========	==========	==========

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

The AT&T Building (formerly the Vanguard Cellular Building)

	Three Months Ended		Nine Months Ended	Nine Months Ended
	Sept. 30, 2000	Sept. 30, 1999	Sept. 30, 2000	Sept. 30, 1999
Revenues:				
Rental income	$ 340,832	$ 455,471	$1,022,497	$ 930,145
Expenses:				
Depreciation	120,744	120,750	362,232	321,972
Management and leasing expenses	15,525	20,532	46,201	29,082
Other operating expenses	831	3,362	6,941	12,931
Interest expense	2,915	27,470	9,331	206,046
	140,015	172,114	424,705	570,031
Net income	$ 200,817	$ 283,357	$ 597,792	$ 360,114
Occupied percentage	100%	100%	100%	100%
Our ownership percentage	100%	100%	100%	100%
Cash distributed to the Wells REIT	$ 314,681	$ 300,004	$ 953,280	$ 579,189
Net income allocated to the Wells REIT	$ 200,817	$ 283,357	$ 597,792	$ 360,114

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

Since the AT&T Building was purchased in February 1999, comparable income and expenses figures for the prior period ended September 30, 1999 covered only eight months. Accordingly, the prior period is not comparable to the nine months ended September 30, 2000.

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

	Three Months Ended Sept. 30, 2000	Three Months Ended Sept. 30, 1999	Nine Months Ended Sept. 30, 2000	Five Months Ended Sept. 30, 1999
Revenues:				
Rental income	$ 142,207	$ 140,048	$ 422,385	$ 210,173
Expenses:				
Depreciation	49,902	49,902	149,702	83,170
Management and leasing expenses	16,197	3,814	27,415	14,663
Other operating expenses	3,416	5,165	16,163	5,165
	69,515	58,881	193,280	102,998

Net income	$ 72,692	$ 81,167	$ 229,105	$ 107,175
Occupied percentage	100%	100%	100%	100%
Our ownership percentage	56.8%	56.8%	56.8%	70.1%
Cash distributed to the Wells REIT	$ 67,917	$ 68,084	$ 190,825	$ 103,599
Net income allocated to the Wells REIT	$ 44,820	$ 46,791	$ 130,047	$ 65,039

Since the acquisition of the property by the XI-XII-REIT Joint Venture, the property has remained 100% occupied, and no significant changes have occurred to its operations.

Rental income increased slightly for the three month period ended September 30, 2000, as compared to the same period in 1999. Total expenses increased for the three month period ended September 30, 2000, as compared to the same period in 1999, due to an annual leasing commission paid to an outside broker pursuant to the terms of the purchase agreement. Cash distributions and net income allocated to the Wells REIT decreased for the three month period ended September 30, 2000 because of the decrease in net income.

Since the EYBL CarTex Building was purchased in May 1999, comparable income and expense figures for the prior period ended September 30, 1999 covered only five months. Accordingly, the prior period is not comparable to the nine month period ended September 30, 2000.

Our ownership interest in the XI-XII-REIT Joint Venture decreased due to the admittance of Wells Fund XII to the XI-REIT Joint Venture on June 21, 1999. Our ownership interest was 70.1% for May and June of 1999 and 56.8% for July through September of 1999.

The Sprint Building/The XI-XII-REIT Joint Venture

	Three Months Ended Sept. 30, 2000	Three Months Ended Sept. 30, 1999	Nine Months Ended Sept. 30, 2000	Three Months Ended Sept. 30, 1999
Revenues:				
Rental income	$ 265,997	$ 264,654	$ 797,991	$ 264,654
Expenses:				
Depreciation	81,779	81,776	245,336	81,776
Management and leasing expenses	11,239	7,493	33,718	7,493
Other operating expenses	3,306	1,283	13,964	1,283
	96,324	90,552	293,018	90,552
Net income	$ 169,673	$ 174,102	$ 504,973	$ 174,102
Occupied percentage	100%	100%	100%	100%
Our ownership percentage	56.8%	56.8%	56.8%	56.8%
Cash distributed to the Wells REIT	$ 133,516	$ 137,150	$ 398,252	$ 137,150
Net income allocated to the Wells REIT	$ 96,311	$ 100,192	$ 286,638	$ 100,192

Since the acquisition of the property by the XI-XII-REIT Joint Venture, the property has remained 100% occupied, and no significant changes have occurred to its operations.

Rental income increased slightly for the three months ended September

30, 2000, as compared to the same period in 1999. Total expenses increased for the three months ended September 30, 2000, as compared to the same period in 1999, due largely to the increase in management and leasing fees as well as other operating expenses. Cash distributions and net income allocated to the Company decreased for the three months ended September 30, 2000 due to a decrease in net income.

Since the Sprint Building was purchased in July 1999, comparative income and expense figures for the prior period ended September 30, 1999 covered only three months. Accordingly, the prior period is not comparable to the nine month period ended September 30, 2000.

The Johnson Matthey Building/The XI-XII-REIT Joint Venture

	Three Months Ended Sept. 30, 2000	Two Months Ended Sept. 30, 1999	Nine Months Ended Sept. 30, 2000
Revenues:			
Rental income	$ 219,349	$ 123,566	$ 648,297
Expenses:			
Depreciation	63,869	42,567	191,606
Management and leasing expenses	9,230	0	27,089
Other operating expenses	(1,535)	470	8,594
	71,564	43,037	227,289
Net income	$ 147,785	$ 80,529	$ 421,008
Occupied percentage	100%	100%	100%
Our ownership percentage	56.8%	56.8%	56.8%
Cash distributed to the Wells REIT	$ 110,419	$ 66,517	$ 318,504
Net income allocated to the Wells REIT	$ 83,836	$ 44,409	$ 238,977

Since the acquisition of the property by the XI-XII-REIT Joint Venture, the property has remained 100% occupied, and no significant changes have occurred to its operations.

Since the Johnson Matthey Building was purchased in August 1999, comparative income and expense figures for the prior period covered only two months. Accordingly, the prior period cannot be compared to the nine months ended September 30, 2000.

The Gartner Building/The XI-XII-REIT Joint Venture

	Three Months Ended Sept. 30, 2000	One Month Ended Sept. 30, 1999	Nine Months Ended Sept. 30, 2000
Revenues:			
Rental income	$ 216,567	$ 32,502	$ 637,375
Expenses:			
Depreciation	77,623	25,874	232,868
Management and leasing expenses	9,970	0	29,218
Other operating expenses	(7,603)	0	(27,396)
	79,990	25,874	234,690
Net income	$ 136,577	$ 6,628	$ 402,685

Occupied percentage	100%	100%	100%
Our ownership percentage	56.8%	56.8%	56.8%
Cash distributed to the Wells REIT	$ 110,861	$ 10,374	$ 328,570
Net income allocated to the Wells REIT	$ 77,525	$ 3,763	$ 228,574

Other operating expenses are negative due to an offset of tenant reimbursements in operating costs both for the first quarter of 2000 as well as the fourth quarter of 1999. Since the building was purchased in September of 1999, we were not able to estimate the amount to be billed for 1999 until the first quarter of 2000.

Since the acquisition of the property by the XI-XII-REIT Joint Venture, the property has remained 100% occupied, and no significant changes have occurred to its operations.

Since the Gartner Building was purchased in September 1999, comparative income and expense figures for the prior period ended September 30, 1999 covered only one month. Accordingly, the prior period is not comparable to the nine month period ended September 30, 2000.

The Marconi Building (formerly the Videojet Building)

	Three Months Ended Sept. 30, 2000	One Month Ended Sept. 30, 1999	Nine Months Ended Sept. 30, 2000
Revenues:			
Rental income	$ 817,819	$ 219,376	$ 2,453,457
Expenses:			
Depreciation	293,352	97,774	880,056
Management and leasing expenses	35,510	10,679	108,472
Other operating expenses	4,433	254	16,928
	333,295	108,707	1,005,456
Net income	$ 484,524	$ 110,669	$ 1,448,001
Occupied percentage	100%	100%	100%
Our ownership percentage	100%	100%	100%
Cash distributed to the Wells REIT	$ 673,367	$ 157,899	$ 2,016,472
Net income allocated to the Wells REIT	$ 484,524	$ 110,669	$ 1,448,001

Since the Marconi Building was purchased in September 1999, comparable income and expense figures for the prior period ended September 30, 1999 covered only one month. Accordingly, the prior period is not comparable to the nine month period ended September 30, 2000.

The Matsushita Building

	Three Months Ended Sept. 30, 2000	Nine Months Ended Sept. 30, 2000

Revenues:		
Rental income	$ 492,420	$ 1,509,449
Expenses:		
Depreciation	244,909	754,423
Management and leasing expenses	48,022	138,940
Other operating expenses	17,211	51,891
	310,142	945,254
Net income	$ 182,278	$ 564,195
Occupied percentage	100%	100%
Our ownership percentage	100%	100%
Cash distributed to the Wells REIT	$ 441,254	$ 1,156,810
Net income generated to the Wells REIT	$ 182,278	$ 564,195

Construction of the Matsushita Building is complete, and the aggregate of all costs and expenses incurred by Wells OP with respect to the acquisition and construction of the Matsushita Building was $18,576,701. The monthly base rent for the Matsushita Building is $154,602.

Since the Matsushita Building opened in January 2000, comparable income and expense figures for the prior period are not available.

The Cinemark Building

	Three Months Ended Sept. 30, 2000	Nine Months Ended Sept. 30, 2000
Revenues:		
Rental income	$ 701,262	$ 2,104,128
Interest income	3,084	$ 4,332
	704,346	2,108,460
Expenses:		
Depreciation	212,310	636,896
Management and leasing expenses	38,127	100,167
Other operating expenses	144,809	453,912
	395,246	1,190,975
Net income	$ 309,100	$ 917,485
Occupied percentage	100%	100%
Our ownership percentage	100%	100%
Cash distributed to the Wells REIT	$ 474,274	$ 1,412,711
Net income allocated to the Wells REIT	$ 309,100	$ 917,485

Since the Cinemark Building was purchased in December 1999, comparable income and expense figures for the prior period are not available.

The Metris Building

	Three Months Ended Sept. 30, 2000	Nine Months Ended Sept. 30, 2000
Revenues:		
Rental income	$ 308,459	$ 790,503
Expenses:		
Depreciation	120,792	318,298
Management and leasing expenses	13,365	34,102
Other operating expenses	3,892	10,970
	138,049	363,370
Net income	$ 170,410	$ 427,133
Occupied percentage	100%	100%
Our ownership percentage	100%	100%
Cash distributed to the Wells REIT	$ 281,392	$ 717,190
Net income allocated to the Wells REIT	$ 170,410	$ 427,133

Since the Metris Building was purchased in February 2000, comparable income and expense figures for the prior period are not available.

The Dial Building

	Three Months Ended Sept. 30, 2000	Seven Months Ended Sept. 30, 2000
Revenues:		
Rental income	$ 346,918	$ 705,027
Expenses:		
Depreciation	120,591	251,094
Management and leasing expenses	15,710	32,122
Other operating expenses	19,459	32,400
	155,760	315,616
Net income	$ 191,158	$ 389,411
Occupied percentage	100%	100%
Our ownership percentage	100%	100%
Cash distributed to the Wells REIT	$ 325,069	$ 667,145
Net income allocated to the Wells REIT	$ 191,158	$ 389,411

Since the Dial Building was purchased in March 2000, comparable income and expense figures for the prior period are not available.

The ASML Building

	Three Months Ended Sept. 30, 2000	Seven Months Ended Sept. 30, 2000

Revenues:		
Rental income	$ 586,875	$ 1,189,297
Expenses:		
Depreciation	193,620	391,056
Management and leasing expenses	26,366	54,688
Other operating expenses	75,823	131,993
	295,809	577,737
Net income	$ 291,066	$ 611,560
Occupied percentage	100%	100%
Our ownership percentage	100%	100%
Cash distributed to the Wells REIT	$ 401,031	$ 835,306
Net income allocated to the Wells REIT	$ 291,066	$ 611,560

Since the ASML Building was purchased in March 2000, comparable income and expense figures for the prior period are not available.

The Motorola Tempe Building

	Three Months Ended Sept. 30, 2000	Seven Months Ended Sept. 30, 2000
Revenues:		
Rental income	$485,835	$986,539
Expenses:		
Depreciation	184,064	366,103
Management and leasing expenses	20,654	42,352
Other operating expenses	84,162	150,817
	288,880	559,272
Net income	$196,955	$427,267
Occupied percentage	100%	100%
Our ownership percentage	100%	100%
Cash distributed to the Wells REIT	$366,882	$764,851
Net income allocated to the Wells REIT	$196,955	$427,267

Since the Motorola Tempe Building was purchased in March 2000, comparable income and expense figures for the prior period are not available.

The Siemens Building/The XII-REIT Joint Venture

	Three Months Ended Sept. 30, 2000	Five Months Ended Sept. 30, 2000

Revenues:		
Rental income	$376,103	$598,678
Expenses:		
Depreciation	106,736	176,070
Management and leasing expenses	14,736	18,020
Other operating expenses	1,805	2,032
	123,277	196,122
Net income	$252,826	$402,556
Occupied percentage	100%	100%
Our ownership percentage	50%	50%
Cash distributed to the Wells REIT	$155,462	$248,781
Net income allocated to the Wells REIT	$126,413	$201,278

Since the Siemens Building was purchased in May 2000, comparative income and expense figures for the prior period are not available.

The Avnet Building

	Three Months Ended Sept. 30, 2000	Four Months Ended Sept. 30, 2000
Revenues:		
Rental income	$442,449	$533,037
Expenses:		
Depreciation	132,714	176,952
Management and leasing expenses	21,008	21,008
Other operating expenses	59,576	72,007
	213,298	269,967
Net income	$229,151	$263,070
Occupied percentage	100%	100%
Our ownership percentage	100%	100%
Cash distributed to the Wells REIT	$298,703	$366,292
Net income allocated to the Wells REIT	$229,151	$263,070

Since the Avnet Building was purchased in June 2000, comparable income and expense figures for the prior period are not available.

The Delphi Building

	Three Months Ended Sept. 30, 2000	Four Months Ended Sept. 30, 2000
Revenues:		
Rental income	$516,205	$532,947
Expenses:		
Depreciation	216,137	219,372

Management and leasing expenses	22,167	22,167
Other operating expenses	1,650	8,782
	239,954	250,321
Net income	$276,251	$282,626
Occupied percentage	100%	100%
Our ownership percentage	100%	100%
Cash distributed to the Wells REIT	$458,077	$461,653
Net income allocated to the Wells REIT	$276,251	$282,626

Since the Delphi Building was purchased in June 2000, comparable income and expense figures for the prior period are not available.

The Alstom Power Richmond Building (formerly the ABB Richmond Building)

	Three Months Ended Sept. 30, 2000
Revenues:	
Rental income	$228,597
Expenses:	
Depreciation	110,097
Management and leasing expenses	29,694
Other operating expenses	(34,658)
	105,133
Net income	$123,634
Occupied percentage	100%
Our ownership percentage	100%
Cash distributed to the Wells REIT	$243,186
Net income allocated to the Wells REIT	$123,464

On July 24, 2000, Wells OP completed a build-to-suit four-story office building containing approximately 99,057 rentable square feet on a 7.49 acre tract of land in Richmond, Virginia (Alstom Power Richmond Building). The aggregate of all costs and expenses incurred by Wells OP with respect to the acquisition and construction of the Alstom Power Richmond Building was $11,654,666.

The building is 100% leased to Alstom Power, Inc. with a lease expiration of July 31, 2007. The monthly base rent for the Alstom Power Richmond Building is $98,644. On December 30, 1999, ABB Power Generation, Inc. merged into ABB Alstom Power, Inc., and on June 22, 2000, ABB Alstom Power, Inc. changed its name to Alstom Power, Inc.

Since the Alstom Power Richmond Building was completed in July 2000, comparable income and expense figures for the prior period are not available.

The Quest Building (formerly the Bake Parkway Building)/VIII-IX-REIT Joint Venture

Three Months

	Ended Sept. 30, 2000
Revenues:	
Rental income	$259,148
Expenses:	
Depreciation	46,368
Management and leasing expenses	0
Other operating expenses	16,283
	62,651
Net income	$196,497
Occupied percentage	100%
Our ownership percentage	7%
Cash distributed to the Wells REIT	$ 8,842
Net income allocated to the Wells REIT	$ 11,529

On June 15, 2000, the VIII-IX-REIT Joint Venture was formed between Wells OP and Fund VIII and IX Associates, a Georgia joint venture between Wells Fund VIII and Wells Fund IX. On July 1, 2000, Fund VIII and IX Associates contributed its interest in the two-story office building containing approximately 65,006 rentable square feet on a 4.4 acre tract of land located in Irvine, California (Quest Building), formerly known as the Bake Parkway Building, to the VIII-IX-REIT Joint Venture.

On August 1, 2000, Quest Software, Inc. commenced a 42 month lease for 100% of the Quest Building.

Construction of tenant improvements to the Quest Building required under the Quest lease and other costs and expenses related to the Quest Building are being funded by capital contributions from Wells OP and are anticipated to cost approximately $1,250,000 in the aggregate.

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. There are provisions in a majority of our tenant leases to protect us from the impact of inflation. These leases contain common area maintenance charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance. These provisions should reduce our exposure to increases in costs and operating expenses resulting from inflation.

Prior Performance Summary

The information presented in this section represents the historical experience of real estate programs managed by Wells Capital 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 13 publicly offered real estate limited partnerships in which Leo F. Wells, III has served as a general partner, 12 of such limited partnerships have completed their respective offerings. These 12 limited partnerships and the year in which each of their offerings was completed are:

1. Wells Real Estate Fund I (1986),
2. Wells Real Estate Fund II (1988),

3. Wells Real Estate Fund II-OW (1988),
4. Wells Real Estate Fund III, L.P. (1990),
5. Wells Real Estate Fund IV, L.P. (1992),
6. Wells Real Estate Fund V, L.P. (1993),
7. Wells Real Estate Fund VI, L.P. (1994),
8. Wells Real Estate Fund VII, L.P. (1995),
9. Wells Real Estate Fund VIII, L.P. (1996),
10. Wells Real Estate Fund IX, L.P. (1996),
11. Wells Real Estate Fund X, L.P. (1997), and
12. Wells Real Estate Fund XI, L.P. (1998).

In addition to the foregoing real estate limited partnerships, Wells Capital and its affiliates sponsored the initial public offering of shares of common stock of the Wells REIT. The initial public offering began on January 30, 1998 and was terminated on December 19, 1999. We received gross

proceeds of approximately $132,181,919 from the sale of approximately 13,218,192 shares from our initial public offering.

Wells Capital and its affiliates sponsored a second public offering of shares of common stock of the Wells REIT. The second public offering began on December 20, 1999 and was terminated on December 19, 2000. As of December 10, 2000, we had received gross proceeds of approximately $169,671,659 from the sale of approximately 16,967,166 shares from our second public offering.

Wells Capital and its affiliates are currently also sponsoring a public offering of 7,000,000 units on behalf of Wells Real Estate Fund XII, L.P., a public limited partnership. Wells Fund XII began its offering on March 22, 1999 and, as of September 30, 2000, Wells Fund XII had raised $20,618,517 from 1,082 investors.

The Prior Performance Tables included in the back of this prospectus set forth information as of the dates indicated regarding certain of these Wells programs as to (1) experience in raising and investing funds (Table I); (2) compensation to sponsor (Table II); and (3) annual operating results of prior programs (Table III). No information is given as to results of completed programs or sales or disposals of property because, as of December 31, 1999, the date of the Prior Performance Tables, none of the Wells programs had sold any of their properties.

In addition to the real estate programs sponsored by Wells Capital and its affiliates discussed above, they are also sponsoring an index mutual fund which invests in various REIT stocks known as the Wells S&P REIT Index Fund (REIT Fund). The REIT Fund is a mutual fund which seeks to provide investment results corresponding to the performance of the S&P REIT Index by investing in the REIT stocks included in the S&P REIT Index. The REIT Fund began its offering on January 12, 1998 and, as of September 30, 2000, the REIT Fund had raised $48,330,317 from 2,080 investors.

Publicly Offered Unspecified Real Estate Programs

Wells Capital and its affiliates have previously sponsored the above listed 12 publicly offered real estate limited partnerships and are currently sponsoring Wells Fund XII offered on an unspecified property or "blind pool" basis. The total amount of funds raised from investors in the offerings of these 13 publicly offered limited partnerships, as of September 30, 2000, was approximately $284,902,809, and the total number of investors in such programs was approximately 25,627.

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 and Wells Fund XI available for investment in real properties have been invested in properties.

As of September 30, 2000, approximately 65% of the aggregate gross rental income of the 12 publicly offered programs listed above was derived from tenants which are corporations, each of which 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 with a net worth of at least $100,000,000.

Because of the cyclical nature of the real estate market, decreases in net income of the public partnerships could occur at any time in the future when economic conditions decline. Wells Fund I recently sold one of its buildings and is in the process of marketing the remainder of its properties for sale. However, none of the other Wells programs has liquidated its real estate portfolio or, except for the one building recently sold by Wells Fund I, sold any of its real properties to date. Accordingly, 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 previously sponsored Wells programs, as of December 31, 1999, was $370,247,877 of which $332,000 (or approximately .09%) had not yet been expended on the development of certain of the projects which are still under construction. Of the aggregate amount, approximately 82% was or will be spent on acquiring or developing office buildings, and approximately 18% was or will be spent on acquiring or developing shopping centers. Of the aggregate amount, approximately 9% was or will be spent on new properties, 58% on existing or used properties and 33% on construction properties. Following is a table showing a breakdown of the aggregate amount of the acquisition and development costs of the properties purchased by the Wells REIT, Wells Fund XII and the 12 Wells programs listed above as of September 30, 2000:

Type of Property	New	Used	Construction
Office Buildings	29.0%	38.2%	19.1%
Shopping Centers	0%	4.5%	9.2%

Wells Fund I terminated its offering on September 5, 1986, and received gross proceeds of $35,321,000 representing subscriptions from 4,895 limited partners. $24,679,000 of the gross proceeds were attributable to sales of Class A Units, and $10,642,000 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund I have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund I owns interests in the following properties:

- a three-story medical office building in Atlanta, Georgia;
- a commercial office building in Atlanta, Georgia;
- a shopping center in DeKalb County, Georgia having Kroger as the anchor tenant;
- a shopping center in Knoxville, Tennessee;
- a shopping center in Cherokee County, Georgia having Kroger as the anchor tenant; and
- a project consisting of seven office buildings and a shopping center in Tucker, Georgia.

The prospectus of Wells Fund I provided that the properties purchased by Wells Fund I would typically be held for a period of eight to 12 years, but that the general partners may exercise their discretion as to whether and when to sell the properties owned by Wells Fund I and that the general partners were under no obligation to sell the properties at any particular time. Wells Fund I recently sold one of two commercial office buildings known as Peachtree Place

located in a suburb of Atlanta, Georgia. Wells Fund I is in the process of marketing the remainder of its properties for sale pending the outcome of a proxy solicitation recommending that the Class A Limited Partners vote in favor of an amendment to the Partnership Agreement to change the method of distribution of net sale proceeds.

Wells Fund II and Wells Fund II-OW terminated their offerings on September 7, 1988, and received aggregate gross proceeds of $36,870,250 representing subscriptions from 4,659 limited partners. $28,829,000 of the gross proceeds were attributable to sales of Class A Units, and $8,041,250 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund II and Wells Fund II-OW have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund

II and Wells Fund II-OW own all of their properties through a joint venture, which owns interests in the following properties:

- a shopping center in Cherokee County, Georgia having Kroger as the anchor tenant;
- a project consisting of seven office buildings and a shopping center in Tucker, Georgia;
- a two-story office building in Charlotte, North Carolina leased to First Union Bank;
- a four-story office building in Houston, Texas leased to The Boeing Company;
- a restaurant property in Roswell, Georgia leased to Brookwood Grill of Roswell, Inc.; and
- a combined retail and office development in Roswell, Georgia.

The prospectus of Wells Fund II and Wells Fund II-OW provided that the properties purchased by Wells Fund II and Wells Fund II-OW would typically be held for a period of eight to 12 years, but that the general partners may exercise their discretion as to whether and when to sell the properties owned by Wells Fund II and Wells Fund II-OW and that the partnerships were under no obligation to sell their properties at any particular time. Wells Fund II and Wells Fund II-OW acquired their properties between 1987 and 1989, and have not yet liquidated or sold any of their properties.

Wells Fund III terminated its offering on October 23, 1990, and received gross proceeds of $22,206,310 representing subscriptions from 2,700 limited partners. $19,661,770 of the gross proceeds were attributable to sales of Class A Units, and $2,544,540 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund III have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund III owns interests in the following properties:

- a four-story office building in Houston, Texas leased to The Boeing Company;
- a restaurant property in Roswell, Georgia leased to Brookwood Grill of Roswell, Inc.;
- a combined retail and office development in Roswell, Georgia;
- a two-story office building in Greenville, North Carolina leased to International Business Machines Corporation (IBM);
- a shopping center in Stockbridge, Georgia having Kroger as the anchor tenant; and

- a two-story office building in Richmond, Virginia leased to General Electric.

Wells Fund IV terminated its offering on February 29, 1992, and received gross proceeds of $13,614,655 representing subscriptions from 1,286 limited partners. $13,229,150 of the gross proceeds were attributable to sales of Class A Units, and $385,505 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund IV have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund IV owns interests in the following properties:

- a shopping center in Stockbridge, Georgia having Kroger as the anchor tenant;
- a four-story office building in Jacksonville, Florida leased to IBM and Customized Transportation Inc. (CTI);
- a two-story office building in Richmond, Virginia leased to General Electric; and

- two 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, 1999, $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 two-story office buildings in Stockbridge, Georgia;
- a four-story office building in Hartford, Connecticut leased to Hartford Fire Insurance Company;
- two restaurant properties in Stockbridge, Georgia leased to Apple Restaurants, Inc. and Glenn's Open Pit Bar-B-Que; and
- a three-story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel.

Wells Fund VI terminated its offering on April 4, 1994, and received gross proceeds of $25,000,000 representing subscriptions from 1,793 limited partners. $19,332,176 of the gross proceeds were attributable to sales of Class A Units, and $5,667,824 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund VI are entitled to change the status of their units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscription for units, as of December 31, 1999, $21,959,690 of units of Wells Fund VI were treated as Class A Units, and $3,040,310 of units were treated as Class B Units. Wells Fund VI owns interests in the following properties:

- a four-story office building in Hartford, Connecticut leased to Hartford Fire Insurance Company;
- two restaurant properties in Stockbridge, Georgia leased to Apple Restaurants, Inc. and Glenn's Open Pit Bar-B-Que;

- a restaurant and retail building in Stockbridge, Georgia;
- a shopping center in Stockbridge, Georgia;
- a three-story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel;
- a shopping center in Cherokee County, Georgia having Kroger as the anchor tenant;
- a combined retail and office development in Roswell, Georgia;
- a four-story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.; and

- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant.

Wells Fund VII terminated its offering on January 5, 1995, and received gross proceeds of $24,180,174 representing subscriptions from 1,910 limited partners. $16,788,095 of the gross proceeds were attributable to sales of Class A Units, and $7,392,079 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund VII are entitled to change the status of their units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 1999, $20,362,672 of units in Wells Fund VII were treated as Class A Units, and $3,817,502 of units were treated as Class B Units. Wells Fund VII owns interests in the following properties:

- a three-story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel;
- a restaurant and retail building in Stockbridge, Georgia;
- a shopping center in Stockbridge, Georgia;
- a shopping center in Cherokee County, Georgia having Kroger as the anchor tenant;
- a combined retail and office development in Roswell, Georgia;
- a two-story office building in Alachua County, Florida near Gainesville leased to CH2M Hill, Engineers, Planners, Economists, Scientists;
- a four-story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.;
- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant; and
- a retail development in Clayton County, Georgia.

Certain financial information for Wells Fund VII is summarized below:

	1999	1998	1997	1996	1995
Gross Revenues	$962,630	$846,306	$816,237	$543,291	$925,246

Net Income	$895,795	$754,334	$733,149	$452,776	$804,043

Wells Fund VIII terminated its offering on January 4, 1996, and received gross proceeds of $32,042,689 representing subscriptions from 2,241 limited partners. $26,135,339 of the gross proceeds were attributable to sales of Class A Units, and $5,907,350 were attributable to sales of Class B Units. Limited partners in Wells Fund VIII are entitled to change the status of their units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units and certain repurchases made by Wells Fund VIII, as of December 31, 1999, $4,748,439 of units in Wells Fund VIII were treated as Class A Units, and $27,284,250 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.

Certain financial information for Wells Fund VIII is summarized below:

	1999	1998	1997	1996	1995
Gross Revenues	$1,360,497	$1,362,513	$1,204,018	$1,057,694	$402,428
Net Income	$1,266,946	$1,269,171	$1,102,567	$ 936,590	$273,914

Wells Fund IX terminated its offering on December 30, 1996, and received gross proceeds of $35,000,000 representing subscriptions from 2,098 limited partners. $29,359,310 of the gross proceeds were attributable to sales of Class A Units, and $5,640,690 were attributable to sales of Class B Units. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 1999, $30,723,220 of units in Wells Fund IX were treated as Class A Units, and $4,276,780 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 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:

	1999	1998	1997	1996
Gross Revenues	$1,593,734	$1,561,456	$1,199,300	$406,891
Net Income	$1,490,331	$1,449,955	$1,091,766	$298,756

Wells Fund X terminated its offering on December 30, 1997, and received gross proceeds of $27,128,912 representing subscriptions from 1,806 limited partners. $21,160,992 of the gross proceeds were contributable to sales of Class A Units, and $5,967,920 were attributable to sales of Class B Units. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 1999, $21,669,662 of units in Wells Fund X were treated as Class A Units and $5,454,250 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 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:

	1999	1998	1997
Gross Revenues	$1,309,281	$1,204,597	$372,507
Net Income	$1,192,318	$1,050,329	$278,025

Wells Fund XI terminated its offering on December 30, 1998, and received gross proceeds of $16,532,802 representing subscriptions from 1,345 limited partners. $13,029,424 of the gross proceeds were attributable to sales of Class A Units and $3,503,378 were attributable to sales of Class B Units. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 1999, $13,369,062 of units in Wells Fund XI were treated as Class A Units and $3,163,740 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 office building in Boulder County, Colorado;

- a one-story office and warehouse building in Weber County, Utah leased to Iomega Corporation;
- a one-story office and warehouse building in Orange County, California leased to Cort Furniture Rental Corporation;
- a two-story office and manufacturing building in Alameda County, California leased to Fairchild Technologies U.S.A., Inc.;
- a two-story manufacturing and office building in Greenville County, South Carolina leased to EYBL CarTex, Inc.;
- a three-story office building in Johnson County, Kansas leased to Sprint Communications Company L.P.;
- a two-story research and development office and warehouse building in Chester County, Pennsylvania leased to Johnson Matthey, Inc.; and
- a two-story office building in Fort Myers, Florida leased to Gartner Group, Inc.

Certain financial information for Wells Fund XI is summarized below:

	1999	1998
Gross Revenues	$766,586	$262,729
Net Income	$630,528	$143,295

Wells Fund XII began its offering on March 22, 1999. As of September 30, 2000, Wells Fund XII had received gross proceeds of $20,618,517 representing subscriptions from 1,082 limited partners. $15,959,857 of the gross proceeds

were attributable to sales of cash preferred units and $4,658,660 were attributable to sales of tax preferred units. Wells Fund XII owns interests in the following properties:

- a two-story manufacturing and office building in Greenville County, South Carolina leased to EYBL CarTex, Inc.;
- a three-story office building In Johnson County, Kansas leased to Sprint Communications Company L.P.;
- a two-story research and development office and warehouse building in Chester County, Pennsylvania leased to Johnson Matthey, Inc.;
- a two-story office building in Fort Myers, Florida leased to Gartner Group, Inc.; and
- a three-story office building in Troy, Michigan leased to Siemens Automotive Corporation.

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

The foregoing properties in which the above 13 limited partnerships have invested have all been acquired on an all cash basis.

Leo F. Wells, III and Wells Partners, L.P. are the general partners of Wells Fund IV, Wells Fund V, Wells Fund VI, Wells Fund VII, Wells Fund VIII, Wells Fund IX, Wells Fund X, Wells Fund XI and

Wells Fund XII. Wells Capital, which is the general partner of Wells Partners, L.P., and Leo F. Wells, III are the general partners of Wells Fund I, Wells Fund II, Wells Fund II-OW and Wells Fund III.

Potential investors are encouraged to examine the Prior Performance Tables included in the back of the prospectus for more detailed information regarding the prior experience of the sponsors. In addition, upon request, prospective investors may obtain from us without charge copies of offering materials and any reports prepared in connection with any of the Wells programs, including a copy of the most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. For a reasonable fee, we will also furnish upon request copies of the exhibits to any such Form 10-K. Any such request should be directed to our secretary. Additionally, Table VI contained in Part II of the registration statement, which is not part of this prospectus, gives certain additional information relating to properties acquired by the Wells programs. We will furnish, without charge, copies of such table upon request.

Federal Income Tax Considerations

General

The following is a summary of material federal income tax considerations associated with an investment in the shares. This summary does not address all possible tax considerations that may be material to an investor and does not constitute tax advice. Moreover, this summary does not deal with all tax aspects that might be relevant to you, as a prospective shareholder, in light of your personal circumstances; nor does it deal with particular types of shareholders that are subject to special treatment under the 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-US Shareholders). The Internal Revenue Code provisions governing the federal income tax treatment of REITs are highly technical and complex, and this summary is qualified in its entirety by the express language of applicable Internal Revenue Code provisions, Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof.

We urge you, as a prospective investor, to consult your own tax advisor regarding the specific tax consequences to you of a purchase of shares, ownership and sale of the shares and of our election to be taxed as a REIT, including the federal, state, local, foreign and other tax consequences of such purchase, ownership, sale and election.

Opinion of Counsel

Holland & Knight LLP has acted as our counsel, has reviewed this summary and is of the opinion that it fairly summarizes the federal income tax considerations addressed that are material to shareholders. It is also the opinion of our counsel that 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, 1999, provided that we have operated and will continue to operate in accordance with various assumptions and the factual representations we made to counsel concerning our business, properties and operations. It must be emphasized that Holland & Knight LLP's opinion is based on various assumptions and is conditioned upon the assumptions and representations we made concerning our business and properties. Moreover, our qualification for taxation as a REIT depends on our ability to meet the various qualification tests imposed under the Internal Revenue Code discussed below, the results of which will not be reviewed by Holland & Knight LLP. Accordingly, we cannot assure you that the actual results of our operations for any one taxable year will satisfy these requirements. (See "Risk Factors -- Failure to Qualify as a REIT.")

The statements made in this section of the prospectus and in the opinion of Holland & Knight LLP are based upon existing law and Treasury Regulations, as currently applicable, currently published administrative positions of the Internal Revenue Service and judicial decisions, all of which are subject to change, either prospectively or retroactively. We cannot assure you that any changes will not modify the conclusions expressed in counsel's opinion. Moreover, an opinion of counsel is not binding on the Internal Revenue Service and we cannot assure you that the Internal Revenue Service will not successfully challenge our status as a REIT.

Taxation of the Company

If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on that portion of our ordinary income or capital gain that we distribute currently to our shareholders, because the REIT provisions of the Internal Revenue Code generally allow a REIT to deduct distributions paid to its shareholders. This substantially eliminates the federal "double taxation" on earnings (taxation at both the corporate level and shareholder level) that usually results from an investment in a corporation.

Even if we qualify for taxation as a REIT, however, we will be subject to federal income taxation as follows:

- we will be taxed at regular corporate rates on our undistributed REIT taxable income, including undistributed net capital gains;
- under some circumstances, we will be subject to "alternative minimum tax";
- if we have net income from the sale or other disposition of "foreclosure property" that is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on that income;
- if we have net income from prohibited transactions (which are, in general, sales or other dispositions of property other than foreclosure property held primarily for sale to customers in the ordinary course of business), the income will be subject to a 100% tax;

- if we fail to satisfy either of the 75% or 95% gross income tests (discussed below) but have nonetheless maintained our qualification as a REIT because certain conditions have been met, we will be subject to a 100% tax on an amount equal to the greater of the amount by which we fail the 75% or 95% test multiplied by a fraction calculated to reflect our profitability;

- if we fail to distribute during each year at least the sum of (i) 85% of our REIT ordinary income for the year, (ii) 95% of our REIT capital gain net income for such year and (iii) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of the required distribution over the amounts actually distributed; and

- if we acquire any asset from a C corporation (i.e., a corporation generally subject to corporate-level tax) in a carryover-basis transaction and we subsequently recognize gain on the disposition of the asset during the ten year period beginning on the date on which we acquired the asset, then a portion of the gains may be subject to tax at the highest regular corporate rate, pursuant to guidelines issued by the Internal Revenue Service (Built-In-Gain Rules).

Requirements for Qualification as a REIT

We elected to be taxable as a REIT for our taxable year ended December 31, 1998. In order for us to qualify as a REIT, however, we had to meet and we must continue to meet the requirements discussed below relating to our organization, sources of income, nature of assets and distributions of income to our shareholders.

Organizational Requirements

In order to qualify for taxation as a REIT under the Internal Revenue Code, we must:

- be a domestic corporation;

- elect to be taxed as a REIT and satisfy relevant filing and other administrative requirements;

- be managed by one or more trustees or directors;

- have transferable shares;

- not be a financial institution or an insurance company;

- use a calendar year for federal income tax purposes;

- have at least 100 shareholders for at least 335 days of each taxable year of 12 months; and

- not be closely held.

As a Maryland corporation, we satisfy the first requirement, and we have filed an election to be taxed as a REIT with the IRS. In addition, we are managed by a board of directors, we have transferable shares and we do not intend to operate as a financial institution or insurance company. We utilize the calendar year for federal income tax purposes, and we have more than 100 shareholders. We would be treated as closely held only if five or fewer individuals or certain tax-exempt entities own, directly or indirectly, more than 50% (by value) of our shares at any time during the last half of our taxable year. For purposes of the closely-held test, the Internal Revenue Code generally permits a look-through for pension funds and certain other tax-exempt entities to the beneficiaries of the entity to determine if the REIT is closely

held. Five or fewer individuals or tax-exempt entities have never owned more than 50% of our outstanding shares during the last half of any taxable year.

We are authorized to refuse to transfer our shares to any person if the sale or transfer would jeopardize our ability to satisfy the REIT ownership requirements. There can be no assurance that a refusal to transfer will be effective. However, based on the foregoing, we should currently satisfy the organizational requirements, including the share ownership requirements. Notwithstanding compliance with the share ownership requirements outlined above, tax-exempt shareholders may be required to treat all or a portion of their distributions from us as "unrelated business taxable income" if tax-exempt shareholders, in the aggregate, exceed certain ownership thresholds set forth in the Internal Revenue Code. (See "Taxation of Tax-Exempt Shareholders.")

Ownership of Interests in Partnerships and Qualified REIT Subsidiaries

In the case of a REIT that is a partner in a partnership, Treasury Regulations provide that the REIT is deemed to own its proportionate share, based on its interest in partnership capital, of the assets of the partnership and is deemed to have earned its allocable share of partnership income. Also, if a REIT owns a qualified REIT subsidiary, which is defined as a corporation wholly-owned by a REIT, the REIT will be deemed to own all of the subsidiary's assets and liabilities and it will be deemed to be entitled to treat the income of that subsidiary as its own. In addition, the character of the assets and gross income of the partnership or qualified REIT subsidiary shall retain the same character in the hands of the REIT for purposes of satisfying the gross income tests and asset tests set forth in the Internal Revenue Code.

Operational Requirements -- Gross Income Tests

To maintain our qualification as a REIT, we must satisfy annually two gross income requirements.

- At least 75% of our gross income, excluding gross income from prohibited transactions, for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property. Gross income includes "rents from real property" and, in some circumstances, interest, but excludes gross income from dispositions of property held primarily for sale to customers in the ordinary course of a trade or business. Such dispositions are referred to as "prohibited transactions." This is the 75% Income Test.

- At least 95% of our gross income, excluding gross income from prohibited transactions, for each taxable year must be derived from the real property investments described above and from distributions, interest and gains from the sale or disposition of stock or securities or from any combination of the foregoing. This is the 95% Income Test.

- The rents we receive or that we are deemed to receive qualify as "rents from real property" for purposes of satisfying the gross income requirements for a REIT only if the following conditions are m et:

  - the amount of rent received from a tenant generally must not be based in whole or in part on the income or profits of any person, however, an amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of gross receipts or sales;

  - rents received from a tenant will not qualify as "rents from real property" if an owner of 10% or more of the REIT directly or constructively owns 10% or more of the tenant (a "Related Party Tenant") or a subtenant of the tenant (in which case only rent

attributable to the subtenant is disqualified);

- if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as "rents from real property"; and

- the REIT must not operate or manage the property or furnish or render services to tenants, other than through an "independent contractor" who is adequately

compensated and from whom the REIT does not derive any income. However, a REIT may provide services with respect to its properties, and the income derived therefrom will qualify as "rents from real property," if the services are "usually or customarily rendered" in connection with the rental of space only and are not otherwise considered "rendered to the occupant." Even if the services with respect to a property are impermissible tenant services, the income derived therefrom will qualify as "rents from real property" if such income does not exceed one percent of all amounts received or accrued with respect to that property.

If we acquire ownership of property by reason of the default of a borrower on a loan or possession of property by reason of a tenant default, if the property qualifies and we elect to treat it as foreclosure property, the income from the property will qualify under the 75% Income Test and the 95% Income Test notwithstanding its failure to satisfy these requirements for three years, or if extended for good cause, up to a total of six years. In that event, we must satisfy a number of complex rules, one of which is a requirement that we operate the property through an independent contractor. We will be subject to tax on that portion of our net income from foreclosure property that does not otherwise qualify under the 75% Income Test.

Prior to the making of investments in properties, we may satisfy the 75% Income Test and the 95% Income Test by investing in liquid assets such as government securities or certificates of deposit, but earnings from those types of assets are qualifying income under the 75% Income Test only for one year from the receipt of proceeds. Accordingly, to the extent that offering proceeds have not been invested in properties prior to the expiration of this one year period, in order to satisfy the 75% Income Test, we may invest the offering proceeds in less liquid investments such as mortgage-backed securities, maturing mortgage loans purchased from mortgage lenders or shares in other REITs. We expect to receive proceeds from the offering in a series of closings and to trace those proceeds for purposes of determining the one year period for "new capital investments." No rulings or regulations have been issued under the provisions of the Internal Revenue Code governing "new capital investments," however, so that there can be no assurance that the Internal Revenue Service will agree with this method of calculation.

Except for amounts received with respect to certain investments of cash reserves, we anticipate that substantially all of our gross income will be from sources that will allow us to satisfy the income tests described above; however, there can be no assurance given in this regard. Notwithstanding our failure to satisfy one or both of the 75% Income and the 95% Income Tests for any taxable year, we may still qualify as a REIT for that year if we are eligible for relief under specific provisions of the Internal Revenue Code. These relief provisions generally will be available if:

- our failure to meet these tests was due to reasonable cause and not due to willful neglect;

- we attach a schedule of our income sources to our federal income tax return; and

- any incorrect information on the schedule is not due to fraud with intent to evade tax.

It is not possible, however, to state whether, in all circumstances, we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally earn exceeds the limits on this income, the Internal Revenue Service could conclude that our failure to satisfy the tests was not due to reasonable cause. As discussed above in "Taxation of the Company," even if these relief provisions apply, a tax would be imposed with respect to the excess net income.

Operational Requirements -- Asset Tests

At the close of each quarter of our taxable year, we also must satisfy three tests (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.

- Third, of the investments included in the 25% asset class, the value of any one issuer's securities that we own may not exceed 5% of the value of our total assets. Additionally, we may not own more than 10% of any one issuer's outstanding voting securities.

The 5% test must generally be met for any quarter in which we acquire securities. Further, if we meet the Asset Tests at the close of any quarter, we will not lose our REIT status for a failure to satisfy the Asset Tests at the end of a later quarter if such failure occurs solely because of changes in asset values. If our failure to satisfy the Asset Tests results from an acquisition of securities or other property during a quarter, we can cure the failure by disposing of a sufficient amount of nonqualifying assets within 30 days after the close of that quarter. We maintain, and will continue to maintain, adequate records of the value of our assets to ensure compliance with the Asset Tests and will take other action within 30 days after the close of any quarter as may be required to cure any noncompliance.

Operational Requirements -- Annual Distribution Requirement

In order to be taxed as a REIT, we are required to make dividend distributions, other than capital gain distributions, to our shareholders each year in the amount of at least 95% of our REIT taxable income (computed without regard to the dividends paid deduction and our capital gain and subject to certain other potential adjustments) for all tax years prior to 2001 and at least 90% of our REIT taxable income for all future years beginning with the year 2001.

While we must generally pay dividends in the taxable year to which they relate, we may also pay dividends in the following taxable year if (1) they are declared before we timely file our federal income tax return for the taxable year in question, and if (2) they are paid on or before the first regular dividend payment date after the declaration.

Even if we satisfy the foregoing dividend distribution requirement and, accordingly, continue to qualify as a REIT for tax purposes, we will still be subject to tax on the excess of our net capital gain and our REIT taxable

income, as adjusted, over the amount of dividends distributed to shareholders.

In addition, if we fail to distribute during each calendar year at least the sum of:

- 85% of our ordinary income for that year;
- 95% of our capital gain net income other than the capital gain net income which we elect to retain and pay tax on for that year; and

- any undistributed taxable income from prior periods,

we will be subject to a 4% excise tax on the excess of the amount of such required distributions over amounts actually distributed during such year.

We intend to make timely distributions sufficient to satisfy this requirement; however, it is possible that we may experience timing differences between (1) the actual receipt of income and payment of deductible expenses, and (2) the inclusion of that income. It is also possible that we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale.

In such circumstances, we may have less cash than is necessary to meet our annual distribution requirement or to avoid income or excise taxation on certain undistributed income. We may find it necessary in such circumstances to arrange for financing or raise funds through the issuance of additional shares in order to meet our distribution requirements, or we may pay taxable stock distributions to meet the distribution requirement.

If we fail to satisfy the distribution requirement for any taxable year by reason of a later adjustment to our taxable income made by the Internal Revenue Service, we may be able to pay "deficiency dividends" in a later year and include such distributions in our deductions for dividends paid for the earlier year. In such event, we may be able to avoid being taxed on amounts distributed as deficiency dividends, but we would be required in such circumstances to pay interest to the Internal Revenue Service based upon the amount of any deduction taken for deficiency dividends for the earlier year.

As noted above, we may also elect to retain, rather than distribute, our net long-term capital gains. The effect of such an election would be as follows:

- we would be required to pay the tax on these gains;
- shareholders, while required to include their proportionate share of the undistributed long-term capital gains in income, would receive a credit or refund for their share of the tax paid by the REIT; and
- the basis of a shareholder's shares would be increased by the amount of our undistributed long-term capital gains (minus the amount of capital gains tax we pay) included in the shareholder's long-term capital gains.

In computing our REIT taxable income, we will use the accrual method of accounting and depreciate depreciable property under the alternative depreciation system. We are required to file an annual federal income tax return, which, like other corporate returns, is subject to examination by the Internal Revenue Service. Because the tax law requires us to make many judgments regarding the proper treatment of a transaction or an item of income or deduction, it is possible that the Internal Revenue Service will challenge positions we take in computing our REIT taxable income and our distributions. Issues could arise, for example, with respect to the allocation of the purchase price of properties between depreciable or amortizable assets and nondepreciable or non-amortizable assets such as land and the current deductibility of fees paid to Wells Capital or its affiliates. Were the Internal Revenue Service to 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

shareholders and pay interest thereon to the Internal Revenue Service, as provided by the Internal Revenue Code. A deficiency distribution cannot be used to satisfy the distribution requirement, however, if the failure to meet the requirement is not due to a later adjustment to our income by the Internal Revenue Service.

Operational Requirements -- Recordkeeping

In order to continue to qualify as a REIT, we must maintain certain records as set forth in applicable Treasury Regulations. Further, we must request, on an annual basis, certain information designed to disclose the ownership of our outstanding shares. We intend to comply with such requirements.

Failure to Qualify as a REIT

If we fail to qualify as a REIT for any reason in a taxable year and applicable relief provisions do not apply, we will be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. We will not be able to deduct dividends paid to our shareholders in any year in which we fail to qualify as a REIT. We also will be disqualified for the four taxable years following the year during which qualification was lost unless we are entitled to relief under specific statutory provisions. (See "Risk Factors -- Federal Income Tax Risks")

Sale-Leaseback TransactionsSale-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. Shareholders

Definition

In this section, the phrase "U.S. shareholder" means a holder of shares that for federal income tax purposes:

- is a citizen or resident of the United States;
- is a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof;

- is an estate or trust, the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

For any taxable year for which we qualify for taxation as a REIT, amounts distributed to taxable U.S. shareholders will be taxed as described below.

Distributions Generally

Distributions to U.S. shareholders, other than capital gain distributions discussed below, will constitute dividends up to the amount of our current or accumulated earnings and profits and will be taxable to the shareholders as ordinary income. These distributions are not eligible for the dividends received deduction generally available to corporations. To the extent that we make a distribution in excess of our current or accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital, reducing the tax basis in each U.S. shareholder's shares, and the amount of each distribution in excess of a U.S. shareholder's tax basis in its shares will be taxable as gain realized from the sale of its shares. Distributions that we declare in October, November or December of any year payable to a shareholder of record on a specified date in any of these months will be treated as both paid by us and received by the shareholder on December 31 of the year, provided that we actually pay the distribution during January of the following calendar year. U.S. shareholders may not include any of our losses on their own federal income tax returns.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution by us up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed above. Moreover, any "deficiency distribution" will be treated as an ordinary or capital gain distribution, as the case may be, regardless of our earnings and profits. As a result, shareholders may be required to treat as taxable some distributions that would otherwise result in a tax-free return of capital.

Capital Gain Distributions

Distributions to U.S. shareholders that we properly designate as capital gain distributions will be treated as long-term capital gains, to the extent they do not exceed our actual net capital gain, for the taxable year without regard to the period for which the U.S. shareholder has held his stock.

Passive Activity Loss and Investment Interest Limitations

Our distributions and any gain you realize from a disposition of shares will not be treated as passive activity income, and shareholders may not be able to utilize any of their "passive losses" to offset this income in their personal tax returns. Our distributions (to the extent they do not constitute a return of capital) will generally be treated as investment income for purposes of the limitations on the deduction of investment interest. Net capital gain from a disposition of shares and capital gain distributions generally will be included in investment income for purposes of the investment interest deduction limitations only if, and to the extent, you so elect, in which case any such capital gains will be taxed as ordinary income.

Certain Dispositions of the Shares

In general, any gain or loss realized upon a taxable disposition of

shares by a U.S. shareholder who is not a dealer in securities will be treated as long-term capital gain or loss if the shares have been held for more than 12 months and as short-term capital gain or loss if the shares have been held for 12 months or less. If, however, a U.S. shareholder has received any capital gains distributions with respect to his shares, any loss realized upon a taxable disposition of shares held for six months or less, to the extent of the capital gains distributions received with respect to his shares, will be treated as long-term capital loss. Also, the Internal Revenue Service is authorized to issue Treasury Regulations that would subject a portion of the capital gain a U.S. shareholder recognizes from selling his shares or from a capital gain distribution to a tax at a 25% rate, to the extent the capital gain is attributable to depreciation previously deducted.

Information Reporting Requirements and Backup Withholding for U.S. Shareholders

Under some circumstances, U.S. shareholders may be subject to backup withholding at a rate of 31% on payments made with respect to, or cash proceeds of a sale or exchange of, our shares. Backup withholding will apply only if the shareholder:

- fails to furnish his or her taxpayer identification number (which, for an individual, would be his or her Social Security Number);
- furnishes an incorrect tax identification number;
- is notified by the Internal Revenue Service that he or she has failed properly to report payments of interest and distributions or is otherwise subject to backup withholding; or
- under some circumstances, fails to certify, under penalties of perjury, that he or she has furnished a correct tax identification number and that (a) he or she has not been notified by the Internal Revenue Service that he or she is subject to backup withholding for failure to report interest and distribution payments or (b) he or she has been notified by the Internal Revenue Service that he or she is no longer subject to backup withholding.

Backup withholding will not apply with respect to payments made to some shareholders, such as corporations and tax-exempt organizations. Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to a payment to a U.S. shareholder will be allowed as a credit against the U.S. shareholder's U.S. federal income tax liability and may entitle the U.S. shareholder to a refund, provided that the required information is furnished to the Internal Revenue Service. U.S. shareholders should consult their own tax advisors regarding their qualifications for exemption from backup withholding and the procedure for obtaining an exemption.

Treatment of Tax-Exempt Shareholders

Tax-exempt entities such as employee pension benefit trusts, individual retirement accounts, charitable remainder trusts, etc. generally are exempt from federal income taxation. Such entities are subject to taxation, however, on any "unrelated business taxable income" (UBTI), as defined in the Internal Revenue Code. The payment of dividends to a tax-exempt employee pension benefit trust or other domestic tax-exempt shareholder generally will not constitute unrelated business taxable income to such shareholder unless such shareholder has borrowed to acquire or carry its shares.

In the event that we were deemed to be "predominately held" by qualified employee pension benefit trusts that each hold more than 10% (in value) of our shares, such trusts would be required to treat a certain percentage of the dividend distributions paid to them as unrelated business

taxable income. We would be deemed to be "predominately held" by such trusts if either (1) one employee pension benefit trust owns more than 25% in value of our shares, or (ii) any group of such trusts, each owning more than 10% in value of our shares, holds in the aggregate more than 50% in value of our shares. If either of these ownership thresholds were 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 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 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 shareholder in question is able to deduct amounts "set aside" or placed in reserve for certain purposes so as to offset the unrelated business taxable income generated. Any such organization which is a prospective shareholder should consult its own tax advisor concerning these "set aside" and reserve requirements.

Special Tax Considerations for Non-U.S. Shareholders

The rules governing U.S. income taxation of non-resident alien individuals, foreign corporations, foreign partnerships and foreign trusts and estates (collectively, "Non-U.S. shareholders") are complex. The following discussion is intended only as a summary of these rules. Non-U.S. investors should consult with their own tax advisors to determine the impact of federal, state and local income tax laws on an investment in our shares, including any reporting requirements.

Income Effectively Connected With a U.S. Trade or Business

In general, Non-U.S. shareholders will be subject to regular U.S. federal income taxation with respect to their investment in our shares if the income derived therefrom is "effectively connected" with the Non-U.S. shareholder's conduct of a trade or business in the United States. A corporate Non-U.S. shareholder that receives income that is (or is treated as) effectively connected with a U.S. trade or business also may be subject to a branch profits tax under Section 884 of the Internal Revenue Code, which is payable in addition to the regular U.S. federal corporate income tax.

The following discussion will apply to Non-U.S. shareholders whose income derived from ownership of our shares is deemed to be not "effectively connected" with a U.S. trade or business.

Distributions Not Attributable to Gain From the Sale or Exchange of a United States Real Property Interest

A distribution to a Non-U.S. shareholder that is not attributable to gain realized by us from the sale or exchange of a United States real property interest and that we do not designate as a capital gain distribution will be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits. Generally, any ordinary income distribution will be subject to a U.S. federal income tax equal to 30% of the gross amount of the distribution unless this tax is reduced by the provisions of an applicable tax treaty. Any such distribution in excess of our earnings and profits will be

treated first as a return of capital that will reduce each Non-U.S. shareholder's basis in its shares (but not below zero) and then as gain from the disposition of those shares, the tax treatment of which is described under the

rules discussed below with respect to dispositions of shares.

Distributions Attributable to Gain From the Sale or Exchange of a United States Real Property Interest

Distributions to a Non-U.S. shareholder that are attributable to gain from the sale or exchange of a United States real property interest will be taxed to a Non-U.S. shareholder under Internal Revenue Code provisions enacted by the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA). Under FIRPTA, such distributions are taxed to a Non-U.S. shareholder as if the distributions were gains "effectively connected" with a U.S. trade or business. Accordingly, a Non-U.S. shareholder will be taxed at the normal capital gain rates applicable to a U.S. shareholder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals). Distributions subject to FIRPTA also may be subject to a 30% branch profits tax when made to a corporate Non-U.S. shareholder that is not entitled to a treaty exemption.

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

Although tax treaties may reduce our withholding obligations, based on current law, we will generally be required to withhold from distributions to Non-U.S. shareholders, and remit to the Internal Revenue Service:

- 35% of designated capital gain distributions or, if greater, 35% of the amount of any distributions that could be designated as capital gain distributions; and

- 30% of ordinary income distributions (i.e., distributions paid out of our earnings and profits).

In addition, if we designate prior distributions as capital gain distributions, subsequent distributions, up to the amount of the prior distributions, will be treated as capital gain distributions for purposes of withholding. A distribution in excess of our earnings and profits will be subject to 30% withholding if at the time of the distribution it cannot be determined whether the distribution will be in an amount in excess of our current or accumulated earnings and profits. If the amount of tax we withhold with respect to a distribution to a Non-U.S. shareholder exceeds the shareholder's U.S. tax liability with respect to that distribution, the Non-U.S. shareholder may file a claim with the Internal Revenue Service for a refund of the excess.

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

A sale of our shares by a Non-U.S. shareholder will generally not be subject to U.S. federal income taxation unless our shares constitute a "United States real property interest" within the meaning of FIRPTA. Our shares will not constitute a United States real property interest if we are a "domestically controlled REIT." A "domestically controlled REIT" is a REIT that at all times during a specified testing period has less than 50% in value of its shares held directly or indirectly by Non-U.S. shareholders. We currently anticipate that we will be a domestically controlled REIT. Therefore, sales of our shares should not be subject to taxation under FIRPTA. However, we cannot assure you that we will continue to be a domestically controlled REIT. If we were not a domestically controlled REIT, whether a Non-U.S. shareholder's sale of our shares would be subject to tax under FIRPTA as a sale of a United States real property interest would depend on whether our shares were "regularly traded" on an established securities

market and on the size of the selling shareholder's interest in us. Our shares currently are not "regularly traded" on an established securities market.

If the gain on the sale of shares were subject to taxation under FIRPTA, a Non-U.S. shareholder would be subject to the same treatment as a U.S. shareholder with respect to the gain, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals. In addition, distributions that are treated as gain from the disposition of shares and are subject to tax under FIRPTA also may be subject to a 30% branch profits tax when made to a corporate Non-U.S. shareholder that is not entitled to a treaty exemption. Under FIRPTA, the purchaser of our shares may be required to withhold 10% of the purchase price and remit this amount to the Internal Revenue Service.

Even if not subject to FIRPTA, capital gains will be taxable to a Non-U.S. shareholder if the Non-U.S. shareholder is a non-resident alien individual who is present in the United States for 183 days or more during the taxable year and some other conditions apply, in which case the non-resident alien individual will be subject to a 30% tax on his or her U.S. source capital gains.

Recently promulgated Treasury Regulations may alter the procedures for claiming the benefits of an income tax treaty. Our Non-U.S. shareholders should consult their tax advisors concerning the effect, if any, of these Treasury Regulations on an investment in our shares.

Information Reporting Requirements and Backup Withholding for Non-U.S. Shareholders

Additional issues may arise for information reporting and backup withholding for Non-U.S. shareholders. Non-U.S. shareholders should consult their tax advisors with regard to U.S. information reporting and backup withholding requirements under the Internal Revenue Code.

Statement of Stock Ownership

We are required to demand annual written statements from the record holders of designated percentages of our shares disclosing the actual owners of the shares. Any record shareholder who, upon our request, does not provide us with required information concerning actual ownership of the shares is required to include specified information relating to his shares in his federal income tax return. We also must maintain, within the Internal Revenue District in which we are required to file our federal income tax return, permanent records showing the information we have received about the actual ownership of shares and a list of those persons failing or refusing to comply with our demand.

State and Local Taxation

We and any operating subsidiaries 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 (the "Check-the-Box-Regulations"), an unincorporated entity

with at least two members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity fails to make an election, it generally will be treated as a partnership for federal income tax purposes. Wells OP intends to be classified as a partnership for federal income tax purposes and will not elect to be treated as an association taxable as a corporation under the Check-the-Box-Regulations.

Even though Wells OP will elect to be treated as a partnership for federal income tax purposes, it may be taxed as a corporation if it is deemed to be a "publicly traded partnership." A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or the substantial equivalent thereof); provided, that even if the foregoing requirements are met, a publicly traded partnership will not be treated as a corporation for federal income tax purposes if at least 90% of such partnership's gross income for a taxable year consists of "qualifying income" under Section 7704(d) of the Internal Revenue Code. Qualifying income generally includes any income that is qualifying income for purposes of the 95% Income Test applicable to REITs (90% Passive-Type Income Exception). (See "Requirements for Qualification as a REIT -- Operational Requirements - Gross Income Tests").

Under applicable Treasury Regulations (PTP Regulations), limited safe harbors from the definition of a publicly traded partnership are provided. Pursuant to one of those safe harbors (Private Placement Exclusion), interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (i) all interests in the partnership were issued in a transaction (or transactions) that was not required to be registered under the Securities Act of 1933, as amended, and (ii) the partnership does not have more than 100 partners at any time during the partnership's taxable year. In determining the number of partners in a partnership, a person owning an interest in a flow-through entity (such as a partnership, grantor trust or S corporation) that owns an interest in the partnership is treated as a partner in such partnership only if (a) substantially all of the value of the owner's interest in the flow-through is attributable to the flow-through entity's interest (direct or indirect) in the partnership and (b) a principal purpose of the use of the flow-through entity is to permit the partnership to satisfy the 100 partner limitation. Wells OP qualifies for the Private Placement Exclusion. Even if Wells OP is considered a publicly traded partnership under the PTP Regulations because it is deemed to have more than 100 partners, however, Wells OP should not be treated as a corporation because it should be eligible for the 90% Passive-Type Income Exception described above.

We have not requested, and do not intend to request, a ruling from the Internal Revenue Service that Wells OP will be classified as a partnership for federal income tax purposes. Holland & Knight LLP is of the opinion, however, that based on certain factual assumptions and representations, Wells OP will more likely than not be treated for federal income tax purposes as a partnership and not as an association taxable as a corporation, or as a publicly traded partnership. Unlike a tax ruling, however, an opinion of counsel is not binding upon the Internal Revenue Service, and no assurance can be given that the Internal Revenue Service will not challenge the status of Wells OP as a partnership for federal income tax purposes. If such challenge were sustained by a court, Wells OP would be treated as a corporation for federal income tax purposes, as described below. In addition, the opinion of Holland & Knight LLP is based on existing law, which is to a great extent the result of administrative and judicial interpretation. No assurance can be given that administrative or judicial changes would not modify the conclusions expressed in the opinion.

If for any reason Wells OP were taxable as a corporation, rather than a partnership, for federal income tax purposes, we would not be able to qualify as a REIT. (See "Federal Income Tax Considerations -- Requirements for Qualification as a REIT -- Operational Requirements - Gross Income Tests" and "Requirements for Qualification as a REIT -- Operational Requirements - Asset

Tests.") In addition, any change in Wells OP's status for tax purposes might be treated as a taxable event, in which case we might incur a tax liability without any related cash distribution. Further, items of income and deduction of Wells OP would not pass through to its partners, and its partners would be treated as shareholders for tax purposes. Consequently, Wells OP would be required to pay income tax at corporate tax rates on its net income, and distributions to its partners would constitute dividends that would not be deductible in computing Wells OP's taxable income.

Income Taxation of the Operating Partnership and its Partners

Partners, Not a Partnership, Subject to Tax. A partnership is not a taxable entity for federal income tax purposes. As a partner in Wells OP, we will be required to take into account our allocable share of Wells OP's income, gains, losses, deductions, and credits for any taxable year of Wells OP ending within or with our taxable year, without regard to whether we have received or will receive any distribution from Wells OP.

Partnership Allocations. Although a partnership agreement generally determines the allocation of income and losses among partners, such allocations will be disregarded for tax purposes under Section 704(b) of the Internal Revenue Code if they do not comply with the provisions of Section 704(b) of the Internal Revenue Code and the Treasury Regulations promulgated thereunder. If an allocation is not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partner's interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Wells OP's allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Internal Revenue Code and the Treasury Regulations promulgated thereunder.

Tax Allocations With Respect to Contributed Properties. Pursuant to Section 704(c) of the Internal Revenue Code, income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for federal income tax purposes in a manner such that the contributor is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution. Under applicable Treasury Regulations, partnerships are required to use a "reasonable method" for allocating items subject to Section 704(c) of the Internal Revenue Code and several reasonable allocation methods are described therein.

Under the partnership agreement for Wells OP, depreciation or amortization deductions of Wells OP generally will be allocated among the partners in accordance with their respective interests in Wells OP, except to the extent that Wells OP is required under Section 704(c) to use a method for allocating depreciation deductions attributable to its properties that results in us receiving a disproportionately large share of such deductions. It is possible that we may (1) be allocated lower amounts of depreciation deductions for tax purposes with respect to contributed properties than would be allocated to us if each such property were to have a tax basis equal to its fair market value at the time of contribution, and (2) be allocated taxable gain in the event of a sale of such contributed properties in excess of the economic profit allocated to us as a result of such sale. These allocations may cause us to recognize taxable income in excess of cash proceeds received by us, which might adversely affect our ability to comply with the REIT

distribution requirements, although we do not anticipate that this event will occur. The foregoing principles also will affect the calculation of our earnings and profits for purposes of determining which portion of our distributions is taxable as a dividend. The allocations described in this paragraph may result in a higher portion of our distributions being taxed as a dividend than would have

occurred had we purchased such properties for cash.

Basis in Operating Partnership Interest. The adjusted tax basis of our partnership interest in Wells OP generally is equal to (1) the amount of cash and the basis of any other property contributed to Wells OP by us, (2) increased by (A) our allocable share of Wells OP's income and (B) our allocable share of indebtedness of Wells OP, and (3) reduced, but not below zero, by (A) our allocable share of Wells OP's loss and (B) the amount of cash distributed to us, including constructive cash distributions resulting from a reduction in our share of indebtedness of Wells OP.

If the allocation of our distributive share of Wells OP's loss would reduce the adjusted tax basis of our partnership interest in Wells OP below zero, the recognition of such loss will be deferred until such time as the recognition of such loss would not reduce our adjusted tax basis below zero. If a distribution from Wells OP or a reduction in our share of Wells OP's liabilities (which is treated as a constructive distribution for tax purposes) would reduce our adjusted tax basis below zero, any such distribution, including a constructive distribution, would constitute taxable income to us. The gain realized by us upon the receipt of any such distribution or constructive distribution would normally be characterized as capital gain, and if our partnership interest in Wells OP has been held for longer than the long-term capital gain holding period (currently one year), the distribution would constitute long-term capital gain.

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

Sale of the Operating Partnership's Property

Generally, any gain realized by Wells OP on the sale of property held for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Any gain recognized by Wells OP upon the disposition of a property acquired by Wells OP for cash will be allocated among the partners in accordance with their respective percentage interests in Wells OP.

Our share of any gain realized by Wells OP on the sale of any property held by Wells OP as inventory or other property held primarily for sale to customers in the ordinary course of Wells OP's trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income also may have an adverse effect upon our ability to satisfy the Income Tests for maintaining our REIT status. (See "Federal Income Tax Considerations -- Requirements for Qualification as a REIT -- Gross Income Tests" above.) We, however, do not presently intend to acquire

or hold or allow Wells OP to acquire or hold any property that represents inventory or other property held primarily for sale to customers in the ordinary course of our or Wells OP's trade or business.

ERISA Considerations

The following is a summary of some non-tax considerations associated with an investment in our shares by a qualified employee pension benefit plan or an IRA. This summary is based on provisions of ERISA and the Internal Revenue Code, as amended through the date of this prospectus, and relevant regulations and opinions issued by the Department of Labor and the Internal Revenue Service. We cannot assure you that adverse tax decisions or legislative, regulatory or administrative changes which would significantly modify the statements expressed herein will not occur. Any such changes may or may not apply to transactions entered into prior to the date of their enactment.

Each fiduciary of an employee pension benefit plan subject to ERISA, such as a profit sharing, section 401(k) or pension plan, or of any other retirement plan or account subject to Section 4975 of the Internal Revenue Code, such as an IRA (Benefit Plans), seeking to invest plan assets in our shares must, taking into account the facts and circumstances of such Benefit Plan, consider, among other matters:

- whether the investment is consistent with the applicable provisions of ERISA and the Internal Revenue Code;
- whether, under the facts and circumstances attendant to the Benefit Plan in question, the fiduciary's responsibility to the plan has been satisfied;
- whether the investment will produce UBTI to the Benefit Plan (see "Federal Income Tax Considerations -- Treatment of Tax-Exempt Shareholders"); and
- the need to value the assets of the Benefit Plan annually.

Under ERISA, a plan fiduciary's responsibilities include the following duties:

- to act solely in the interest of plan participants and beneficiaries and for the exclusive purpose of providing benefits to them, as well as defraying reasonable expenses of plan administration;
- to invest plan assets prudently;
- to diversify the investments of the plan unless it is clearly prudent not to do so;
- to ensure sufficient liquidity for the plan; and
- to consider whether an investment would constitute or give rise to a prohibited transaction under ERISA or the Internal Revenue Code.

ERISA also requires that the assets of an employee benefit plan be held in trust and that the trustee, or a duly authorized named fiduciary or investment manager, have exclusive authority and discretion to manage and control the assets of the plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit specified transactions involving the assets of a Benefit Plan which are between the plan and any "party in interest" or "disqualified person" with respect to that Benefit Plan. These transactions are prohibited regardless of

how beneficial they may be for the Benefit Plan. Prohibited transactions include the sale, exchange or leasing of property, the lending of money or the extension of credit between a Benefit Plan and a party in interest or disqualified person, and the transfer to, or use by, or for the benefit of, a party in interest, or

disqualified person, of any assets of a Benefit Plan. A fiduciary of a Benefit Plan also is prohibited from engaging in self-dealing, acting for a person who has an interest adverse to the plan or receiving any consideration for its own account from a party dealing with the plan in a transaction involving plan assets. Furthermore, Section 408 of the Internal Revenue Code states that assets of an IRA trust may not be commingled with other property except in a common trust fund or common investment fund.

Plan Asset Considerations

In order to determine whether an investment in our shares by Benefit Plans creates or gives rise to the potential for either prohibited transactions or the commingling of assets referred to above, a fiduciary must consider whether an investment in our shares will cause our assets to be treated as assets of the investing Benefit Plans. Neither ERISA nor the Internal Revenue Code define the term "plan assets," however, U.S. Department of Labor Regulations provide guidelines as to whether, and under what circumstances, the underlying assets of an entity will be deemed to constitute assets of a Benefit Plan when the plan invests in that entity (the Plan Assets Regulation). Under the Plan Assets Regulation, the assets of corporations, partnerships or other entities in which a Benefit Plan makes an equity investment will generally be deemed to be assets of the Benefit Plan unless the entity satisfies one of the exceptions to this general rule. As discussed below, we have received an opinion of counsel that, based on the Plan Assets Regulation, our underlying assets should not be deemed to be "plan assets" of Benefit Plans investing in shares, assuming the conditions set forth in the opinion are satisfied, based upon the fact that at least one of the specific exemptions set forth in the Plan Assets Regulation is satisfied, as determined below.

Specifically, the Plan Assets Regulation provides that the underlying assets of REITs will not be treated as assets of a Benefit Plan investing therein if the interest the Benefit Plan acquires is a "publicly-offered security." A publicly-offered security must be:

- sold as part of a public offering registered under the Securities Act of 1933, 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 over 100 independent shareholders. Thus, both the first and second criterion of the publicly-offered security exception will be satisfied.

Whether a security is "freely transferable" depends upon the particular facts and circumstances. Our shares are subject to certain restrictions on transferability intended to ensure that we continue to qualify for federal income tax treatment as a REIT. The regulation provides, however, that where the minimum investment in a public offering of securities is $10,000 or less, the presence of a restriction on transferability intended to prohibit transfers which would result in a termination or reclassification of the entity for state or federal tax purposes will not ordinarily affect a determination that such securities are freely transferable. The minimum investment in our shares is less than $10,000; thus, the restrictions

imposed in order to maintain our status as a REIT should not cause the shares to be deemed not freely transferable.

In the event that our underlying assets were treated by the Department

of Labor as the assets of investing Benefit Plans, our management would be treated as fiduciaries with respect to each Benefit Plan shareholder, and an investment in our shares might constitute an ineffective delegation of fiduciary responsibility to Wells Capital, 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 our advisor or affiliates of our advisor were treated as fiduciaries with respect to Benefit Plan shareholders, the prohibited transaction restrictions of ERISA and the Internal Revenue Code would apply to any transaction involving our assets. These restrictions could, for example, require that we avoid transactions with entities that are affiliated with us or our affiliates or restructure our activities in order to obtain an administrative exemption from the prohibited transaction restrictions. Alternatively, we might have to provide Benefit Plan shareholders with the opportunity to sell their shares to us or we might dissolve or terminate.

If a prohibited transaction were to occur, the Internal Revenue Code imposes an excise tax equal to 15% of the amount involved and authorizes the IRS to impose an additional 100% excise tax if the prohibited transaction is not "corrected." These taxes would be imposed on any disqualified person who participates in the prohibited transaction. In addition, Wells Capital and possibly other fiduciaries of Benefit Plan shareholders subject to ERISA who permitted the prohibited transaction to occur or who otherwise breached their fiduciary responsibilities, or a non-fiduciary participating in a prohibited transaction, could be required to restore to the Benefit Plan any profits they realized as a result of the transaction or breach, and make good to the Benefit Plan any losses incurred by the Benefit Plan as a result of the transaction or breach. With respect to an IRA that invests in our shares, the occurrence of a prohibited transaction involving the individual who established the IRA, or his or her beneficiary, would cause the IRA to lose its tax-exempt status under Section 408(e)(2) of the Internal Revenue Code.

We have obtained an opinion from Holland & Knight LLP that our shares more likely than not constitute "publicly-offered securities" and, accordingly, it is more likely than not that our underlying assets should not be considered "plan assets" under the Plan Assets Regulation, assuming the offering takes place as described in this prospectus. If our underlying assets are not deemed to be "plan assets," the problems discussed in the immediately preceding three paragraphs are not expected to arise.

Other Prohibited Transactions

Regardless of whether the shares qualify for the "publicly-offered security" exception of the Plan Assets Regulation, a prohibited transaction could occur if the Wells REIT, 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 provide reports of our annual determinations of the current value of our net assets per outstanding share to those fiduciaries (including IRA trustees and custodians) who identify themselves to us and request the reports. Until December 31, 2002, we intend to use the offering price of shares as the per share net asset value. Beginning with the year 2003, the value of the properties and our other assets will be based on a valuation. Such valuation will be performed by a person independent of us and of Wells Capital.

We anticipate that we will provide annual reports of our determination of value (1) to IRA trustees and custodians not later than January 15 of each year, and (2) to other Benefit Plan fiduciaries within 75 days after the end of each calendar year. Each determination may be based upon valuation information available as of October 31 of the preceding year, up-dated, however, for any material changes occurring between October 31 and December 31.

We intend to revise these valuation procedures to conform with any relevant guidelines that the Internal Revenue Service or the Department of Labor may hereafter issue. Meanwhile, we cannot assure you:

- that the value determined by us could or will actually be realized by us or by shareholders upon liquidation (in part because appraisals or estimated values do not necessarily indicate the price at which assets could be sold and because no attempt will be made to estimate the expenses of selling any of our assets);
- that shareholders could realize this value if they were to attempt to sell their shares; or
- that the value, or the method used to establish value, would comply with the ERISA or IRA requirements described above.

Description of Shares

The following description of the shares is not complete but is a summary of portions of our articles of incorporation and is qualified in its entirety by reference to the articles of incorporation.

Under our articles of incorporation, we have authority to issue a total of 500,000,000 shares of capital stock. Of the total shares authorized, 350,000,000 shares are designated as common stock with a par value of $0.01 per share, 50,000,000 shares are designated as preferred stock with a par value of

$0.01 per share and 100,000,000 shares are designated as shares-in-trust, which would be issued only in the event we have purchases in excess of the ownership limits described below.

As of December 10, 2000, approximately 30,185,358 shares of our common stock were issued and outstanding, and no shares of preferred stock or shares-in-trust were issued and outstanding.

Common Stock

The holders of common stock are entitled to one vote per share on all matters voted on by shareholders, including election of our directors. Our articles of incorporation do not provide for cumulative voting in the election of directors. Therefore, the holders of a majority of the outstanding common shares can elect our entire board of directors. Subject to any preferential rights of any outstanding series of preferred stock, the holders of common stock are entitled to such dividends as may be declared from time to time by our board of directors out of legally available funds and, upon liquidation, are entitled to receive all assets available for distribution to shareholders. All shares issued in the offering will be fully paid and non-assessable shares of common stock. Holders of shares of common stock will not have preemptive rights, which means that you will not have an automatic option to purchase any new shares that we issue.

We will not issue certificates for our shares. Shares will be held in "uncertificated" form which will eliminate the physical handling and safekeeping responsibilities inherent in owning transferable stock certificates and eliminate the need to return a duly executed stock certificate to effect a transfer. Wells Capital, our advisor, acts as our registrar and as the transfer agent for our shares. Transfers can be effected simply by mailing to Wells Capital a transfer and assignment form, which we will provide to you at no charge.

Preferred Stock

Our articles of incorporation authorize our board of directors to designate and issue one or more classes or series of preferred stock without stockholder approval. The board of directors may determine the relative rights, preferences and privileges of each class or series of preferred stock so issued, which may be more beneficial than the rights, preferences and privileges attributable to the common stock. The issuance of preferred stock could have the effect of delaying or preventing a change in control of the Wells REIT. Our board of directors has no present plans to issue preferred stock, but may do so at any time in the future without shareholder approval.

Meetings and Special Voting Rrquirements

An annual meeting of the shareholders will be held each year, at least 30 days after delivery of our annual report. Special meetings of shareholders may be called only upon the request of a majority of the directors, a majority of the independent directors, the chairman, the president or upon the written request of shareholders 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 shareholder action authorized by our articles of incorporation, except that a majority of the votes represented in person or by proxy at a meeting at which a quorum is present is sufficient to elect a director.

Under Maryland Corporation Law and our articles of incorporation, shareholders are entitled to vote at a duly held meeting at which a quorum is present on (1) amendment of our articles of incorporation, (2) liquidation or dissolution of the Wells REIT, (3) reorganization of the Wells REIT, (4) merger, consolidation or sale or other disposition of substantially all of our assets,

and (5) termination of our status as a REIT. Shareholders voting against any merger or sale of assets are permitted under Maryland Corporation Law to petition a court for the appraisal and payment of the fair value of their shares. In an appraisal proceeding, the court appoints appraisers who attempt to determine the fair value of the stock as of the date of the shareholder vote on the merger or sale of assets. After considering the appraisers' report, the court makes the final determination of the fair value to be paid to the dissenting shareholder and decides whether to award interest from the date of the merger or sale of assets and costs of the proceeding to the dissenting shareholders.

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

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

In addition to the foregoing, shareholders have rights under Rule 14a-7 under the Securities Exchange Act, which provides that, upon the request of investors and the payment of the expenses of the distribution, we are required to distribute specific materials to shareholders in the context of the solicitation of proxies for voting on matters presented to shareholders or, at our option, provide requesting shareholders with a copy of the list of shareholders so that the requesting shareholders may make the distribution of proxies themselves.

Restriction on Ownership of Shares

In order for us to qualify as a REIT, not more than 50% of our outstanding shares may be owned by any five or fewer individuals, including some tax-exempt entities. In addition, the outstanding shares must be owned by 100 or more persons independent of us and each other during at least 335 days of a 12-month taxable year or during a proportionate part of a shorter taxable year. We may prohibit certain acquisitions and transfers of shares so as to ensure our continued qualification as a REIT under the Internal Revenue Code. However, we cannot assure you that this prohibition will be effective.

In order to assist us in preserving our status as a REIT, our articles of incorporation contain a limitation on ownership which prohibits any person or group of persons from acquiring, directly or indirectly, beneficial ownership of more than 9.8% of our outstanding shares. Our articles of incorporation provide that any transfer of shares that would violate our share ownership limitations is null and void and the intended transferee will acquire no rights in such shares, unless the transfer is approved by the board of directors based upon receipt of information that such transfer would not violate the provisions of the Internal Revenue Code for qualification as a REIT.

The shares in excess of the ownership limit which are attempted to be transferred will be designated as "shares-in-trust" and will be transferred automatically to a trust effective on the day before the reported transfer of such shares. The record holder of the shares that are designated as shares-in-trust will be required to submit such number of shares to the Wells REIT in the name of the trustee of the trust. We will designate a trustee of the share trust that will not be affiliated with us. We will also name one or more charitable organizations as a beneficiary of the share trust. Shares-in-trust will remain issued and outstanding shares and will be entitled to the same

rights and privileges as all other shares of the same class or series. The trustee will receive all dividends and distributions on the shares-in-trust and will hold such dividends or distributions in trust for the benefit of the beneficiary. The trustee will vote all shares-in-trust during the period they are held in trust.

At our direction, the trustee will transfer the shares-in-trust to a person whose ownership will not violate the ownership limits. The transfer shall be made within 20 days of our receipt of notice that shares have been transferred to the trust. During this 20-day period, we will have the option of redeeming such shares. Upon any such transfer or redemption, the purported transferee or holder shall receive a per share price equal to the lesser of (a) the price per share in the transaction that created such shares-in-trust, or (b) the market price per share on the date of the transfer or redemption.

Any person who (1) acquires shares in violation of the foregoing restriction or who owns shares that were transferred to any such trust is required to give immediate written notice to the Wells REIT of such event or (2) transfers or receives shares subject to such limitations is required to give the Wells REIT 15 days written notice prior to such transaction. In both cases, such persons shall provide to the Wells REIT such other information as we may request in order to determine the effect, if any, of such transfer on our status as a REIT.

The foregoing restrictions will continue to apply until (1) the board of directors determines it is no longer in the best interest of the Wells REIT to continue to qualify as a REIT and (2) there is an affirmative vote of the majority of shares entitled to vote on such matter at a regular or special meeting of the shareholders of the Wells REIT.

The ownership limit does not apply to an offeror which, in accordance with applicable federal and state securities laws, makes a cash tender offer, where at least 85% of the outstanding shares are duly tendered and accepted pursuant to the cash tender offer. The ownership limit also does not apply to the underwriter in a public offering of shares. In addition, the ownership limit does not apply to a person or persons which the directors so exempt from the ownership limit upon appropriate assurances that our qualification as a REIT is not jeopardized.

Any person who owns 5% or more of the outstanding shares during any taxable year will be asked to deliver a statement or affidavit setting forth the number of shares beneficially owned, directly or indirectly.

Dividends

Dividends will be paid on a quarterly basis regardless of the frequency with which such distributions are declared. Dividends will be paid to investors who are shareholders as of the record dates selected by the directors. We currently calculate our quarterly dividends based upon daily record and dividend declaration dates so our investors will be entitled to be paid dividends immediately upon their purchase of shares. We then make quarterly dividend payments following the end of each calendar quarter.

We are required to make distributions sufficient to satisfy the requirements for qualification as a REIT for tax purposes. Generally, income distributed as dividends will not be taxable to us under the Internal Revenue Code if we distribute at least 95% (90% beginning in year 2001) of our taxable income. (See "Federal Income Tax Considerations -- Requirements for Qualification as a REIT.")

Dividends will be declared at the discretion of the board of directors, in accordance with our earnings, cash flow and general financial condition. The board's discretion will be directed, in substantial part, by its obligation to cause us to comply with the REIT requirements. Because we may receive income from interest or rents at various times during our fiscal year, dividends may

not reflect our income earned in that particular distribution period but may be made in anticipation of cash flow which we expect to receive during a later quarter and may be made in advance of actual receipt of funds in an attempt to make dividends relatively uniform. We may borrow money, issue new securities or sell assets in order to make dividend distributions.

We are not prohibited from distributing our own securities in lieu of making cash dividends to shareholders, provided that the securities distributed to shareholders are readily marketable. Shareholders who receive marketable securities in lieu of cash dividends may incur transaction expenses in liquidating the securities.

Dividend Reinvestment Plan

We currently have a dividend reinvestment plan available that allows you to have your dividends otherwise distributable to you invested in additional shares of the Wells REIT.

You may purchase shares under the dividend reinvestment plan for $10 per share, less any discounts authorized in the "Plan of Distribution" section of this prospectus, 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 distributions in our shares would cause the percentage ownership limitation contained in our articles of incorporation to be exceeded.

If you elect to participate in the dividend reinvestment plan and are subject to federal income taxation, you will incur a tax liability for dividends allocated to you even though you have elected not to receive the dividends in cash but rather to have the dividends held pursuant to the dividend reinvestment plan. Specifically, you will be treated as if you have received the dividend from us in cash and then applied such dividend to the purchase of additional shares. You will be taxed on the amount of such dividend as ordinary income to the extent such dividend is from current or accumulated earnings and profits, unless we have designated all or a portion of the dividend as a capital gain dividend.

Share Redemption Program

Prior to the time that our shares are listed on a national securities exchange, shareholders of the Wells REIT who have held their shares for at least one year may receive the benefit of limited interim liquidity by presenting for redemption all or any portion of their shares to us at any time in accordance with the procedures outlined herein. At that time, we may, subject to the conditions and limitations described below, redeem the shares presented for redemption for cash to the extent that we have sufficient funds available to us to fund such redemption.

If you have held your shares for the required one-year period, you may redeem your shares for a purchase price equal to the lesser of (1) $10 per share, or (2) the purchase price per share that you actually paid for your

shares of the Wells REIT. In the event that you are redeeming all of your shares, shares purchased pursuant to our dividend reinvestment plan may be excluded from the foregoing one-year holding period requirement, in the discretion of the board of directors. In addition, 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. The board of directors reserves the right in its sole discretion at any time and from time to time to (1) waive the one-year holding period in the event of the death or bankruptcy of a shareholder or other exigent circumstances, (2) reject any request for redemption, (3) change the purchase price for redemptions, or (4) otherwise amend the terms of our share redemption program.

Redemption of shares, when requested, will be made quarterly on a first-come, first-served basis. Subject to funds being available, we will limit the number of shares redeemed pursuant to our share redemption program as follows: (1) during any calendar year, we will not redeem in excess of three percent (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 the share redemption program will be sufficient to accommodate all requests made in any year. If we do not have such funds available, at the time when redemption is requested, you can (1) withdraw your request for redemption, or (2) ask that we honor your request at such time, if any, when sufficient funds become available. Such pending requests will be honored on a first-come, first-served basis.

The share redemption program is only intended to provide interim liquidity for shareholders until a secondary market develops for the shares. No such market presently exists, and we cannot assure you that any market for your shares will ever develop.

The shares we purchase under the share redemption program will be cancelled, and will have the status of authorized, but unissued shares. We will not reissue such shares unless they are first registered with the Securities and Exchange Commission (Commission) under the Securities Act of 1933 and under appropriate state securities laws or otherwise issued in compliance with such laws.

If we terminate, reduce the scope of or otherwise change the share redemption program, we will disclose the changes in reports filed with the Commission.

Restrictions on Roll-Up Transactions

In connection with any proposed transaction considered a "Roll-up Transaction" involving the Wells REIT and the issuance of securities of an entity (a Roll-up Entity) that would be created or would survive after the successful completion of the Roll-up Transaction, an appraisal of all properties shall be obtained from a competent independent appraiser. The properties shall be appraised on a consistent basis, and the appraisal shall be based on the evaluation of all relevant information and shall indicate the value of the properties as of a date immediately prior to the announcement of the proposed Roll-up Transaction. The appraisal shall assume an orderly liquidation of properties over a 12-month period. The terms of the engagement of the

independent appraiser shall clearly state that the engagement is for our benefit and the shareholders. A summary of the appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to shareholders in connection with any proposed Roll-up Transaction.

A "Roll-up Transaction" is a transaction involving the acquisition, merger, conversion or consolidation, directly or indirectly, of the Wells REIT and the issuance of securities of a Roll-up Entity. This term does not include:

- a transaction involving our securities that have been for at least 12 months listed on a national securities exchange or included for quotation on Nasdaq; or

- a transaction involving the conversion to corporate, trust, or association form of only the Wells REIT if, as a consequence of the transaction, there will be no significant adverse change in any of the following: shareholder voting rights; the term of our existence; compensation to Wells Capital; or our investment objectives.

On connection with a proposed Roll-up Transaction, the person sponsoring the Roll-up Transaction must offer to shareholders who vote "no" on the proposal the choice of:

(1) accepting the securities of a Roll-up Entity offered in the proposed Roll-up Transaction; or

(2) one of the following:

(A) remaining as shareholders of the Wells REIT and preserving their interests therein on the same terms and conditions as existed previously, or

(B) receiving cash in an amount equal to the shareholder's pro rata share of the appraised value of our net assets.

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

- which would result in the shareholders having democracy rights in a Roll-up Entity that are less than those provided in our bylaws and described elsewhere in this prospectus, including rights with respect to the election and removal of directors, annual reports, annual and special meetings, amendment of our articles of incorporation, and dissolution of the Wells REIT;

- which includes provisions that would operate to materially impede or frustrate the accumulation of shares by any purchaser of the securities of the Roll-up Entity, except to the minimum extent necessary to preserve the tax status of the Roll-up Entity, or which

would limit the ability of an investor to exercise the voting rights of its securities of the Roll-up Entity on the basis of the number of shares held by that investor;

- in which investor's rights to access of records of the Roll-up Entity will be less than those provided in the section of this prospectus entitled "Description of Shares -- Meetings and Special Voting Requirements;" or

- in which any of the costs of the Roll-up Transaction would be borne by us if the Roll-up Transaction is not approved by the shareholders.

Business Combinations

Under Maryland Corporation Law, business combinations between a Maryland corporation and an interested shareholder or the interested shareholder's affiliate are prohibited for five years after the most recent date on which the shareholder becomes an interested shareholder. For this purpose, the term "business combinations" includes mergers, consolidations, share exchanges, asset transfers and issuances or reclassifications of equity securities. An "interested shareholder" is defined for this purpose as:

(1) any person who beneficially owns ten percent or more of the voting power of the corporation's shares; or

(2) an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting shares of the corporation.

After the five-year prohibition, any business combination between the corporation and an interested shareholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

(1) 80% of the votes entitled to be cast by holders of outstanding voting shares of the corporation; and

(2) two-thirds of the votes entitled to be cast by holders of voting shares of the corporation other than shares held by the interested shareholder or its affiliate with whom the business combination is to be effected, or held by an affiliate or associate of the interested shareholder voting together as a single voting group.

These super-majority vote requirements do not apply if the corporation's common shareholders receive a minimum price, as defined under Maryland Corporation Law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares. None of these provisions of the Maryland Corporation Law will apply, however, to business combinations that are approved or exempted by the board of directors of the corporation prior to the time that the interested shareholder becomes an interested shareholder.

The business combination statute may discourage others from trying to acquire control of the Wells REIT and increase the difficulty of consummating any offer.

Control Share Acquisitions

Maryland Corporation Law provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the Acquisitions, or by officers or directors who are employees of the corporation are not entitled to vote on the matter. As permitted by Maryland Corporation Law, we have provided in our bylaws that the control share provisions of Maryland Corporation Law will not apply to transactions involving the Wells REIT, but the board of directors retains the discretion to change this provision in the future.

"Control shares" are voting shares which, if aggregated with all other shares owned by the acquiror or with respect to which the acquiror has the right to vote or to direct the voting of, other than solely by virtue of revocable proxy, would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting powers:

. one-fifth or more but less than one-third;

. one-third or more but less than a majority; or

. a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval.

Except as otherwise specified in the statute, a "control share acquisition" means the acquisition of control shares.

Once a person who has made or proposes to make a control share acquisition has undertaken to pay expenses and has satisfied other required conditions, the person may compel the board of directors to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any shareholders meeting.

If voting rights are not approved for the control shares at the meeting or if the acquiring person does not deliver an "acquiring person statement" for the control shares as required by the statute, the corporation may redeem any or all of the control shares for their fair value, except for control shares for which voting rights have previously been approved. Fair value is to be determined for this purpose without regard to the absence of voting rights for the control shares, and is to be determined as of the date of the last control share acquisition or of any meeting of shareholders at which the voting rights for control shares are considered and not approved.

If voting rights for control shares are approved at a shareholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of these appraisal rights may not be less than the highest price per share paid in the control share acquisition. Some of the limitations and restrictions otherwise applicable to the exercise of dissenters' rights do not apply in the context of a control share acquisition.

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

The Operating Partnership Agreement

General

Wells Operating Partnership, L.P. (Wells OP) was formed in January 1998 to acquire, own and operate properties on our behalf. It is considered to be an Umbrella Partnership Real Estate Investment Trust (UPREIT), which structure is utilized generally to provide for the acquisition of real property from owners who desire to defer taxable gain otherwise to be recognized by them upon the disposition of their property. Such owners may also desire to achieve diversity in their investment and other benefits afforded to owners of stock in a REIT. For purposes of satisfying the Asset and Income Tests for qualification as a REIT for tax purposes, the REIT's proportionate share of the assets and income of an UPREIT, such as Wells OP, will be deemed to be assets and income of the REIT.

The property owner's goals are accomplished because a property owner may contribute property to an UPREIT in exchange for limited partnership units on a tax-free basis. Further, Wells OP is structured to make distributions with respect to limited partnership units which are equivalent to the dividend distributions made to shareholders of the Wells REIT. Finally, a limited partner in Wells OP may later exchange his limited partnership units in Wells OP for shares 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 September 30, 2000, owned an approximately 99% equity percentage interest in Wells OP. Wells Capital, our advisor, has contributed $200,000 to Wells OP and is currently the only limited partner owning the other approximately 1% equity percentage interest in Wells OP. As the sole general partner of Wells OP, we have the exclusive power to manage and conduct the business of Wells OP.

The following is a summary of certain provisions of the partnership agreement of Wells OP. This summary is not complete and is qualified by the specific language in the partnership agreement. You should refer to the partnership agreement, itself, which we have filed as an exhibit to the registration statement, for more detail.

Capital Contributions

As we accept subscriptions for shares, we will transfer substantially all of the net proceeds of the offering to Wells OP as a capital contribution; however, we will be deemed to have made capital contributions in the amount of the gross offering proceeds received from investors. Wells OP will be deemed to have simultaneously paid the selling commissions and other costs associated with the offering. If Wells OP requires additional funds at any time in excess of capital contributions made by us and Wells Capital or from borrowing, we may borrow funds from a financial institution or other lender and lend such funds to Wells OP on the same terms and conditions as are applicable to our borrowing of such funds. In addition, we are authorized to cause Wells OP to issue partnership interests for less than fair market value if we conclude in good faith that such issuance is in the best interest of Wells OP and the Wells REIT.

Operations

The partnership agreement requires that Wells OP be operated in a manner that will enable the Wells REIT to (1) satisfy the requirements for being classified as a REIT for tax purposes, (2) avoid any federal income or excise tax liability, and (3) ensure that Wells OP will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Internal Revenue Code, which classification could

result in Wells OP being taxed as a corporation, rather than as a partnership. (See "Federal Income Tax Considerations - Tax Aspects of the Operating Partnership - Classification as a Partnership.")

The partnership agreement provides that Wells OP will distribute cash flow from operations to the limited partners of Wells OP in accordance with their relative percentage interests on at least a quarterly basis in amounts determined by the Wells REIT as general partner such that a holder of one unit of limited partnership interest in Wells OP will receive the same amount of annual cash flow distributions from Wells OP as the amount of annual dividends paid to the holder of one of our shares. Remaining cash from operations will be distributed to the Wells REIT as the general partner to enable us to make dividend distributions to our shareholders.

Similarly, the partnership agreement of Wells OP provides that taxable income is allocated to the limited partners of Wells OP in accordance with their relative percentage interests such that a holder of one unit of limited partnership interest in Wells OP will be allocated taxable income for each taxable year in an amount equal to the amount of taxable income to be recognized by a holder of one of our shares, subject to compliance with the provisions of Sections 704(b) and 704(c) of the Internal Revenue Code and corresponding Treasury Regulations. Losses, if any, will generally be allocated among the partners in accordance with their respective percentage interests in Wells OP.

Upon the liquidation of Wells OP, after payment of debts and obligations, any remaining assets of Wells OP will be distributed to partners with positive capital accounts in accordance with their respective positive capital account balances. If the Wells REIT were to have a negative balance in its capital account following a liquidation, it would be obligated to contribute cash to Wells OP equal to such negative balance for distribution to other partners, if any, having positive balances in their capital accounts.

In addition to the administrative and operating costs and expenses incurred by Wells OP in acquiring and operating real properties, Wells OP will pay all administrative costs and expenses of the Wells REIT and such expenses will be treated as expenses of Wells OP. Such expenses will include:

- all expenses relating to the formation and continuity of existence of the Wells REIT;

- all expenses relating to the public offering and registration of securities by the Wells REIT;

- all expenses associated with the preparation and filing of any periodic reports by the Wells REIT under federal, state or local laws or regulations;

- all expenses associated with compliance by the Wells REIT with applicable laws, rules and regulations; and

- all other operating or administrative costs of the Wells REIT incurred in the ordinary course of its business on behalf of Wells OP.

Exchange Rights

The limited partners of Wells OP, including Wells Capital, have the right to cause Wells OP to redeem their limited partnership units for cash equal to the value of an equivalent number of our shares, or, at our option, we may purchase their limited partnership units by issuing one share of the Wells REIT for each limited partnership unit redeemed. These exchange rights may not be exercised, however, if and to the extent that the delivery of shares upon such exercise would (1) result in any person owning shares in excess of our ownership limits, (2) result in shares being owned by fewer than 100 persons, (3) result in

the Wells REIT being "closely held" within the meaning of Section 856(h) of the Internal Revenue Code, (4) cause the Wells REIT to own 10% or more of the ownership interests in a tenant within the meaning of Section 856(d)(2)(B) of the Internal Revenue Code, or (5) cause the acquisition of shares by a redeemed limited partner to be "integrated" with any other distribution of our shares for purposes of complying with the Securities Act.

Subject to the foregoing, limited partners may exercise their exchange rights at any time after one year following the date of issuance of their limited partnership units; provided, however, that a limited partner may not deliver more than two exchange notices each calendar year and may not exercise an exchange right for less than 1,000 limited partnership units, unless such limited partner holds less than 1,000 units, in which case, he must exercise his exchange right for all of his units.

Transferability of Interests

The Wells REIT may not (1) voluntarily withdraw as the general partner of Wells OP, (2) engage in any merger, consolidation or other business combination, or (3) transfer its general partnership interest in Wells OP (except to a wholly-owned subsidiary), unless the transaction in which such withdrawal, business combination or transfer occurs results in the limited partners receiving or having the right to receive an amount of cash, securities or other property equal in value to the amount they would have received if they had exercised

their exchange rights immediately prior to such transaction or unless, in the case of a merger or other business combination, the successor entity contributes substantially all of its assets to Wells OP in return for an interest in Wells OP and agrees to assume all obligations of the general partner of Wells OP. The Wells REIT may also enter into a business combination or we may transfer our general partnership interest upon the receipt of the consent of a majority-in-interest of the limited partners of Wells OP, other than Wells Capital. With certain exceptions, the limited partners may not transfer their interests in Wells OP, in whole or in part, without the written consent of the Wells REIT as general partner. In addition, Wells Capital may not transfer its interest in Wells OP as long as it is acting as the advisor to the Wells REIT, except pursuant to the exercise of its right to exchange limited partnership units for Wells REIT shares, in which case similar restrictions on transfer will apply to the REIT shares received by Wells Capital.

Plan of Distribution

We are offering a maximum of 125,000,000 shares to the public through Wells Investment Securities, Inc., the Dealer Manager, a registered broker-dealer affiliated with the advisor. (See "Conflicts of Interest.") The shares are being offered at a price of $10.00 per share on a "best efforts" basis, which means generally that the Dealer Manager will be required to use only its best efforts to sell the shares and it has no firm commitment or obligation to purchase any of the shares. We are also offering 10,000,000 shares for sale pursuant to our dividend reinvestment plan at a price of $10.00 per share. An additional 5,000,000 shares are reserved for issuance upon exercise of soliciting dealer warrants, which are granted to participating broker-dealers based upon the number of shares they sell. Therefore, a total of 140,000,000 shares are being registered in this offering.

Except as provided below, the Dealer Manager will receive selling commissions of 7.0% 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 coordinating sales efforts, training of personnel and generally performing "wholesaling" functions. We will not pay referral or similar fees to any accountants, attorneys or other persons in connection with the distribution of the shares. Shareholders who elect to participate in the dividend reinvestment plan will be charged selling commissions and dealer manager fees on shares

purchased pursuant to the dividend reinvestment plan on the same basis as shareholders purchasing shares other than pursuant to the dividend reinvestment plan.

We will also award to the Dealer Manager one soliciting dealer warrant for every 25 shares they sell during the offering period. The Dealer Manager may retain or reallow these warrants to broker-dealers participating in the offering, unless such issuance of soliciting dealer warrants is prohibited by either federal or state securities laws. The holder of a soliciting dealer warrant will be entitled to purchase one share from the Wells REIT at a price of $12 per share during the period beginning on the first anniversary of the effective date of this offering and ending five years after the effective date of this offering. Subject to certain exceptions, a soliciting dealer warrant may not be transferred, assigned, pledged or hypothecated for a period of one year following the effective date of this offering. The shares issuable upon exercise of the soliciting dealer warrants are being registered as part of this offering. For the life of the soliciting dealer warrants, participating broker-dealers are given the opportunity to profit from a rise in the market price for the common stock without assuming the risk of ownership, with a resulting dilution in the interest of other shareholders upon exercise of such warrants. In addition, holders of the soliciting dealer warrants would be expected to exercise such warrants at a time when we could obtain needed capital by offering new securities on terms more favorable than those provided by the soliciting dealer warrants. Exercise of the soliciting dealer warrants is governed by the terms

and conditions detailed in this prospectus and in the Warrant Purchase Agreement, which is an exhibit to the Registration Statement.

The Dealer Manager may authorize certain other broker-dealers who are members of the NASD to sell shares. In the event of the sale of shares by such other broker-dealers, the Dealer Manager may reallow its commissions in the amount of up to 7.0% of the gross offering proceeds to such participating broker-dealers. In addition, the Dealer Manager, in its sole discretion, may reallow to broker-dealers participating in the offering a portion of its dealer manager fee in the aggregate amount of up to 1.5% of gross offering proceeds to be paid to such participating broker-dealers as marketing fees and as reimbursement of due diligence expenses, based on such factors as the number of shares sold by such participating broker-dealers, the assistance of such participating broker-dealers in marketing the offering and bona fide conference fees incurred.

We anticipate that the total underwriting compensation, including sales commissions, the dealer manager fee and underwriting expense reimbursements, will not exceed 9.5% of gross offering proceeds, except for the soliciting dealer warrants described above.

We have agreed to indemnify the participating broker-dealers, including the Dealer Manager, against certain liabilities arising under the Securities Act of 1933, as amended.

The broker-dealers participating in the offering of our shares are not obligated to obtain any subscriptions on our behalf, and we cannot assure you that any shares will be sold.

Our executive officers and directors, as well as officers and employees of Wells Capital or other affiliates, may purchase shares offered in this offering at a discount. The purchase price for such shares shall be $8.90 per share reflecting the fact that the acquisition and advisory fees relating to such shares will be reduced by $0.15 per share and selling commissions in the amount of $0.70 per share and dealer manager fees in the amount of $0.25 per share will not be payable in connection with such sales. The net offering proceeds we receive will not be affected by such sales of shares at a discount. Wells Capital and its affiliates shall be expected to hold their shares purchased as shareholders for investment and not with a view towards distribution. In addition, shares purchased by Wells Capital or its affiliates shall not be entitled to vote on any matter presented to the shareholders for a vote.

You should pay for your shares by check payable to "Wells Real Estate Investment Trust, Inc." Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. We may not accept a subscription for shares until at least five business days after the date you receive this prospectus. You will receive a confirmation of your purchase. Except for purchases pursuant to our dividend reinvestment plan or reinvestment plans of other public real estate programs, all accepted subscriptions will be for whole shares and for not less than 100 shares ($1,000). (See "Suitability Standards.") Except in Maine, Minnesota, Nebraska and Washington, investors who have satisfied the minimum purchase requirement and have purchased units or shares in Wells programs or units or shares in other public real estate programs may purchase less than the minimum number of shares discussed above, provided that such investors purchase a minimum of 2.5 shares ($25). After investors have satisfied the minimum purchase requirement, minimum additional purchases must be in increments of at least 2.5 shares ($25), except for purchases made pursuant to our dividend reinvestment plan or reinvestment plans of other public real estate programs.

We will place the subscription proceeds in an interest-bearing account with Bank of America, N.A., Atlanta, Georgia. Subscription proceeds held in the account may be invested in securities backed by the United States government or bank money-market accounts or certificates of deposit of national or state banks

that have deposits insured by the Federal Deposit Insurance Corporation, including certificates of deposit of any bank acting as depository or custodian for any such funds, as directed by our advisor. Subscribers may not withdraw funds from the account. We will withdraw funds from the account periodically for the acquisition of real estate properties or the payment of fees and expenses. We generally admit shareholders to the Wells REIT on a daily basis.

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

The offering of shares will terminate on or before December 19, 2002. However, we reserve the right to terminate this offering at any time prior to such termination date.

The proceeds of this offering will be received and held in trust for the benefit of purchasers of shares to be used only for the purposes set forth in the "Estimated Use of Proceeds" section. Subscriptions will be accepted or rejected within 30 days of receipt by the Wells REIT, and if rejected, all funds shall be returned to the rejected subscribers within ten business days.

We may sell shares to retirement plans of broker-dealers participating in the offering, to broker-dealers in their individual capacities, to IRAs and qualified plans of their registered representatives or to any one of their registered representatives in their individual capacities for 93% of the public offering price in consideration of the services rendered by such broker-dealers and registered representatives in the offering. The net proceeds to the Wells REIT from such sales will be identical to net proceeds we receive from other sales of shares.

In connection with sales of 50,000 or more shares ($500,000) to a "purchaser" as defined below, a participating broker-dealer may agree in his sole discretion to reduce the amount of his selling commissions. Such reduction will be credited to the purchaser by reducing the total purchase price payable by such purchaser. The following table illustrates the various discount levels available:

Dollar Volume	Sales Commissions		Purchase Price	Dealer Manager Fee Per	Net Proceeds
Shares Purchased	Percent	Per Share	Per Share	Share	Per Share
Under $500,000	7.0%	$0.7000	$10.0000	$0.25	$9.05
$500,000-$999,999	5.0%	$0.4895	$ 9.7895	$0.25	$9.05
$1,000,000 and Over	3.0%	$0.2876	$ 9.5876	$0.25	$9.05

For example, if an investor purchases 100,000 shares, he could pay as little as $958,760 rather than $1,000,000 for the shares, in which event the commission on the sale of such shares would be $28,760 ($0.2876 per share), and, after payment of the dealer manager fee, we would receive net proceeds of $905,000 ($9.05 per share). The net proceeds to the Wells REIT will not be affected by volume discounts.

Because all investors will be deemed to have contributed the same

amount per share to the Wells REIT for purposes of declaring and paying dividends, an investor qualifying for a volume discount will receive a higher return on his investment than investors who do not qualify for such discount.

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

For the purposes of such volume discounts, the term "purchaser" includes:

- an individual, his or her spouse and their children under the age of 21 who purchase the units for his, her or their own accounts;
- a corporation, partnership, association, joint-stock company, trust fund or any organized group of persons, whether incorporated or not;
- an employees' trust, pension, profit sharing or other employee benefit plan qualified under Section 401(a) of the Internal Revenue Code; and
- all commingled trust funds maintained by a given bank.

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

for shares. Except as provided in this paragraph, separate subscriptions will not be cumulated, combined or aggregated.

In addition, in order to encourage purchases in amounts of 500,000 or more shares, a potential purchaser who proposes to purchase at least 500,000 shares may agree with Wells Capital and the Dealer Manager to have the acquisition and advisory fees payable to Wells Capital with respect to the sale of such shares reduced to 0.5%, to have the dealer manager fee payable to the Dealer Manager with respect to the sale of such shares reduced to 0.5%, and to have the selling commissions payable with respect to the sale of such shares reduced to 0.5%, in which event the aggregate fees payable with respect to the sale of such shares would be reduced by $1.10 per share, and the purchaser of such shares would be required to pay a total of $8.90 per share purchased, rather than $10.00 per share. The net proceeds to the Wells REIT would not be affected by such fee reductions. Of the $8.90 paid per share, we anticipate that approximately $8.40 per share or approximately 94.4% will be used to acquire properties and pay required acquisition expenses relating to the acquisition of properties. All such sales must be made through registered broker-dealers.

California residents should be aware that volume discounts will not be available in connection with the sale of shares made to California residents to

the extent such discounts do not comply with the provisions of Rule 260.140.51 adopted pursuant to the California Corporate Securities Law of 1968. Pursuant to this Rule, volume discounts can be made available to California residents only in accordance with the following conditions:

- there can be no variance in the net proceeds to the Wells REIT from the sale of the shares to different purchasers of the same offering;
- all purchasers of the shares must be informed of the availability of quantity discounts;
- the same volume discounts must be allowed to all purchasers of shares which are part of the offering;
- the minimum amount of shares as to which volume discounts are allowed cannot be less than $10,000;
- the variance in the price of the shares must result solely from a different range of commissions, and all discounts allowed must be based on a uniform scale of commissions; and
- no discounts are allowed to any group of purchasers.

Accordingly, volume discounts for California residents will be available in accordance with the foregoing table of uniform discount levels based on dollar volume of shares purchased, but no discounts are allowed to any group of purchasers, and no subscriptions may be aggregated as part of a combined order for purposes of determining the number of shares purchased.

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

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

In addition, subscribers for shares may agree with their participating broker-dealers and the Dealer Manager to have selling commissions due with respect to the purchase of their shares paid over a six year period pursuant to a deferred commission arrangement. Shareholders electing the deferred commission option will be required to pay a total of $9.40 per share purchased upon subscription, rather than $10.00 per share, with respect to which $0.10 per share will be payable as commissions due upon subscription. For the period of six years following subscription, $0.10 per share will be deducted on an annual basis from dividends or other cash distributions otherwise payable to the shareholders and used by the Wells REIT to pay deferred commission obligations. The net proceeds to the Wells REIT will not be affected by the election of the deferred commission option. Under this arrangement, a shareholder electing the deferred commission option will pay a 1% commission upon subscription, rather than a 7% commission, and an amount equal to a 1% commission per year thereafter for the next six years, or longer if required to satisfy outstanding deferred commission obligations, will be deducted from dividends or other cash distributions otherwise payable to such shareholder and used by the Wells REIT to satisfy commission obligations. The foregoing commission amounts may be adjusted with approval of the Dealer Manager by application of the volume

discount provisions described previously.

Shareholders electing the deferred commission option who are subject to federal income taxation will incur tax liability for dividends or other cash distributions otherwise payable to them with respect to their shares even though such dividends or other cash distributions will be withheld from such shareholders and will instead be paid to third parties to satisfy commission obligations.

Investors who wish to elect the deferred commission option should make the election on their Subscription Agreement Signature Page. Election of the deferred commission option shall authorize the Wells REIT to withhold dividends or other cash distributions otherwise payable to such shareholder for the purpose of paying commissions due under the deferred commission option; provided, however, that in no event may the Wells REIT withhold in excess of $0.60 per share in the aggregate under the deferred commission option. Such dividends or cash distributions otherwise payable to shareholders may be pledged by the Wells REIT, the Dealer Manager, the advisor or their affiliates to secure one or more loans, the proceeds of which would be used to satisfy sales commission obligations.

In the event that, 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 shareholders 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 shareholders 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 shareholders to make any further payments of deferred commissions under the deferred commission option shall terminate, and participating broker-dealers will not be entitled to receive any further portion of their deferred commissions following listing of our shares. 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 shareholders who are subject to any such acceleration of their deferred commission obligations. In no event may Wells REIT withhold in excess of $0.60 per share in the aggregate for the payment of deferred commissions.

Supplemental Sales Material

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

The offering of shares is made only by means of this prospectus. Although the information contained in such sales material will not conflict with any of the information contained in this prospectus, such material does not purport to be complete, and should not be considered a part of this prospectus or the registration statement of which this prospectus is a part, or as incorporated by reference in this prospectus or said registration statement or as forming the basis of the offering of the shares.

Legal Opinions

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

Experts

Audited Financial Statements

The audited financial statements of the Wells REIT as of December 31, 1999 and 1998, and for each of the years in the two-year period ended December 31, 1999, included in this prospectus and elsewhere in the registration statement, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included in this prospectus in reliance upon the authority of said firm as experts in giving said report.

The Statements of Revenues over Certain Operating Expenses of the Dial Building, the ASML Building, the Motorola Tempe Building and the Motorola Plainfield Building for the year ended December 31, 1999, included in this prospectus and elsewhere in the registration statement, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included in this prospectus in reliance upon the authority of said firm as experts in giving said reports.

Unaudited Financial Statements

The unaudited interim financial statements of the Wells REIT as of September 30, 2000, and for the three and nine-month periods ended September 30, 2000 and 1999, which are included in this prospectus, have not been audited.

The Statements of Revenues over Certain Operating Expenses of the Motorola Plainfield Building for the nine months ended September 30, 2000, which are included in this prospectus, have not been audited.

The unaudited pro forma financial statements of the Wells REIT for the year ended December 31, 1999, and for the nine-month period ended September 30, 2000, which are included in this prospectus, have not been audited.

Additional Information

We have filed with the Securities and Exchange Commission (Commission), Washington, D.C., a registration statement under the Securities Act of 1933, as amended, with respect to the shares offered pursuant to this prospectus. This prospectus does not contain all the information set forth in the registration statement and the exhibits related thereto filed with the Commission, reference to which is hereby made. Copies of the registration statement and exhibits related thereto, as well as periodic reports and information filed by the Wells REIT, may be obtained upon payment of the fees prescribed by the Commission, or may be examined at the offices of the Commission without charge, at:

- the public reference facilities in Washington, D.C. at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549;
- the Northeast Regional Office in New York at 7 World Trade Center, Suite 1300, New York, New York 10048; and
- the Midwest Regional Office in Chicago, Illinois at 500 West Madison Street, Suite 1400, Chicago, Illinois 66661-2511.

The Commission maintains a Web site that contains reports, proxy and information

statements and other information regarding registrants that file electronically with the Commission. The address of the Commission's website is http://www.sec.gov.

Glossary

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

"Dealer Manager" means Wells Investment Securities, Inc.

"IRA" means an individual retirement account established pursuant to Section 408 or Section 408A of the Internal Revenue Code.

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

"Property Manager" means Wells Management Company, Inc.

"UBTI" means unrelated business taxable income, as that term is defined in Sections 511 through 514 of the Internal Revenue Code.

Index to Financial Statements and Prior Performance Tables

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying consolidated balance sheets of WELLS REAL ESTATE INVESTMENT TRUST, INC. (a Maryland corporation) AND SUBSIDIARY as of December 31, 1999 and 1998 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 1999. These financial statements are the responsibility of

the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wells Real Estate Investment Trust, Inc. and subsidiary as of December 31, 1999 and 1998 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 20, 2000

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1999 AND 1998

ASSETS

	1999	1998
REAL ESTATE ASSETS, at cost:		
Land	$ 14,500,822	$ 1,520,834
Building, less accumulated depreciation of $1,726,103 and $0 at December 31, 1999 and 1998, respectively	81,507,040	20,076,845
Construction in progress	12,561,459	0
Total real estate assets	108,569,321	21,597,679
INVESTMENT IN JOINT VENTURES	29,431,176	11,568,677
CASH AND CASH EQUIVALENTS	2,929,804	7,979,403
DEFERRED OFFERING COSTS	964,941	548,729
DEFERRED PROJECT COSTS	28,093	335,421
DUE FROM AFFILIATES	648,354	262,345
PREPAID EXPENSES AND OTHER ASSETS	1,280,601	540,319
Total assets	$143,852,290	$42,832,573

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES:		
Accounts payable and accrued expenses	$ 461,300	$ 187,827
Notes payable	23,929,228	14,059,930
Dividends payable	2,166,701	408,176
Due to affiliate	1,079,466	554,953
Total liabilities	27,636,695	15,210,886
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	200,000
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 40,000,000 shares authorized, 13,471,085 shares issued and outstanding at December 31, 1999 and 3,154,136 shares issued and outstanding at December 31, 1998	134,710	31,541

Additional paid-in capital	115,880,885	27,056,112
Retained earnings	0	334,034
Total shareholders' equity	116,015,595	27,421,687
Total liabilities and shareholders' equity	$143,852,290	$42,832,573

The accompanying notes are an integral part of these consolidated balance sheets.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
REVENUES:		
Rental income	$4,735,184	$ 20,994
Equity in income of joint ventures	1,243,969	263,315
Interest income	502,993	110,869
Other income	13,249	0
	6,495,395	395,178
EXPENSES:		
Depreciation	1,726,103	0
Interest expense	442,029	11,033
Operating costs, net of reimbursements	(74,666)	0
Management and leasing fees	257,744	0
General and administrative	123,776	29,943
Legal and accounting	115,471	19,552
Computer costs	11,368	616
Amortization of organizational costs	8,921	0
	2,610,746	61,144
NET INCOME	$3,884,649	$334,034
EARNINGS PER SHARE:		
Basic and diluted	$ 0.50	$ 0.40

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

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	Common Stock	Additional Paid-In	Retained	Total Shareholders'

	Shares	Amount	Capital	Earnings	Equity
BALANCE, December 31, 1997	100	$ 1	$ 999	$ 0	$ 1,000
Issuance of common stock	3,154,036	31,540	31,508,820	0	31,540,360
Net income	0	0	0	334,034	334,034
Dividends ($.31 per share)	0	0	(511,163)	0	(511,163)
Sales commissions	0	0	(2,996,334)	0	(2,996,334)
Other offering expenses	0	0	(946,210)	0	(946,210)
BALANCE, December 31, 1998	3,154,136	31,541	27,056,112	334,034	27,421,687
Issuance of common stock	10,316,949	103,169	103,066,321	0	103,169,490
Net income	0	0	0	3,884,649	3,884,649
Dividends ($.70 per share)	0	0	(1,346,240)	(4,218,683)	(5,564,923)
Sales commissions	0	0	(9,801,197)	0	(9,801,197)
Other offering expenses	0	0	(3,094,111)	0	(3,094,111)
BALANCE, December 31, 1999	13,471,085	$134,710	$115,880,885	$ 0	$116,015,595

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

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,884,649	$ 334,034
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in income of joint ventures	(1,243,969)	(263,315)
Depreciation	1,726,103	0
Amortization of organizational costs	8,921	0
Changes in assets and liabilities:		
Prepaid expenses and other assets	(749,203)	(540,319)
Accounts payable and accrued expenses	273,473	187,827
Due to affiliates	108,301	6,224
Total adjustments	123,626	(609,583)
Net cash provided by (used in) operating activities	4,008,275	(275,549)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate	(85,514,506)	(21,299,071)
Investment in joint ventures	(17,641,211)	(11,276,007)
Deferred project costs paid	(3,610,967)	(1,103,913)
Distributions received from joint ventures	1,371,728	178,184
Net cash used in investing activities	(105,394,956)	(33,500,807)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	40,594,463	14,059,930
Repayments of notes payable	(30,725,165)	0
Dividends paid to shareholders	(3,806,398)	(102,987)
Issuance of common stock	103,169,490	31,540,360
Sales commissions paid	(9,801,197)	(2,996,334)
Other offering costs paid	(3,094,111)	(946,210)
Net cash provided by financing activities	96,337,082	41,554,759
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,049,599)	7,778,403
CASH AND CASH EQUIVALENTS, beginning of year	7,979,403	201,000
CASH AND CASH EQUIVALENTS, end of year	$ 2,929,804	$ 7,979,403
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 3,183,239	$ 298,608
Deferred project costs contributed to joint ventures	$ 735,056	$ 469,884

Deferred offering costs due to affiliate	$ 416,212	$ 0

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

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999 AND 1998

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation that qualifies as a real estate investment trust ("REIT"). The Company is conducting an offering for the sale of a maximum of 40,000,000 (exclusive of 2,200,000 shares available pursuant to the Company's dividend reinvestment plan) shares of common stock, $.01 par value per share, at a price of $10 per share. The Company will seek to acquire and operate commercial properties, including, but not limited to, office buildings, shopping centers, business and industrial parks, and other commercial and industrial properties, including properties which are under construction, are newly constructed, or have been constructed and have operating histories. All such properties may be acquired, developed, and operated by the Company alone or jointly with another party. The Company is likely to enter into one or more joint ventures with affiliated entities for the acquisition of properties. In connection with this, the Company may enter into joint ventures for the acquisition of properties with prior or future real estate limited partnership programs sponsored by Wells Capital, Inc. (the "Advisor") or its affiliates.

Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. (the "Operating Partnership"), a Delaware limited partnership. During 1997, the Operating Partnership issued 20,000 limited partner units to the Advisor in exchange for $200,000. The Company is the sole general partner in the Operating Partnership and possesses full legal control and authority over the operations of the Operating Partnership; consequently, the accompanying consolidated financial statements of the Company include the amounts of the Operating Partnership.

The Operating Partnership owns the following properties directly: (i) the PriceWaterhouseCoopers property (the "PwC Building"), a four-story office building located in Tampa, Florida; (ii) the AT&T Building, a four-story office building located in Harrisburg, Pennsylvania; (iii) the Marconi Data Systems property (the "Marconi Building"), a two-story office building located in Wood Dale, Illinois; and (iv) the Cinemark Building, a five-story office building located in Plano, Texas.

The Company also owns interests in several properties through a joint venture among the Operating Partnership, Wells Real Estate Fund IX, L.P. ("Wells Fund IX"), Wells Real Estate Fund X, L.P. ("Wells Fund X"), and Wells Real Estate Fund XI, L.P. ("Wells Fund XI"). This joint venture is referred to as the Fund IX, Fund X, Fund XI, and REIT Joint Venture ("Fund IX, X, XI, and REIT Joint Venture"). In addition, the Company owns an interest in several properties through a joint venture between Wells Fund XI, Wells Real Estate Fund XII, L.P. ("Wells Fund XII"), and the Operating Partnership, which is referred to as Wells Fund XI, XII and REIT Joint Venture. The Company owns two properties through a joint venture between the Operating Partnership and Fund X and XI Associates, a joint venture between Wells Fund X and Wells Fund XI.

Through its investment in the Fund IX, X, XI, and REIT Joint Venture, the Company owns interests in the following properties: (i) a three-story office building in Knoxville, Tennessee (the "ABB Building"), (ii) a two-story office

building in Louisville, Colorado (the "Ohmeda Building"), (iii) a three-story office building in Broomfield, Colorado (the "360 Interlocken Building"), (iv) a one-story warehouse facility in Ogden, Utah (the "Iomega Building"), and (v) a one-story office building in Oklahoma City, Oklahoma (the "Lucent Technologies Building").

The following properties are owned by the Company through its investment in a joint venture with Fund X and XI Associates: (i) a one-story office and warehouse building in Fountain Valley, California (the "Cort Furniture

Building") owned by Wells/Orange County Associates and (ii) a warehouse and office building in Fremont, California (the "Fairchild Building") owned by Wells/Fremont Associates.

Through its investment in the Wells Fund XI, XII, and REIT Joint Venture, the Company owns interests in the following properties: (i) a two-story manufacturing and office building in Greenville County, South Carolina (the "EYBL CarTex Building"), (ii) a three-story office building Leawood, Kansas (the "Sprint Building"), (iii) an office and warehouse building in Chester County, Pennsylvania (the "Johnson Matthey Building"), and (iv) a two-story office building in Ft. Myers, Florida (the "Gartner Building").

Use of Estimates and Factors Affecting the Company

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

The carrying values of real estate are based on management's current intent to hold the real estate assets as long-term investments. The success of the Company's future operations and the ability to realize the investment in its assets will be dependent on the Company's ability to maintain rental rates, occupancy, and an appropriate level of operating expenses in future years. Management believes that the steps it is taking will enable the Company to realize its investment in its assets.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with the taxable year ended December 31, 1998. As a result, the Company generally will not be subject to federal income taxation at the corporate level to the extent it distributes annually at least 95% of its REIT taxable income, as defined in the Code, to its shareholders and satisfies certain other requirements. Additionally, the Operating Partnership is not subject to federal or state income taxes. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements for the years ended December 31, 1999 and 1998.

Real Estate Assets

Real estate assets held by the Company and joint ventures are stated at cost less accumulated depreciation. Major improvements and betterments are capitalized when they extend the useful life of the related asset. All repair and maintenance are expensed as incurred.

Management continually monitors events and changes in circumstances which could indicate that carrying amounts of real estate assets may not be recoverable. When events or changes in circumstances are present which indicate that the carrying amounts of real estate assets may not be recoverable, management assesses the recoverability of real estate assets by determining whether the carrying value of such real estate assets will be recovered through the future

cash flows expected from the use of the asset and its eventual disposition. Management has determined that there has been no impairment in the carrying value of real estate assets held by the Company or the joint ventures as of December 31, 1999.

Depreciation of building and improvements is calculated using the straight-line method over 25 years. Tenant improvements are amortized over the life of the related lease or the life of the asset, whichever is shorter.

Investment in Joint Ventures

Basis of Presentation. The Operating Partnership does not have control over the operations of the joint ventures; however, it does exercise significant influence. Accordingly, the Operating Partnership's investment in the joint ventures is recorded using the equity method of accounting.

Partners' Distributions and Allocations of Profit and Loss. Cash available for distribution and allocations of profit and loss to the Operating Partnership by the joint ventures are made in accordance with the terms of the individual joint venture agreements. Generally, these items are allocated in proportion to the partners' respective ownership interests. Cash is paid from the joint ventures to the Operating Partnership on a quarterly basis.

Deferred Lease Acquisition Costs. Costs incurred to procure operating leases are capitalized and amortized on a straight-line basis over the terms of the related leases.

Revenue Recognition

All leases on real estate assets held by the Company or the joint ventures are classified as operating leases, and the related rental income is recognized on a straight-line basis over the terms of the respective leases.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments. Short-term investments are stated at cost, which approximates fair value, and consist of investments in money market accounts.

Earnings Per Share

Earnings per share is calculated based on the weighted average number of common shares outstanding during each period. The weighted average number of common shares outstanding is identical for basic and fully diluted earnings per share, as there is no dilutive impact created from the Company's stock option plan (Note 10) using the treasury stock method.

2. DEFERRED PROJECT COSTS

The Company paid a percentage of shareholder contributions to the Advisor for acquisition and advisory services. These payments, as stipulated in the prospectus, can be up to 3.5% of shareholder contributions, subject to certain overall limitations contained in the prospectus. Aggregate fees paid through December 31, 1999 were $4,714,880 and amounted to 3.5% of shareholders' contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint ventures or real estate assets. Deferred project costs at December 31, 1999 and 1998 represent fees not yet applied to properties.

3. DEFERRED OFFERING COSTS

Organization and offering expenses, to the extent they exceed 3% of gross offering proceeds, will be paid by the Advisor and not by the Company.

Organization and offering expenses do not include sales or underwriting commissions but do include such costs as legal and accounting fees, printing costs, and other offering expenses.

As of December 31, 1999, the Advisor paid organization and offering expenses on behalf of the Company in the aggregate amount of $5,005,262, of which the Advisor was reimbursed $4,040,321, which did not exceed the 5% limitation. The unpaid portion of deferred offering costs is $964,941 and is included in due to affiliate in the accompanying balance sheet.

4. RELATED-PARTY TRANSACTIONS

Due from affiliates at December 31, 1999 represents the Operating Partnership's share of the cash to be distributed from its joint venture investments for the fourth quarter of 1999 and 1998 as follows:

	1999	1998
Fund IX, X, XI, and REIT Joint Venture	$ 32,079	$ 38,360
Wells/Orange County Associates	75,953	77,123
Wells/Fremont Associates	152,681	146,862
Fund XI, XII, and REIT	387,641	0
	$648,354	$262,345

The Company entered into a property management agreement with Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor. In consideration for supervising the management and leasing of the Operating Partnership's properties, the Operating Partnership will pay Wells Management management and leasing fees equal to the lesser of (a) fees that would be paid to a comparable outside firm, or (b) 4.5% of the gross revenues generally paid over the life of the lease plus a separate competitive fee for the one-time initial lease-up of newly constructed properties generally paid in conjunction with the receipt of the first month's rent. In the case of commercial properties which are leased on a long-term (ten or more years) net lease basis, the maximum property management fee from such leases shall be 1% of the gross revenues generally paid over the life of the leases except for a one-time initial leasing fee of 3% of the gross revenues on each lease payable over the first five full years of the original lease term.

The Operating Partnership's portion of the management and leasing fees and lease acquisition costs paid to Wells Management by the joint ventures was $336,517 for the year ended December 31, 1999.

The Advisor performs certain administrative services for the Operating Partnership, such as accounting and other partnership administration, and incurs the related expenses. Such expenses are allocated among the Operating Partnership and the various Wells Real Estate Funds based on time spent on each fund by individual administrative personnel. In the opinion of management, such allocation is a reasonable basis for allocating such expenses.

The Advisor is a general partner in various Wells Real Estate Funds. As such, there may exist conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with the Operating Partnership for tenants in similar geographic markets.

5. INVESTMENT IN JOINT VENTURES

The Operating Partnership's investment and percentage ownership in joint ventures at December 31, 1999 and 1998 are summarized as follows:

	1999		1998	
	Amount	Percent	Amount	Percent
Fund IX, X, XI, and REIT Joint Venture	$ 1,388,884	4%	$ 1,443,378	4%
Wells/Orange County Associates	2,893,112	44	2,958,617	44
Wells/Fremont Associates	6,988,210	78	7,166,682	78
Fund XI, XII, and REIT Joint Venture	18,160,970	57	0	0
	$29,431,176		$11,568,677	

The following is a rollforward of the Operating Partnership's investment in joint ventures for the years ended December 31, 1999 and 1998:

	1999	1998
Investment in joint ventures, beginning of year	$11,568,677	$ 0
Equity in income of joint ventures	1,243,969	263,315
Contributions to joint ventures	18,376,267	11,745,890
Distributions from joint ventures	(1,757,737)	(440,528)
Investment in joint ventures, end of year	$29,431,176	$11,568,677

Fund IX, X, XI, and REIT Joint Venture

On March 20, 1997, Wells Fund IX and Wells Fund X entered into a joint venture agreement. The joint venture, Fund IX and X Associates, was formed to acquire, develop, operate, and sell real properties. On March 20, 1997, Wells Fund IX contributed a 5.62-acre tract of real property in Knoxville, Tennessee, and improvements thereon, known as the ABB Building, to the Fund IX and X Associates joint venture. A 83,885-square-foot, three-story building was constructed and commenced operations at the end of 1997.

On February 13, 1998, the joint venture purchased a two-story office building, known as the Ohmeda Building, in Louisville, Colorado. On March 20, 1998, the joint venture purchased a three-story office building, known as the 360 Interlocken Building, in Broomfield, Colorado. On June 11, 1998, Fund IX and X Associates was amended and restated to admit Wells Fund XI and the Operating Partnership. The joint venture was renamed the Fund IX, X, XI, and REIT Joint Venture. On June 24, 1998, the new joint venture purchased a one-story office building, known as the Lucent Technologies Building, in Oklahoma City, Oklahoma. On April 1, 1998, Wells Fund X purchased a one-story warehouse facility, known as the Iomega Building, in Ogden, Utah. On July 1, 1998, Wells Fund X contributed the Iomega Building to the Fund IX, X, XI, and REIT Joint Venture.

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

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Balance Sheets
December 31, 1999 and 1998

ASSETS

	1999	1998
Real estate assets, at cost:		
Land	$ 6,698,020	$ 6,454,213
Building and improvements, less accumulated depreciation of $2,792,068 in 1999 and $1,253,156 in 1998	29,878,541	30,686,845
Construction in progress	0	990
Total real estate assets	36,576,561	37,142,048
Cash and cash equivalents	1,146,874	1,329,457
Accounts receivable	554,965	133,257
Prepaid expenses and other assets	526,409	441,128
Total assets	$38,804,809	$39,045,890

LIABILITIES AND PARTNERS' CAPITAL

Liabilities:		
Accounts payable	$ 704,914	$ 409,737
Due to affiliates	6,379	4,406
Partnership distributions payable	804,734	1,000,127
Total liabilities	1,516,027	1,414,270
Partners' capital:		
Wells Real Estate Fund IX	14,590,626	14,960,100
Wells Real Estate Fund X	18,000,869	18,707,139
Wells Real Estate Fund XI	3,308,403	2,521,003
Wells Operating Partnership, L.P.	1,388,884	1,443,378
Total partners' capital	37,288,782	37,631,620
Total liabilities and partners' capital	$38,804,809	$39,045,890

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Statements of Income (Loss)
for the Years Ended December 31, 1999, 1998, and 1997

	1999	1998	1997
Revenues:			
Rental income	$3,932,962	$2,945,980	$ 28,512
Interest income	120,080	20,438	0
	4,053,042	2,966,418	28,512
Expenses:			
Depreciation	1,538,912	1,216,293	36,863
Management and leasing fees	286,139	226,643	1,711
Operating costs, net of reimbursements	(43,501)	(140,506)	10,118
Property administration expense	63,311	34,821	0
Legal and accounting	35,937	15,351	0
	1,880,798	1,352,602	48,692
Net income (loss)	$2,172,244	$1,613,816	$(20,180)
Net income (loss) allocated to Wells Real Estate Fund IX	$ 850,072	$ 692,116	$(10,145)
Net income (loss) allocated to Wells Real Estate Fund X	$1,056,316	$ 787,481	$(10,035)
Net income (loss) allocated to Wells Real Estate Fund XI	$ 184,335	$ 85,352	$ 0
Net income allocated to Wells Operating Partnership, L.P.	$ 81,501	$ 48,867	$ 0

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Statements of Partners' Capital
for the Years Ended December 31, 1999, 1998, and 1997

	Wells Real Estate Fund IX	Wells Real Estate Fund X	Wells Real Estate Fund XI	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, December 31, 1996	$ 0	$ 0	$ 0	$ 0	$ 0
Net loss	(10,145)	(10,035)	0	0	(20,180)
Partnership contributions	3,712,938	3,672,838	0	0	7,385,776
Balance, December 31, 1997	3,702,793	3,662,803	0	0	7,365,596
Net income	692,116	787,481	85,352	48,867	1,613,816
Partnership contributions	11,771,312	15,613,477	2,586,262	1,480,741	31,451,792
Partnership distributions	(1,206,121)	(1,356,622)	(150,611)	(86,230)	(2,799,584)
Balance, December 31, 1998	14,960,100	18,707,139	2,521,003	1,443,378	37,631,620
Net income	850,072	1,056,316	184,355	81,501	2,172,244
Partnership contributions	198,989	0	911,027	0	1,110,016
Partnership distributions	(1,418,535)	(1,762,586)	(307,982)	(135,995)	(3,625,098)
Balance, December 31, 1999	$14,590,626	$18,000,869	$3,308,403	$1,388,884	$37,288,782

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Statements of Cash Flows
for the Years Ended December 31, 1999, 1998, and 1997

	1999	1998	1997
Cash flows from operating activities:			
Net income (loss)	$ 2,172,244	$ 1,613,816	$ (20,180)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,538,912	1,216,293	36,863
Changes in assets and liabilities:			
Accounts receivable	(421,708)	(92,745)	(40,512)
Prepaid expenses and other assets	(85,281)	(111,818)	(329,310)
Accounts payable	295,177	29,967	379,770
Due to affiliates	1,973	1,927	2,479
Total adjustments	1,329,073	1,043,624	49,290
Net cash provided by operating activities	3,501,317	2,657,440	29,110
Cash flows from investing activities:			
Investment in real estate	(930,401)	(24,788,070)	(5,715,847)
Cash flows from financing activities:			
Distributions to joint venture partners	(3,820,491)	(1,799,457)	0
Contributions received from partners	1,066,992	24,970,373	5,975,908
Net cash (used in) provided by financing activities	(2,753,499)	23,170,916	5,975,908
Net (decrease) increase in cash and cash equivalents	(182,583)	1,040,286	289,171
Cash and cash equivalents, beginning of year	1,329,457	289,171	0
Cash and cash equivalents, end of year	$ 1,146,874	$ 1,329,457	$ 289,171
Supplemental disclosure of noncash activities:			
Deferred project costs contributed to joint venture	$ 43,024	$ 1,470,780	$ 318,981
Contribution of real estate assets to joint venture	$ 0	$ 5,010,639	$ 1,090,887

Wells/Orange County Associates

On July 27, 1998, the Operating Partnership entered into a joint venture agreement with Wells Development Corporation, referred to as Wells/Orange County Associates. On July 31, 1998, Wells/Orange County Associates acquired a 52,000-square-foot warehouse and office building located in Fountain Valley, California, known as the Cort Furniture Building.

On September 1, 1998, Fund X and XI Associates acquired Wells Development Corporation's interest in Wells/Orange County Associates which resulted in Fund X and XI Associates becoming a joint venture partner with the Operating Partnership in the ownership of the Cort Furniture Building.

Following are the financial statements for Wells/Orange County Associates:

Wells/Orange County Associates
(A Georgia Joint Venture)
Balance Sheets
December 31, 1999 and 1998

ASSETS

	1999	1998
Real estate assets, at cost:		
Land	$2,187,501	$2,187,501
Building, less accumulated depreciation of $278,652 in 1999 and $92,087 in 1998	4,385,463	4,572,028
Total real estate assets	6,572,964	6,759,529
Cash and cash equivalents	176,666	180,895
Accounts receivable	49,679	13,123
Total assets	$6,799,309	$6,953,547

LIABILITIES AND PARTNERS' CAPITAL

Liabilities:		
Accounts payable	$ 0	$ 1,550
Partnership distributions payable	173,935	176,614
Total liabilities	173,935	178,164
Partners' capital:		
Wells Operating Partnership, L.P.	2,893,112	2,958,617
Fund X and XI Associates	3,732,262	3,816,766
Total partners' capital	6,625,374	6,775,383
Total liabilities and partners' capital	$6,799,309	$6,953,547

Wells/Orange County Associates
(A Georgia Joint Venture)
Statements of Income
for the Years Ended December 31, 1999 and 1998

	1999	1998
Revenues:		
Rental income	$795,545	$331,477
Interest income	0	448
	795,545	331,925
Expenses:		
Depreciation	186,565	92,087
Management and leasing fees	30,360	12,734
Operating costs, net of reimbursements	22,229	2,288
Interest	0	29,472
Legal and accounting	5,439	3,930
	244,593	140,511
Net income	$550,952	$191,414
Net income allocated to Wells Operating Partnership, L.P.	$240,585	$ 91,978

Net income allocated to Fund X and XI Associates	$310,367	$ 99,436

Wells/Orange County Associates
(A Georgia Joint Venture)
Statements of Partners' Capital
for the Years Ended December 31, 1999 and 1998

	Wells Operating Partnership, L.P.	Fund X and XI Associates	Total Partners' Capital
Balance, December 31, 1997	$ 0	$ 0	$ 0
Net income	91,978	99,436	191,414
Partnership contributions	2,991,074	3,863,272	6,854,346
Partnership distributions	(124,435)	(145,942)	(270,377)
Balance, December 31, 1998	2,958,617	3,816,766	6,775,383
Net income	240,585	310,367	550,952
Partnership distributions	(306,090)	(394,871)	(700,961)
Balance, December 31, 1999	$2,893,112	$3,732,262	$6,625,374

Wells/Orange County Associates
(A Georgia Joint Venture)
Statements of Cash Flows
for the Years Ended December 31, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Net income	$ 550,952	$ 191,414
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	186,565	92,087
Changes in assets and liabilities:		
Accounts receivable	(36,556)	(13,123)
Accounts payable	(1,550)	1,550
Total adjustments	148,459	80,514
Net cash provided by operating activities	699,411	271,928
Cash flows from investing activities:		
Investment in real estate	0	(6,563,700)
Cash flows from financing activities:		
Issuance of note payable	0	4,875,000
Payment of note payable	0	(4,875,000)
Distributions to partners	(703,640)	(93,763)
Contributions received from partners	0	6,566,430
Net cash (used in) provided by financing activities	(703,640)	6,472,667
Net (decrease) increase in cash and cash equivalents	(4,229)	180,895
Cash and cash equivalents, beginning of year	180,895	0
Cash and cash equivalents, end of year	$ 176,666	$ 180,895
Supplemental disclosure of noncash activities:		
Deferred project costs contributed to joint venture	$ 0	$ 287,916

On July 15, 1998, the Operating Partnership entered into a joint venture agreement with Wells Development Corporation, referred to as Wells/Fremont Associates. On July 21, 1998, Wells/Fremont Associates acquired a 58,424-square-foot warehouse and office building located in Fremont, California, known as the Fairchild Building.

On October 8, 1998, Fund X and XI Associates acquired Wells Development Corporation's interest in Wells/Fremont Associates which resulted in Fund X and XI Associates becoming a joint venture partner with the Operating Partnership in the ownership of the Fairchild Building.

Following are the financial statements for Wells/Fremont Associates:

Wells/Fremont Associates
(A Georgia Joint Venture)
Balance Sheets
December 31, 1999 and 1998

ASSETS

	1999	1998
Real estate assets, at cost:		
Land	$2,219,251	$2,219,251
Building, less accumulated depreciation of $428,246 in 1999 and $142,720 in 1998	6,709,912	6,995,439
Total real estate assets	8,929,163	9,214,690
Cash and cash equivalents	189,012	192,512
Accounts receivable	92,979	34,742
Total assets	$9,211,154	$9,441,944

LIABILITIES AND PARTNERS' CAPITAL

Liabilities:		
Accounts payable	$ 2,015	$ 3,565
Due to affiliate	5,579	2,052
Partnership distributions payable	186,997	189,490
Total liabilities	194,591	195,107
Partners' capital:		
Wells Operating Partnership, L.P.	6,988,210	7,166,682
Fund X and XI Associates	2,028,353	2,080,155
Total partners' capital	9,016,563	9,246,837
Total liabilities and partners' capital	$9,211,154	$9,441,944

Wells/Fremont Associates
(A Georgia Joint Venture)
Statements of Income
for the Years Ended December 31, 1999 and 1998

	1999	1998
Revenues:		
Rental income	$902,946	$401,058

Interest income	0	3,896
	902,946	404,954
Expenses:		
Depreciation	285,526	142,720
Management and leasing fees	37,355	16,726
Operating costs, net of reimbursements	16,006	3,364
Interest	0	73,919
Legal and accounting	4,885	6,306
	343,772	243,035
Net income	$559,174	$161,919
Net income allocated to Wells Operating Partnership, L.P.	$433,383	$122,470
Net income allocated to Fund X and XI Associates	$125,791	$ 39,449

Wells/Fremont Associates
(A Georgia Joint Venture)
Statements of Partners' Capital
for the Years Ended December 31, 1999 and 1998

	Wells Operating Partnership, L.P.	Fund X and XI Associates	Total Partners' Capital
Balance, December 31, 1997	$ 0	$ 0	$ 0
Net income	122,470	39,449	161,919
Partner contributions	7,274,075	2,083,334	9,357,409
Partnership distributions	(229,863)	(42,628)	(272,491)
Balance, December 31, 1998	7,166,682	2,080,155	9,246,837
Net income	433,383	125,791	559,174
Partnership distributions	(611,855)	(177,593)	(789,448)
Balance, December 31, 1999	$6,988,210	$2,028,353	$9,016,563

Wells/Fremont Associates
(A Georgia Joint Venture)
Statements of Cash Flows
for the Years Ended December 31, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Net income	$ 559,174	$ 161,919
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	285,526	142,720
Changes in assets and liabilities:		
Accounts receivable	(58,237)	(34,742)
Accounts payable	(1,550)	3,565
Due to affiliate	3,527	2,052
Total adjustments	229,266	113,595
Net cash provided by operating activities	788,440	275,514
Cash flows from investing activities:		
Investment in real estate	0	(8,983,111)
Cash flows from financing activities:		
Issuance of note payable	0	5,960,000

Payment of note payable	0	(5,960,000)
Distributions to partners	(791,940)	(83,001)
Contributions received from partners	0	8,983,110
Net cash (used in) provided by financing activities	(791,940)	8,900,109
Net (decrease) increase in cash and cash equivalents	(3,500)	192,512
Cash and cash equivalents, beginning of year	192,512	0
Cash and cash equivalents, end of year	$ 189,012	$ 192,512
Supplemental disclosure of noncash activities:		
Deferred project costs contributed to joint venture	$ 0	$ 374,299

Fund XI, XII, and REIT Joint Venture

On May 1, 1999, the Operating Partnership entered into a joint venture with Wells Fund XII and Wells Fund XI. On May 18, 1999, the joint venture purchased a 169,510-square-foot, two-story manufacturing and office building, known as EYBL CarTex, in Fountain Inn, South Carolina. On July 21, 1999, the joint venture purchased a 68,900 square-foot, three-story-office building, known as the Sprint Building, in Leawood, Kansas. On August 17, 1999, the joint venture purchased a 130,000 square-foot office and warehouse building, known as the Johnson Matthey Building, in Chester County, Pennsylvania. On September 20, 1999, the joint venture purchased a 62,400 square-foot, two-story office building, known as the Gartner Building, in Fort Myers, Florida.

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

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)
Balance Sheet
December 31, 1999

ASSETS

Real estate assets, at cost:	
Land	$ 5,048,797
Building and improvements, less accumulated depreciation of $506,582	26,811,869
Total real estate assets	31,860,666
Cash and cash equivalents	766,278
Accounts receivable	133,777
Prepaid assets and other expenses	26,486
Total assets	$32,787,207

LIABILITIES AND PARTNERS' CAPITAL

Liabilities:	
Accounts payable	$ 112,457
Partnership distributions payable	680,294
Total liabilities	792,751
Partners' capital:	
Wells Real Estate Fund XI	8,365,852
Wells Real Estate Fund XII	5,467,634
Wells Operating Partnership, L.P.	18,160,970
Total partners' capital	31,994,456
Total liabilities and partners' capital	$32,787,207

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)
Statement of Income
for the Year Ended December 31, 1999

Revenues:	
Rental income	$1,443,446
Other income	57
	1,443,503
Expenses:	
Depreciation	506,582
Management and leasing fees	59,230
Operating costs, net of reimbursements	6,433
Property administration	14,185
Legal and accounting	4,000
	590,430
Net income	$ 853,073
Net income allocated to Wells Real Estate Fund XI	$ 240,031
Net income allocated to Wells Real Estate Fund XII	$ 124,542
Net income allocated to Wells Operating Partnership, L.P.	$ 488,500

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)
Statement of Partners' Capital
for the Year Ended December 31, 1999

	Wells Real Estate Fund XI	Wells Real Estate Fund XII	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, December 31, 1998	$ 0	$ 0	$ 0	$ 0
Net income	240,031	124,542	488,500	853,073
Partnership contributions	8,470,160	5,520,835	18,376,267	32,367,262
Partnership distributions	(344,339)	(177,743)	(703,797)	(1,225,879)
Balance, December 31, 1999	$8,365,852	$5,467,634	$18,160,970	$31,994,456

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)
Statement of Cash Flows
for the Year Ended December 31, 1999

Cash flows from operating activities:	
Net income	$ 853,073
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	506,582
Changes in assets and liabilities:	
Accounts receivable	(133,777)
Prepaid expenses and other assets	(26,486)

Accounts payable	112,457
Total adjustments	458,776
Net cash provided by operating activities	1,311,849
Cash flows from financing activities:	
Distributions to joint venture partners	(545,571)
Net increase in cash and cash equivalents	766,278
Cash and cash equivalents, beginning of year	0
Cash and cash equivalents, end of year	$ 766,278
Supplemental disclosure of noncash activities:	
Deferred project costs contributed to joint venture	$ 1,294,686
Contribution of real estate assets to joint venture	$31,072,562

6. INCOME TAX BASIS NET INCOME AND PARTNERS' CAPITAL

The Operating Partnership's income tax basis net income for the years ended December 31, 1999 and 1998 are calculated as follows:

	1999	1998
Financial statement net income	$3,884,649	$ 334,034
Increase (decrease) in net income resulting from:		
Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes	949,631	82,618
Rental income accrued for financial reporting purposes in excess of amounts for income tax purposes	(789,599)	(35,427)
Expenses deductible when paid for income tax purposes, accrued for financial reporting purposes	49,906	1,634
Income tax basis net income	$4,094,587	$ 382,859

The Operating Partnership's income tax basis partners' capital at December 31, 1999 and 1998 is computed as follows:

	1999	1998
Financial statement partners' capital	$116,015,595	$27,421,687
Increase (decrease) in partners' capital resulting from:		
Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes	1,032,249	82,618
Capitalization of syndication costs for income tax purposes, which are accounted for as cost of capital for financial reporting purposes	12,896,312	3,942,545
Accumulated rental income accrued for financial reporting purposes in excess of amounts for income tax purposes	(825,026)	(35,427)
Accumulated expenses deductible when paid for income tax purposes, accrued for financial reporting purposes	51,540	1,634
Dividends payable	2,166,701	408,176
Income tax basis partners' capital	$131,337,371	$31,821,233

7. RENTAL INCOME

The future minimum rental income due from the Operating Partnership's direct investment in real estate or its respective ownership interest in the joint ventures under noncancelable operating leases at December 31, 1999 is as follows:

Year ended December 31:	
2000	$ 11,737,408
2001	11,976,253

2002	12,714,291
2003	12,856,557
2004	12,581,882
Thereafter	54,304,092
	$116,170,483

Three tenants contributed 32%, 16%, and 15% of rental income for the year ended December 31, 1999. In addition, four tenants will contribute 34%, 20%, 17%, and 11% of future minimum rental income.

The future minimum rental income due the Fund IX, X, XI, and REIT Joint Venture under noncancelable operating leases at December 31, 1999 is as follows:

Year ended December 31:	
2000	$ 3,666,570
2001	3,595,686
2002	3,179,827
2003	3,239,080
2004	3,048,152
Thereafter	5,181,003
	$21,910,318

Four tenants contributed 25%, 18%, 13%, and 12% of rental income for the year ended December 31, 1999. In addition, four tenants will contribute 28%, 22%, 15%, and 10% of future minimum rental income.

The future minimum rental income due Wells/Orange County Associates under noncancelable operating leases at December 31, 1999 is as follows:

Year ended December 31:	
2000	$ 758,964
2001	809,580
2002	834,888
2003	695,740
	$3,099,172

One tenant contributed 100% of rental income for the year ended December 31, 1999 and will contribute 100% of future minimum rental income.

The future minimum rental income due Wells/Fremont Associates under noncancelable operating leases at December 31, 1999 is as follows:

Year ended December 31:	
2000	$ 869,492
2001	895,577
2002	922,444
2003	950,118
2004	894,833
	$4,532,464

One tenant contributed 100% of rental income for the year ended December 31, 1999 and will contribute 100% of future minimum rental income.

The future minimum rental income due from XI, XII and REIT under noncancelable operating leases at December 31, 1999 is a follows:

Year ended December 31:

2000	$ 3,085,362
2001	3,135,490
2002	3,273,814
2003	3,367,231
2004	3,440,259
Thereafter	9,708,895
	$26,011,051

Four tenants contributed approximately 34%, 22%, 22%, and 12% of rental income for the year ended December 31, 1999. In addition, four tenants will contribute approximately 30%, 27%, 22%, and 18% of future minimum rental income.

8. NOTES PAYABLE

At December 31, 1999, the Operating Partnership had outstanding debt of $23,929,228. Of this amount, $11,430,696 was borrowed under a construction loan with Bank of America in order to finance the construction of a new building for Matsushita Avionics (the "Matsushita Project") and improvements for the AT&T Building. This loan is secured by the Matsushita Project and matures on May 10, 2001. The remaining $12,498,532 was borrowed against the revolving line of credit from SouthTrust Bank, which is collateralized by the PwC Building and matures on December 31, 2000. Interest is paid monthly and accrued at a variable rate based on LIBOR plus 200 basis points for both of these debt instruments. During 1999, the Company paid and capitalized interest costs of $847,451 and $463,873, respectively. The estimated fair value of these notes approximates their carrying value.

The Operating Partnership also has a $9,825,000 line of credit from Bank of America, which bears interest at a variable rate based on LIBOR plus 200 basis points. No balance was outstanding at December 31, 1999 under this line of credit.

9. COMMITMENTS AND CONTINGENCIES

On February 18, 1999, the Operating Partnership entered into a rental income guaranty agreement with Fund VIII and IX Associates (the "joint venture"), whereby the Operating Partnership guaranteed that the joint venture would receive rental income on the existing Matsushita Building, equal to at least the rent and building expenses that the joint venture would have received from Matsushita Avionics over the remaining term of the existing lease. Matsushita Avionics vacated the building on January 3, 2000, while the existing lease term extends through September 2003. The Company paid approximately $61,000 to the joint venture related to the rental income and building expenses due from Matsushita Avionics for the remainder of January 2000. Such payments are made from the Company's operating cash flow and reduce cash available for dividends.

On July 22, 1999, the Operating Partnership purchased a 7.49 acre tract of land located in Midlothian, Chesterfield County, Virginia for the purpose of constructing a four-story, 100,000 rentable square foot office building (the "ABB Project"). The Operating Partnership entered into an office lease with ABB Power Generation, Inc. ("ABB"), pursuant to which ABB has agreed to lease the ABB Project upon its completion.

Management, after consultation with legal counsel, is not aware of any significant litigation or claims against the Company, the Operating Partnership, or the Advisor. In the normal course of business, the Company, the Operating Partnership, or the Advisor may become subject to such litigation or claims.

10. COMMON STOCK OPTION PLAN

The Wells Real Estate Investment Trust, Inc. Independent Director Stock Option Plan ("the Plan") provides for grants of stock to be made to independent nonemployee directors of the Company. Options to purchase 2,500 shares of common

stock at $12 per share are granted upon initially becoming an independent director of the Company. Of these shares, 20% are exercisable immediately on the date of grant. An additional 20% of these shares become exercisable on each anniversary following the date of grant for a period of four years. Effective on the date of each annual meeting of shareholders of the Company, beginning in 2000, each independent director will be granted an option to purchase 1,000 additional shares of common stock. These options vest at the rate of 500 shares per full year of service thereafter. All options granted under the Plan expire no later than the date immediately following the tenth anniversary of the date of grant and may expire sooner in the event of the disability or death of the optionee or if the optionee ceases to serve as a director.

The Company has adopted the disclosure provisions in SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by the provisions of SFAS No. 123, the Company applies Accounting Principles Board ("APB") Opinion No. 25 and the related interpretations in accounting for its stock option plans and, accordingly, does not recognize compensation cost.

A summary of the Company's stock option activity during 1999 is as follows:

	Number	Exercise Price
Outstanding at December 31, 1998	0	$ 0
Granted	27,500	12
Outstanding at December 31, 1999	27,500	$12
Outstanding options exercisable as of December 31, 1999	5,500	$12

The weighted average remaining contractual life of options outstanding at December 31, 1999 is approximately 9.5 years. Based on the terms of the options, the fair value of the options granted during 1999 is $0.

11. QUARTERLY RESULTS (UNAUDITED)

Presented below is a summary of the unaudited quarterly financial information for the years ended December 31, 1999 and 1998:

	1999 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues	$988,000	$1,204,938	$1,803,352	$2,499,105
Net income	393,438	601,975	1,277,019	1,612,217
Basic and diluted earnings per share	$ 0.10	$ 0.09	$ 0.18	$ 0.13
Dividends per share	0.17	0.17	0.18	0.18

	1998 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 0	$10,917	$73,292	$310,969
Net income	0	10,899	62,128	261,007
Basic and diluted earnings per share	$0.00	$ 0.16	$ 0.06	$ 0.18
Dividends per share	0.00	0.00	0.15	0.16

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2000	December 31, 1999
REAL ESTATE, at cost:		
Land	$ 21,695,304	$ 14,500,822
Building and improvements, less accumulated depreciation of $6,810,792 in 2000 and $1,726,103 in 1999	188,671,038	81,507,040
Construction in progress	295,517	12,561,459
Total real estate	210,661,859	108,569,321
INVESTMENT IN JOINT VENTURES (NOTE 2)	36,708,242	29,431,176
DUE FROM AFFILIATES	859,515	648,354
CASH AND CASH EQUIVALENTS	12,257,161	2,929,804
DEFERRED PROJECT COSTS (Note 1)	471,005	28,093
DEFERRED OFFERING COSTS (Note 1)	1,108,206	964,941
PREPAID EXPENSES AND OTHER ASSETS	6,344,905	1,280,601
Total assets	$268,410,893	$143,852,290

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES:		
Accounts payable and accrued expenses	$ 975,821	$ 461,300
Notes payable (Note 3)	38,909,030	23,929,228
Due to affiliates (Note 4)	1,372,508	1,079,466
Dividends payable	4,475,982	2,166,701
Total liabilities	45,733,341	27,636,695
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	200,000
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 40,000,000 shares authorized, 26,174,825 shares issued and outstanding at September 30, 2000 and 13,471,085 shares issued and outstanding at December 31, 1999	261,748	134,710
Additional paid-in capital	222,215,804	115,880,885
Retained earnings	0	0
Total shareholders' equity	222,477,552	116,015,595
Total liabilities and shareholders' equity	$268,410,893	$143,852,290

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Nine Months Ended	
	September 30, 2000	September 30, 1999	September 30, 2000	September 30, 1999
REVENUES:				
Rental income	$5,819,968	$1,227,144	$13,712,371	$2,806,158
Equity in income of joint ventures	635,065	384,887	1,684,247	783,065
Interest income	131,578	191,321	338,020	407,067
	6,586,611	1,803,352	15,734,638	3,996,290

EXPENSES:				
Operating costs, net of reimbursements	289,140	(75,997)	631,407	(46,381)
Management and leasing fees	381,766	68,823	919,630	150,908
Depreciation	2,155,366	423,760	5,084,689	1,036,003
Administrative costs	41,626	21,076	273,484	91,016
Legal and accounting	32,883	22,187	130,603	78,637
Computer costs	2,353	2,119	8,846	8,182
Amortization of loan costs	64,016	2,433	150,143	6,488
Interest expense	1,094,233	61,932	2,798,299	399,005
	4,061,383	526,333	9,997,101	1,723,858
NET INCOME	$2,525,228	$1,277,019	$5,737,537	$2,272,432
BASIC AND DILUTED EARNINGS PER SHARE	$ 0.11	$ 0.18	$ 0.30	$ 0.37

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, 1999

AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000

	Common Stock		Additional Paid-In	Retained	Total Shareholders'
	Shares	Amount	Capital	Earnings	Equity
BALANCE, December 31, 1998	3,154,136	$ 31,541	$ 27,056,112	$ 334,034	$ 27,421,687
Issuance of common stock	10,316,949	103,169	103,066,321	0	103,169,490
Net income	0	0	0	3,884,649	3,884,649
Dividends ($.70 per share)	0	0	(1,346,240)	(4,218,683)	(5,564,923)
Sales commission	0	0	(9,801,197)	0	(9,801,197)
Other offering expenses	0	0	(3,094,111)	0	(3,094,111)
BALANCE, December 31, 1999	13,471,085	134,710	115,880,885	0	116,015,595
Issuance of common stock	12,769,524	127,695	127,567,548	0	127,695,243
Net income	0	0	0	5,737,537	5,737,537
Dividends ($.544 per share)	0	0	(4,695,767)	(5,737,537)	(10,433,304)
Sales commission	0	0	(12,068,553)	0	(12,068,553)
Other offering expenses	0	0	(3,811,122)	0	(3,811,122)
Common stock retired	(65,784)	(657)	(657,187)	0	(657,844)
BALANCE, September 30, 2000	26,174,825	$ 261,748	$ 222,215,804	$ 0	$ 222,477,552

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	September 30, 2000	September 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 5,737,537	$ 2,272,432
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,084,689	1,036,003
Amortization of loan costs	150,143	6,488
Equity in income of joint ventures	(1,684,247)	(783,065)
Changes in assets and liabilities:		
Accounts payable	514,521	326,166
Increase in prepaid expenses and other assets	(5,214,447)	(667,823)
Increase due to affiliates	149,777	82,901
Net cash provided by operating activities	4,737,973	2,273,102
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(103,469,511)	(55,913,594)
Investment in joint ventures	(7,612,005)	(17,641,421)
Deferred project costs	(4,446,307)	(2,692,478)
Distributions received from joint ventures	2,103,704	826,822
Net cash used in investing activities	(113,424,119)	(75,420,671)
Cash flows from financing activities:		
Proceeds from note payable	67,883,130	25,598,666
Repayment of note payable	(52,903,328)	(22,732,539)
Dividends paid	(8,124,023)	(2,159,649)
Issuance of common stock	127,695,243	76,927,944
Sales commissions paid	(12,068,553)	(7,308,155)
Offering costs paid	(3,811,122)	(2,307,838)
Common stock retired	(657,844)	0
Net cash provided by financing activities	118,013,503	68,018,429
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,327,357	(5,129,140)
CASH AND CASH EQUIVALENTS, beginning of year	2,929,804	7,979,403
CASH AND CASH EQUIVALENTS, end of period	$ 12,257,161	$ 2,850,263
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to joint ventures	$ 295,680	$ 735,056
Deferred project costs applied to real estate	$ 3,707,715	$ 2,273,411
Decrease in deferred offering cost accrual	$ (143,265)	$ (200,640)

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company" or "Registrant") is a Maryland corporation formed on July 3, 1997. The Company is the sole general partner of Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing for investment purposes income-producing commercial properties.

On January 30, 1998, the Company commenced a public offering of up to 16,500,000 shares of common stock at $10 per share pursuant to a Registration Statement on Form S-11 under the Securities Act of 1933. The Company commenced active operations on June 5, 1998, when it received and accepted subscriptions for 125,000 shares. The Company terminated its initial public offering on December 19, 1999, and on December 20, 1999, the Company commenced a second follow-on public offering of up to 22,200,000 shares of common stock at $10 per share. As of September 30, 2000, the Company had sold 26,240,610 shares for total capital contributions of $262,406,096. After payment of $9,161,189 in acquisition and

advisory fees and acquisition expenses, payment of $32,718,532 in selling commissions and organization and offering expenses, capital contributions and acquisition expenditures by Wells OP of $211,641,497 in property acquisitions and common stock redemptions of $657,844 pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $8,227,034 available for investment in properties. An additional $38,909,030 was spent for acquisition expenditures and was funded by loans from various lending institutes.

Wells OP owns interest in properties both directly and through equity ownership in the following joint ventures: (i) the Fund IX-X-XI-REIT Joint Venture, a joint venture among Wells OP and Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P. (the "Fund IX-X-XI-REIT Joint Venture"), (ii) Wells/Fremont Associates (the "Fremont Joint Venture"), a joint venture between Wells OP and Fund X and Fund XI Associates, which is a joint venture between Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P. (the "Fund X-XI Joint Venture"), (iii) Wells/Orange County Associates (the "Cort Joint Venture") a joint venture between Wells OP and the Fund X-XI Joint Venture, (iv) the Fund XI-XII-REIT Joint Venture, a joint venture among Wells OP, Wells Real Estate Fund XI, L.P., and Wells Real Estate Fund XII, L.P. (the "Fund XI-XIII-REIT Joint Venture"), (v) the Fund XII-REIT Joint Venture, a joint venture between Wells OP and Wells Real Estate Fund XII, L.P. (the "Fund XII-REIT Joint Venture"), and (vi) the Fund VIII-IX-REIT Joint Venture, a joint venture between Wells OP and the Fund VIII-IX Joint Venture.

As of September 30, 2000, Wells OP owned interest in the following properties either directly or through its interests in joint ventures: (i) a three-story office building in Knoxville, Tennessee (the "ABB-Knoxville Building"); (ii) a two-story office building in Louisville, Colorado (the "Ohmeda Building"); (iii) a three-story office building in Broomfield, Colorado (the "360 Interlocken Building"); (iv) a one-story office building in Oklahoma City, Oklahoma (the "AVAYA Building"); (v) a one-story warehouse and office building in Ogden, Utah (the "Iomega Building"), all five of which are owned by the Fund IX-X-XI-REIT Joint Venture; (vi) a two-story warehouse office building in Fremont, California (the "Fremont Building"), which is owned by the Fremont Joint Venture; (vii) a one-story warehouse and office building in Fountain Valley, California (the "Cort Building"), which is owned by the Cort Joint Venture; (viii) a four-story office building in Tampa, Florida (the "PWC Building"); (ix) a four-story office building in Harrisburg, Pennsylvania (the "AT&T Building"), which are owned directly by Wells OP; (x) a two-story manufacturing and office building located in Fountain Inn, South Carolina (the "EYBL

CarTex Building"); (xi) a three-story office building located in Leawood, Kansas (the "Sprint Building"); (xii) a one story office building and warehouse in Tredyffrin Township, Pennsylvania (the "Johnson Matthey Building"); (xiii) a two-story office building in Ft. Meyers, Florida (the "Gartner Building"), all four of which are owned by Fund XI-XII-REIT Joint Venture; (xiv) a two-story office building located in Lake Forest, California (the "Matsushita Project"); (xv) a four-story office building in Richmond, Virginia (the "Alstom Power-Richmond Building"); (xvi) a two-story office building and warehouse in Wood Dale, Illinois (the "Marconi Building"); (xvii) a five-story office building in Plano, Texas (the "Cinemark Building"); (xviii) a three-story office building in Tulsa, Oklahoma (the "Metris Building"); (xix) a two-story office building in Scottsdale, Arizona (the "Dial Building"); (xx) a two-story office building in Tempe, Arizona (the "ASML Building"); (xxi) a two-story office building in Tempe, Arizona (the "Motorola Building"); (xxii) a two-story office building in Tempe, Arizona (the "Avnet Building"); (xxiii) a three-story office building in Troy, Michigan (the "Delphi Building"); all ten of which are owned directly by Wells OP; (xxiv) a three-story office building in Troy, Michigan (the "Siemens Building"), which is owned by the Fund XII-REIT Joint Venture; and (xxv) a two-story office building in Orange County, California (the "Quest Building"), formerly the Bake Parkway Building, previously owned by Fund VIII-IX Joint Venture, which is now owned by the Fund VIII-IX-REIT Joint Venture.

(b) Deferred Project Costs

The Company pays Acquisition and Advisory Fees and Acquisition Expenses to Wells Capital, Inc., the Advisor, for acquisition and advisory services and as reimbursement for acquisition expenses. These payments may not exceed 3 1/2% of shareholders' capital contributions. Acquisition and Advisory Fees and Acquisition Expenses paid as of September 30, 2000, amounted to $9,161,189 and represented approximately 3 1/2% of shareholders' capital contributions received. These fees are allocated to specific properties as they are purchased.

(c) Deferred Offering Costs

The Advisor pays all the offering expenses for the Company. The Advisor may be reimbursed by the Company to the extent that such offering expenses do not exceed 3% of shareholders' capital contributions.

(d) Employees

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

(e) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly and indirectly by the Company. In the opinion of management of the registrant, the properties are adequately insured.

(f) Competition

The Company will experience competition for tenants from owners and managers of competing projects which may include its affiliates. As a result, the Company may be required to provide free rent; reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

(g) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. At December 31, 1997, the Wells OP had issued 20,000 limited partner units to Wells Capital, Inc., the Advisor, in exchange for a capital contribution of $200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated financial statements of the Company include the amounts of both the Company and Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of the Board of Directors, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 1999.

(h) Distribution Policy

The Company will make distributions (not including a return of capital for federal income tax purposes) equal to at least 95% of its real estate investment trusts taxable income through the taxable year 2000. It is the Company's policy to make regular quarterly distributions to holders of the shares. Distributions

will be made to those shareholders who are shareholders as of the record date selected by the Directors. Distributions will be declared on a daily basis and paid on a quarterly basis during the Offering period and declared and paid quarterly thereafter.

(i) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code 1986, as amended (the "Code"), to be taxed as a Real Estate Investment Trust ("REIT") under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company's net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(j) Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

2. INVESTMENTS IN JOINT VENTURES

The Company owned interests in 25 office buildings through its ownership in Wells OP, which owns interest in six joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint venture is recorded using the equity method.

The following describes additional information about certain of the properties in which the Company owns an interest as of September 30, 2000.

Fund VIII-IX-REIT Joint Venture

On June 15, 2000, the Fund VIII-IX-REIT Joint Venture was formed between Wells OP and Fund VIII and Fund IX Associates, a Georgia joint venture partnership between Wells Real Estate Fund VIII, L.P. and Wells Real Estate Fund IX, L.P. (the "Fund VIII-IX Joint Venture"). On July 1, 2000, the Fund VIII-IX Joint Venture contributed its interest in the Bake Parkway Building to the Fund VIII-IX-REIT Joint Venture. The Bake Parkway Building is a two-story office building containing approximately 65,006 rentable square feet on a 4.4-acre tract of land in Irvine, California.

A 42-month lease for the entire Bake Parkway Building has been signed by Quest Software, Inc. Occupancy occurred on August 1, 2000. Quest is a publicly traded corporation that provides software database management and disaster recovery services for its clients.

Construction of tenant improvements required under the Quest lease is anticipated to cost approximately $1,250,000 and will be funded by Wells OP.

The Alstom Power-Richmond Building

On July 24, 2000, the Company completed a build-to-suit project of a 99,057 square-foot, four-story, office building. The Class "A" property is located at 5309 Commonwealth Centre Drive in Richmond, Virginia.

The $11.4 million acquisition is 100% owned by the Company and is leased to Alstom Power, Inc. The tenant has signed a seven-year lease, which commenced on July 24, 2000. Alstom Power is the world's largest power generation group. Formerly ABB Power Generation and Alstom, the two companies merged in December 1999 to form ABB Alstom Power, Inc. and in June 2000 changed its name to Alstom Power, Inc. The group employs 58,000 people in more than 100 countries.

The building is located on 7.49 acres within the Waterford Business Park. The Waterford Park is a 20-acre office park in Chesterfield County.

3. NOTES PAYABLE

Notes payable, as of September 30, 2000, consists of loans of (i) $9,181,877 due to Bank of America secured by a first priority mortgage against the Matsushita Property; (ii) $21,627,153 due to Bank of America secured by first mortgages on the AT&T and Marconi buildings; (iii) $8,000,000 due to Richter-Schroeder Company, Inc. secured by a first mortgage against the Metris Building; and (iv) $100,000 due to Ryan Companies US, Inc. secured by a first mortgage on the Avnet Building.

4. DUE TO AFFILIATES

Due to affiliates consists of Acquisitions and Advisory Fees and Acquisition Expenses, deferred offering costs, and other operating expenses paid by the Advisor on behalf of the Company. Also included in Due to Affiliates is the Matsushita lease guarantee which is explained in detail in the Company's Form 10-K for the year ended December 31, 1999. Payments of $542,645 have been made as of September 30, 2000 toward fulfilling the Matsushita agreement.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the DIAL BUILDING for the year ended December 31, 1999. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Dial Building after acquisition by the Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Dial Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses

presents fairly, in all material respects, the revenues over certain operating expenses of the Dial Building for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
April 10, 2000

DIAL BUILDING

STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

RENTAL REVENUES	$ 1,388,868
OPERATING EXPENSES, net of reimbursements	0
REVENUES OVER CERTAIN OPERATING EXPENSES	$ 1,388,868

The accompanying notes are an integral part of this statement.

DIAL BUILDING

NOTES TO STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On March 29, 2000, the Wells Operating Partnership L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate and manage real properties on behalf of the Wells Real Estate Investment Trust, Inc., acquired the Dial Building from Ryan Companies US, Inc. ("Ryan"). Ryan is not an affiliate of Wells OP. The purchase price of the Dial Building was $14,250,000. Wells OP incurred additional acquisition expenses in connection with the purchase of the Dial Building, including attorney's fees, recording fees, loan fees, and other closing costs, of approximately $35,712. The funds used to purchase the Dial Building consisted of cash and proceeds from Wells OP's lines of credit with SouthTrust Bank, N.A. and Bank of America, N.A.

The entire 129,689 rentable square feet of the Dial Building is currently under a net lease agreement (the "Lease") with Dial Corporation ("Dial"). The Lease was assigned to Wells OP at closing. The Lease commenced on August 14, 1997 and expires on August 31, 2008. Dial has the right to extend the Lease for two additional five-year periods at 95% of the then-current fair market rental rate. Under the Lease, Dial is required to pay as additional rent all real estate taxes, special assessments, utilities, insurance, and other operating costs associated with the Dial Building during the term of the Lease. In addition, Dial is responsible for repair and maintenance of the roof, walls, structure,

and foundation, landscaping, and heating, ventilating, air conditioning, mechanical, electrical, plumbing, and other systems.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation, interest, and management fees, not comparable to the operations of the Dial Building after acquisition by Wells OP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the ASML BUILDING for the year ended December 31, 1999. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the ASML Building after acquisition by the Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the ASML Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the ASML Building for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
April 10, 2000

ASML BUILDING

STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

REVENUES:	
Rental income	$1,849,908
Tenant reimbursements	242,143
Total revenues	2,092,051
OPERATING EXPENSES:	
Ground lease	206,625
Insurance	9,628
Total operating expenses	216,253
REVENUES OVER CERTAIN OPERATING EXPENSES	$1,875,798

The accompanying notes are an integral part of this statement.

ASML BUILDING

NOTES TO STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On March 29, 2000, the Wells Operating Partnership L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate, and manage real properties on behalf of the Wells Real Estate Investment Trust, Inc., acquired the ASML Building from Ryan Companies U.S., Inc. ("Ryan"). Ryan is not an affiliate of Wells OP. The purchase price of the ASML Building was $17,355,000. Wells OP incurred additional acquisition expenses in connection with the purchase of the ASML Building, including attorney's fees, recording fees, loan fees, and other closing costs, of approximately $48,875. The funds used to purchase the ASML Building consisted of cash and proceeds obtained from Wells OP's lines of credit with SouthTrust Bank, N.A. and Bank of America, N.A. Wells OP also assumed a ground lease with Research Park on 9.51 acres. The ground lease commenced August 22, 1997 and expires on December 31, 2082.

The entire 95,133 rentable square feet of the ASML Building is currently under a net lease agreement (the "Lease") with ASML Lithography, Inc. ("ASML"). The Lease was assigned to Wells OP at closing. The Lease commenced on June 4, 1998 and expires on June 30, 2013. ASML has the right to extend the Lease for two additional five-year periods at the prevailing market rental rate, but in no event less than the rate in force at the end of the preceding lease term. Under the Lease, ASML is required to pay as additional rent the rent associated with

the ground lease described above and all real estate taxes, special assessments, utilities, insurance, and other operating costs associated with the ASML Building during the term of the Lease. In addition, ASML is responsible for repair and maintenance of the roof, walls, structure, and foundation, landscaping, and the heating, ventilating, air conditioning, mechanical, electrical, plumbing, and other systems.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation, interest, and management fees, not comparable to the operations of the ASML Building after acquisition by Wells OP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the MOTOROLA BUILDING for the year ended December 31, 1999. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Motorola Building after acquisition by the Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Motorola Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Motorola Building for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
April 10, 2000

MOTOROLA BUILDING

STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

REVENUES:	
Rental income	$1,817,366
Tenant reimbursements	290,287
Total revenues	2,107,653
OPERATING EXPENSES:	
Ground lease	243,826
Insurance	11,951
Total operating expenses	255,777
REVENUES OVER CERTAIN OPERATING EXPENSES	$1,851,876

The accompanying notes are an integral part of this statement.

MOTOROLA BUILDING

NOTES TO STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On March 29, 2000, the Wells Operating Partnership L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate and manage real properties on behalf of the Wells Real Estate Investment Trust, Inc., acquired the Motorola Building from Ryan Companies US, Inc. ("Ryan"). Ryan is not an affiliate of Wells OP. The purchase price of the Motorola Building was $16,000,000. Wells OP incurred additional acquisition expenses in connection with the purchase of the Motorola Building, including attorney's fees, recording fees, loan fees, and other closing costs, of approximately $36,622. The funds used to purchase the Motorola Building consisted of cash and proceeds obtained from Wells OP's lines of credit with SouthTrust Bank, N.A. and Bank of America, N.A. In addition, $5,000,000 in loan proceeds were provided by Ryan as seller financing. Wells OP also assumed a ground lease with Research Park on 12.44 gross acres. The ground lease commenced November 19, 1997 and expires on December 31, 2082.

The entire 133,225 rentable square feet of the Motorola Building is currently under a net lease agreement (the "Lease") with Motorola, Inc. ("Motorola"). The Lease was assigned to Wells OP at closing. The initial term of the Lease is seven years, which commenced on August 17, 1998 and expires on August 31, 2005.

Motorola has the right to extend the Lease for four additional five-year periods at the prevailing market rental rate. Under the lease, Motorola is required to pay as additional rent the rent associated with the ground lease described above and all real estate taxes, special assessments, utilities, insurance, and other operating costs associated with the Motorola Building during the term of the Lease. In addition, Motorola's responsible for repair and maintenance of the roof, walls, structure, and foundation, landscaping, and the heating, ventilating, air conditioning, mechanical, electrical, plumbing, and other systems.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation, interest, and management fees, not comparable to the operations of the Motorola Building after acquisition by Wells OP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the MOTOROLA PLAINFIELD BUILDING for the year ended December 31, 1999. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Motorola Plainfield Building after acquisition by the Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Motorola Plainfield Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Motorola Plainfield Building for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Atlanta, Georgia
November 30, 2000

MOTOROLA PLAINFIELD BUILDING

STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31,1999

AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000 (UNAUDITED)

	September 30, 2000	December 31, 1999
	(unaudited)	
RENTAL REVENUES	$770,000	$2,310,000
OPERATING EXPENSES, net of reimbursements	73,739	10,916
REVENUES OVER CERTAIN OPERATING EXPENSES	$696,261	$2,299,084

The accompanying notes are an integral part of these statements.

MOTOROLA PLAINFIELD BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000 (UNAUDITED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On November 1, 2000, the Wells Operating Partnership L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate and manage real properties on behalf of the Wells Real Estate Investment Trust, Inc., acquired the Motorola Plainfield Building from WHMAB Real Estate Limited Partnership ("WHMAB"). WHMAB is not an affiliate of Wells OP. The total purchase price of the Motorola Plainfield Building was $34,072,916, which includes an obligation of WHMAB assumed by Wells OP at closing to reimburse the tenant, Motorola, Inc. ("Motorola"), a maximum of $424,760 for certain rent payments required of it under its prior lease. Wells OP incurred additional acquisition expenses in connection with the purchase of the Motorola Plainfield Building, including attorney's fees, recording fees, loan fees, and other closing costs, of approximately $105,225. The funds used to purchase the Motorola Plainfield Building consisted of cash and proceeds from Wells OP's line of credit with SouthTrust Bank, N.A.

The entire 236,710 rentable square feet of the Motorola Plainfield Building is currently under a net lease agreement (the "Lease") with Motorola. The Lease was assigned to Wells OP at closing. The Lease commenced on November 1, 2000 and expires on October 31, 2010. Motorola has the right to extend the Lease for two additional five-year periods of time for a base rent equal to the greater of (i) the last year's rent, or (ii) 95% of the then-current fair market rental rate. Under the Lease, Motorola is required to pay as additional rent all real estate taxes, special assessments, utilities, insurance, and other operating costs associated with the Motorola Plainfield Building during the term of the Lease. In addition, Motorola is responsible for repair and maintenance of the roof, walls, structure, and foundation, landscaping, and heating, ventilating, air conditioning, mechanical, electrical, plumbing, and other systems.

Prior to commencement of the Lease with Motorola, 220,000 rentable square feet of the Motorola Plainfield Building was under a net lease agreement (the "Previous Lease") with a tenant. The Previous Lease commenced on May 14, 1997 and expired on April 30, 2000. Under the Previous Lease, the tenant was required to pay as additional rent all real estate taxes, special assessments, utilities, insurance, and other operating costs associated with the Motorola Plainfield Building during the term of the Previous Lease. In addition, the tenant was responsible for repair and maintenance of the roof, walls, structure, and foundation, landscaping, and heating, ventilating, air conditioning, mechanical, electrical, plumbing, and other systems.

The Motorola Plainfield Building did not have any tenants for the period from May 1, 2000 to October 31, 2000.

Rental Revenues

Rental income from leases is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation, interest, and management fees, not comparable to the operations of the Motorola Plainfield Building after acquisition by Wells OP.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The following unaudited pro forma balance sheet as of September 30, 2000 has been prepared to give effect to the acquisition of the Motorola Plainfield Building by the Wells Operating Partnership, L.P. ("Wells OP"), as if the acquisition occurred as of September 30, 2000. The following unaudited pro forma statements of income for the year ended December 31, 1999 and the nine months ended September 30, 2000 have been prepared to give effect to the acquisition of the Dial Building, the ASML Building, and the Motorola Tempe Building (together, the "Prior Acquisitions") and the Motorola Plainfield Building by the Wells OP as if each acquisition occurred on January 1, 1999.

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. Wells Real Estate Investment Trust, Inc. is the general partner of the Wells OP.

These unaudited pro forma financial statements are prepared for informational

purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions been consummated at the beginning of the period presented.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

SEPTEMBER 30, 2000

(Unaudited)

ASSETS

	Wells Real Estate Investment Trust, Inc.	Pro Forma Adjustments	Pro Forma Total
REAL ESTATE ASSETS, AT COST:			
Land	$ 21,695,304	$ 9,652,500(a) 402,509(b)	$ 31,750,313
Buildings less accumulated depreciation of $6,810,792	188,671,038	24,525,641(a) 1,022,719(b)	214,219,398
Construction in progress	295,517	0	295,517
Total real estate assets	210,661,859	35,603,369	246,265,228
INVESTMENT IN JOINT VENTURES	36,708,242	0	36,708,242
CASH AND CASH EQUIVALENTS	12,257,161	(10,753,381)(a) (954,223)(b) (82,973)(c)	466,584
DEFERRED OFFERING COSTS	1,108,206	0	1,108,206
DEFERRED PROJECT COSTS	471,005	(471,005)(b)	0
DUE FROM AFFILIATES	859,515	0	859,515
PREPAID EXPENSES AND OTHER ASSETS	6,344,905	82,973(c)	6,427,878
Total assets	$ 268,410,893	$23,424,760	$ 291,835,653

LIABILITIES AND SHAREHOLDERS' EQUITY

	Wells Real Estate Investment Trust, Inc.	Pro Forma Adjustments	Pro Forma Total
LIABILITIES:			
Accounts payable and accrued expenses	$ 975,821	$ 424,760(a), (d)	$ 1,400,581
Notes payable	38,909,030	23,000,000(a)	61,909,030
Dividends payable	4,475,982	0	4,475,982
Due to affiliate	1,372,508	0	1,372,508
Total liabilities	45,733,341	23,424,760	69,158,101
COMMITMENTS AND CONTINGENCIES			
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	200,000
SHAREHOLDERS' EQUITY:			
Common shares, $.01 par value; 40,000,000 shares authorized, 13,471,085 shares issued and outstanding	261,748	0	261,748
Additional paid-in capital	222,215,804	0	222,215,804
Retained earnings	0	0	0
Total shareholders' equity	222,477,552	0	222,477,552
Total liabilities and shareholders' equity	$ 268,410,893	$ 23,424,760	$ 291,835,653

(a) Reflects Wells Real Estate Investment Trust Inc.'s purchase price for the building.

(b) Reflects deferred project costs allocated to the land and building at approximately 4.17% of the purchase price.

(c) Reflects loan fees incurred in connection with the receipt of loan proceeds from the SouthTrust Bank, N.A., line of credit.

(d) Reflects assumption of obligation of Wells OP to reimburse the tenant of certain rent payments required of it under its prior lease.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1999

(Unaudited)

	Wells Real Estate Investment Trust, Inc.	Pro Forma Adjustments: Prior Acquisitions	Pro Forma Adjustments: Motorola Plainfield	Pro Forma Total
REVENUES:				
Rental income	$4,735,184	$5,056,142(a)	$2,310,000(a)	$12,101,326
Equity in income of joint ventures	1,243,969	0	0	1,243,969
Interest income	502,993	0	0	502,993
Other income	13,249	0	0	13,249
	6,495,395	5,056,142	2,310,000	13,861,537
EXPENSES:				
Depreciation and amortization	1,726,103	1,842,818(b)	1,021,934(b)	4,614,561
			23,706(c)	
Interest	442,029	2,758,350(d)	1,787,100(f)	5,437,479
		450,000(e)		
Operating costs, net of reimbursements	(74,666)	(60,400)(g)	10,916(h)	(124,150)
Management and leasing fees	257,744	282,116(i)	138,600(i)	678,460
General and administrative	123,776	0	0	123,776
Legal and accounting	115,471	0	0	115,471
Computer costs	11,368	0	0	11,368
Amortization of organizational costs	8,921	0	0	8,921
	2,610,746	5,272,884	2,982,256	10,865,886
NET INCOME	$3,884,649	$ (216,742)	$ (672,256)	$ 2,995,651
HISTORICAL EARNINGS PER SHARE (BASIC AND DILUTED)	$ 0.50			
PRO FORMA EARNINGS PER SHARE (BASIC AND DILUTED)				$ 0.11(j)

(a) Rental income recognized on a straight-line basis.

(b) Depreciation expense on the building using the straight-line method and a 25-year life.

(c) Amortization of loan costs over term of SouthTrust Bank, N.A. line of credit.

(d) Interest expense on the $9,000,000 line of credit with SouthTrust Bank, N.A. and the $26,500,000 line of credit with Bank of America, N.A., which bear interest at 7.77% for the year ended

December 31, 1999.

(e) Interest expense on the $5,000,000 note payable with Ryan Companies U.S., Inc., the seller, which bears interest at 9%.

(f) Interest expense on the $23,000,000 line-of-credit with SouthTrust Bank, N.A., which bears interest at 7.77% for the year ended December 31, 1999.

(g) Consists of ground lease and insurance expense for the ASML Building and the Motorola Tempe Building, net of tenant reimbursements.

(h) Consists of non-reimbursable operating expenses.

(i) Management and leasing fees equal approximately 6% of rental income.

(j) As of the property acquisition date of November 1, 2000, Wells Real Estate Investment Trust, Inc. had 27,970,106 shares of common stock outstanding; pro forma earnings per share is calculated as if these shares were outstanding for the entire year ended December 31, 1999.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000

(Unaudited)

	Wells Real Estate Investment Trust, Inc.	Pro Forma Adjustments: Prior Acquisitions	Pro Forma Adjustments: Motorola Plainfield	Pro Forma Total
REVENUES:				
Rental income	$13,712,371	$1,440,432(a)	$ 770,000(a)	$15,922,803
Equity in income of joint ventures	1,684,247	0	0	1,684,247
Interest income	338,020	0	0	338,020
	15,734,638	1,440,432	770,000	17,945,070
EXPENSES:				
Depreciation and amortization	5,084,689	460,704(b)	766,451(b)	6,329,624
			17,780(c)	
Interest	2,798,299	777,450(d)	1,546,620(f)	5,234,869
		112,500(e)		
Operating costs, net of reimbursements	631,407	(15,099)(g)	73,739(h)	690,047
Management and leasing fees	919,630	86,426(i)	46,200(i)	1,052,256
General and administrative	273,484	0	0	273,484
Legal and accounting	130,603	0	0	130,603
Computer costs	8,846	0	0	8,846
Amortization of organizational costs	150,143	0	0	150,143
	9,997,101	1,421,981	2,450,790	13,869,872
NET INCOME	$ 5,737,537	$ 18,451	$(1,680,790)	$ 4,075,198
HISTORICAL EARNINGS PER SHARE (BASIC AND DILUTED)	$ 0.30			
PRO FORMA EARNINGS PER SHARE (BASIC AND DILUTED)				$ 0.15(j)

REVENUES:

(a) Rental income recognized on a straight-line basis.

(b) Depreciation expense on the building using the straight-line method and a 25-year life.

(c) Amortization of loan costs over term of SouthTrust Bank, N.A. line of credit.

(d) Interest expense on the $9,000,000 line of credit with SouthTrust Bank, N.A. and the $26,500,000 line of credit with Bank of America, N.A., which bear interest at 8.76% for the nine months ended September 30, 2000.

(e) Interest expense on the $5,000,000 note payable with Ryan Companies U.S., Inc., the seller, which bears interest at 9%.

(f) Interest expense on the $23,000,000 line-of-credit with SouthTrust Bank, N.A., which bears interest at 8.97% for the nine months ended September 30, 2000.

(g) Consists of ground lease and insurance expense for the ASML Building and the Motorola Tempe Building, net of tenant reimbursements.

(h) Consists of non-reimbursable operating expenses.

(i) Management and leasing fees equal approximately 6% of rental income.

(j) As of the property acquisition date of November 1, 2000, Wells Real Estate Investment Trust, Inc. had 27,970,106 shares of common stock outstanding; pro forma earnings per share is calculated as if these shares were outstanding for the entire nine months ended September 30, 2000.

PRIOR PERFORMANCE TABLES

The following Prior Performance Tables (Tables) provide information relating to real estate investment programs sponsored by the advisor and its affiliates (Wells Public Programs) which have investment objectives similar to Wells Real Estate Investment Trust, Inc. (Wells REIT). (See "Investment Objectives and Criteria.") All of the Wells Public Programs, except for the Wells REIT, have used substantial amounts of capital, and no acquisition indebtedness, to acquire their properties.

Prospective investors should read these Tables carefully together with the summary information concerning the Wells Public Programs as set forth in "Prior Performance Summary" section of this prospectus.

Investors in the Wells REIT will not own any interest in other Wells Public Programs and should not assume that they will experience returns, if any, comparable to those experienced by investors in the Wells Public Programs.

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

The following tables are included herein:

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

Table II - Compensation to Sponsor (in Dollars)

Table III - Annual Operating Results of Wells Public Programs

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

Additional information relating to the acquisition of properties by the Wells Public Programs is contained in Table VI, which is included in Part II of the registration statement which the Wells REIT has filed with the Securities and Exchange Commission. As described above, no Wells Public Program has sold or disposed of any property held by it. Copies of any or all information will be provided to prospective investors at no charge upon request.

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

"Acquisition Fees" shall mean fees and commissions paid by a Wells Public Program in connection with its purchase or development of a property, except development fees paid to a person not affiliated with the Wells Public Program or with a general partner or advisor of the Wells Public Program in connection with the actual development of a project after acquisition of the land by the Wells Public Program.

"Organization Expenses" shall include legal fees, accounting fees, securities filing fees, printing and reproduction expenses and fees paid to the sponsor in connection with the planning and formation of the Wells Public Program.

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

TABLE I
(UNAUDITED)

EXPERIENCE IN RAISING AND INVESTING FUNDS

This Table provides a summary of the experience of the sponsors of Wells Public Programs for which offerings have been completed since December 31, 1996. Information is provided with regard to the manner in which the proceeds of the offerings have been applied. Also set forth is information pertaining to the timing and length of these offerings and the time period over which the proceeds have been invested in the properties. All figures are as of December 31, 1999.

	Wells Real Estate Fund IX, L.P.	Wells Real Estate Fund X, L.P.	Wells Real Estate Fund XI, L.P.	Wells Real Estate Investment Trust, Inc.
Dollar Amount Raised	$35,000,000/(3)/	$ 27,128,912/(4)/	$ 16,532,802/(5)/	$ 132,181,919/(6)/
Percentage Amount Raised	100.0%/(3)/	100%/(4)/	100%/(5)/	100%/(6)/
Less Offering Expenses				
Underwriting Fees	10.0%	10.0%	9.5%	9.5%
Organizational Expenses	5.0%	5.0%	3.0%	3.0%
Reserves/(1)/	0.0%	0.0%	0.0%	0.0%
Percent Available for Investment	85.0%	85.0%	87.5%	87.5%
Acquisition and Development Costs				
Prepaid Items and Fees related to				
Purchase of Property	2.0%	5.4%	0.0%	1.1%
Cash Down Payment	67.1%	60.5%	84.0%	82.0%
Acquisition Fees/(2)/	4.0%	4.0%	3.5%	3.5%
Development and Construction Costs	11.9%	14.1%	0.0%	0.3%
Reserve for Payment of Indebtedness	0.0%	0.0%	0.0%	0.0%
Total Acquisition and Development Cost	85.0%	84.0%	87.5%	86.9%

Percent Leveraged	0.0%	0.0%	0.0%	17.6%
Date Offering Began	01/05/96	12/31/96	2/31/97	01/30/98
Length of Offering	12 mo.	12 mo.	12 mo.	23 mo.
Months to Invest 90% of Amount Available for Investment (Measured from Beginning of Offering)	14 mo.	19 mo.	20 mo.	21 mo.
Number of Investors as of 12/31/99	2,120	1,812	1,345	3,839

(1) Does not include general partner contributions held as part of reserves.
(2) Includes acquisition fees, real estate commissions, general contractor fees and/or architectural fees paid to affiliates of the general partners.
(3) Total dollar amount registered and available to be offered was $35,000,000. Wells Real Estate Fund IX, L.P. closed its offering on December 30, 1996, and the total dollar amount raised was $35,000,000.

(4) Total dollar amount registered and available to be offered was $35,000,000. Wells Real Estate Fund X, L.P. closed its offering on December 30, 1997, and the total dollar amount raised was $27,128,912.
(5) Total dollar amount registered and available to be offered was $35,000,000. Wells Real Estate Fund XI, L.P. closed its offering on December 30, 1998, and the total dollar amount raised was $16,532,802.
(6) Total dollar amount registered and available to be offered was $165,000,000. Wells Real Estate Investment Trust, Inc. closed its initial offering on December 20, 1999, and the total dollar amount raised in its initial offering was $132,181,919.

TABLE II
(UNAUDITED)
COMPENSATION TO SPONSOR

The following sets forth the compensation received by Wells Capital and its affiliates, including compensation paid out of offering proceeds and compensation paid in connection with the ongoing operations of Wells Public Programs having similar or identical investment objectives the offerings of which have been completed since December 31, 1996. These partnerships have not sold or refinanced any of their properties to date. All figures are as of December 31, 1999.

	Wells Real Estate Fund IX, L.P.	Wells Real Estate Fund X, L.P.	Wells Real Estate Fund XI, L.P.	Wells Real Estate Investment Trust, Inc.	Other Public Programs/(1)/
Date Offering Commenced	01/05/96	12/31/96	12/31/97	01/30/98	--
Dollar Amount Raised	$35,000,000	$ 27,128,912	$ 16,532,802	$132,181,919	$206,241,095
to Sponsor from Proceeds of Offering:					
Underwriting Fees/(2)/	$ 309,556	$ 260,748	$ 151,911	$ 1,530,882	$ 924,156
Acquisition Fees					
Real Estate Commissions	--	--	--	--	--
Acquisition and Advisory Fees/(3)/	$ 1,400,000	$ 1,085,157	$ 578,648	$ 4,626,367	$ 10,159,399
Dollar Amount of Cash Generated from Operations					
Before Deducting Payments to Sponsor/(4)/	$ 7,064,631	$ 4,262,319	$ 2,133,705	$ 8,002,132	$ 38,076,886
Amount Paid to Sponsor from Operations:	$ 169,661	$ 105,410	$ 22,200	$ 129,208	$ 1,434,957
Property Management Fee/(1)/	--	--	--	--	--
Partnership Management Fee	$ 133,784	$ 105,132	$ 61,058	$ 101,605	$ 1,613,725
Reimbursements	$ 260,082	$ 176,108	$ 33,492	$ 129,208	$ 1,580,482
Leasing 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) Includes compensation paid to the general partners from Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P., Wells Real Estate Fund VI, L.P., Wells Real Estate Fund VII, L.P., and Wells Real Estate Fund VIII, L.P. during the past three years. In addition to the amounts shown, affiliates of the general partners of Wells Real Estate Fund I are entitled to certain property management and leasing fees but have elected to defer the payment of such fees until a later year on properties owned by Wells Real Estate Fund I. At December 31, 1999, the amount of such deferred fees due the general partners totaled $2,397,266.

(2) Includes net underwriting compensation and commissions paid to Wells Investment Securities, Inc. in connection with the offering which was not reallowed to participating broker-dealers.

(3) Fees paid to the general partners or their affiliates for acquisition and advisory services in connection with the review and evaluation of potential real property acquisitions.

(4) Includes $487,134 in net cash provided by operating activities, $6,013,970 in distributions to limited partners and $563,527 in payments to sponsor for Wells Real Estate Fund IX, L.P.; $400,825 in net cash provided by operating activities, $3,474,844 in distributions to limited partners and $386,650 in payments to sponsor for Wells Real Estate Fund X, L.P.; $(150,720) in net cash used by operating activities, $2,167,675 in distributions to limited partners and $116,750 in payments to sponsor for Wells Real Estate Fund XI, L.P.; $3,732,726 in net cash provided by operating activities, $3,909,385 in dividends and $360,021 in payments to sponsor for Wells Real Estate Investment Trust, Inc.; and $2,167,163 in net cash provided by operating activities, $31,280,559 in distributions to limited partners and $4,629,164 in payments to sponsor for other public programs.

TABLE III
(UNAUDITED)

The following six tables set forth operating results of Wells Public Programs the offerings of which have been completed since December 31, 1994. The information relates only to public programs with investment objectives similar to those of the Wells REIT. All figures are as of December 31 of the year indicated.

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

	1999	1998	1997	1996	1995
Gross Revenues/(1)/	$ 982,630	$ 846,306	$ 816,237	$ 543,291	$ 925,246
Profit on Sale of Properties	--	--	--	--	--
Less: Operating Expenses/(2)/	85,273	85,722	76,838	84,265	114,953
Depreciation and Amortization/(3)/	1,562	6,250	6,250	6,250	6,250
Net Income GAAP Basis/(4)/	$ 895,795	$ 754,334	$ 733,149	$ 452,776	$ 804,043
Taxable Income: Operations	$ 1,255,666	$ 1,109,096	$ 1,008,368	$ 657,443	$ 812,402
Cash Generated (Used By):					
Operations	(82,763)	(72,194)	(43,250)	20,883	431,728
Joint Ventures	1,777,010	1,770,742	1,420,126	760,628	424,304

	$ 1,694,247	$ 1,698,548	$ 1,376,876	$ 781,511	$ 856,032
Less Cash Distributions to Investors:					
Operating Cash Flow	1,688,290	1,636,158	1,376,876	781,511	856,032
Return of Capital	--	--	2,709	10,805	22,064
Undistributed Cash Flow from Prior Year Operations	--	--	--	--	9,643
Cash Generated (Deficiency) after Cash Distributions	$ 5,957	$ 62,390	$ (2,709)	$ (10,805)	$ (31,707)
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--	--	--
Increase in Limited Partner Contributions	$ --	$ --	$ --	$ --	$ 805,212
	$ 5,957	$ 62,390	$ (2,709)	$ (10,805)	$ 773,505
Use of Funds:					
Sales Commissions and Offering Expenses	--	--	--	--	$ 244,207
Return of Original Limited Partner's Investment	--	--	--	--	100
Property Acquisitions and Deferred Project Costs	0	181,070	169,172	736,960	14,971,002
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ 5,957	$ (118,680)	$ (171,881)	$ (747,765)	$(14,441,804)
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)	93	85	86	62	57
- Operations Class A Units	(248)	(224)	(168)	(98)	(20)
- Operations Class B Units	--	--	--	--	--
Capital Gain (Loss)					
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	89	82	78	55	55
- Operations Class B Units	(144)	(134)	(111)	(58)	(16)
Capital Gain (Loss)	--	--	--	--	--
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	83	81	70	43	52
- Return of Capital Class A Units	--	--	--	--	--
- Return of Capital Class B Units	--	--	--	--	--
Source (on Cash Basis)					
- Operations Class A Units	83	81	70	42	51
- Return of Capital Class A Units	--	--	--	1	1
- Operations Class B Units	--	--	--	--	--
Source (on a Priority Distribution Basis)/(5)/					
- Investment income Class A Units	67	65	54	29	30
- Return of Capital Class A Units	16	16	16	14	22
- Return of Capital Class B Units	--	--	--	--	--
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

(1) Includes $403,325 in equity in earnings of joint ventures and $521,921 from investment of reserve funds in 1995, $457,144 in equity in earnings of joint ventures and $86,147 from investment of reserve funds in 1996, $785,398 in equity in earnings of joint ventures and $30,839 from investment of reserve funds in 1997, $839,037 in equity in earnings of joint ventures and $7,269 from investment of reserve funds in 1998, and $981,104 in equity in earnings of joint ventures and $1,526 from investment of reserve funds in 1999. At December 31, 1999, the leasing status was 97% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $25,468 for 1994, $140,533 for 1995, $605,247 for 1996, $877,869 for 1997, $955,245 for 1998, and $982,052 for 1999.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $950,826 to Class A Limited Partners, $(146,503) to Class B Limited Partners and $(280) to the General Partners for 1995; $1,062,605 to Class A Limited Partners, $(609,829) to Class B Limited Partners and $0 to the General Partners for 1996; $1,615,965 to class A Limited Partners, $(882,816) to Class B Limited Partners and $0 to the General Partners for 1997; $1,704,213 to Class A Limited Partners, $(949,879) to Class B Limited Partners and $0 to the General Partners for 1998; and $1,879,410 to Class A Limited Partners, $(983,615) to Class B Limited Partners and $0 to the General Partners for 1999.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to

Class B Limited Partners. As of December 31, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,680,730.

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

	1999	1998	1997	1996	1995
Gross Revenues/(1)/	$ 1,360,497	$ 1,362,513	$ 1,204,018	$ 1,057,694	$ 402,428
Profit on Sale of Properties	--	--	--	--	--
Less: Operating Expenses/(2)/	87,301	87,092	95,201	114,854	122,264
Depreciation and Amortization/(3)/	6,250	6,250	6,250	6,250	6,250
Net Income GAAP Basis/(4)/	$ 1,266,946	$ 1,269,171	$ 1,102,567	$ 936,590	273,914
Taxable Income: Operations	$ 1,672,844	$ 1,683,192	$ 1,213,524	$ 1,001,974	404,348
Cash Generated (Used By):					
Operations	(87,298)	(63,946)	7,909	623,268	204,790
Joint Ventures	2,558,623	2,293,504	1,229,282	279,984	20,287
	$ 2,471,325	$ 2,229,558	$ 1,237,191	$ 903,252	$ 225,077
Less Cash Distributions to Investors:					
Operating Cash Flow	2,379,215	2,218,400	1,237,191	903,252	--
Return of Capital	--	--	183,315	2,443	--
Undistributed Cash Flow from Prior Year Operations	--	--	--	225,077	--
Cash Generated (Deficiency) after Cash Distributions	$ 92,110	$ 11,158	$ (183,315)	$ (227,520)	$ 225,077
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--	--	--
Increase in Limited Partner Contributions/(5)/	--	--	--	1,898,147	30,144,542
	$ 92,110	$ 11,158	$ (183,315)	$ 1,670,627	$ 30,369,619
Use of Funds:					
Sales Commissions and Offering Expenses	--	--	--	464,760	4,310,028
Return of Limited Partner's Investment	--	--	8,600	--	--
Property Acquisitions and Deferred Project Costs	0	1,850,859	10,675,811	7,931,566	6,618,273
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ 92,110	$ (1,839,701)	$ (10,867,726)	$ (6,725,699)	$ 19,441,318
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
- Operations Class A Units	91	91	73	46	28
- Operations Class B Units	(247)	(212)	(150)	(47)	(3)
Capital Gain (Loss)	--	--	--	--	--
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	88	89	65	46	17
- Operations Class B Units	154	(131)	(95)	(33)	(3)
Capital Gain (Loss)	--	--	--	--	--
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	87	83	54	43	--
- Return of Capital Class A Units	--	--	--	--	--
- Return of Capital Class B Units	--	--	--	--	--
Source (on Cash Basis)					
- Operations Class A Units	87	83	47	43	--
- Return of Capital Class A Units	--	--	7	0	--
- Operations Class B Units	--	--	--	--	--
Source (on a Priority Distribution Basis)/(5)/					
- Investment Income Class A Units	70	69	42	33	--
- Return of Capital Class A Units	17	16	12	10	--
- Return of Capital Class B Units	--	--	--	--	--
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

(1) Includes $28,377 in equity in earnings of joint ventures and $374,051 from investment of reserve funds in 1995, $241,819 in equity in earnings of joint ventures and $815,875 from investment of reserve funds in 1996, $1,034,907 in equity in earnings of joint ventures and $169,111 from investment of reserve funds in 1997, $1,346,367 in equity in earnings of joint ventures and $16,146 from investment of reserve funds in 1998, and $1,360,494 in equity in earnings of joint ventures and $3 from investment of reserve funds in 1999. At December 31, 1999, the leasing status was 98% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $14,058 for 1995, $265,259 for 1996, $841,666 for 1997, $1,157,355 for 1998, and $1,209,171 for 1999.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $294,221 to Class A Limited Partners, $(20,104) to Class B Limited Partners and $(203) to the General Partners for 1995; $1,207,540 to Class A Limited Partners, $(270,653) to Class B Limited Partners and $(297) to the General Partners for 1996; $1,947,536 to Class A Limited Partners, $(844,969) to Class B Limited Partners and $0 to the General Partners for 1997; $2,431,246 to Class A Limited Partners, $(1,162,075) to Class B Limited Partners and $0 to the General Partners for 1998; and $2,481,559 to Class A Limited Partners, $(1,214,613) to Class B Limited Partners and $0 to the General Partners for 1999.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,464,810.

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

	1999	1998	1997	1996	1995
Gross Revenues/(1)/	$ 1,593,734	$ 1,561,456	$ 1,199,300	$ 406,891	N/A
Profit on Sale of Properties	--	--	--	--	
Less: Operating Expenses/(2)/	90,903	105,251	101,284	101,885	
Depreciation and Amortization/(3)/	12,500	6,250	6,250	6,250	
Net Income GAAP Basis/(4)/	$ 1,490,331	$ 1,449,955	$ 1,091,766	$ 298,756	
Taxable Income: Operations	$ 1,924,542	$ 1,906,011	$ 1,083,824	$ 304,552	
Cash Generated (Used By):					
Operations	$ (94,403)	$ 80,147	$ 501,390	$ 151,150	
Joint Ventures	2,814,870	2,125,489	527,390	--	
	$ 2,720,467	$ 2,205,636	$ 1,028,780	$ 151,150	
Less Cash Distributions to Investors:					
Operating Cash Flow	2,720,467	2,188,189	1,028,780	149,425	
Return of Capital	15,528	--	41,834	--	
Undistributed Cash Flow From Prior Year Operations	17,447	--	1,725	--	
Cash Generated (Deficiency) after Cash Distributions	$ (32,975)	$ 17,447	$ (43,559)	$ 1,725	
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--	--	
Increase in Limited Partner Contributions	--	--	--	35,000,000	
	$ (32,975)	$ 17,447	$ (43,559)	$35,001,725	
Use of Funds:					
Sales Commissions and Offering Expenses	--	323,039	4,900,321		
Return of Original Limited Partner's Investment	--	--	100	--	
Property Acquisitions and Deferred Project Costs	190,853	9,455,554	13,427,158	6,544,019	
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (223,828)	$ (9,438,107)	$(13,793,856)	$23,557,385	
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)	89	88	53	28	
- Operations Class A Units	(272)	(218)	(77)	(11)	
- Operations Class B Units	--	--	--	--	
Capital Gain (Loss)					
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	86	85	46	26	
- Operations Class B Units	(164)	(123)	(47)	(48)	
Capital Gain (Loss)	--	--	--	--	
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	88	73	36	13	
- Return of Capital Class A Units	2	--	--	--	
- Return of Capital Class B Units	--	--	--	--	
Source (on Cash Basis)					

- Operations Class A Units	89	73	35	13
- Return of Capital Class A Units	1	--	1	--
- Operations Class B Units	--	--	--	--
Source (on a Priority Distribution Basis)/(5)/				
- Investment Income Class A Units	77	61	29	10
- Return of Capital Class A Units	13	12	7	3
- Return of Capital Class B Units	--	--	--	--
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%			

(1) Includes $23,077 in equity in earnings of joint ventures and $383,884 from investment of reserve funds in 1996, and $593,914 in equity in earnings of joint ventures and $605,386 from investment of reserve funds in 1997, $1,481,869 in equity in earnings of joint ventures and $79,587 from investment of reserve funds in 1998, and $1,593,734 in equity in earnings of joint ventures and $0 from investment of reserve funds in 1999. At December 31, 1999, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $25,286 for 1996, $469,126 for 1997, $1,143,407 for 1998, and $1,210,939 for 1999.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $330,270 to Class A Limited Partners, $(31,220) to Class B Limited Partners and $(294) to the General Partners for 1996; $1,564,778 to Class A Limited Partners, $(472,806) to Class B Limited Partners and $(206) to the General Partners for 1997; $2,597,938 to Class A Limited Partners, $(1,147,983) to Class B Limited Partners and $0 to the General Partners for 1998; and $2,713,636 to Class A Limited Partners, $(1,223,305) to Class B Limited Partners and $0 to the General Partners for 1999.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $993,010.

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

	1999	1998	1997	1996	1995
Gross Revenues/(1)/	$ 1,309,281	$ 1,204,597	$ 372,507	N/A	N/A
Profit on Sale of Properties	--	--	--		
Less: Operating Expenses/(2)/	98,213	99,034	88,232		
Depreciation and Amortization/(3)/	18,750	55,234	6,250		
Net Income GAAP Basis/(4)/	$ 1,192,318	$ 1,050,329	$ 278,025		
Taxable Income: Operations	$ 1,449,771	$ 1,277,016	$ 382,543		
Cash Generated (Used By):					
Operations	(99,862)	300,019	200,668		
Joint Ventures	2,175,915	886,846	--		
	$ 2,076,053	$ 1,186,865	$ 200,668		
Less Cash Distributions to Investors:					
Operating Cash Flow	2,067,801	1,186,865	--		
Return of Capital	--	19,510	--		
Undistributed Cash Flow From Prior Year Operations	--	200,668	--		
Cash Generated (Deficiency) after Cash Distributions	$ 8,252	$ (220,178)	$ 200,668		
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--		
Increase in Limited Partner Contributions	--	--	27,128,912		

	$ 8,252	$ (220,178)	$27,329,580
Use of Funds:			
Sales Commissions and Offering Expenses	--	300,725	3,737,363
Return of Original Limited Partner's Investment	--	--	100
Property Acquisitions and Deferred Project Costs	0	17,613,067	5,188,485
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ 8,252	$(18,133,970)	$18,403,632
Net Income and Distributions Data per $1,000 Invested:			
Net Income on GAAP Basis:			
Ordinary Income (Loss)	97	85	28
- Operations Class A Units	(160)	(123)	(9)
- Operations Class B Units	--	--	--
Capital Gain (Loss)			
Tax and Distributions Data per $1,000 Invested:			
Federal Income Tax Results:			
Ordinary Income (Loss)			
- Operations Class A Units	92	78	35
- Operations Class B Units	(100)	(64)	0
Capital Gain (Loss)	--	--	--
Cash Distributions to Investors:			
Source (on GAAP Basis)			
- Investment Income Class A Units	95	66	--
- Return of Capital Class A Units	--	--	--
- Return of Capital Class B Units	--	--	--
Source (on Cash Basis)			
- Operations Class A Units	95	56	--
- Return of Capital Class A Units	--	10	--
- Operations Class B Units	--	--	--
Source (on a Priority Distribution Basis)/(5)/			
- Investment Income Class A Units	71	48	--
- Return of Capital Class A Units	24	18	--
- Return of Capital Class B Units	--	--	--
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%		

(1) Includes $(10,035) in equity in earnings of joint ventures and $382,542 from investment of reserve funds in 1997, and $869,555 in equity in earnings of joint ventures and $215,042 from investment of reserve funds in 1998, and $1,309,281 in equity in earnings of joint ventures and $0 from investment of reserve funds in 1999. At December 31, 1999, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $18,675 for 1997, $674,986 for 1998, and $891,911 for 1999.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $302,862 to Class A Limited Partners, $(24,675) to Class B Limited Partners and $(162) to the General Partners for 1997; $1,779,191 to Class A Limited Partners, $(728,524) to Class B Limited Partners and $(338) to General Partners for 1998; and $2,084,229 to Class A Limited Partners, $(891,911) to Class B Limited Partners and $0 to the General Partners for 1999.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $909,527.

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

	1999	1998	1997	1996	1995
Gross Revenues/(1)/	766,586	262,729	N/A	N/A	N/A
Profit on Sale of Properties	--	--			
Less: Operating Expenses/(2)/	111,058	113,184			

Depreciation and Amortization/(3)/	25,000	6,250
Net Income GAAP Basis/(4)/	$ 630,528	$ 143,295
Taxable Income: Operations	$ 704,108	$ 177,692
Cash Generated (Used By):		
Operations	40,906	(50,858)
Joint Ventures	705,394	102,662
	$ 746,300	$ 51,804
Less Cash Distributions to Investors:		
Operating Cash Flow	746,300	51,804
Return of Capital	49,761	48,070
Undistributed Cash Flow From Prior Year Operations	--	--
Cash Generated (Deficiency) after Cash Distributions	$ (49,761)	$ (48,070)
Special Items (not including sales and financing):		
Source of Funds:		
General Partner Contributions	--	--
Increase in Limited Partner Contributions	--	16,532,801
	$ (49,761)	$16,484,731
Use of Funds:		
Sales Commissions and Offering Expenses	214,609	1,779,661
Return of Original Limited Partner's Investment	100	--
Property Acquisitions and Deferred Project Costs	9,005,979	5,412,870
Cash Generated (Deficiency) after Cash Distributions and Special Items	$(9,270,449)	$ 9,292,200
Net Income and Distributions Data per $1,000 Invested:		
Net Income on GAAP Basis:		
Ordinary Income (Loss)		
- Operations Class A Units	77	20
- Operations Class B Units	(112)	(32)
Capital Gain (Loss)	--	--
Tax and Distributions Data per $1,000 Invested:		
Federal Income Tax Results:		
Ordinary Income (Loss)		
- Operations Class A Units	71	18
- Operations Class B Units	(73)	(17)
Capital Gain (Loss)	--	--
Cash Distributions to Investors:		
Source (on GAAP Basis)		
- Investment Income Class A Units	60	8
- Return of Capital Class A Units	--	--
- Return of Capital Class B Units	--	--
Source (on Cash Basis)		
- Operations Class A Units	56	4
- Return of Capital Class A Units	4	4
- Operations Class B Units	--	--
Source (on a Priority Distribution Basis)(5)		
- Investment Income Class A Units	46	6
- Return of Capital Class A Units	14	2
- Return of Capital Class B Units	--	--
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%	

(1) Includes $142,163 in equity in earnings of joint ventures and $120,566 from investment of reserve funds in 1998, and $607,579 in equity in earnings of joint ventures and $159,007 from investment of reserve funds in 1999. At December 31, 1999, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $105,458 for 1998, and $353,840 for 1999.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $254,862 to Class A Limited Partners, $(111,067) to Class B Limited Partners and $(500) to General Partners for 1998; and $1,009,368 to Class A Limited Partners, $(378,840) to Class B Limited Partners and $0 to the General Partners for 1999.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $213,006.

EXHIBIT A

SUBSCRIPTION AGREEMENT

To: Wells Real Estate Investment Trust, Inc.
Suite 250
6200 The Corners Parkway
Norcross, Georgia 30092

Ladies and Gentlemen:

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

I hereby acknowledge receipt of the Prospectus of the Company dated December 20, 2000 (the "Prospectus").

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

Prospective investors are hereby advised of the following:

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

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

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

SPECIAL NOTICE FOR CALIFORNIA RESIDENTS ONLY
CONDITIONS RESTRICTING TRANSFER OF SHARES

260.141.11 Restrictions on Transfer.

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

(b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of the Rules), except:

(1) to the issuer;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision

(f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.

(c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

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

[Last amended effective January 21, 1988.]

SPECIAL NOTICE FOR MAINE, MASSACHUSETTS, MINNESOTA, MISSOURI AND NEBRASKA RESIDENTS ONLY

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

STANDARD REGISTRATION REQUIREMENTS

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

TYPE OF OWNERSHIP AND SIGNATURE(S) REQUIRED

1. INDIVIDUAL: One signature required.

2. JOINT TENANTS WITH RIGHT OF SURVIVORSHIP: All parties must sign.

3. TENANTS IN COMMON: All parties must sign.

4. COMMUNITY PROPERTY: Only one investor signature required.

5. PENSION OR PROFIT SHARING PLANS: The trustee signs the Signature Page.

6. TRUST: The trustee signs the Signature Page. Provide the name of the trust, the name of the trustee and the name of the beneficiary.

7. Company: Identify whether the entity is a general or limited partnership. The general partners must be identified and their signatures obtained on the Signature Page. In the case of an investment by a general partnership, all partners must sign (unless a "managing partner" has been designated for the partnership, in which case he may sign on behalf of the partnership if a certified copy of the document granting him authority to invest on behalf of the partnership is submitted).

8. CORPORATION: The Subscription Agreement must be accompanied by (1) a certified copy of the resolution of the Board of Directors designating the officer(s) of the corporation authorized to sign on behalf of the corporation and (2) a certified copy of the Board's resolution authorizing the investment.

9. IRA AND IRA ROLLOVERS: Requires signature of authorized signer (e.g., an officer) of the bank, trust company, or other fiduciary. The address of the trustee must be provided in order for the trustee to receive checks and other pertinent information regarding the investment.

10. KEOGH (HR 10): Same rules as those applicable to IRAs.

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

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

INVESTOR INSTRUCTIONS	Please follow these instructions carefully. Failure to do so may result in the rejection of your subscription. All information on the Subscription Agreement Signature Page should be completed as follows:
1. INVESTMENT	a. GENERAL: A minimum investment of $1,000 (100 Shares) is required, except for certain states which require a higher minimum investment. A CHECK FOR THE FULL PURCHASE PRICE OF THE SHARES SUBSCRIBED FOR SHOULD BE MADE PAYABLE TO THE ORDER OF "WELLS REAL ESTATE INVESTMENT TRUST, INC." Investors who have satisfied the minimum purchase requirements in Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P., Wells Real Estate Fund VI, L.P., Wells Real Estate Fund VII, L.P., Wells Real Estate Fund VIII, L.P., Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P., Wells Real Estate Fund XI, L.P. or Wells Real Estate Fund XII, L.P. or in any other public real estate program may invest as little as $25 (2.5 Shares) except for residents of Maine, Minnesota, Nebraska or Washington. Shares may be purchased only by persons meeting the standards set forth under the Section of the Prospectus entitled "Investor Suitability Standards." Please indicate the state in which the sale was made. b. DEFERRED COMMISSION OPTION: Please check the box if you have agreed with your Broker-Dealer to elect the Deferred Commission Option, as described in the Prospectus, as supplemented to date. By electing the Deferred Commission Option, you are required to pay only $9.40 per Share purchased upon subscription. For the next six years following the year of subscription, or lower if required to satisfy outstanding deferred commission obligations, you will have a 1% sales commission ($.10 per Share) per year deducted from and paid out of dividends or other cash distributions otherwise distributable to you. Election of the Deferred Commission Option shall authorize the Company to withhold such amounts from dividends or other cash distributions otherwise payable to you as is set forth in the "Plan of Distribution" section of the Prospectus.

2. ADDITIONAL	Please check if you plan to make one or more additional

INVESTMENTS	investments in the Company. All additional investments must be in increments of at least $25. Additional investments by residents of Maine must be for the minimum amounts stated under "Suitability Standards" in the Prospectus, and residents of Maine must execute a new Subscription Agreement Signature Page to make additional investments in the Company. If additional investments in the Company are made, the investor agrees to notify the Company and the Broker-Dealer named on the Subscription Agreement Signature Page in writing if at any time he fails to meet the applicable suitability standards or he is unable to make any other representations or warranties set forth in the Prospectus or the Subscription Agreement. The investor acknowledges that the Broker-Dealer named in the Subscription Agreement Signature Page may receive commissions on such additional investments as described in the Prospectus.
3. TYPE OF OWNERSHIP	Please check the appropriate box to indicate the type of entity or type of individuals subscribing.
4. REGISTRATION NAME AND ADDRESS	Please enter the exact name in which the Shares are to be held. For joint tenants with right of survivorship or tenants in common, include the names of both investors. In the case of partnerships or corporations, include the name of an individual to whom correspondence will be addressed. Trusts should include the name of the trustee. All investors must complete the space provided for taxpayer identification number or social security number. By signing in Section 6, the investor is certifying that this number is correct. Enter the mailing address and telephone numbers of the registered owner of this investment. In the case of a Qualified Plan or trust, this will be the address of the trustee. Indicate the birthdate and occupation of the registered owner unless the registered owner is a partnership, corporation or trust.
5. INVESTOR NAME AND ADDRESS	Complete this Section only if the investor's name and address is different from the registration name and address provided in Section 4. If the Shares are registered in the name of a trust, enter the name, address, telephone number, social security number, birthdate and occupation of the beneficial owner of the trust.
6. SUBSCRIBER SIGNATURES	Please separately initial each representation made by the investor where indicated. Except in the case of fiduciary accounts, the investor may not grant any person a power of attorney to make such representations on his or her behalf. Each investor must sign and date this Section. If title is to be held jointly, all parties must sign. If the registered owner is a partnership, corporation or trust, a general partner, officer or trustee of the entity must sign. PLEASE NOTE THAT THESE SIGNATURES DO NOT HAVE TO BE NOTARIZED.

7. DIVIDENDS	a. DIVIDEND REINVESTMENT PLAN: By electing the Dividend Reinvestment Plan, the investor elects to reinvest the stated percentage of dividends otherwise payable to such investor in Shares of the Company. The investor agrees to notify the Company and the Broker-Dealer named on the Subscription Agreement Signature Page in writing if at any time he fails to meet the applicable suitability standards or he is unable to make any other representations and warranties as set forth in the Prospectus or Subscription Agreement or in the prospectus and subscription agreement of any future limited partnerships sponsored by the

Advisor or its affiliates. The investor acknowledges that the Broker-Dealer named in the Subscription Agreement Signature Page may receive commissions not to exceed 7% of reinvested dividends, less any discounts authorized by the Prospectus.

b. DIVIDEND ADDRESS: If cash dividends are to be sent to an address Oher 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.

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8. BROKER-DEALER — This Section is to be completed by the Registered Representative. Please complete all BROKER-DEALER information contained in Section 8 including suitability certification. SIGNATURE PAGE MUST BE SIGNED BY AN AUTHORIZED REPRESENTATIVE.

The Subscription Agreement Signature Page, which has been delivered with this Prospectus, together with a check for the full purchase price, should be delivered or mailed to your Broker-Dealer. Only original, completed copies of Subscription Agreements can be accepted. Photocopied or otherwise duplicated Subscription Agreements cannot be accepted by the Company.

IF YOU NEED FURTHER ASSISTANCE IN COMPLETING THIS
SUBSCRIPTION AGREEMENT SIGNATURE PAGE,
PLEASE CALL 1-800-448-1010

SEE PRECEDING PAGE
FOR INSTRUCTIONS

Special Instructions:

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

1. ===== INVESTMENT =====

_____ # 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 Investments (Minimum $25)
State in which sale was made _____

Check the following box to elect the Deferred Commission Option: [_]
(This election must be agreed to by the Broker-Dealer listed below)

2. ===== ADDITIONAL INVESTMENTS =====

Please check if you plan to make additional investments in the Company: [_]
[If additional investments are made, please include social security number or other taxpayer identification number on your check.]
[All additional investments must be made in increments of at least $25.]

3. ===== TYPE OF OWNERSHIP =====

[_] IRA (06)
[_] Keogh (10)
[_] Qualified Pension Plan (11)
[_] Qualified Profit Sharing Plan (12)
[_] Other Trust _____
For the Benefit of _____
[_] Company (15)

[_] Individual (01)
[_] Joint Tenants With Right of Survivorship (02)
[_] Community Property (03)
[_] Tenants in Common (04)
[_] Custodian: A Custodian for _____ under the Uniform Gift to Minors Act or the Uniform Transfers to Minors Act of the State of _____ (08)

[_] Other _____

4. ===== REGISTRATION NAME AND ADDRESS ===
Please print name(s) in which Shares are to be registered. Include trust name if applicable.
[_] Mr [_] Mrs [_] Ms [_] MD [_] PhD [_] DDS [_] Other _____

_____
Taxpayer Identification Number
[_][_]-[_][_][_][_][_][_][_]

_____
Social Security Number
[_][_][_]-[_][_]-[_][_][_][_]

_____

_____
Street Address
or P.O. Box

_____
City ---------- State ---------- Zip Code ----------
---------- ----------
Home Business
Telephone No. ( ) Telephone No. ( )
---------- ----------

---------- ----------
Birthdate Occupation
---------- ----------

5. ===== INVESTOR NAME AND ADDRESS ==
(COMPLETE ONLY IF DIFFERENT FROM REGISTRATION NAME AND ADDRESS)
[_] Mr [_] Mrs [_] Ms [_] MD [_] PhD [_] DDS [_] Other
_____

Name

Social Security Number
[_][_][_]-[_][_]-[_][_][_][_]

Street Address
or P.O. Box

City State Zip Code
---------- --------- ----------

---------- ----------
Home Business
Telephone No. ( ) Telephone No. ( )
---------- ----------

---------- ----------
Birthdate Occupation
---------- ----------

==========
(REVERSE SIDE MUST BE COMPLETED)

6. ===== SUBSCRIBER SIGNATURES ==========

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

(a)	I have received the Prospectus.	Initials	Initials
(b)	I accept and agree to be bound by the terms and conditions of the Articles of Incorporation.	Initials	Initials
(c)	I have (i) a net worth (exclusive of home, home furnishings and automobiles) of $150,000 or more; or (ii) a net worth (as described above) of at least $45,000 and had during the last tax year or estimate that I will have during the current tax year a minimum of $45,000 annual gross income, or that I meet the higher suitability requirements imposed by my state of primary residence as set forth in the Prospectus under "Suitability Standards."	Initials	Initials
(d)	If I am a California resident or if the Person to whom I subsequently propose to assign or transfer any Shares is a California resident, I may not consummate a sale or transfer of my Shares, or any interest therein, or receive any consideration therefor, without the prior written consent of the Commissioner of the Department of Corporations of the State of California, except as permitted in the Commissioner's Rules, and I understand that my Shares, or any document evidencing my Shares, will bear a legend reflecting the substance of the foregoing 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 Company in connection with my investment in the Company. Under penalties of perjury, by signing this Signature Page, I hereby certify that (a) I have provided herein my correct Taxpayer Identification Number, and (b) I am not subject to back-up withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to back-up withholding.

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

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

7. ===== DISTRIBUTIONS ==========

7a. Check the applicable box to participate in the Dividend Reinvestment Plan: Percentage of participation: 100% [_] Other [_] ___%

7b. Complete the following section only to direct dividends to a party other than registered owner:

Name

Account Number

Street Address or P.O. Box

City State Zip Code

8. ===== BROKER-DEALER =====
(TO BE COMPLETED BY REGISTERED REPRESENTATIVE)

The Broker-Dealer or authorized representative must sign below to complete order. Broker-Dealer warrants that it is a duly licensed Broker-Dealer and may lawfully offer Shares in the state designated as the investor's address or the state in which the sale was made, if different. The Broker-Dealer or authorized representative warrants that he has reasonable grounds to believe this investment is suitable for the subscriber as defined in Section 3(b) of the Rules of Fair Practice of the NASD Manual and that he has informed subscriber of all aspects of liquidity and marketability of this investment as required by Section 4 of such Rules of Fair Practice.

Broker-Dealer Name Telephone No. ( )

Broker-Dealer Street Address or P.O. Box

City State Zip Code

Registered Representative Name Telephone No. ( )

Reg. Rep. Street Address or P.O. Box

City State Zip Code

Broker-Dealer Signature, if required

Registered Representative Signature

Please mail completed Subscription Agreement (with all signatures) and check(s) made payable to:
Wells Real Estate Investment Trust, Inc.
6200 The Corners Parkway, Suite 250
Norcross, Georgia 30092
800-448-1010 or 770-449-7800

Overnight address:
6200 The Corners Parkway, Suite 250
Norcross, Georgia 30092

Mailing address:
P.O. Box 926040
Norcross, Georgia 30092-9209

FOR COMPANY USE ONLY:

ACCEPTANCE BY COMPANY Amount _____ Date _____

Received and Subscription Accepted: Check No. _____ Certificate No. _____
By: _____ Wells Real Estate Investment Trust, Inc.

Broker-Dealer # Registered Representative # Account #

EXHIBIT B

AMENDED AND RESTATED
DIVIDEND REINVESTMENT PLAN
As of December 20, 1999

Wells Real Estate Investment Trust, Inc., a Maryland corporation (the

"Company"), pursuant to its Amended and Restated Articles of Incorporation, adopted a Dividend Reinvestment Plan (the "DRP"), which is hereby amended and restated in its entirety as set forth below. Capitalized terms shall have the same meaning as set forth in the Articles unless otherwise defined herein.

1. Dividend Reinvestment. As agent for the shareholders ("Shareholders") of the Company who (a) purchased shares of the Company's common stock (the "Shares") pursuant to the Company's initial public offering (the "Initial Offering"), which commenced on January 30, 1998 and will terminate on or before January 30, 2000, (b) purchase Shares pursuant to the Company's second public offering (the "Second Offering"), which will commence immediately upon the termination of the Initial Offering, or (c) purchase Shares pursuant to any future offering of the Company ("Future Offering"), and who elect to participate in the DRP (the "Participants"), the Company will apply all dividends and other distributions declared and paid in respect of the Shares held by each Participant (the "Dividends"), including Dividends paid with respect to any full or fractional Shares acquired under the DRP, to the purchase of the Shares for such Participants directly, if permitted under state securities laws and, if not, through the Dealer Manager or Soliciting Dealers registered in the Participant's state of residence.

2. Effective Date. The effective date of this Amended and Restated Dividend Reinvestment Plan (the "DRP") shall be the date that the Second Offering becomes effective with the Securities and Exchange Commission (the "Commission").

3. Procedure for Participation. Any Shareholder who purchased Shares pursuant to the Initial Offering, the Second Offering or any Future Offering and who has received a prospectus, as contained in the Company's registration statement filed with the Commission, may elect to become a Participant by completing and executing the Subscription Agreement, an enrollment form or any other appropriate authorization form as may be available from the Company, the Dealer Manager or Soliciting Dealer. Participation in the DRP will begin with the next Dividend payable after receipt of a Participant's subscription, enrollment or authorization. Shares will be purchased under the DRP on the date that Dividends are paid by the Company. Dividends of the Company are currently paid quarterly. Each Participant agrees that if, at any time prior to the listing of the Shares on a national stock exchange or inclusion of the Shares for quotation on the National Association of Securities Dealers, Inc. Automated Quotation System ("Nasdaq"), he or she fails to meet the suitability requirements for making an investment in the Company or cannot make the other representations or warranties set forth in the Subscription Agreement, he or she will promptly so notify the Company in writing.

4. Purchase of Shares. Participants will acquire DRP Shares from the Company at a fixed price of $10 per Share until (i) all 2,200,000 of the DRP Shares registered in the Second Offering are issued or (ii) the Second Offering terminates and the Company elects to deregister with the Commission the unsold DRP Shares. Participants in the DRP may also purchase fractional Shares so that 100% of the Dividends will be used to acquire Shares. However, a Participant will not be able to acquire DRP Shares to the extent that any such purchase would cause such Participant to exceed the Ownership Limit as set forth in the Articles.

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

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

If the Company acquires Shares in the Secondary Market for use in the DRP, the Company shall use reasonable efforts to acquire Shares for use in the DRP at the lowest price then reasonably available. However, the Company does not in any respect guarantee or warrant that the Shares so acquired and purchased by the Participant in the DRP will be at the lowest possible price. Further, irrespective of the Company's ability to acquire Shares in the Secondary Market or to complete a Future Registration for shares to be used in the DRP, the Company is in no way obligated to do either, in its sole discretion.

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

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

6. Reports. Within 90 days after the end of the Company's fiscal year, the Company shall provide each Shareholder with an individualized report on his or her investment, including the purchase date(s), purchase price and number of Shares owned, as well as the dates of Dividend distributions and amounts of Dividends paid during the prior fiscal year. In addition, the Company shall provide to each Participant an individualized quarterly report at the time of each Dividend payment showing the number of Shares owned prior to the current Dividend, the amount of the current Dividend and the number of Shares owned after the current Dividend.

7. Commissions and Other Charges. In connection with Shares sold pursuant to the DRP, the Company will pay selling commissions of 7%; a dealer manager fee of 2.5%; and, in the event that proceeds from the sale of DRP Shares are used to acquire properties, acquisition and advisory fees and expenses of 3.5%, of the purchase price of the DRP Shares.

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

9. Amendment or Termination of DRP by the Company. The Board of Directors of the Company may by majority vote (including a majority of the Independent Directors) amend or terminate the DRP for any reason upon 10 days' written notice to the Participants.

10. Liability of the Company. The Company shall not be liable for any act done in good faith, or for any good faith omission to act, including, without limitation, any claims or liability; (a) arising out of failure to terminate a

Participant's account upon such Participant's death prior to receipt of notice in writing of such death; and (b) with respect to the time and the prices at which Shares are purchased or sold for a Participant's account. To the extent that indemnification may apply to liabilities arising under the Securities Act of 1933, as amended, or the securities act of a sate, the Company has been advised that, in the opinion of the Commission and certain state securities commissioners, such indemnification is contrary to public policy and, therefore, unenforceable.

ALPHABETICAL INDEX

Until March 20, 2001 (90 days after the date of this prospectus), all dealers that affect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as soliciting dealers.

We have not authorized any dealer, salesperson or other individual to give any information or to make any representations that are not contained in this prospectus. If any such information or statements are given or made, you should not rely upon such information or representation. This prospectus does not constitute an offer to sell any securities other than those to which this prospectus relates, or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. This prospectus speaks as of the date set forth below. You should not assume that the delivery of this prospectus or that any sale made pursuant to this prospectus implies that the information contained in this prospectus will remain fully accurate and correct as of any time subsequent to the date of this prospectus.

WELLS REAL ESTATE
INVESTMENT TRUST, INC.

Up to 125,000,000 Shares
of Common Stock

Offered to the Public

_____

PROSPECTUS

_____

WELLS INVESTMENT
SECURITIES, INC.

December 20, 2000

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 1 DATED FEBRUARY 5, 2001 TO THE PROSPECTUS
DATED DECEMBER 20, 2000

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated December 20, 2000. 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) The status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The acquisition by Wells Operating Partnership, L.P. (Wells OP) of a six-story office building in Houston, Texas leased to Stone & Webster, Inc. and SYSCO Corporation (Stone & Webster Building);

(3) The acquisition by Wells OP of an eight-story office building in Minnetonka, Minnesota leased to Metris Direct, Inc. (Metris Minnetonka Building);

(4) The acquisition by the Fund XII-REIT Joint Venture Partnership of 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. (AT&T Call Center Buildings);

(5) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(6) Statements of revenue over operating expenses for the Stone & Webster Building and the AT&T Call Center Buildings; and

(7) Unaudited Pro Forma Financial Statements for the Wells REIT.

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 a 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.

Pursuant to the prospectus, we commenced our third offering of common stock on December 20, 2000. As of January 31, 2001, we had received an additional $25,133,848 in gross offering proceeds from the sale of 2,513,385 shares in the third offering. Accordingly, as of January 31, 2001, we had received in the aggregate approximately $332,544,960 in gross offering proceeds from the sale of 33,254,496 shares of our common stock.

Stone & Webster Building

Purchase of the Stone & Webster Building. On December 21, 2000, Wells OP, the operating partnership for the Wells REIT, purchased a six-story office building with approximately 312,564 rentable square feet located at 1430 Enclave Parkway, Houston, Harris County, Texas. Wells OP purchased this building from Cardinal Paragon, Inc. (Cardinal) pursuant to that certain Agreement of Purchase and Sale of Property between Cardinal and Wells OP. Cardinal purchased the Stone & Webster Building in a sale-leaseback transaction from Enclave Parkway Realty, Inc., an affiliate of Stone & Webster, Inc. (Stone & Webster), on December 21, 2000. Cardinal is not in any way affiliated with the Wells REIT or our Advisor, Wells Capital, Inc.

The purchase price for the Stone & Webster Building was $44,970,000. Wells OP also incurred additional acquisition expenses in connection with the purchase of the Stone & Webster Building, including attorneys' fees, recording fees, structural report and environmental report fees, and other closing costs, of approximately $45,000. In order to finance part of the acquisition of the Stone & Webster Building, Wells OP obtained an acquisition loan of $35,900,000 from Guaranty Federal Bank, F.S.B. (Guaranty Federal Loan) and $3,000,000 in seller financing from Cardinal (Seller Financing).

An independent appraisal of the Stone & Webster Building was prepared by Abbot & Associates, Inc., real estate appraisers, as of November 20, 2000, pursuant to which the market value of the 9.96 acre parcel of land containing the leased fee interest subject to the leases described below was estimated to be $46,500,000 and the additional 4.34 acre parcel of land (described below) was estimated to be $1,890,000, in cash or terms equivalent to cash. This value estimate was based upon a number of assumptions, including that the Stone & Webster Building will continue operating at a stabilized level with the tenants described below occupying 100% of the rentable area, and is not necessarily an accurate reflection of the fair market value of the property or the net proceeds which would result from an immediate sale of this property. Wells OP also obtained an environmental report and an engineering inspection report prior to the closing evidencing that the condition of the land and the Stone & Webster Building were satisfactory.

Description of the Loans. The Guaranty Federal Loan in the amount of $35,900,000 requires monthly payments of interest only and matures on December 20, 2001. In the event that the principal balance of the loan is not repaid in full by March 31, 2001, Wells OP is required to make a principal payment of $6,000,000 on such date. The interest rate on the Guaranty Federal Loan is a variable rate equal to the London InterBank Offered Rate (LIBOR) for a 30-day period plus 250 basis points if the principal balance of the loan is in excess of $25,900,000; 200 basis points if the principal balance of the loan is between $24,195,001 and $25,900,000; and 180 basis points if the principal balance of the loan is less or equal to $24,195,000. As of January 31, 2001, the principal balance of the Guaranty Federal Loan was $24,100,000. Wells OP has secured separate interest rates for two portions of the Guaranty Federal Loan, each having an interest rate of LIBOR plus 180 basis points on the date the rate for such portion was secured. As of January 31, 2001, the interest rate on the Guaranty Federal Loan was 7.61% per annum on the first $21,900,000 of the principal loan balance and 7.66% per annum on the remaining $2,200,000 of the principal balance. The Guaranty Federal Loan is secured by a first priority mortgage against the Stone & Webster Building.

The Seller Financing consists of a $3,000,000 loan to Wells OP from Cardinal. The Seller Financing requires the payment of the full principal balance plus accrued interest on the earlier of: (i) December 20, 2001, or (ii) the date that the Guaranty Federal Loan is repaid in full. The interest rate on the Seller Financing is 6% per annum. The Seller Financing is secured by a second priority mortgage against the Stone & Webster Building.

Description of the Stone & Webster Building and Site. The Stone & Webster Building, which was completed in 1994, is a six-story office building containing approximately 312,564 rentable square feet located on a 9.96 acre tract of land. In addition, this site includes 4.34 acres of unencumbered land available for expansion. The first four floors of the Stone & Webster Building are occupied by Stone & Webster, and the fifth and sixth floors are occupied by SYSCO Corporation (SYSCO).

Location of the Stone & Webster Building. The Stone & Webster Building is located in a growing area with nearby access to the Houston freeway system, employment centers and shopping centers. The site is within two miles of Interstate 10 near the intersection of Briar Forest Drive and Dairy Ashford Road. There is a planned development to the southeast of the site known as Westchase which comprises 1,347 acres of land developed for a variety of uses such as high-rise office buildings, office/warehouse buildings, apartment complexes, condominium projects, retail shopping centers and hotels.

The Stone & Webster Lease. Stone & Webster occupies 206,048 rentable square feet (floors 1 through 4) of the Stone & Webster Building under an Office Building Lease between Wells OP and Stone & Webster entered into at closing. The current term of the Stone & Webster lease is ten years, which commenced on December 21, 2000, and expires on December 20, 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 (i) the last year's rent, or (ii) the then-current fair market rental value. In the event that the parties cannot agree upon the fair market rental value, such value shall be determined in accordance with the appraisal procedure contained in the Stone & Webster lease.

Stone & Webster is a full-service engineering and construction company offering managerial and technical resources for solving complex energy, environmental, infrastructure and industrial challenges. Stone & Webster, which was founded in 1889 as an electrical testing laboratory and consulting firm, has evolved into a global organization employing more than 5,000 people worldwide.

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. Shaw Group distinguishes itself by offering comprehensive solutions consisting of integrated engineering and design, pipe fabrication, construction and maintenance services and the manufacture of specialty pipe fittings and supports to the power generation, crude oil refining, chemical and petrochemical processing and oil and gas exploration and production industries. Shaw Group has approximately 13,000 employees with offices in the United States, Australia, Canada, the United Kingdom, Venezuela and Bahrain. Shaw Group reported net income of approximately $18.1 million on revenues of approximately $494 million for the fiscal year 1999, and reported a net worth, as of December 31, 1999, of over $174 million.

The annual base rent payable under the Stone & Webster lease is $4,533,056 ($22 per square foot) payable in monthly installments of $377,754.67 for the first five years of the lease term and $5,213,014 ($25.30 per square foot) payable in monthly installments of $434,417.83 for the remainder of the lease term.

Pursuant to the Stone & Webster lease, Stone & Webster is required to pay its proportionate share of taxes relating to the Stone & Webster Building and all operating costs incurred by the landlord in maintaining and operating the Stone & Webster Building, including garbage and waste disposal, janitorial service and window cleaning, security, insurance, water and sewer charges, wages, salaries and employee benefits of all employees engaged in the operation, maintenance and management of the building, indoor and outdoor landscaping, utilities and repairs, replacements and general maintenance. Wells OP, as the

landlord, will be responsible for maintaining the common areas of the building, the roof, foundation, exterior walls and windows, load bearing items and the central heating, ventilation and air conditioning, electrical, mechanical and plumbing systems of the building.

The SYSCO Lease. SYSCO currently occupies 106,516 rentable square feet (floors 5 and 6) of the Stone & Webster Building under a Lease Agreement. The landlord's interest in the SYSCO lease was assigned to Wells OP at the closing. The initial term of the SYSCO lease is ten years, which commenced on October 1, 1998, and expires on September 30, 2008.

SYSCO is the largest marketer and distributor of foodservice products in North America. SYSCO operates from 101 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 distributes a wide variety of fresh and frozen meats, seafood, poultry, fruits and vegetables, plus bakery products, canned and dry foods, paper and disposable products, sanitation items, dairy foods, beverages, kitchen and tabletop equipment, as well as medical and surgical supplies. SYSCO reported net income of approximately $362 million on revenues of approximately $17 billion for the fiscal year ending July 2000, and reported a net worth, as of June 30, 2000, of over $1.4 billion.

The annual base rent payable under the SYSCO lease is $2,130,320 ($20 per square foot) payable in monthly installments of $177,526.67 for the first five years of the lease term and $2,236,836 ($21 per square foot) payable in monthly installments of $186,403 for the remainder of the lease term.

Pursuant to the SYSCO lease, SYSCO is required to pay its proportionate share of taxes and operating costs incurred by the landlord in maintaining and operating the Stone & Webster Building, including supplies and materials, utilities, insurance and repairs, replacements, general maintenance and wages and salaries (including management fees not to exceed 3% of gross revenues attributable to the building) of all employees engaged in maintaining and operating the Stone & Webster Building. Wells OP, as the landlord, will be responsible for maintaining the common areas of the building, the roof, foundation, exterior walls and windows, load bearing items and the central heating, ventilation and air conditioning, electrical, mechanical and plumbing systems of the building.

Metris Minnetonka Building

Purchase of the Metris Minnetonka Building. On December 21, 2000, Wells OP purchased a nine-story office building with approximately 300,633 rentable square feet located at 10900 Wayzata Boulevard, Minnetonka, Minnesota. Wells OP purchased the Metris Minnetonka Building from Opus Northwest, L.L.C. (Opus), pursuant to that certain Purchase Agreement dated October 31, 2000 (Metris Agreement) between Opus and the Advisor. Opus is not in any way affiliated with the Wells REIT or the Advisor.

The rights under the Metris Agreement were assigned by the Advisor, the original purchaser under the Metris Agreement, to Wells OP at closing. The purchase price for the Metris Minnetonka Building was $52,800,000. Wells OP also incurred additional acquisition expenses in connection with the purchase of the Metris Minnetonka Building, including attorneys' fees, recording fees, loan fees, and other closing costs, of approximately $100,000. In order to finance the acquisition of the Metris Minnetonka Building, Wells OP obtained $52,800,000 in loan proceeds by drawing down on an existing line of credit with SouthTrust Bank, N.A.

An independent appraisal of the Metris Minnetonka Building was prepared by CB Richard Ellis, Inc., real estate appraisers, as of October 26, 2000, pursuant to which the market value of the land and the leased fee interest subject to the lease described below was estimated to be $52,800,000, in cash or terms

equivalent to cash. This value estimate was based upon a number of assumptions, including that the Metris Minnetonka Building will continue operating at a stabilized level with Metris Direct, Inc. (Metris) occupying 100% of the rentable area, and is not necessarily an accurate reflection of the fair market value of the property or the net proceeds which would result from an immediate sale of this property. Wells OP also obtained an environmental report and an engineering inspection report prior to the closing evidencing

that the condition of the land and the Metris Minnetonka Building were satisfactory.

Description of the Metris Minnetonka Building and Site. As set forth above, the Metris Minnetonka Building is a nine-story office building containing approximately 300,633 rentable square feet. The Metris Minnetonka Building was completed in August 2000. The Metris Minnetonka Building is leased to Metris as its corporate headquarters. The Metris Minnetonka Building is Phase II of a two phase office complex known as Crescent Ridge Corporate Center. Phase I of Crescent Ridge Corporate Center is an eight-story multi-tenant building which is connected to the Metris Minnetonka 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 Minnetonka Building is constructed of steel frames with reinforced concrete masonry floors and roofs. The exterior is earth tone cast stone and reflective glass with marble medallion accents. The building features state of the art technology capabilities, including fiber optic cabling, individual heating and cooling controls for every 1,200 square feet of tenant space, a combination of fluorescent and parabolic lighting, a wet sprinkler system, and four computer-controlled traction passenger elevators with 2,500 pound maximum capacity. Each floor contains approximately 34,000 square feet. The office areas and hallways are carpeted, the flooring in the restrooms is ceramic tile and the flooring in the lobby is natural stone. Drop acoustical ceilings are installed in the office areas at the nine foot level. Other amenities at the Metris Minnetonka Building include a conference center, a full service cafeteria, two-story vaulted lobbies, a fitness area and locker facilities and a card access system. The Metris Minnetonka Building is located on an irregularly shaped 13.58 acre site which overlooks a large adjoining wetland area.

Location of the Metris Minnetonka Building. The Metris Minnetonka Building is located in Minnetonka, Minnesota, which is a western suburb of Minneapolis. The site is located within the Interstate 394 corridor at the northeast corner of Interstate 394 and County Road 73 (Hopkins Crossroads). The Interstate 394 corridor contains approximately 6,500,000 square feet in office space and is an attractive location for, among other reasons, its proximity to Minneapolis/St. Paul, its proximity to executive housing around Lake Minnetonka and the Minneapolis lakes area and its proximity and accessibility to labor markets. Among other corporate headquarter locations located within the Interstate 394 corridor are Cargill, Carlson Companies, General Mills, Life USA and Travelers Express. There are significant limitations on new developments within the Interstate 394 corridor which is anticipated to result in a supply constrained situation and projected low vacancy rates.

Description of Metris Lease. Metris occupies all 300,633 rentable square feet of the Metris Minnetonka Building pursuant to that certain Multitenant Office Lease Agreement dated March 29, 1999. The Metris lease commenced on September 1, 2000 and has an expiration date of December 31, 2011. Metris has the right to renew the Metris lease for an additional five-year term with not less than 18 months notice prior to the expiration of the initial term at fair market rent, but in no event less than the basic rent payable in the immediate preceding period. In the event that the parties cannot agree upon the fair market rent for the renewal term, the fair market rent will be determined in accordance with

the appraisal provisions of the Metris lease.

Metris is a principal subsidiary of Metris Companies, Inc. (Metris Companies), a publicly traded company listed on the New York Stock Exchange (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 customers and prospects include individuals for whom credit bureau information is available and existing customers of a former affiliate, Fingerhut Corporation. Metris Companies markets its fee

based services, including debt waiver programs (credit insurance for death or disability), membership clubs, extended service plans and third party insurance, to its credit card customers. For calendar year 1999, Metris Companies had net income of approximately $115 million on revenues of approximately $1.369 billion, and reported a net worth, as of December 31, 1999, of approximately $623 million. Metris Companies employs approximately 3,400 people. Metris Companies carries a B+ rating by S & P for its senior debt, with a stable outlook.

Rental income for the initial 136-month term is summarized as follows:

Dates	Annual Net Rent	PSF
Sept. '00 - Dec. '06	$4,960,445	$16.50
Jan. '07 - Dec. '09	$5,576,742	$18.55
Jan. '10 - Dec. '10	$6,178,008	$20.55
Jan. '11 - Dec. '11	$6,478.641	$21.55

While Metris was granted certain rental concessions under the Metris lease, Opus, the seller, has agreed to cover the free rent, so as to yield the above net effective rates to Wells OP. In addition, Metris is required to pay annual parking and storage fees of $132,384 through December 2006 and $164,052 payable on a monthly basis for the remainder of the lease term.

Pursuant to the Metris lease, Metris is required to pay 100% of operating costs incurred by the landlord in maintaining and operating the Metris Minnetonka Building, including all property taxes, insurance premiums, maintenance and repair costs, steam, electricity, water, sewer, gas and other utility charges, fuel, lighting, window washing, janitorial services and reasonable management fees (not to exceed 1.75% of gross revenues from the Metris Minnetonka Building). Wells OP, as the landlord, will be responsible for repair and maintenance of the foundations, exterior walls and roof of the Metris Minnetonka Building and the electrical, mechanical, plumbing, heating and air conditioning systems.

The Metris lease also contains a construction warranty pursuant to which the landlord has warranted to Metris that the tenant improvements and related materials, equipment and installation shall be free from defects in workmanship and shall conform to the plans and specifications. The landlord is obligated to repair, correct or replace, as necessary, any defective item occasioned by a breach of such warranty if notified by Metris within one year from the commencement date of the Metris lease. Pursuant to the Metris Agreement, however, Opus has assumed the obligation for any such repairs so long as Wells OP notifies Opus of any claims by Metris under the construction warranty no later than January 20, 2002.

AT&T Call Center Buildings

Purchase of the AT&T Call Center Buildings. On December 28, 2000, the Wells Fund XII - REIT Joint Venture Partnership (Fund XII-REIT Joint Venture), a joint venture between Wells OP and Wells Real Estate Fund XII, L.P. (Wells Fund XII), acquired a one-story office building and a two-story office building containing an aggregate of approximately 128,500 rentable square feet located at 3201 Quail Springs Parkway, Oklahoma City, Oklahoma. The Fund XII-REIT Joint Venture purchased the AT&T Call Center Buildings from OKC Real Estate Investments, Inc. (OKC) pursuant to that certain Agreement for the Purchase and Sale of Property between OKC, as seller, and the Advisor, as purchaser. OKC is not in any way affiliated with the Registrant or the Advisor.

The Advisor, the original purchaser under the agreement, assigned its rights under the agreement to the Fund XII-REIT Joint Venture at closing. The Fund XII-REIT Joint Venture paid a purchase price of $15,300,000 for the AT&T Call Center Buildings and incurred additional acquisition expenses in

connection with the purchase of the AT&T Call Center Buildings, including attorneys' fees, recording fees and other closing costs, of approximately $27,554.

Wells OP made a capital contribution of $6,736,554 and Wells Fund XII made a capital contribution of $8,591,000 to the Fund XII-REIT Joint Venture to fund their respective shares of the acquisition costs for the AT&T Call Center Buildings.

Description of the AT&T Call Center Buildings and the Site. As set forth above, the AT&T Call Center Buildings consist of a one-story office building and a two-story office building containing approximately 50,000 and 78,500 rentable square feet, respectively, on a 11.34 acre tract of land. Construction on the buildings was completed in April 1998 and December 2000, respectively. The two adjacent buildings are connected by a mutual hallway. Both buildings are constructed using a steel frame with steel beams on a concrete slab with concrete footings. The exterior walls are made of tilt-up concrete panels with punched openings around the perimeter. The windows consist of tempered glass in aluminum frames. The interior walls consist of gypsum board covered with semi-gloss enamel paint. In addition, the two-story office building contains a fully equipped cafeteria and an elevator. There are approximately 775 paved surface parking spaces at the site.

The AT&T Call Center Buildings are located in the Quail Springs Office Park North in Oklahoma City, Oklahoma. Quail Springs Office Park North is located in the northwest sector of Oklahoma City, approximately eight to 11 miles northwest of the central business district. Oklahoma City is known for its competitive real estate prices, available space for business, supportive governmental services, good labor quality and diversified economic base. The city's largest employers include the State of Oklahoma, Avaya, Inc., Southwestern Bell Telephone and General Motors Corporation.

An independent appraisal of the AT&T Call Center Buildings was prepared by Isaacs & Associates, real estate appraisers and consultants, as of July 14, 2000, pursuant to which the market value of the land and the leased fee interest subject to the AT&T lease and the Jordan lease (described below) was estimated to be $15,400,000, in cash or terms equivalent to cash. This value estimate was based upon a number of assumptions, including that the AT&T Call Center Buildings will continue operating at a stabilized level with tenants occupying 100% of the rentable area, and is not necessarily an accurate reflection of the fair market value of the property or the net proceeds which would result from an immediate sale of this property. The Fund XII-REIT Joint Venture also obtained an environmental report and an engineering inspection report prior to the closing evidencing that the condition of the land and the AT&T Call Center Buildings were satisfactory.

The AT&T Lease. 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 are currently under a net lease agreement with AT&T Corp. (AT&T). The landlord's interest in the AT&T lease was assigned to the Fund XII-REIT Joint Venture at the closing. The AT&T lease commenced on April 1, 2000, and the initial term expires on November 30, 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 upon delivering written notice within 240 days prior to lease expiration.

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. During fiscal year 1999, AT&T had net income of approximately $3.43 billion on revenues of over $62.39 billion.

The base rent payable for the initial lease term of the AT&T lease is as follows:

Lease Months	Annual Rent	Rentable Square Feet/Year
Months 1 to 8*	$ 300,000	$12.00
Months 9 to 35	$1,242,000	$12.00
Months 36 to 65	$1,293,750	$12.50
Months 66 to 95	$1,345,500	$13.00
Months 96 to 125	$1,397,250	$13.50

*For occupancy of 25,000 square feet of the one-story office building only.

Under the AT&T lease, AT&T is required to pay, as additional monthly rent, its gas, water and electricity costs and all operating expenses, including but not limited to, garbage and waste disposal, telephone, sprinkler service, janitorial service, security, insurance premiums, all taxes, assessments and other governmental levies and such other operating expenses with respect to its portion of the AT&T Call Center Buildings. In addition, AT&T is responsible for all routine maintenance and repairs to its portion of the AT&T Call Center Buildings. The Fund XII-REIT Joint Venture, as landlord, will be responsible for the repair and replacement of the roof, foundation, load bearing items, exterior surface walls, plumbing, pipes, conduits and electrical, mechanical and plumbing systems of the AT&T Call Center Buildings. AT&T must obtain written consent from the Fund XII-REIT Joint Venture before making any alterations to the premises in excess of $10,000.

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), as described below, if Jordan vacates the premises.

The Jordan Lease. Jordan currently occupies the remaining 25,000 rentable square feet contained in the one-story office building under a net lease agreement. The landlord's interest in the Jordan lease was also assigned to the Fund XII-REIT Joint Venture at the closing. The Jordan lease commenced on April 1, 1998, and the initial term expires on March 31, 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 upon delivering written notice within 240 days prior to expiration of the initial lease term.

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. Jordan employs approximately 100 employees and has been in business for over 35 years.

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

Lease Months	Annual Rent	Rentable Square Feet/Year
Months 1 to 60	$294,500	$11.78
Months 61 to 120	$332,000	$13.28

Under the Jordan lease, Jordan is required to pay as additional monthly rent its gas, water and electricity costs and all operating expenses, including, but not limited to, garbage and waste disposal, telephone, sprinkler service, janitorial service, security, insurance premiums, all taxes, assessments and

other governmental levies and such other operating expenses with respect to its portion of the one-story building. In addition, Jordan is responsible for all routine maintenance and repairs to its portion of the one-story building. The Fund XII-REIT Joint Venture, as landlord, will be responsible for the repair and replacement of the roof, foundation, load bearing items, exterior surface walls, plumbing, pipes, conduits and electrical, mechanical and plumbing systems of the AT&T Call Center Buildings.

Property Fees

Wells Management Company, Inc. (Wells Management), an affiliate of the Advisor to Wells REIT, has been retained to manage and lease both the Stone & Webster Building and the Metris Minnetonka Building. The Wells REIT shall pay management and leasing fees to Wells Management in the amount of 4.5% of gross revenues from the Stone & Webster Building and the Metris Minnetonka Building, subject to certain limitations.

Wells Management has also been retained to manage and lease the AT&T Call Center Buildings. The Fund XII-REIT Joint Venture will pay management and leasing fees to Wells Management in the amount of 4.5% of gross revenues from the AT&T Call Center Buildings, subject to certain limitations.

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

The information contained on page 98 in the "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" section of the prospectus is revised as of the date of this supplement by the deletion of the first two paragraphs of that section and the insertion of the following paragraphs in lieu thereof:

> We began active operations on June 5, 1998, when we received and accepted subscriptions for 125,000 shares pursuant to our initial public offering, which commenced on January 30, 1998. We terminated our initial

public offering on December 19, 1999. Of the $132,181,919 raised in the initial offering, we invested a total of $111,032,812 in properties. On December 20, 1999, we commenced a follow-on public offering of up to 22,200,000 shares of common stock at $10 per share. We terminated our follow-on public offering on December 19, 2000. Of the $175,229,193 raised in the follow-on offering, we invested a total of $147,192,522 in properties.

Pursuant to the prospectus, we commenced this third offering of shares of our common stock on December 20, 2000. As of January 31, 2001, we had received an additional $25,133,848 in gross offering proceeds from the sale of 2,513,385 shares in the third offering. As of January 31, 2001, we had raised in the aggregate a total of $332,544,960 in offering proceeds through the sale of 33,254,496 shares of common stock. As of January 31, 2001, we had paid a total of $11,586,654 in acquisition and advisory fees and acquisition expenses, had paid a total of $41,380,909 in selling commissions and organizational and offering expenses, had made capital contributions of $272,237,045 to Wells OP for investments in joint ventures and acquisitions of real property, had utilized $1,497,691 for the redemption of stock pursuant to our share redemption program, and were holding net offering proceeds of $5,842,661 available for investment in additional properties.

Financial Statements

The statements of revenues over certain operating expenses of the Stone & Webster Building and the AT&T Call Center Buildings for the year ended December 31, 1999, included in this supplement and elsewhere in the registration statement, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included in this supplement in reliance upon the authority of said firm as experts in giving said reports.

The statements of revenues over certain operating expenses of the Stone & Webster Building and the AT&T Call Center Buildings for the nine months ended September 30, 2000, included in this supplement and elsewhere in the registration statement have not been audited.

The Pro Forma Statements of Income and Pro Forma Balance Sheet of the Wells REIT as of December 31, 1999 and September 30, 2000, which are included in this supplement, have not been audited.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the STONE & WEBSTER BUILDING for the year ended December 31, 1999. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Stone & Webster Building after acquisition by the Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Stone & Webster Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating

expenses of the Stone & Webster Building for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Atlanta, Georgia
January 19, 2001

STONE & WEBSTER BUILDING

STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000

	2000	1999
	Unaudited)	
RENTAL REVENUES	$1,637,685	$2,183,580
OPERATING EXPENSES, net of reimbursements	1,250,097	1,666,796
REVENUES OVER CERTAIN OPERATING EXPENSES	$ 387,588	$ 516,784

The accompanying notes are an integral part of these statements.

STONE & WEBSTER BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000 (UNAUDITED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On December 21, 2000, the Wells Operating Partnership L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate, and

manage real properties on behalf of the Wells Real Estate Investment Trust, Inc., acquired the Stone & Webster Building from Cardinal Paragon, Inc. ("Cardinal"). Cardinal is not an affiliate of Wells OP. The total purchase price of the Stone & Webster Building was $44,970,000. Wells OP incurred additional acquisition expenses in connection with the purchase of the Stone & Webster Building, including attorney's fees, recording fees, loan fees, and other closing costs, of approximately $45,000. The funds used to purchase the Stone & Webster Building consisted of cash and proceeds from notes payable to Guarantee Federal Bank, F.S.B. and Cardinal.

Stone & Webster, Inc. ("Stone & Webster") occupies 206,048 of the entire 312,564 rentable square feet of the Stone & Webster Building under an office building lease between Wells OP and Stone & Webster (the "Stone & Webster Lease") entered into at closing. The current term of the Stone & Webster Lease is ten years, which commenced on December 28, 2000 and expires on December 31, 2010. Stone & Webster has the right to extend the Stone & Webster Lease for two additional five-year periods for a base rent equal to the greater of (i) the last year's rent, or (ii) the then-current "fair market rental value." In the event that the parties cannot agree upon the fair market rental value, such value shall be determined in accordance with the appraisal procedure contained in the Stone & Webster Lease. The Stone & Webster Lease is guaranteed by The Shaw Group, Inc., the parent company of Stone & Webster. Pursuant to the Stone & Webster Lease, Stone & Webster is required to pay its proportionate share of property taxes relating to the Stone & Webster Building and all operating costs incurred by the landlord in maintaining and operating the Stone & Webster Building, including garbage and waste disposal, janitorial service and window cleaning, security, insurance, water and sewer charges, wages, salaries, and employee benefits of all employees engaged in the operation, maintenance and management of the building, indoor and outdoor landscaping, utilities and repairs, replacements and general maintenance.

SYSCO occupies the remaining 106,516 rentable square feet of the Stone & Webster Building under a Lease Agreement (the "SYSCO Lease"). The landlord's interest in the SYSCO Lease was assigned to Wells OP at the closing. The initial term of the SYSCO Lease is ten years, which commenced on October 1, 1998, and expires on September 20, 2008. Pursuant to the SYSCO Lease, SYSCO is required to pay its proportionate share of property taxes and operating costs incurred by the landlord in maintaining and operating the Stone & Webster Building, including supplies and materials, utilities, insurance and repairs, replacements, general maintenance and wages and salaries (including management fees not to exceed 3% of gross revenues attributable to the building) of all employees engaged in such operation.

Rental Revenues

Rental income from leases is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation, interest, and management fees, not comparable to the operations of the Stone & Webster Building after acquisition by Wells OP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Fund XII, L.P. and
Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the AT&T CALL CENTER BUILDINGS for the year ended December 31, 1999. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the AT&T Call Center Buildings after acquisition by the Wells Fund XII--REIT Joint Venture. The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the AT&T Call Center Buildings' revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the AT&T Call Center Buildings for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Atlanta, Georgia
January 19, 2001

AT&T CALL CENTER BUILDINGS

STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31,1999

AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000

	2000	1999
	(Unaudited)	
RENTAL REVENUES	$867,914	$313,250

OPERATING EXPENSES, net of reimbursements	6,273	20,155
REVENUES OVER CERTAIN OPERATING EXPENSES	$861,641	$293,095

The accompanying notes are an integral part of these statements.

AT&T CALL CENTER BUILDINGs

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000 (UNAUDITED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On December 28, 2000, the Wells Fund XII-REIT Joint Venture (the "Joint Venture") acquired the AT&T Call Center Buildings from OKC Real Estate Investments, Inc. ("OKC"). The Joint Venture is a joint venture partnership between Wells Real Estate Fund XII, L.P. ("Wells Fund XII") and Wells Operating Partnership, L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc. OKC is not an affiliate of Wells Fund XII or Wells OP. The total purchase price of the AT&T Call Center Buildings was $15,300,000. Additional acquisition expenses incurred in connection with the purchase of the AT&T Call Center Buildings, included attorney's fees, recording fees, loan fees, and other closing costs, of approximately $28,000. Wells Fund XII contributed $8,591,000, and Wells OP contributed $6,737,000 to the Joint Venture for their respective shares of the purchase of the AT&T Call Center Buildings.

AT&T Corp. ("AT&T") occupies 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 under a net lease agreement (the "AT&T Lease"). The landlord's interest in the AT&T Lease was assigned to the Joint Venture at the closing. The initial term of the AT&T Lease commenced on April 1, 2000 and expires on November 30, 2010. AT&T has the right to extend the AT&T Lease for two additional five-year periods at the then-current fair market rental rate upon delivering written notice within 240 days prior to expiration of the lease. Under the AT&T lease, AT&T is required to pay, as additional monthly rent, its gas, water, and electricity costs and all operating expenses, including, but not limited to, garbage and waste disposal, telephone, sprinkler service, janitorial service, security, insurance premiums, all taxes, assessments and other governmental levies, and such other operating expenses with respect to its portion of the AT&T Call Center Buildings. In addition, AT&T is responsible for all routine maintenance and repairs to its portion of the AT&T Call Center Buildings.

Jordan Associates, Inc. ("Jordan") currently occupies the remaining 25,000 rentable square feet contained in the one-story building under a net lease agreement (the "Jordan Lease"). The landlord's interest in the Jordan lease was also assigned to the Fund XII-REIT Joint Venture at the closing. The initial term of the Jordan Lease commenced on April 1, 1998 and expires on March 31, 2008. Jordan has the right to extend the Jordan lease for one additional five-year period at the then-current fair market rental rate upon delivering written notice within 240 days prior to expiration of the initial lease term. Under the Jordan Lease, Jordan is required to pay as

additional monthly rent, its gas, water, and electricity costs, and all operating expenses, including, but not limited to, garbage and waste disposal, telephone, sprinkler service, janitorial service, security, insurance premiums, all taxes, assessments and other governmental levies, and such other operating expenses with respect to its portion of the AT&T Call Center Buildings. In addition, Jordan is responsible for all routine maintenance and repairs to its portion of the AT&T Call Center Buildings.

Rental Revenues

Rental income from leases is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation, interest, and management fees, not comparable to the operations of the AT&T Call Center Buildings after acquisition by the Joint Venture.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The following unaudited pro forma balance sheet as of September 30, 2000 has been prepared to give effect to the acquisition of the Motorola Plainfield Building ("Prior Acquisition"), the Stone & Webster Building, and the Metris Minnetonka Building by the Wells Operating Partnership, L.P. ("Wells OP"), and the AT&T Call Center Buildings by the Wells XII-REIT Joint Venture (a joint venture between the Wells OP and Wells Real Estate Fund XII, L.P.), as if the acquisitions occurred on September 30, 2000. The following unaudited pro forma statements of income (loss) for the year ended December 31, 1999 for and the nine months ended September 30, 2000 have been prepared to give effect to the acquisition of the Dial Building, the ASML Building, the Motorola Tempe Building, the Motorola Plainfield Building (together, the "Prior Acquisitions"), the Stone & Webster Building, the Metris Minnetonka Building and the AT&T Call Center Buildings as if each acquisition occurred on January 1, 1999.

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. Wells Real Estate Investment Trust, Inc. is the general partner of the Wells OP.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions been consummated at the beginning of the period presented.

As of September 30, 2000, the date of the accompanying pro forma balance sheet, Wells OP held cash of $12,257,161. The additional cash used to purchase the Stone & Webster Building, the Metris Minnetonka Building, and the AT&T Call Center Buildings including deferred project costs paid to Wells Capital, Inc. (an affiliate of Wells OP), was raised through the issuance of additional shares subsequent to September 30, 2000, but prior to the acquisition dates of December 21, 2000, December 21, 2000, and December 28, 2000, respectively. This balance is reflected in due to affiliates in the accompanying pro forma balance sheet.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

SEPTEMBER 30, 2000

(Unaudited)

ASSETS

	Wells Real Estate Investment Trust, Inc.	Pro Forma Adjustments: Prior Acquisition	Stone & Webster	Metris Minnetonka	AT&T Call Center Buildings	Pro Forma Total
REAL ESTATE ASSETS, at cost:						
Land	$ 21,695,304	$9,652,500(a) 402,509(b)	$7,100,000(a) 296,070(b)	$ 7,700,000(a) 321,090(b)	0	$ 47,167,473
Buildings less accumulated depreciation of $6,810,792	188,671,038	24,525,641(a) 1,022,719(b)	37,914,954(a) 1,581,054(b)	45,151,969(a) 1,882,837(b)	0	300,750,212
Construction in progress	295,517	0	0	0	0	295,517
Total real estate assets	210,661,859	35,603,369	46,892,078	55,055,896	0	348,213,202
INVESTMENT IN JOINT VENTURES	36,708,242	0	0	0	7,017,244(e)	43,725,486
CASH AND CASH EQUIVALENTS	12,257,161	(10,753,381)(a) (954,223)(b) (82,973)(c)	(466,584)(a)	0	0	0
DEFERRED OFFERING COSTS	1,108,206	0	0	0	0	1,108,206
DEFERRED PROJECT COSTS	471,005	(471,005)(b)	0	0	0	0
DUE FROM AFFILIATES	859,515	0	0	0	0	859,515
PREPAID EXPENSES AND OTHER ASSETS	6,344,905	82,973(c)	0	0	0	6,427,878
Total assets	$268,410,893	$23,424,760	$46,425,494	$55,055,896	$7,017,244	$400,334,287

LIABILITIES AND SHAREHOLDERS' EQUITY

	Wells Real Estate Investment Trust, Inc.	Pro Forma Adjustments: Prior Acquisitions	Stone & Webster	Metris Minnetonka	AT&T Call Center Buildings	Pro Forma Total
LIABILITIES:						
Accounts payable and accrued expenses	$ 975,821	$ 424,760(a)(d)	$ 0	$ 0	$ 0	$ 1,400,581
Notes payable	38,909,030	23,000,000(a)	38,900,000(a)	52,850,000(a)	0	153,659,030
Dividends payable	4,475,982	0	0	0	0	4,475,982
Due to affiliate	1,372,508	0	5,648,370(a) 1,877,124(b)	1,969(a) 2,203,927(b)	6,736,554(a) 280,690(b)	18,121,142
Total liabilities	45,733,341	23,424,760	46,425,494	55,055,896	7,017,244	177,656,735
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; 40,000,000 shares authorized, 13,471,085 shares issued and outstanding	261,748	0	0	0	0	261,748
Additional paid-in capital	222,215,804	0	0	0	0	222,215,804
Retained earnings	0	0	0	0	0	0
Total shareholders' equity	222,477,552	0	0	0	0	222,477,552

Total liabilities and shareholders' equity	$268,410,893	$23,424,760	$46,425,494	$55,055,896	$7,017,244	$400,334,287

(a) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the building.

(b) Reflects deferred project costs allocated to the land and building at approximately 4.17% of the purchase price.

(c) Reflects loan fees incurred in connection with the receipt of loan proceeds from the SouthTrust Bank, N.A., line of credit.

(d) Reflects assumption of obligation of Wells OP to reimburse the tenant of certain rent payments required of it under its prior lease.

(e) Reflects Wells Real Estate Investment Trust, Inc.'s contribution to the Wells Fund XII-REIT Joint Venture

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31, 1999

(Unaudited)

	Wells Real Estate Investment Trust, Inc.	Pro Forma Adjustments: Prior Acquisitions	Stone & Webster	Metris Minnetonka	AT&T Call Center Buildings	Pro Forma Total
REVENUES:						
Rental income	$4,735,184	$7,366,142(a)	$ 2,183,580(a)	$ 0	$ 0	$14,284,906
Equity in income (loss) of joint ventures	1,243,969	0	0	0	(121,813)(l)	1,122,156
Interest income	502,993	0	0	0	0	502,993
Other income	13,249	0	0	0	0	13,249
	6,495,395	7,366,142	2,183,580	0	(121,813)	15,923,304
EXPENSES:						
Depreciation and amortization	1,726,103	2,864,752(b) 23,706(c)	1,579,840(b)	1,881,392(b)	0	8,075,793
Interest	442,029	2,758,350(d) 450,000(e) 1,787,100(f)	3,279,080(j)	3,762,920(k)	0	12,479,479
Operating costs, net of reimbursements	(74,666)	(60,400)(g) 10,916 (h)	1,666,796(h)	34,092(h)	0	1,576,738
Management and leasing fees	257,744	315,537 (i)	98,261(i)	0	0	671,542
General and administrative	123,776	0	0	0	0	123,776
Legal and accounting	115,471	0	0	0	0	115,471
Computer costs	11,368	0	0	0	0	11,368
Amortization of organizational costs	8,921	0	0	0	0	8,921
	2,610,746	8,149,961	6,623,977	5,678,404	0	23,063,088
NET INCOME (LOSS)	$3,884,649	$ (783,819)	$(4,440,397)	$(5,678,404)	$ (121,813)	$(7,139,784)
HISTORICAL EARNINGS PER SHARE (BASIC AND DILUTED)	$ 0.50					
PRO FORMA LOSS PER SHARE (BASIC AND DILUTED)(m)						$ (0.24)(m)
PRO FORMA LOSS PER SHARE (BASIC AND DILUTED)(n)						$ (0.23)(n)

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the building is recognized using the straight-line method and a 25 year life.

(c) Amortization of loan costs over term of SouthTrust Bank, N.A. line of credit.

(d) Interest expense on the $9,000,000 line of credit with SouthTrust Bank, N.A. and the $26,500,000 line of credit with Bank of America, N.A., which bear interest at 7.77% for the year ended December 31, 1999.

(e) Interest expense on the $5,000,000 note payable with Ryan Companies U.S., Inc., the seller, which bears interest at 9% for the year ended December 31, 1999.

(f) Interest expense on the $23,000,000 line-of-credit with SouthTrust Bank, N.A., which bears interest at 7.77% for the year ended December 31, 1999.

(g) Consists of ground lease and insurance expense for the ASML Building and the Motorola Tempe Building, net of tenant reimbursements.

(h) Consists of non-reimbursable operating expenses.

(i) Management and leasing fees equal approximately 4.5% of rental income.

(j) Interest expense on the $3,000,000 note payable to Cardinal Paragon, Inc. and $35,900,000 note payable to Guaranteed Federal Bank, F.S.B., which bear interest at 6% and 8.63%, respectively, for the year ended December 31, 1999.

(k) Interest expense on the $52,850,000 line of credit with SouthTrust Bank, N.A., which bears interest at 7.12% for the year ended December 31, 1999.

(l) Reflects Wells Real Estate Investment Trust, Inc.'s equity in loss of the Wells XII-REIT Joint Venture.

(m) As of the acquisition date of December 21, 2000, for the Stone & Webster Building and the Metris Minnetonka Building, Wells Real Estate Investment Trust, Inc. had 30,665,147 shares of common stock outstanding; pro forma earnings per share is calculated as if these shares were outstanding for the entire year ended December 31, 1999.

(n) As of the acquisition date of December 28, 2000 for the AT&T Call Center Buildings, Wells Real Estate Investment Trust, Inc. had 31,244,246 shares of common stock outstanding; pro forma earnings per share is calculated as if these shares were outstanding for the entire year ended December 31, 1999.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME (LOSS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000

(Unaudited)

	Wells Real Estate Investment Trust, Inc.	Pro Forma Adjustments: Prior Acquisitions	Pro Forma Adjustments: Stone & Webster	Pro Forma Adjustments: Metris Minnetonka	Pro Forma Adjustments: AT&T Call Center Buildings	Pro Forma Total
REVENUES:						
Rental income	$13,712,371	$ 2,210,432(a)	$ 1,637,685(a)	$ 586,435(a)	$ 0	$18,146,923
Equity in income of joint ventures	1,684,247	0	0	0	193,604(n)	1,877,851

Interest income	338,020	0	0	0	0	338,020
	15,734,638	2,210,432	1,637,685	586,435	193,604	20,362,794
EXPENSES:						
Depreciation and amortization	5,084,689	1,227,155(b) 17,780(c)	1,184,880(b)	1,411,044(b)	0	8,925,548
Interest	2,798,299	777,450(d) 112,500(e) 1,546,620(f)	2,555,910(j)	3,186,855(k)	0	10,977,634
Operating costs, net of reimbursements	631,407	(15,099)(g) 73,739(h)	1,250,097(h)	22,728(h)	0	1,962,872
Management and leasing fees	919,630	99,470(i)	73,696(i)	26,390(i)	0	1,119,186
General and administrative	273,484	0	0	0	0	273,484
Legal and accounting	130,603	0	0	0	0	130,603
Computer costs	8,846	0	0	0	0	8,846
Amortization of organizational costs	150,143	0	0	0	0	150,143
	9,997,101	3,839,615	5,064,583	4,647,017	0	23,548,316
NET INCOME (LOSS)	$ 5,737,537	$(1,629,183)	$(3,426,898)	$ (4,060,582)	$193,604	$ (3,185,522)
HISTORICAL EARNINGS PER SHARE (BASIC) AND DILUTED)	$ 0.30					
PRO FORMA LOSS PER SHARE (BASIC AND DILUTED)(l)						$ (0.11)(l)
PRO FORMA LOSS PER SHARE (BASIC AND DILUTED)(m)						$ (0.10)(m)

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the building is recognized using the straight-line method and a 25 year life.

(c) Amortization of loan costs over term of SouthTrust Bank, N.A. line of credit.

(d) Interest expense on the $9,000,000 line of credit with SouthTrust Bank, N.A. and the $26,500,000 line of credit with Bank of America, N.A., which bear interest at 8.76% for the nine months ended September 30, 2000.

(e) Interest expense on the $5,000,000 note payable with Ryan Companies U.S., Inc., the seller, which bears interest at 9% for the nine months ended September 30, 2000.

(f) Interest expense on the $23,000,000 line-of-credit with SouthTrust Bank, N.A., which bears interest at 8.97% for the nine months ended September 30, 2000.

(g) Consists of ground lease and insurance expense for the ASML Building and the Motorola Tempe Building, net of tenant reimbursements.

(h) Consists of non-reimbursable operating expenses.

(i) Management and leasing fees equal approximately 4.5% of rental income.

(j) Interest expense on the $3,000,000 note payable to Cardinal Paragon, Inc. and the $35,900,000 note payable to Guaranteed Federal Bank, F.S.B, which bear interest at 6% and 8.99%, respectively, for the nine months ended September 30, 2000.

(k) Interest expense on the $52,850,000 line of credit with South Trust Bank, N.A., which bears interest at 8.04% for the nine months ended September 30, 2000.

(l) As of the acquisition date of December 21, 2000 for the Stone & Webster Building and the Metris Minnetonka Building, Wells Real Estate Investment Trust, Inc. had 30,665,147 shares of common stock outstanding; pro forma

earnings per share is calculated as if these shares were outstanding for the entire nine months ended September 30, 2000.

(m) As of the acquisition date of December 28, 2000 for the AT&T Call Center Buildings, Wells Real Estate Investment Trust, Inc. had 31,244,246 shares of common stock outstanding; pro forma earnings per share is calculated as if these shares were outstanding for the entire nine months ended September 30, 2000.

(n) Reflect Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells XII--REIT Joint Venture.

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. 33-44900

Item 36 Financial Statements and Exhibits

(a) Financial Statements:

The following financial statements of the 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, 1999 and December 31, 1998
(3) Consolidated Statements of Income for the years ended December 31, 1999 and 1998,
(4) Consolidated Statements of Stockholders' Equity for the years ended December 31, 1999 and 1998,
(5) Consolidated Statements of Cash Flows for the years ended December 31, 1999 and 1998, and
(6) Notes to Consolidated Financial Statements.

Unaudited Financial Statements

(1) Balance Sheets as of September 30, 2000 and December 31, 1999,
(2) Statements of Income for the three months and nine months ended September 30, 2000 and 1999,
(3) Statements of Shareholders' Equity for the year ended December 31, 1999 and the nine months ended September 30, 2000,
(4) Statements of Cash Flows for the nine months ended September 30, 2000 and 1999, and
(5) Condensed Notes to Financial Statements.

The following financial statements relating to the acquisition of the Dial Building are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999, and

(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999.

The following financial statements relating to the acquisition of the ASML Building are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the

year ended December 31, 1999, and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999.

The following financial statements relating to the acquisition of the Motorola Tempe Building are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999, and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999.

The following financial statements relating to the acquisition of the Motorola Plainfield Building are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999 (audited) and the nine months ended September 30, 2000 (unaudited), and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999 (audited), and the nine months ended September 30, 2000 (unaudited).

The following unaudited pro forma financial statements of Wells Real Estate Investment Trust, Inc. are filed as part of this Registration Statement and are included in the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,
(2) Pro Forma Balance Sheet as of September 30, 2000,
(3) Pro Forma Statement of Income for the year ended December 31, 1999, and
(4) Pro Forma Statement of Income for the nine months ended September 30, 2000.

The following financial statements relating to the acquisition of the Stone & Webster Building are filed as part of this Registration Statement and included in the Supplement No. 1 to the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 1999 (audited) and the nine months ended September 30, 2000 (unaudited), and
(3) Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 1999 (audited) and the nine months ended September 30, 2000 (unaudited).

The following financial statements relating to the acquisition

of the AT&T Call Center Buildings are filed as part of this Registration Statement and included in the Supplement No. 1 to the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 1999 (audited) and the nine months ended September 30, 2000 (unaudited), and
(3) Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 1999 (audited) and the nine months ended September 30, 2000 (unaudited).

The following unaudited pro forma financial statements of Wells Real Estate Investment Trust, Inc. are filed as part of this Registration Statement and included in the Supplement No. 1 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,
(2) Pro Forma Balance Sheet as of September 30, 2000,
(3) Pro Forma Statements of Income (Loss) for the year ended December 31, 1999, and
(4) Pro Forma Statements of Income for the nine months ended September 30, 2000.

(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. 333-44900, filed on December 1, 2000)
1.2	Form of Warrant Purchase Agreement (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)
3.1	Amended and Restated Articles of Incorporation (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	Form of Bylaws (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998)
3.3	Amendment No. 1 to Bylaws (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)
4.1	Form of Subscription Agreement and Subscription Agreement Signature Page (included as Exhibit A to Prospectus)
5.1	Opinion of Holland & Knight LLP as to legality of securities (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)
8.1	Opinion of Holland & Knight LLP as to tax matters (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)

8.2 Opinion of Holland & Knight LLP as to ERISA matters (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)

10.1 Agreement of Limited Partnership of Wells Operating Partnership, L.P. (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998)

10.2 Advisory Agreement dated January 30, 2001

10.3 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 Pre-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.4 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)

10.5 Lease Agreement for the Alstom Power Knoxville Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)

10.6 Net Lease Agreement for the Avaya Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)

10.7 First Amendment to Net Lease Agreement for the Avaya Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)

10.8 Lease Agreement for the Iomega Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.9 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)

10.10 Lease Agreement for the Fairchild Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.11 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)

10.12 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)

10.13 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)

10.14 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)

10.15 Build-To-Suit Office Lease Agreement for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.16 Amendment No. 1 to Build-To-Suit Office Lease Agreement for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999).

10.17 Amendment No. 2 to Build-To-Suit Office Lease Agreement for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.18 Build-To-Suit Office Lease Agreement Guaranty Payment and Performance for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.19 Rental Income Guaranty Agreement relating to the Quest Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.20 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)

10.21 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)

10.22 Fifth Amendment to Lease for the Johnson Matthey Building (previously filed as Exhibit 10.7 and incorporated by reference to Post-Effective Amendment No. 1 to the Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on September 1, 1999)

10.23 Lease Agreement for the Gartner Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 7 to Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on October 14, 1999)

10.24 Lease Agreement for the Alstom Power Richmond Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 7 to Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on October 14, 1999)

10.25 Second Amendment to Lease Agreement for the Alstom Power Richmond Building (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 17, 1999)

10.26 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)

10.27 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)

10.28 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)

10.29 Lease Agreement for the Metris Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.30 Promissory Note for $26,725,000 for the Bank of America Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.31 Mortgage, Assignment and Security Agreement for the Marconi Building and the AT&T Building securing the Bank of America Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.32 Assumption and Modification Agreement for the Metris Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.33 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)

10.34 Lease Agreement for the Dial Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.35 First Amendment to Lease Agreement for the Dial Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.36 Lease Agreement for the ASML Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.37 First Amendment to Lease Agreement for the ASML Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.38 Ground Lease Agreement for the ASML Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.39 First Amendment to Ground Lease Agreement for the ASML Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.40 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)

10.41 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)

10.42 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)

10.43 Office Lease for the Siemens Building (previously filed as Exhibit 10.13 and incorporated by reference to Post-Effective Amendment No. 3 to the Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on July 25, 2000)

10.44 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)

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10.56 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 Pre-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

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10.63 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 Pre-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

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10.75	Lease Agreement for the Metris Minnetonka Building
10.76	Fourth Amendment to Lease Agreement for the Metris Minnetonka Building
10.77	Guaranty of Lease for the Metris Minnetonka Building
10.78	Agreement for the Purchase and Sale of Property for the AT&T Call Center Buildings dated June 22, 2000 between Wells Fund XII-REIT Joint Venture (as successor in interest by assignment) and OKC Real Estate Investments, Inc. (previously filed as Exhibit 10.14 and incorporated by reference to Post-Effective Amendment No. 4 to the Registration Statement of Wells Real Estate Fund XII, L.P., Commission File No. 333-66657, filed on February 9, 2001)
10.79	First Amendment to Agreement for the Purchase and Sale of Property for the AT&T Call Center Buildings (previously filed as Exhibit 10.15 and incorporated by reference to Post-Effective Amendment No. 4 to the Registration Statement of Wells Real Estate Fund XII, L.P., Commission File No. 333-66657, filed on February 9, 2001)
10.80	Lease Agreement with AT&T Corp. for a portion of the AT&T Call Center Buildings (previously filed as Exhibit 10.16 and incorporated by reference to Post-Effective Amendment No. 4 to the Registration Statement of Wells Real Estate Fund XII, L.P., Commission File No. 333-66657, filed on February 9, 2001)
10.81	Lease Agreement with Jordan Associates, Inc. for a portion of the AT&T Call Center Buildings (previously filed as Exhibit 10.17 and incorporated by reference to Post-Effective Amendment No. 4 to the Registration Statement of Wells Real Estate Fund XII, L.P., Commission File No. 333-66657, filed on February 9, 2001)
23.1	Consent of Holland & Knight LLP (included in exhibits 5.1 and 8.1)
23.2	Consent of Arthur Andersen LLP
24.1	Power of Attorney

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. 1 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 5th day of February, 2001.

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. 1 to Registration Statement has been signed below on February 5, 2001 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/ 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 August 18, 2000 and included as Exhibit 24.1 herein.

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. 333-44900, filed on December 1, 2000)
1.2	Form of Warrant Purchase Agreement (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)
3.1	Amended and Restated Articles of Incorporation (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	Form of Bylaws (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998)
3.3	Amendment No. 1 to Bylaws (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)
4.1	Form of Subscription Agreement and Subscription Agreement Signature Page (included as Exhibit A to Prospectus)
5.1	Opinion of Holland & Knight LLP as to legality of securities (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)
8.1	Opinion of Holland & Knight LLP as to tax matters (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)
8.2	Opinion of Holland & Knight LLP as to ERISA matters (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)
10.1	Agreement of Limited Partnership of Wells Operating Partnership, L.P. (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998)
10.2	Advisory Agreement dated January 30, 2001, filed herewith
10.3	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 Pre-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)
10.4	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)
10.5	Lease Agreement for the Alstom Power Knoxville Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)
10.6	Net Lease Agreement for the Avaya Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)
10.7	First Amendment to Net Lease Agreement for the Avaya Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)
10.8	Lease Agreement for the Iomega Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the

Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.9 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)

10.10 Lease Agreement for the Fairchild Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.11 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)

10.12 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)

10.13 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)

10.14 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)

10.15 Build-To-Suit Office Lease Agreement for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.16 Amendment No. 1 to Build-To-Suit Office Lease Agreement for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999).

10.17 Amendment No. 2 to Build-To-Suit Office Lease Agreement for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.18 Build-To-Suit Office Lease Agreement Guaranty Payment and Performance for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.19 Rental Income Guaranty Agreement relating to the Quest Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.20 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)

10.21 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)

10.22 Fifth Amendment to Lease for the Johnson Matthey Building (previously filed as Exhibit 10.7 and incorporated by reference to Post-Effective Amendment No. 1 to the Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on September 1, 1999)

10.23 Lease Agreement for the Gartner Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 7 to Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on October 14, 1999)

10.24 Lease Agreement for the Alstom Power Richmond Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 7 to Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on October 14, 1999)

10.25 Second Amendment to Lease Agreement for the Alstom Power Richmond Building (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 17, 1999)

10.26 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)

10.27 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)

10.28 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)

10.29 Lease Agreement for the Metris Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.30 Promissory Note for $26,725,000 for the Bank of America Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.31 Mortgage, Assignment and Security Agreement for the Marconi Building and the AT&T Building securing the Bank of America Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.32 Assumption and Modification Agreement for the Metris Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.33 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)

10.34 Lease Agreement for the Dial Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

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10.40 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)

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10.76	Fourth Amendment to Lease Agreement for the Metris Minnetonka Building, filed herewith
10.77	Guaranty of Lease for the Metris Minnetonka Building, filed herewith
10.78	Agreement for the Purchase and Sale of Property for the AT&T Call Center Buildings dated June 22, 2000 between Wells Fund XII-REIT Joint Venture (as successor in interest by assignment) and OKC Real Estate Investments, Inc. (previously filed as Exhibit 10.14 and incorporated by reference to Post-Effective Amendment No. 4 to the Registration Statement of Wells Real Estate Fund XII, L.P., Commission File No. 333-66657, filed on February 9, 2001)
10.79	First Amendment to Agreement for the Purchase and Sale of Property for the AT&T Call Center Buildings (previously filed as Exhibit 10.15 and incorporated by reference to Post-Effective Amendment No. 4 to the Registration Statement of Wells Real Estate Fund XII, L.P., Commission File No. 333-66657, filed on February 9, 2001)
10.80	Lease Agreement with AT&T Corp. for a portion of the AT&T Call Center Buildings (previously filed as Exhibit 10.16 and incorporated by reference to Post-Effective Amendment No. 4 to the Registration Statement of Wells Real Estate Fund XII, L.P., Commission File No. 333-66657, filed on February 9, 2001)
10.81	Lease Agreement with Jordan Associates, Inc. for a portion of the AT&T Call Center Buildings (previously filed as Exhibit 10.17 and incorporated by reference to Post-Effective Amendment No. 4 to the Registration Statement of Wells Real Estate Fund XII, L.P., Commission File No. 333-66657, filed on February 9, 2001)
23.1	Consent of Holland & Knight LLP (included in exhibits 5.1 and 8.1)
23.2	Consent of Arthur Andersen LLP, filed herewith
24.1	Power of Attorney, filed herewith

EXHIBIT 10.2

ADVISORY AGREEMENT

ADVISORY AGREEMENT

THIS ADVISORY AGREEMENT, dated as of January 30, 2001, is between WELLS REAL ESTATE INVESTMENT TRUST, INC., a Maryland corporation (the "Company"), and WELLS CAPITAL, INC., a Georgia corporation (the "Advisor").

W I T N E S S E T H

WHEREAS, the Company has issued shares of its common stock, par value $.01, to the public, has registered with the Securities and Exchange Commission certain additional shares of its common stock to be offered to the public ("Shares") and may subsequently issue securities other than such Shares ("Securities");

WHEREAS, the Company intends to continue to qualify as a REIT (as defined below), and to invest its funds in investments permitted by the terms of the Company's Articles of Incorporation and Sections 856 through 860 of the Code (as defined below);

WHEREAS, the Company desires to avail itself of the experience, sources of information, advice, assistance and certain facilities available to the Advisor and to have the Advisor undertake the duties and responsibilities hereinafter set forth, on behalf of, and subject to the supervision of, the Board of Directors of the Company all as provided herein; and

WHEREAS, the Advisor is willing to undertake to render such services, subject to the supervision of the Board of Directors, on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. Definitions. As used in this Advisory Agreement (the "Agreement"), the following terms have the definitions hereinafter indicated:

Acquisition Expenses. Any and all expenses incurred by the Company, the Advisor, or any Affiliate of either in connection with the selection, acquisition or development of any Property, whether or not acquired, including, without limitation, legal fees and expenses, travel and communications expenses, costs of appraisals, nonrefundable option payments on property not acquired, accounting fees and expenses, and title insurance premiums.

Acquisition Fees. Any and all fees and commissions, exclusive of Acquisition Expenses, paid by any person or entity to any other person or entity (including any fees or commissions paid by or to any Affiliate of the Company or the Advisor) in connection with purchase, development or construction of any Property, including, without limitation, real estate commissions, acquisition fees, finder's fees, selection fees, nonrecurring management fees, consulting fees, loan fees, points, or any other fees or commissions of a similar nature.

Advisor. Wells Capital, Inc., a Georgia corporation, any successor advisor to the Company, or any person or entity to which Wells Capital, Inc. or any successor advisor subcontracts substantially all of its functions.

Affiliate or Affiliated. As to any individual, corporation, partnership,

trust or other association (other than the Excess Shares Trust), (i) any Person or entity directly or indirectly; through one or more intermediaries controlling, controlled by, or under common control with another person or entity; (ii) any Person or entity, directly or indirectly owning or controlling ten percent (10%) or more of the outstanding voting securities of another Person or entity; (iii) any officer, director, partner, or trustee of such Person or entity; (iv) any Person ten percent (10%) or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held, with power to vote, by such other Person; and (v) if such other Person or entity is an officer, director, partner, or trustee of a Person or entity, the Person or entity for which such Person or entity acts in any such capacity.

Appraised Value. Value according to an appraisal made by an Independent Appraiser.

Articles of Incorporation. The Articles of Incorporation of the Company under Title 2 of the Corporations and Associations Article of the Annotated Code of Maryland, as amended from time to time.

Average Invested Assets. For a specified period, the average of the aggregate book value of the assets of the Company invested, directly or indirectly, in Properties and Loans secured by real estate before reserves for depreciation or bad debts or other similar non-cash reserves, computed by taking the average of such values at the end of each month during such period.

Board of Directors or Board. The persons holding such office, as of any particular time, under the Articles of Incorporation of the Company, whether they be the Directors named therein or additional or successor Directors.

Bylaws. The bylaws of the Company, as the same are in effect from time to time.

Cash from Financings. Net cash proceeds realized by the Company from the financing of Company Property or from the refinancing of any Company indebtedness.

Cash from Sales. Net cash proceeds realized by the Company from the sale, exchange or other disposition of any of its assets after deduction of all expenses incurred in connection therewith. Cash from Sales shall not include Cash from Financings.

Cash from Sales and Financings. The total sum of Cash from Sales and Cash from Financings.

Cause. With respect to the termination of this Agreement, fraud, criminal conduct, willful misconduct or willful or negligent breach of fiduciary duty by the Advisor, breach of this Agreement, a default by the Sponsor under the guarantee by the Sponsor to the Company or the bankruptcy of the Sponsor.

Code. Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto. Reference to any provision of the Code shall mean such provision as in effect from time to time, as the same may be amended, and any successor provision thereto, as interpreted by any applicable regulations as in effect from time to time.

Company. Wells Real Estate Investment Trust, Inc., a corporation organized under the laws of the State of Maryland.

Company Property. Any and all property, real, personal or otherwise, tangible or intangible, which is transferred or conveyed to the Company or the Partnership (including all rents, income, profits and gains therefrom), and which is owned or held by, or for the account of, the Company or the Partnership.

Competitive Real Estate Commission. A real estate or brokerage commission

for the purchase or sale of property which is reasonable, customary, and competitive in light of the size, type, and location of the property. The total of all real estate commissions paid by the Company to all Persons (including the Subordinated Disposition Fee payable to the Advisor) in connection with any Sale of one or more of the Company's Properties shall not exceed the lesser of (i) a Competitive Real Estate Commission or (ii) 6% of the gross sales price of the Property or Properties.

Contract Purchase Price. The amount actually paid or allocated (as of the date of purchase) to the purchase, development, construction or improvement of Property, exclusive of Acquisition Fees and Acquisition Expenses.

Contract Sales Price. The total consideration received by the Company for the sale of a Company Property.

Cumulative Return. For the period for which the calculation is being made, the percentage resulting from dividing (A) the total Dividends paid on each Dividends distribution date during such period (without regard to Dividends paid out of Cash from Sales and Financings), by (B) the product of (i) the average Invested Capital for such period (calculated on a daily basis), and (ii) the number of years (including fractions thereof) elapsed during such period.

Director. A member of the Board of Directors of the Company.

Dividends. Any dividends or other distributions of money or other property by the Company to owners of Shares, including distributions that may constitute a return of capital for federal income tax purposes.

Equity Interest. The stock of or other interests in, or warrants or other rights to purchase the stock of or other interests in, any entity that has borrowed money from the Company or that is a tenant of the Company or that is a parent or controlling Person of any such borrower or tenant.

Equity Shares. Transferable shares of beneficial interest of the Company of any class or series, including common shares or preferred shares.

Good Reason. With respect to the termination of this Agreement, (i) any failure to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform the Company's obligations under this Agreement; or (ii) any material breach of this Agreement of any nature whatsoever by the Company.

Gross Proceeds. The aggregate purchase price of all Shares sold for the account of the Company through an Offering, without deduction for Selling Commissions, volume discounts, the marketing support fee and due diligence expense reimbursement or Organization and Offering Expenses. For the purpose of computing Gross Proceeds, the purchase price of any Share for which reduced Selling Commissions are paid to the Managing Dealer or a Soliciting Dealer (where net proceeds to the Company are not reduced) shall be deemed to be $10.00.

Independent Appraiser. A qualified appraiser of real estate as determined by the Board. Membership in a nationally recognized appraisal society such as the American Institute of Real Estate Appraisers ("M.A.I.") or the Society of Real Estate Appraisers ("S.R.E.A.") shall be conclusive evidence of such qualification.

Independent Director. A Director who is not and within the last two years has not been directly or indirectly associated with the Advisor by virtue of (i) ownership of an interest in the Advisor or its Affiliates, (ii) employment by the Advisor or its Affiliates, (iii) service as an officer or director of the Advisor or its Affiliates, (iv) performance of services, other than as a Director, for the Company, (v) service as a director or trustee of more than three real estate investment trusts advised by the Advisor, or (vi) maintenance of a material business or professional relationship with the Advisor or any of

its Affiliates. A business or professional relationship is considered material if the gross revenue derived by the Director from the Advisor and Affiliates exceeds 5.0% of either the Director's annual gross revenue during either of the last two years or the Director's net worth on a fair market value basis. An indirect relationship shall include circumstances in which a Director's spouse, parents, children, siblings, mothers- or fathers-in-law, sons- or daughters-in-law, or brothers- or sisters-in-law is or has been associated with the Advisor, any of its Affiliates, or the Company.

Independent Expert. A person or entity with no material current or prior business or personal relationship with the Advisor or the Directors and who is engaged to a substantial extent in the business of rendering opinions regarding the value of assets of the type held by the Company.

Invested Capital. The amount calculated by multiplying the total number of Shares purchased by stockholders by the issue price, reduced by the portion of any Dividend that is attributable to Net Sales Proceeds and by any amounts paid by the Company to repurchase Shares pursuant to the Company's plan for redemption of Shares.

Joint Ventures. The joint venture or general partnership arrangements in which the Company or the Partnership is a co-venturer or general partner which are established to acquire Properties.

Listing. The listing of the Shares of the Company on a national securities exchange or over-the-counter market.

Managing Dealer. Wells Investment Securities, Inc., an Affiliate of the Advisor, or such entity selected by the Board of Directors to act as the managing dealer for an Offering. Wells Investment Securities, Inc. is a member of the National Association of Securities Dealers, Inc.

Net Income. For any period, the total revenues applicable to such period, less the total expenses applicable to such period excluding additions to reserves for depreciation, bad debts or other similar non-cash reserves; provided, however, Net Income for purposes of calculating total allowable Operating Expenses (as defined herein) shall exclude the gain from the sale of the Company's assets.

Net Sales Proceeds. In the case of a transaction described in clause (i) (A) of the definition of Sale, the proceeds of any such transaction less the amount of all real estate commissions and closing costs paid by the Company. In the case of a transaction described in clause (i) (B) of such definition, Net Sales Proceeds means the proceeds of any such transaction less the amount of any legal and other selling expenses incurred in connection with such transaction. In the case of a transaction described in clause (i) (C) of such definition, Net Sales Proceeds means the proceeds of any such transaction actually distributed to the Company from the Joint Venture. In the case of a transaction or series of transactions described in clause (i) (D) of the definition of Sale, Net Sales Proceeds means the proceeds of any such transaction less the amount of all commissions and closing costs paid by the Company. In the case of a transaction described in clause (ii) of the definition of Sale, Net Sales Proceeds means the proceeds of such transaction or series of transactions less all amounts generated thereby and reinvested in one or more Properties within 180 days thereafter and less the amount of any real estate commissions, closing costs, and legal and other selling expenses incurred by or allocated to the Company in connection with such transaction or series of transactions. Net Sales Proceeds shall also include, in the case of any Property consisting of a building only, any amounts that the Company determines, in its discretion, to be economically equivalent to proceeds of a Sale. Net Sales Proceeds shall not include any reserves established by the Company in its sole discretion.

Offering. Any public offering of Shares pursuant to a Prospectus which is registered with the SEC.

Operating Expenses. All costs and expenses incurred by the Company, as determined under generally accepted accounting principles, which in any way are related to the operation of the Company or to Company business, including advisory fees, but excluding (i) the expenses of raising capital such as Organizational and Offering Expenses, legal, audit, accounting, underwriting, brokerage, listing, registration, and other fees, printing and other such expenses and tax incurred in connection with the issuance, distribution, transfer, registration and Listing of the Shares, (ii) interest payments, (iii) taxes, (iv) non-cash expenditures such as depreciation, amortization and bad loan reserves, (v) the Advisor's subordinated 10% share of Net Sales Proceeds, (vi) the Subordinated Incentive Fee, (vii) the Property Management Fee and (viii) Acquisition Fees and Acquisition Expenses, real estate commissions on the sale of property, and other expenses connected with the acquisition, and ownership of real estate interests, mortgage loans or other property (such as the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property).

Organizational and Offering Expenses. Any and all costs and expenses, other than selling commissions and the 2.5% dealer manager fee, incurred by the Advisor or any Affiliate in connection with the formation, qualification and registration of the Company and the marketing and distribution of its Shares, including, without limitation, the following: legal, accounting and escrow fees; printing, amending, supplementing, mailing and distributing costs; filing,

registration and qualification fees and taxes; telegraph and telephone costs; and all advertising and marketing expenses, including the costs related to investor and broker-dealer sales meetings. The Organizational and Offering Expenses paid by the Company in connection with any Offering will not exceed 3.0% of the Gross Proceeds raised in such Offering.

Partnership. Wells Operating Partnership, L.P., a Delaware limited partnership formed to own and operate properties on behalf of the Company.

Person. An individual, corporation, partnership, estate, trust (including a trust qualified under Section 401(a) or 501(c) (17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity, or any government or any agency or political subdivision thereof.

Property or Properties. (i) The real properties, including the buildings located thereon, or (ii) the real properties only, or (iii) the buildings only, which are acquired by the Company, either directly or through joint venture arrangements or other partnerships.

Prospectus. "Prospectus" has the meaning set forth in Section 2(10) of the Securities Act of 1933, as amended (the "Securities Act"), including a preliminary Prospectus, an offering circular as described in Rule 256 of the General Rules and Regulations under the Securities Act or, in the case of an intrastate offering, any document by whatever name known, utilized for the purpose of offering and selling securities to the public.

Real Estate Asset Value. The amount actually paid or allocated to the purchase, development, construction or improvement of a Property, exclusive of Acquisition Fees and Acquisition Expenses.

Registration Statement. The most currently filed Registration Statement on Form S-11 with the Securities and Exchange Commission, of which the Prospectus is a part.

REIT. A "real estate investment trust" under Sections 856 through 860 of the Code.

Sale or Sales. (i) Any transaction or series of transactions whereby: (A) the Company or the Partnership sells, grants, transfers, conveys, or

relinquishes its ownership of any Property or portion thereof, including the lease of any Property consisting of the building only, and including any event with respect to any Property which gives rise to a significant amount of insurance proceeds or condemnation awards; (B) the Company or the Partnership sells, grants, transfers, conveys, or relinquishes its ownership of all or substantially all of the interest of the Company or the Partnership in any Joint Venture in which it is a co-venturer or partner; or (C) any Joint Venture in which the Company or the Partnership as a co-venturer or partner sells, grants, transfers, conveys, or relinquishes its ownership of any Property or portion thereof, including any event with respect to any Property which gives rise to insurance claims or condemnation awards, but (ii) not including any transaction or series of transactions specified in clause (i) (A), (i) (B), or (i) (C) above in which the proceeds of such transaction or series of transactions are reinvested in one or more Properties within 180 days thereafter.

Securities. Any Equity Shares, Excess Shares, as such term is defined in the Company's Articles of Incorporation, any other stock, shares or other evidences of equity or beneficial or other interests, voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in, temporary or interim certificates for, receipts for, guarantees of, or warrants, options or rights to subscribe to, purchase or acquire, any of the foregoing.

Shares. Any shares of the Company's common stock, par value $.01 per share, previously issued by the Company pursuant to an effective registration statement and shares currently registered with the Securities and Exchange Commission pursuant to the Registration Statement.

Soliciting Dealers. Broker-dealers who are members of the National Association of Securities Dealers, Inc., or that are exempt from broker-dealer registration, and who, in either case, have executed participating broker or other agreements with the Managing Dealer to sell Shares.

Sponsor. Any Person directly or indirectly instrumental in organizing, wholly or in part, the Company or any Person who will control, manage or participate in the management of the Company, and any Affiliate of such Person. Not included is any Person whose only relationship with the Company is that of an independent property manager of Company assets, and whose only compensation is as such. Sponsor does not include wholly independent third parties such as attorneys, accountants, and underwriters whose only compensation is for professional services.

Stockholders. The record holders of the Company's Shares as maintained in the Company's books and records.

Stockholders' 8.0% Return. As of each date, an aggregate amount equal to an 8.0% cumulative, noncompounded, annual return on Invested Capital.

Subordinated Disposition Fee. The Subordinated Disposition Fee as defined in Paragraph 9(b).

Subordinated Incentive Fee. The fee payable to the Advisor under certain circumstances if the Shares are listed on a national securities exchange or over-the-counter market as defined in Paragraph 9(d).

Subordinated Share of Net Sale Proceeds. The Subordinated Share of Net Sales Proceeds as defined in Paragraph 9(c).

Termination Date. The date of termination of the Agreement.

Total Property Cost. With regard to any Company Property, an amount equal to the sum of the Real Estate Asset Value of such Property plus the Acquisition Fees and Acquisition Expenses paid in connection with such Property.

2%/25% Guidelines. The requirement pursuant to the guidelines of the North American Securities Administrators Association, Inc. that, in any 12 month period, total Operating Expenses not exceed the greater of 2% of the Company's Average Invested Assets during such 12 month period or 25% of the Company's Net Income over the same 12 month period.

Valuation. An estimate of value of the assets of the Company as determined by an Independent Expert.

2. Appointment. The Company hereby appoints the Advisor to serve as its advisor on the terms and conditions set forth in this Agreement, and the Advisor hereby accepts such appointment.

3. Duties of the Advisor. The Advisor undertakes to use its best efforts to present to the Company potential investment opportunities and to provide a continuing and suitable investment program consistent with the investment objectives and policies of the Company as determined and adopted from time to time by the Board. In performance of this undertaking, subject to the supervision of the Board and consistent with the provisions of the Prospectus, Articles of Incorporation and Bylaws of the Company, the Advisor shall, either directly or by engaging an Affiliate:

(a) serve as the Company's investment and financial advisor and provide research and economic and statistical data in connection with the Company's assets and investment policies;

(b) provide the daily management of the Company and perform and supervise the various administrative functions reasonably necessary for the management of the Company;

(c) maintain and preserve the books and records of the Company, including stock books and records reflecting a record of the Stockholders and their ownership of the Company's uncertificated Shares and acting as transfer agent for the Company's uncertificated Shares;

(d) investigate, select, and, on behalf of the Company, engage and conduct business with such Persons as the Advisor deems necessary to the proper performance of its obligations hereunder, including but not limited to consultants, accountants, correspondents, lenders, technical advisors, attorneys, brokers, underwriters, corporate fiduciaries, escrow agents, depositaries, custodians, agents for collection, insurers, insurance agents, banks, builders, developers, property owners, mortgagors, and any and all agents for any of the foregoing, including Affiliates of the Advisor, and Persons acting in any other capacity deemed by the Advisor necessary or desirable for the performance of any of the foregoing services, including but not' limited to entering into contracts in the name of the Company with any of the foregoing;

(e) consult with the officers and the Board of the Company and assist the Board in the formulation and implementation of the Company's financial policies, and, as

necessary, furnish the Board with advice and recommendations with respect to the making of investments consistent with the investment objectives and policies of the Company and in connection with any borrowings proposed to be undertaken by the Company;

(f) subject to the provisions of Paragraphs 3(g) and 4 hereof, (i) locate,

analyze and select potential investments in Properties, (ii) structure and negotiate the terms and conditions of transactions pursuant to which investment in Properties will be made; (iii) make investments in Properties on behalf of the Company or the Partnership in compliance with the investment objectives and policies of the Company; (iv) arrange for financing and refinancing and make other changes in the asset or capital structure of, and dispose of, reinvest the proceeds from the sale of, or otherwise deal with the investments in, Property; and (v) enter into leases and service contracts for Company Property and, to the extent necessary, perform all other operational functions for the maintenance and administration of such Company Property;

(g) provide the Board with periodic reports regarding prospective investments in Properties;

(h) obtain the prior approval of the Board (including a majority of all Independent Directors) for any and all investments in Properties;

(i) negotiate on behalf of the Company with banks or lenders for loans to be made to the Company, and negotiate on behalf of the Company with investment banking firms and broker-dealers or negotiate private sales of Shares and Securities or obtain loans for the Company, but in no event in such a way so that the Advisor shall be acting as broker-dealer or underwriter; and provided, further, that any fees and costs payable to third parties incurred by the Advisor in connection with the foregoing shall be the responsibility of the Company;

(j) obtain reports (which may be prepared by the Advisor or its Affiliates), where appropriate, concerning the value of investments or contemplated investments of the Company in Properties;

(k) from time to time, or at any time reasonably requested by the Board, make reports to the Board of its performance of services to the Company under this Agreement;

(l) provide the Company with all necessary cash management services;

(m) do all things necessary to assure its ability to render the services described in this Agreement;

(n) deliver to or maintain on behalf of the Company copies of all appraisals obtained in connection with the investments in Properties; and

(o) notify the Board of all proposed material transactions before they are completed.

4. Authority of Advisor.

(a) Pursuant to the terms of this Agreement (including the restrictions included in this Paragraph 4 and in Paragraph 7), and subject to the continuing and exclusive authority of the Board over the management of the Company, the Board hereby delegates to the Advisor the authority to (1) locate, analyze and select investment opportunities, (2) structure the terms and conditions of transactions pursuant to which investments will be made or acquired for the Company or the Partnership, (3) acquire Properties in compliance with the investment objectives and policies of the Company, (4) arrange for financing or refinancing Property, (5) enter into leases and service contracts for the Company's Property, including oversight of Affiliated companies that perform property management services for the Company, (6) oversee non-affiliated property managers and other non-affiliated Persons who perform services for the Company; and (7) undertake accounting and other record-keeping functions at the Property level.

(b) Notwithstanding the foregoing, any investment in Properties, including any acquisition of Property by the Company or the Partnership (as well as any financing acquired by the Company or the Partnership in connection with such acquisition), will require the prior approval of the Board.

(c) If a transaction requires approval by the Independent Directors, the Advisor will deliver to the Independent Directors all documents required by them to properly evaluate the proposed investment in the Property.

The prior approval of a majority of the Independent Directors and a majority of the Board not otherwise interested in the transaction will be required for each transaction with the Advisor or its Affiliates.

The Board may, at any time upon the giving of notice to the Advisor, modify or revoke the authority set forth in this Paragraph 4. If and to the extent the Board so modifies or revokes the authority contained herein, the Advisor shall henceforth submit to the Board for prior approval such proposed transactions involving investments in Property as thereafter require prior approval, provided however, that such modification or revocation shall be effective upon receipt by the Advisor and shall not be applicable to investment transactions to which the Advisor has committed the Company prior to the date of receipt by the Advisor of such notification.

5. Bank Accounts. The Advisor may establish and maintain one or more bank accounts in its own name for the account of the Company or in the name of the Company and may collect and deposit into any such account or accounts, and disburse from any such account or accounts, any money on behalf of the Company, under such terms and conditions as the Board may approve, provided that no funds shall be commingled with the funds of the Advisor; and the Advisor shall from time to time render appropriate accountings of such collections and payments to the Board and to the auditors of the Company.

6. Records; Access. The Advisor shall maintain appropriate records of all its activities hereunder and make such records available for inspection by the Board and by counsel, auditors and authorized agents of the Company, at any time or from time to time during normal

business hours. The Advisor shall at all reasonable times have access to the books and records of the Company.

7. Limitations on Activities. Anything else in this Agreement to the contrary notwithstanding, the Advisor shall refrain from taking any action which, in its sole judgment made in good faith, would (a) adversely affect the status of the Company as a REIT, (b) subject the Company to regulation under the Investment Company Act of 1940, as amended, or (c) violate any law, rule, regulation or statement of policy of any governmental body or agency having jurisdiction over the Company, its Shares or its Securities, or otherwise not be permitted by the Articles of Incorporation or Bylaws of the Company, except if such action shall be ordered by the Board, in which case the Advisor shall notify promptly the Board of the Advisor's judgment of the potential impact of such action and shall refrain from taking such action until it receives further clarification or instructions from the Board. In such event the Advisor shall have no liability for acting in accordance with the specific instructions of the Board so given. Notwithstanding the foregoing, the Advisor, its directors, officers, employees and stockholders, and stockholders, directors and officers of the Advisor's Affiliates shall not be liable to the Company or to the Board or stockholders for any act or omission by the Advisor, its directors, officers or employees, or stockholders, directors or officers of the Advisor's Affiliates except as provided in Paragraphs 20 and 21 of this Agreement.

8. Relationship with Directors. Directors, officers and employees of the

Advisor or an Affiliate of the Advisor or any corporate parents of an Affiliate, or directors, officers or stockholders of any director, officer or corporate parent of an Affiliate may serve as a Director and as officers of the Company, except that no director, officer or employee of the Advisor or its Affiliates who also is a Director or officer of the Company shall receive any compensation from the Company for serving as a Director or officer other than reasonable reimbursement for travel and related expenses incurred in attending meetings of the Board.

9. Fees.

(a) Acquisition Fees and Expenses. The Advisor may receive, as compensation payable by the Company for services rendered in connection with the investigation, selection and acquisition (by purchase, investment or exchange) of Properties, Acquisition Fees in an amount equal to up to 3.0% of Gross Proceeds and Acquisition Expenses in an amount equal to up to 0.5% of Gross Proceeds. The Acquisition Fees shall be reduced to the extent that, and, if necessary to limit, the total compensation paid to all persons involved in the acquisition of any Property to the amount customarily charged in arm's-length transactions by other persons or entities rendering similar services as an ongoing public activity in the same geographical location and for comparable types of Properties and to the extent that other acquisition fees, finder's fees, real estate commissions, or other similar fees or commissions are paid by any person in connection with the transaction.

(b) Subordinated Disposition Fee. If the Advisor or an Affiliate provides a substantial amount of the services (as determined by a majority of the Independent Directors) in connection with the Sale of one or more Properties, the Advisor or an Affiliate shall receive a Subordinated Disposition Fee equal to the lesser of (i) one-half of a Competitive Real Estate Commission or (ii) 3.0% of the sales price of such Property or Properties. The Subordinated

Disposition Fee will be paid only if Stockholders have received total Dividends in an amount equal to the sum of their aggregate Invested Capital and their aggregate Stockholders' 8.0% Return. To the extent that Subordinated Disposition Fees are not paid by the Company on a current basis due to the foregoing limitation, the unpaid fees will be accrued and paid at such time as the subordination conditions have been satisfied. The Subordinated Disposition Fee may be paid in addition to real estate commissions paid to non-Affiliates, provided that the total real estate commissions paid to all Persons by the Company shall not exceed an amount equal to the lesser of (i) 6.0% of the Contract Sales Price of a Property or (ii) the Competitive Real Estate Commission. In the event this Agreement is terminated prior to such time as the Stockholders have received total Dividends in an amount equal to 100% of Invested Capital plus an amount sufficient to pay the Stockholders' 8.0% Return through the Termination Date, an appraisal of the Properties then owned by the Company shall be made and the Subordinated Disposition Fee on Properties previously sold will be deemed earned if the Appraised Value of the Properties then owned by the Company plus total Dividends received prior to the Termination Date equals 100% of Invested Capital plus an amount sufficient to pay the Stockholders' 8.0% Return through the Termination Date. Upon Listing, if the Advisor has accrued but not been paid such Subordinated Disposition Fee, then for purposes of determining whether the subordination conditions have been satisfied, Stockholders will be deemed to have received a Dividends in the amount equal to the product of the total number of Shares outstanding and the average closing price of the Shares over a period, beginning 180 days after Listing, of 30 days during which the Shares are traded.

(c) Subordinated Share of Net Sales Proceeds. The Subordinated Share of Net Sales Proceeds shall be payable to the Advisor in an amount equal to 10% of Net Sales Proceeds remaining after the Stockholders have received Dividends equal to the sum of the Stockholders' 8.0% Return and 100% of Invested Capital. Following Listing, no Subordinated Share of Net Sales Proceeds will be paid to the Advisor.

(d) Subordinated Incentive Fee. Upon Listing, the Advisor shall be entitled to the Subordinated Incentive Fee in an amount equal to 10.0% of the amount by which (i) the market value of the outstanding stock of the Company, measured by taking the average closing price or average of bid and asked price, as the case may be, over a period of 30 days during which the stock is traded, with such period beginning 180 days after Listing (the "Market Value"), plus the total of all Dividends paid to Stockholders from the Company's inception until the date of Listing, exceeds (ii) the sum of (A) 100% of Invested Capital and (B) the total Dividends required to be paid to the Stockholders in order to pay the Stockholders' 8.0% Return from inception through the date of Listing. The Company shall have the option to pay such fee in the form of cash, Shares, a promissory note or any combination of the foregoing. The Subordinated Incentive Fee will be reduced by the amount of any prior payment to the Advisor of a deferred, Subordinated Share of Net Sales Proceeds from a Sale or Sales of a Property. In the event the Subordinated Incentive Fee is paid to the Advisor following Listing, no other performance fee will be paid to the Advisor.

(e) Loans from Affiliates. If any loans are made to the Company by an Affiliate of the Advisor, the maximum amount of interest that may be charged by such Affiliate shall be the lesser of (i) 1.0% above the prime rate of interest charged from time to time by The Bank of New York and (ii) the rate that would be charged to the Company by unrelated lending institutions on

comparable loans for the same purpose. The terms of any such loans shall be no less favorable than the terms available between non-Affiliated Persons for similar commercial loans.

(f) Changes to Fee Structure. In the event of Listing, the Company and the Advisor shall negotiate in good faith to establish a fee structure appropriate for a perpetual-life entity. A majority of the Independent Directors must approve the new fee structure negotiated with the Advisor. In negotiating a new fee structure, the Independent Directors shall consider all of the factors they deem relevant, including, but not limited to: (i) the amount of the advisory fee in relation to the asset value, composition and profitability of the Company's portfolio; (ii) the success of the Advisor in generating opportunities that meet the investment objectives of the Company; (iii) the rates charged to other REITs and to investors other than REITs by Advisors performing the same or similar services; (iv) additional revenues realized by the Advisor and its Affiliates through their relationship with the Company, including loan administration, underwriting or broker commissions, servicing, engineering, inspection and other fees, whether paid by the Company or by others with whom the Company does business; (v) the quality and extent of service and advice furnished by the Advisor; (vi) the performance of the investment portfolio of the Company, including income, conversion or appreciation of capital, and number and frequency of problem investments; and (vii) the quality of the Property portfolio of the Company in relationship to the investments generated by the Advisor for its own account. The new fee structure can be no more favorable to the Advisor than the current fee structure.

10. Expenses.

(a) In addition to the compensation paid to the Advisor pursuant to Paragraph 9 hereof, the Company shall pay directly or reimburse the Advisor for all of the expenses paid or incurred by the Advisor in connection with the services it provides to the Company pursuant to this Agreement, including, but not limited to:

(i) the Company's Organizational and Offering Expenses; provided, however, that within 60 days after the end of the month in which an Offering terminates, the Advisor shall reimburse the Company for any Organizational and Offering Expenses reimbursement received by the Advisor pursuant to this Paragraph 10, to the extent that such reimbursement exceeds 3.0% of the Gross Proceeds. The Advisor shall be responsible for the payment of all the Company's Organizational

and Offering Expenses in excess of 3.0% of the Gross Proceeds;

(ii) Acquisition Expenses incurred in connection with the selection and acquisition of Properties at the lesser of the actual cost or 90% of the competitive rate charged by unaffiliated persons providing similar goods and services in the same geographic location;

(iii) the actual cost of goods and services used by the Company and obtained from entities not affiliated with the Advisor, other than Acquisition Expenses, including brokerage fees paid in connection with the purchase and sale of securities;

(iv) interest and other costs for borrowed money, including discounts, points and other similar fees;

(v) taxes and assessments on income or Property and taxes as an expense of doing business;

(vi) costs associated with insurance required in connection with the business of the Company or by the Board;

(vii) expenses of managing and operating Properties owned by the Company, whether payable to an Affiliate of the Company or a non-affiliated Person.

(viii) all expenses in connection with payments to the Board and meetings of the Board and Stockholders;

(ix) expenses associated with Listing or with the issuance and distribution of Shares and Securities, such as selling commissions and fees, advertising expenses, taxes, legal and accounting fees, Listing and registration fees, and other Organization and Offering Expenses;

(x) expenses connected with payments of Dividends in cash or otherwise made or caused to be made by the Company to the Stockholders;

(xi) expenses of organizing, revising, amending, converting, modifying, or terminating the Company or the Articles of Incorporation;

(xii) expenses of maintaining communications with Stockholders, including the cost of preparation, printing, and mailing annual reports and other Stockholder reports, proxy statements and other reports required by governmental entities;

(xiii) administrative service expenses (including personnel costs; provided, however, that no reimbursement shall be made for costs of personnel to the extent that such personnel perform services in transactions for which the Advisor receives a separate fee); and

(xiv) audit, accounting and legal fees.

(b) Expenses incurred by the Advisor on behalf of the Company and payable pursuant to this Paragraph 10 shall be reimbursed no less than monthly to the Advisor. The Advisor shall prepare a statement documenting the expenses of the Company during each quarter, and shall deliver such statement to the Company within 45 days after the end of each quarter.

11. Other Services. Should the Board request that the Advisor or any director, officer or employee thereof render services for the Company other than set forth in Paragraph 3, such services shall be separately compensated at such rates and in such amounts as are agreed by the Advisor and the Independent Directors of the Company, subject to the limitations contained in the Articles of Incorporation, and shall not be deemed to be services pursuant to the terms of this Agreement.

12. Fidelity Bond. The Advisor shall maintain a fidelity bond for the benefit of the Company which bond shall insure the Company from losses of up to $200,000 per occurrence and shall be of the type customarily purchased by entities performing services similar to those provided to the Company by the Advisor.

13 Reimbursement to the Advisor. The Company shall not reimburse the Advisor at the end of any fiscal quarter Operating Expenses that, in the four consecutive fiscal quarters then ended (the "Expense Year") exceed (the "Excess Amount") the greater of 2% of Average Invested Assets or 25% of Net Income (the "2%/25% Guidelines") for such year. Any Excess Amount paid to the Advisor during a fiscal quarter shall be repaid to the Company. If there is an Excess Amount in any Expense Year and the Independent Directors determine that such excess was justified, based on unusual and nonrecurring factors which they deem sufficient, the Excess Amount may be carried over and included in Operating Expenses in subsequent Expense Years, and reimbursed to the Advisor in one or more of such years, provided that Operating Expenses in any Expense Year, including any Excess Amount to be paid to the Advisor, shall not exceed the 2%/25% Guidelines. Within 60 days after the end of any fiscal quarter of the Company for which total Operating Expenses for the Expense Year exceed the 2%/25% Guidelines, there shall be sent to the stockholders a written disclosure of such fact, together with an explanation of the factors the Independent Directors considered in determining that such excess expenses were justified. Such determination shall be reflected in the minutes of the meetings of the Board of Directors. The Company will not reimburse the Advisor or its Affiliates for services for which the Advisor or its Affiliates are entitled to compensation in the form of a separate fee. All figures used in the foregoing computation shall be determined in accordance with generally accepted accounting principles applied on a consistent basis.

14. Other Activities of the Advisor. Nothing herein contained shall prevent the Advisor from engaging in other activities, including, without limitation, the rendering of advice to other Persons (including other REITs) and the management of other programs advised, sponsored or organized by the Advisor or its Affiliates; nor shall this Agreement limit or restrict the right of any director, officer, employee, or stockholder of the Advisor or its Affiliates to engage in any other business or to render services of any kind to any other partnership, corporation, firm, individual, trust or association. The Advisor may, with respect to any investment in which the Company is a participant, also render advice and service to each and every other participant therein. The Advisor shall report to the Board the existence of any condition or circumstance, existing or anticipated, of which it has knowledge, which creates or could create a conflict of interest between the Advisor's obligations to the Company and its obligations to or its interest in any other partnership, corporation, firm, individual, trust or association. The Advisor or its Affiliates shall promptly disclose to the Board knowledge of such condition or circumstance. If the Sponsor, Advisor, Director or Affiliates thereof have sponsored other investment programs with similar investment objectives which have investment funds available at the same time as the Company, it shall be the duty of the Board (including the Independent Directors) to adopt the method set forth in the Registration Statement or another reasonable method by which properties are to be allocated to the competing investment entities and to use their best efforts to apply such method fairly to the Company.

The Advisor shall be required to use its best efforts to present a continuing and suitable investment program to the Company which is consistent with the investment policies and objectives of the Company, but neither the Advisor nor any Affiliate of the Advisor shall be obligated generally to present any particular investment opportunity to the Company even if the opportunity is of character which, if presented to the Company, could be taken by the Company. The Advisor or its Affiliates may make such an investment in a property only after (i) such investment has been offered to the Company and all public

partnerships and other investment

entities affiliated with the Company with funds available for such investment and (ii) such investment is found to be unsuitable for investment by the Company, such partnerships and investment entities.

In the event that the Advisor or its Affiliates is presented with a potential investment which might be made by the Company and by another investment entity which the Advisor or its Affiliates advises or manages, the Advisor shall consider the investment portfolio of each entity, cash flow of each entity, the effect of the acquisition on the diversification of each entity's portfolio, rental payments during any renewal period, the estimated income tax effects of the purchase on each entity, the policies of each entity relating to leverage, the funds of each entity available for investment and the length of time such funds have been available for investment. In the event that an investment opportunity becomes available which is suitable for both the Company and a public or private entity which the Advisor or its Affiliates are Affiliated, then the entity which has had the longest period of time elapse since it was offered an investment opportunity will first be offered the investment opportunity. The Advisor may consider the property for private placement only if such property is deemed inappropriate for any investment entity which is advised or managed by the Advisor, including the Company.

15. Relationship of Advisor and Company. The Company and the Advisor are not partners or joint venturers with each other, and nothing in this Agreement shall be construed to make them such partners or joint venturers or impose any liability as such on either of them.

16. Term; Termination of Agreement. This Agreement shall continue in force until January 29, 2002, subject to an unlimited number of successive one-year renewals upon mutual consent of the parties. It is the duty of the Board to evaluate the performance of the Advisor or annually before renewing the Agreement, and each such renewal shall be for a term of no more than one year.

17. Termination by Either Party. This Agreement may be terminated upon 60 days written notice without Cause or penalty, by either party (by a majority of the Independent Directors of the Company or a majority of the Board of Directors of the Advisor, as the case may be).

18. Assignment to an Affiliate. This Agreement may be assigned by the Advisor to an Affiliate with the approval of a majority of the Board (including a majority of the Independent Directors). The Advisor may assign any rights to receive fees or other payments under this Agreement without obtaining the approval of the Board. This Agreement shall not be assigned by the Company without the consent of the Advisor, except in the case of an assignment by the Company to a corporation or other organization which is a successor to all of the assets, rights and obligations of the Company, in which case such successor organization shall be bound hereunder and by the terms of said assignment in the same manner as the Company is bound by this Agreement.

19. Payments to and Duties of Advisor upon Termination. Payments to the Advisor pursuant to this Section 19 shall be subject to the 2%/25% Guidelines to the extent applicable.

(a) After the Termination Date, the Advisor shall not be entitled to compensation for further services hereunder except it shall be entitled to receive from the Company within 30 days after the effective date of such

termination all unpaid reimbursements of expenses and all earned but unpaid fees payable to the Advisor prior to termination of this Agreement.

(b) The Advisor shall promptly upon termination:

(i) pay over to the Company all money collected and held for the account of the Company pursuant to this Agreement, after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled;

(ii) deliver to the Board a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board;

(iii) deliver to the Board all assets, including Properties, and documents of the Company then in the custody of the Advisor; and

(iv) cooperate with the Company to provide an orderly management transition.

20. Indemnification by the Company. The Company shall indemnify and hold harmless the Advisor and its Affiliates, including their respective officers, directors, partners and employees, from all liability, claims, damages or losses arising in the performance of their duties hereunder, and related expenses, including reasonable attorneys' fees, to the extent such liability, claims, damages or losses and related expenses are not fully reimbursed by insurance, subject to any limitations imposed by the laws of the State of Maryland or the Articles of Incorporation of the Company. Notwithstanding the foregoing, the Advisor shall not be entitled to indemnification or be held harmless pursuant to this paragraph 20 for any activity which the Advisor shall be required to indemnify or hold harmless the Company pursuant to paragraph 21. Any indemnification of the Advisor may be made only out of the net assets of the Company and not from Stockholders.

21. Indemnification by Advisor. The Advisor shall indemnify and hold harmless the Company from contract or other liability, claims, damages, taxes or losses and related expenses including attorneys' fees, to the extent that such liability, claims, damages, taxes or losses and related expenses are not fully reimbursed by insurance and are incurred by reason of the Advisor's bad faith, fraud, willful misfeasance, misconduct, negligence or reckless disregard of its duties, but the Advisor shall not be held responsible for any action of the Board of Directors in following or declining to follow any advice or recommendation given by the Advisor.

22. Notices. Any notice, report or other communication required or permitted to be given hereunder shall be in writing unless some other method of giving such notice, report or other communication is required by the Articles of Incorporation, the Bylaws, or accepted by the party to whom it is given, and shall be given by being delivered by hand or by overnight mail or other overnight delivery service to the addresses set forth herein:

To the Board and to the Company:
Wells Real Estate Investment Trust, Inc.
6200 The Corners Parkway, Suite 250
Norcross, Georgia 30092

To the Advisor:
Wells Capital, Inc.
6200 The Corners Parkway, Suite 250
Norcross, Georgia 30092

Either party may at any time give notice in writing to the other party of a change in its address for the purposes of this Paragraph 22.

23. Modification. This Agreement shall not be changed, modified, terminated, or discharged, in whole or in part, except by an instrument in writing signed by both parties hereto, or their respective successors or assignees.

24. Severability. The provisions of this Agreement are independent of and severable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

25. Construction. The provisions of this Agreement shall be construed and interpreted in accordance with the laws of the State of Georgia.

26. Entire Agreement. This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing.

27. Indulgences, not Waivers. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

28. Gender. Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

29. Titles not to Affect Interpretation. The titles of paragraphs and subparagraphs contained in this Agreement are for convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation hereof.

30. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

31. Name. Wells Capital, Inc. has a proprietary interest in the name "Wells." Accordingly, and in recognition of this right, if at any time the Company ceases to retain Wells Capital, Inc. or an Affiliate thereof to perform the services of Advisor, the Company will, promptly after receipt of written request from Wells Capital, Inc., cease to conduct business under or use the name "Wells" or any diminutive thereof and the Company shall use its best

efforts to change the name of the Company to a name that does not contain the name "Wells" or any other word or words that might, in the sole discretion of the Advisor, be susceptible of indication of some form of relationship between the Company and the Advisor or any Affiliate thereof. Consistent with the foregoing, it is specifically recognized that the Advisor or one or more of its Affiliates has in the past and may in the future organize, sponsor or otherwise permit to exist other investment vehicles (including vehicles for investment in real estate) and financial and service organizations having "Wells" as a part of their name, all without the need for any consent (and without the right to object thereto) by the Company or its Board.

32. Initial Investment. The Advisor has contributed $200,000 (the "Initial Investment") in exchange for 20,000 units of limited partnership interest ("Units") in Wells Operating Partnership, L.P. (the "Partnership"). The Advisor or its Affiliates may not sell any of the Units purchased with the Initial Investment while the Advisor acts in such advisory capacity to the Company, provided, that such Units may be transferred in connection with the exercise of the Advisor's right under the Partnership Agreement of the Partnership to exchange its Units for Shares, in which case similar restrictions on transfer will apply to the Shares received by the Advisor. The restrictions included above shall not apply to any Shares acquired by the Advisor or its Affiliates other than the Units acquired through the Initial Investment or Shares acquired in exchange for the Units acquired through the Initial Investment. The Advisor shall not vote any Shares it now owns, or hereafter acquires, in any vote for the election of Directors or any vote regarding the approval or termination of any contract with the Advisor or any of its Affiliates.

IN WITNESS WHEREOF, the parties hereto have executed this Advisory Agreement as of the date and year first above written.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

By: /s/ Leo F. Wells, III

Name: Leo F. Wells, III

Title: President

WELLS CAPITAL, INC.

By: /s/ Douglas P. Williams

Name: Douglas P. Williams

Title: Senior Vice President

EXHIBIT 10.66

AGREEMENT FOR PURCHASE AND SALE OF PROPERTY

FOR THE STONE & WEBSTER BUILDING

AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY
1430 Enclave Parkway, Houston, Texas

THIS AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY (the "Agreement"), is made and entered into as of the 28 day of November, 2000, by and between CARDINAL PARAGON, INC., a Texas corporation ("Seller"), and WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Purchaser").

W I T N E S S E T H:

WHEREAS, Cardinal Capital Partners, Inc., a Texas corporation ("Cardinal Capital"), and Stone & Webster, Inc., a Louisiana corporation ("Stone"), have executed an Agreement for Sale dated as of November 7, 2000 (the "Stone Contract"), pursuant to which Cardinal Capital has the right to acquire the Property (as defined herein); and

WHEREAS, Cardinal Capital has assigned its rights under the Stone Contract to Seller pursuant to an Assignment of Contract dated November 8, 2000; and

WHEREAS, Seller desires to sell and Purchaser desires to purchase the Property subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements contained herein, the sum of Ten Dollars ($10.00) in hand paid by Purchaser to Seller at and before the sealing and delivery of these presents and for other good and valuable consideration, the receipt, adequacy, and sufficiency which are hereby expressly acknowledged by the parties hereto, the parties hereto do hereby covenant and agree as follows:

1. Purchase and Sale of Property. Subject to and in accordance with the terms and provisions of this Agreement, Seller hereby agrees to sell to Purchaser and Purchaser hereby agrees to purchase from Seller, the Property, which term "Property" shall mean and include the following:

(a) all that tract or parcel of land (the "Land") located in Houston, Harris County, Texas, being more particularly described on Exhibit "A" hereto; and

(b) all rights, privileges, and easements appurtenant to the Land, including any water rights, mineral rights, reversions, or other appurtenances to said Land, 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 proposed, adjacent to or abutting the Land; and

(c) all buildings, structures, and improvements situated on the Land, and other amenities located on the Land, and all apparatus, built-in appliances, equipment, pumps, machinery, plumbing, heating, air conditioning, electrical and other fixtures located on the Land and not owned by tenants of the building (all of which, but exclusive of property owned by tenants of the building, are herein collectively referred to as the "Improvements"); and

(d) all personal property, if any, acquired by Seller from Stone and located on or to be located on or in, or used in connection with, the Land and Improvements ("Personal Property"); and

(e) all of Seller's right, title, and interest, as landlord or lessor, in and to the Leases (as hereinafter defined); and

(f) all of Seller's right, title, and interest in and to any intangible property acquired by Seller from Stone relating to and reasonably required for the ownership and operation of the Property (but excluding any trade names or trade marks, any intangible property which relates to the operation of the business conducted by Stone), including, without limitation, building plans and specifications with respect to the Improvements, licenses and entitlements (e.g. certificates of occupancy), soil reports, surveys, warranties, guarantees, utility contracts, permits and any other rights acquired by Seller from Stone related to the ownership of or use and operation of the Land, Personal Property, or Improvements, if any (but not including the names "The Shaw Group, Inc.", "Stone & Webster, Inc." or any derivations thereof or logos therefor), all if and only to the extent acquired by Seller from Stone (herein, the "Intangible Property").

2. The Title Company and the Escrow Agent. Alamo Title Company, located at 5251 Westheimer, Suite 200, Houston, Texas 77056 and Republic Title of Texas, Inc., located at 2626 Howell, 10/th/ Floor, Dallas, Texas 75204, are referred to herein as the "Title Company." Republic Title of Texas, Inc., located at 2626 Howell, 10th Floor, Dallas, Texas 75204, is referred to herein as the "Escrow Agent".

3. Purchase Price and Earnest Money. (a) The purchase price (the "Purchase Price") to be paid by Purchaser to Seller for the Property shall be Forty-Four Million, Nine Hundred Seventy Thousand and No/100 Dollars ($44,970,000.00). The Purchase Price, less the Seller's Loan (as hereinafter defined), shall be paid by Purchaser by wire transfer of immediately available funds to the Escrow Agent for immediate disbursement at Closing (as hereinafter defined), subject to adjustment and credits as otherwise specified in this Agreement.

(b) Upon execution of this Agreement, Purchaser shall deliver to the Escrow Agent One Million and No/100 Dollars ($1,000,000.00) (in immediately available funds) as earnest money (the "Earnest Money"), which funds shall be deposited and held by the Escrow Agent in an interest bearing account. In the event the transaction contemplated by this Agreement is closed, the Earnest Money will be applied in payment of the Purchase Price to be paid at Closing. In the event the transaction is not closed, the Earnest Money shall be disbursed in accordance with the provisions of this Agreement.

(c) Prior to the expiration of the Feasability Period (as hereinafter defined), Purchaser shall deliver to the Escrow Agent an additional Five Hundred Thousand and No/100 Dollars ($500,000.00) (in immediately available funds) as additional Earnest Money, which funds shall be deposited and held by the Escrow Agent with the previously delivered Earnest Money in an interest bearing account. In the event the transaction contemplated by this Agreement is closed, the Earnest Money will be applied in payment of the Purchase Price to be paid at Closing. In the event the transaction is not closed, the Earnest Money shall be disbursed in accordance with the provisions of this Agreement.

4. Purchaser's Inspection and Review Rights. (a) During the Feasability Period, Purchaser and its agents, engineers, or representatives shall have the privilege, by coordinating their activities with Seller, of going upon the Property as needed to inspect, examine, test, and survey the Property. After the Feasability Period, and upon the request of Purchaser, Seller shall use its reasonable efforts to allow Purchaser access to the Property. Purchaser hereby

agrees to indemnify and hold Seller and Stone harmless from any liens, claims, liabilities, and damages incurred through the exercise of such privilege; and Purchaser, under the direction of Seller, further agrees to repair any damage to the Property caused by the exercise of such privilege. Such obligations shall survive any termination of this Agreement. Seller has made available to Purchaser, or Purchaser's agents and representatives, for review and copying, all books, records, files and other information in Seller's possession relating to the ownership and operation of the Property, including, without limitation, any tenant files, and other contracts, books, records, operating statements, and other information relating to the Property obtained from Stone or independently developed by Seller. Seller has provided to Purchaser prior to the date hereof any appraisals, building inspection reports, environmental reports and financial information relating thereto which is in the possession or under the control of Seller.

(b) The Feasability Period shall commence on the date hereof and end at 6:00 p.m., Dallas, Texas time, December 14, 2000, TIME BEING OF THE ESSENCE. If Purchaser determines, in its sole judgment, that the Property is not suitable for any reason for Purchaser's intended use or purpose, or is not in satisfactory condition, then Purchaser may terminate this Agreement by written notice to Seller prior to the expiration of the Feasability Period, in which case the Earnest Money will be returned to Purchaser, and neither party shall have any further right or obligation hereunder other than as set forth herein with respect to rights or obligations which survive termination. If the Agreement is not terminated in the manner and within the time provided in this Subsection 4(b), TIME BEING OF THE ESSENCE, the option for Purchaser to terminate this Agreement pursuant to the terms of this Subsection 4(b) shall be deemed to have been waived by Purchaser.

(c) Notwithstanding anything herein to the contrary, in the event that Purchaser gives Seller notice prior to the expiration of the Feasability Period that Purchaser desires to terminate this Contract due to an unsatisfactory condition of the slab of concrete on the Land (the "Slab") and Purchaser simultaneously therewith certifies to Seller the nature of such unsatisfactory condition of the Slab (the "Unsatisfactory Condition"), Seller shall have until 6:00 p.m., Central Time, on January 15, 2001 (the "Cure Period"), in which to cure the Unsatisfactory Condition. In the event that Seller cures the Unsatisfactory Condition prior to the expiration of the Cure Period, notwithstanding anything herein to the contrary, the Closing Date shall be deemed to be the date that is two weeks subsequent to the date that Purchaser receives notice that the Unsatisfactory Condition has been cured. In the event that Seller fails to cure the Unsatisfactory Condition prior to the expiration of the Cure Period, this Contract shall be deemed terminated as of the expiration of the Cure Period. Nothing herein shall obligate Seller to cure the Unsatisfactory Condition.

5. Special Condition Precedent to Seller's Obligations. (a) Purchaser specifically acknowledges that Seller has contracted with Stone to acquire the Property from Stone and enter into the Stone Lease (hereinafter defined). In the event that Seller is unable to acquire the Property for any reason other than Seller's willful default under the Stone Contract, Purchaser's sole right shall be to terminate this Agreement whereupon Purchaser and Seller shall thereafter be excused from all obligations of one to the other, except those obligations which expressly survive any termination of this Agreement. The date of Closing hereunder shall occur simultaneously with closing under the Stone Contract, which is scheduled for twenty-two (22) days after the expiration of the Feasability Period (the "Closing Date"), for which TIME SHALL BE OF THE ESSENCE with respect to Purchaser's obligations hereunder, and Seller and Purchaser agree to cooperate with each other to close on such date. If Closing hereunder does not occur simultaneously with closing under the Stone Contract, then Purchaser shall pay for the premium for the owner's policy of title insurance.

(b) In lieu of transferring the Property to Purchaser as provided in this Agreement, Seller shall be entitled to direct Stone to convey title directly to Purchaser (provided the Deed satisfies the provisions of Section 11(a)) and to enter into the Stone Lease directly with Purchaser. If Seller elects to direct Stone to convey title directly to Purchaser, Seller shall provide Purchaser notice of such election at lest three (3) days prior to the Closing Date. In such event, (i) Purchaser and Stone shall directly enter into the Stone Lease, as provided herein, (ii) there shall be no prorations between Purchaser and Seller under Section 14 hereof, but Seller shall cause Stone to prorate with Purchaser all ad valorem real estate taxes and assessments levied or assessed against the Property according to the calendar year as of the Closing Date, based on the most recent tax bill for the Property, and such other items as are normally and customarily proratable and are proratated by Stone, (iii) Seller shall not be obligated to deliver the documents referred to in Section 11 (except that Seller will cause the documents set forth in Sections 11 to be delivered to Purchaser at the Closing), and (iv) Purchaser shall not be obligated to deliver the documents referred to in Sections 12 to Seller and shall instead be obligated to deliver such documents to Stone.

6. General Conditions Precedent to Purchaser's Obligations Regarding the Closing. In addition to the conditions to Purchaser's obligations set forth in Paragraph 5 above, the obligations and liabilities of Purchaser hereunder shall in all respects be conditioned upon the satisfaction of each of the following conditions, any of which may be waived by written notice from Purchaser to Seller:

(a) Compliance by Seller. Seller shall have complied in all material respects with and otherwise performed in all material respects each of the covenants and obligations of Seller set forth in this Agreement as of the date of Closing.

(b) Seller's Representations. All representations and warranties of Seller as set forth in this Agreement shall be true and correct in all material respects as of the date of Closing.

(c) No Adverse Changes. There shall have been no adverse change to the title to the Property which has not been cured, and the Title Company shall have issued the Title Commitment (as hereinafter defined) on the Land and Improvements without exceptions other than as described in paragraph 7 and the Title Company shall be prepared to issue to Purchaser upon the Closing an owner's title insurance policy on the Land and Improvements pursuant to such Title Commitment.

(d) Tenant Estoppels. Purchaser shall have received a tenant estoppel certificate duly executed by Sysco Corp. ("Sysco") at or prior to Closing in a form approved by Purchaser prior to the expiration of the Feasability Period, and, if Purchaser is not a named party to the Stone Lease, a tenant estoppel from Stone in the form of estoppel provided by Sysco.

(e) Leases. Attached hereto as Exhibit "B-1" is a true and accurate copy of that certain lease dated July 20, 1998, between Enclave Parkway Realty, Inc. and Sysco (said lease is referred to herein as the "Sysco Lease"). Attached hereto as Exhibit "B-2" is a true and accurate copy of a Lease (the "Stone Lease") to be entered into by and between Seller and Stone at the Closing. The Sysco Lease and the Stone Lease are hereinafter collectively defined as the "Leases." Sysco and Stone are hereinafter collectively known as "Tenants". As of the Closing, the Leases shall be in full force and effect; and, subject to the provisions of Section 5 hereof, Seller shall be the "landlord" under the Leases, and Seller shall own

unencumbered legal and beneficial title thereto and the rents and other income thereunder. The Stone Lease shall be guaranteed by The Shaw Group, Inc., a Texas corporation ("Shaw") pursuant to a Guaranty of Lease attached hereto and made a part hereof as Exhibit B-3

(f) Lease - Rents and Special Consideration. The Tenants shall: (i)
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not have prepaid rent for more than the current month under the Leases, (ii) not have received and shall not be entitled to receive any rent concession in connection with its tenancy under the Leases other than as described in the Leases, (iii) not be entitled to any special work (not yet performed), or consideration (not yet given) in connection with its tenancy under the Leases, and (iv) not have any deed, option, or other evidence of any right or interest in or to the Property, except for the Tenants' tenancy as evidenced by the express terms of the Leases.

(g) Lease - Acceptance of Premises. (i) the Tenants shall have
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accepted their leased premises located within the Property, including any and all work performed therein

or thereon pursuant to the Leases, (ii) the Tenants shall be in full and complete possession of their respective premises under the Leases, and (iii) neither Seller nor Stone shall have received notice from a Tenant that such Tenant's premises are not in full compliance with the terms and provisions of the Tenant's Lease or are not satisfactory for the Tenant's purposes.

(h) No Other Agreements. Other than the Leases, the Permitted
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Exceptions (as hereinafter defined), and such other service, utility, maintenance and other contracts or agreements, and union or other collective bargaining contracts currently in effect with respect to the Property (collectively, the "Service Contracts") of which Purchaser may receive copies within seven (7) days of the date hereof, there shall be no leases, service contracts, management agreements, or other agreements or instruments in force and effect, oral or written, to which Seller is a party and that grant to any person whomsoever or any entity whatsoever any right, title, interest or benefit in or to all or any part of the Property or any rights relating to the use, operation, management, maintenance, or repair of all or any part of the Property.

(i) No Litigation. Except for a dispute relating to the purported
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termination of the tax abatement agreements with Harris County, Houston Independent School District and other tax authorities affecting the Property (the "Tax Dispute"), there shall be no actions, suits, or proceedings pending, or, to Seller's actual knowledge but without any duty of investigation whatsoever on the part of Seller other than representations made by Stone to Seller in the Stone Contract (collectively, "Seller's Knowledge"), threatened by any organization, person, individual, or governmental agency against Seller with respect to the Property; and, to Seller's Knowledge, there shall be no actions, suits or proceedings at law or in equity by or before any Governmental Authority (as hereinafter defined) or other agency now pending and served or, to Seller's Knowledge, threatened against Stone and affecting the Property.

(j) Condemnation. There shall be no pending or, to Seller's

Knowledge, threatened condemnation or eminent domain proceedings (or proceedings in the nature or in lieu thereof) affecting the Property or any portion thereof or its use.

(k) Proceedings Affecting Access. There shall be no pending or
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threatened condemnation proceedings that could have the effect of impairing

or restricting access between the Property and adjacent public roads.

(l) SNDA's. Purchaser shall have received a Subordination, Non-Disturbance and Attornment Agreement in a form reasonably acceptable to the Bank (as hereinafter defined) with respect to the Leases.

7. Title and Survey. Seller shall cause the Title Company, at Seller's cost and expense, to deliver to Purchaser, within seven (7) days of the date hereof, its commitment (herein referred to as the "Title Commitment") to issue to Purchaser, upon the recording of the Deed conveying title to the Land and Improvements from Seller to Purchaser, the payment of the Purchase Price (whether by Seller or Purchaser, as provided hereunder), and the payment to the Title Company of the policy premium therefor, an owner's policy of title insurance, in the amount of the Purchase Price, insuring record title to the Land and Improvements to be in Purchaser subject only to the Permitted Exceptions (as hereinafter defined) and containing the standard printed exceptions, provided, however, there shall be no exception for mechanics' or materialmen's liens, the exception for taxes shall refer to the year 2000, and any exception for parties in possession shall be limited to rights of Tenants, as tenants only, pursuant to the Leases. The survey exception may be amended to except only the "shortages in area." Seller shall also cause to be delivered to Purchaser, together with such Title Commitment, legible copies of all documents and instruments referred to therein and a current "as-built" survey of the Land and Improvements. Purchaser will, by the expiration of the Feasability Period, have examined the Title Commitment, the exception documents and the survey. The matters set forth on such survey and in the Title Commitment shall be referred to herein as the "Permitted Exceptions."

8. Representations and Warranties of Seller. Seller hereby makes the following representations and warranties to Purchaser, each of which shall be deemed material:

(a) Lease - Assignment. To Seller's Knowledge, no Tenant has assigned its interest in a Lease or sublet any portion of the premises leased to each such Tenant under a Lease.

(b) Lease - Default. (i) Seller has not received any notice of termination or default under any Lease and does not know of Stone receiving the same, (ii) Seller knows of no existing or uncured defaults by a Tenant under the Leases, (iii) to Seller's Knowledge, no Tenant has asserted any defense, set-off, or counterclaim with respect to its tenancy or its obligation to pay rent, additional rent, or other charges pursuant to the Leases.

(c) Lease - Commissions. No rental, lease, or other commissions with respect to the Leases are payable to Seller, any partner of Seller, any party affiliated with or related to Seller or any partner of Seller or, to Seller's Knowledge, any third party. Any commissions payable under, relating to, or as a result of the Leases shall have been paid and satisfied in full as of the Closing.

(d) No Assessments. Except for the Tax Dispute, to Seller's Knowledge, no assessments have been made against the Property that are unpaid, whether or not they have become liens.

(e) Conditions of Improvements. To Seller's Knowledge, there is no structural or other defects in the Improvements.

(f) Violations. Except for the Tax Dispute, to Seller's Knowledge, there is no violation of law, municipal or county ordinances, or other legal requirements with respect to the Property.

(g) Bankruptcy. Seller is "solvent" as said term is defined by bankruptcy law and has not made a general assignment for the benefit of creditors nor been adjudicated a bankrupt or insolvent, nor has a receiver, liquidator, or trustee for any of Seller's properties (including the Property) been appointed or a petition filed by or against Seller for bankruptcy, reorganization, or arrangement pursuant to the Federal Bankruptcy Act or any similar Federal or state statute, or any proceeding instituted for the dissolution or liquidation of Seller.

(h) Pre-existing Right to Acquire. Seller has granted no person or entity any right or option to acquire the Property or any portion thereof which will have any force or effect after the execution of this Agreement, other than Purchaser.

(i) Authorization. Seller is a duly organized and validly existing corporation under the laws of the State of Texas. This Agreement has been duly authorized and executed on behalf of Seller and constitutes the valid and binding agreement of Seller, enforceable in accordance with its terms, and all necessary action on the part of Seller to authorize the transactions herein contemplated has been taken, and no further action is necessary for such purpose.

(j) Seller Not a Foreign Person. Seller is not a "foreign person" which would subject Purchaser to the withholding tax provisions of Section 1445 of the Internal Revenue Code of 1986, as amended.

AS A CONDITION PRECEDENT TO SELLER'S UNDERTAKINGS AND AGREEMENTS HEREUNDER, SELLER EXPRESSLY DISCLAIMS AND PURCHASER ACKNOWLEDGES AND ACCEPTS THAT SELLER HAS DISCLAIMED MAKING ANY REPRESENTATIONS, WARRANTIES, OR ASSURANCES WITH RESPECT TO THE PROPERTY OTHER THAN AS SPECIFICALLY SET OUT HEREIN. OTHER THAN AS SPECIFICALLY SET OUT HEREIN, PURCHASER AGREES THAT WITH RESPECT TO THE PROPERTY IT WILL RELY UPON ITS INSPECTIONS THEREOF OR ITS DETERMINATIONS NOT TO INSPECT THE SAME, AND UPON CLOSING SHALL ACCEPT THE PROPERTY IN ITS "AS IS" CONDITION, WITH ALL FAULTS, AND WITHOUT REFERENCE TO MERCHANTABILITY OR FITNESS FOR ANY SPECIFIC PURPOSE.

9. Seller's Additional Covenants. Seller does hereby further covenant and agree as follows, if and to the extent that the Closing shall occur after the execution hereof:

(a) Operation of Property. Seller hereby covenants that, from the date of Seller's acquisition of the Property up to and including the date of Closing or earlier termination of this Agreement, Seller shall: (i) not modify, amend, or terminate any Lease or enter into any new lease, contract, or other agreement respecting the Property, (ii) not grant or otherwise create or consent to the creation of any easement, restriction, lien, assessment, or encumbrance respecting the Property, and (iii) cause the Property to be operated,

maintained, and repaired in the same manner as the Property is currently being operated, maintained, and repaired.

(b) Preservation of Lease. Seller shall, from and after the date of Seller's acquisition of the Property to the date of Closing, use its good

faith efforts to perform and discharge all of the duties and obligations and shall otherwise comply with every covenant and agreement of the landlord under the Lease, at Seller's expense, in the manner and within the time limits required thereunder. Furthermore, Seller shall, for the same period of time, use diligent and good faith efforts to cause the Tenants under the Leases to perform all of their duties and obligations and otherwise comply with each and every one of its covenants and agreements under such Leases and shall take such actions as are reasonably necessary to enforce the terms and provisions of the Leases.

10. Closing. Provided that all of the conditions set forth in this Agreement are theretofore fully satisfied or performed, it being fully understood and agreed, however, that Purchaser may expressly waive in writing, at or prior to Closing, any conditions that are unsatisfied or unperformed at such time, the consummation of the sale by Seller and purchase by Purchaser of the Property (herein referred to as the "Closing") shall be held at 2:00 p.m., local time, on or before the date that is twenty-two (22) days after the expiration of the Feasability Period.

11. Seller's Closing Documents. For and in consideration of, and as a condition precedent to, Purchaser's delivery to Seller of the Purchase Price described in Paragraph 3 hereof, Seller shall obtain or execute, at Seller's expense, and deliver to Purchaser at Closing the following documents (all of which shall be duly executed, acknowledged, and notarized where required and shall survive the Closing):

(a) Special Warranty Deed. A Special Warranty Deed conveying to Purchaser title to the Land and Improvements, together with all rights, easements, and appurtenances thereto, if any, subject only to the Permitted Exceptions. The legal description set forth in the Special Warranty Deed shall be as set forth on Exhibit "A;"

(b) Bill of Sale. A Bill of Sale conveying to Purchaser title to the Personal Property in a form approved by Purchaser prior to the expiration of the Feasability Period, which form shall be in substantially the same form and substance as the bill of sale to Seller from Stone;

(c) Assignment of Intangible Property. An Assignment of Intangible Property, including all construction warranties and guarantees that Seller receives from Stone, such Assignment of Intangible Property to be in substantially the same the form and substance as the assignment of intangible property to Seller from Stone and as set forth in Exhibit C;

(d) Assignment and Assumption of Leases. An Assignment and Assumption of Leases in a form approved by Purchaser prior to the expiration of the Feasability Period, which form shall be in substantially the same form and substance as the assignment and

assumption of leases between Seller and Stone, assigning to Purchaser all of Seller's right, title, and interest in and to the Leases and the rents thereunder;

(e) Memorandum of Lease. The Memorandum of Lease for the portion of the Property to be leased to Stone at the Closing, in the form of Exhibit D duly executed and acknowledged by Stone in recordable form.

(f) Assignment of Service Contracts. An Assignment of any

assignable Service Contracts in a form approved by Purchaser prior to the expiration of the Feasability Period, which form shall be in substantially the same form and substance as the assignment from Stone to Seller.

(g) FIRPTA Certificate. A FIRPTA Certificate in such form as required by the Internal Revenue Service;

(h) Certificates of Occupancy. Any original certificates of occupancy that Seller receives from Stone;

(i) Keys, Records, Etc. Any keys to doors or locks on the Property, any original tenant files, books and records relating to the Property and any other item which Seller receives from Stone;

(j) Tenant Notice. Notice from Seller to the Tenants of the sale of the Property to Purchaser in such form as Purchaser shall reasonably approve;

(k) Settlement Statement. A settlement statement setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement; and

(l) Evidence of Issuance of Title Commitment. Purchaser shall receive reasonable assurance that the Title Company will issue an owner's title policy in the form required hereby, with an effective date as of the date and time of recording the Special Warranty Deed, reflecting that Purchaser is vested with title to the Land and Improvements, and to reflect that all requirements for the issuance of the same have been satisfied.

(m) Assignment of Rights. An Assignment by Seller to Purchaser of such rights of Seller under the Stone Contract as are assignable.

(n) Other Documents. An agreement by Stone and Shaw, in favor of, among other entities, Purchaser, the Bank and the Title Company (collectively, the "Indemnitees") in form satisfactory to the Indemnitees, indemnifying and holding harmless the Indemnitees from all claims, suits, liabilities, obligations, debts, damages, fines, penalties, interest, charges, including court costs and reasonable attorney's fees relating to all taxes due or claimed to be due with respect to the Property covering the period prior to the Closing Date

relating to the Tax Dispute. Stone shall not be required to pay such taxes at Closing, but if requested by the Title Company or the Bank, Seller shall request that Stone deposit the total amount of taxes claimed to be due by the applicable taxing authorities together with such additional amounts as required by the Title Company to cover additional penalties and interest at Closing with the Title Company. Such agreement of Stone and Shaw shall expressly provide that it survives the Closing and the delivery of the Speical Warranty Deed.

(o) Other Documents. Such other documents as shall be reasonably required in order to close this transaction.

12. Purchaser's Closing Documents. Purchaser shall obtain or execute

and deliver to Seller at Closing the following documents, all of which shall be duly executed by Purchaser and acknowledged where required and shall survive the Closing:

(a) Bill of Sale. The Bill of Sale;

(b) Assignment and Assumption of Lease. The Assignment and Assumption of Leases;

(c) Settlement Statement. A settlement statement setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement;

(d) Assignment of Intangible Property. Four (4) counterpart originals of the Assignment of Intangible Property, such Assignment of Intangible Property to be in substantially the same the form and substance as the assignment of intangible property set forth in Exhibit C;

(e) Memorandum of Lease. Four (4) counterpart originals of the Memorandum of Lease for the Stone Lease, which Memorandum of Lease shall be in the form set forth in Exhibit D;

(f) Assumption of Service Contracts. An assumption by Purchaser of the obligations of the owner of the Property under the Service Contracts except with respect to those Service Contracts that are terminated by Purchaser; and

(g) Other Documents. Such other documents as shall be reasonably required by Seller's counsel.

13. Closing Costs. Seller shall pay the cost of the Title Commitment, including the cost of the examination of title to the Property made in connection therewith, the premium for the owner's policy of title insurance issued pursuant thereto (except to the extent the same is payable by Purchaser as provided in Section 5 above), the cost of the as-built survey, the attorneys' fees of

Seller, and all other costs and expenses incurred by Seller in closing and consummating the purchase and sale of the Property pursuant hereto. Purchaser shall pay the attorneys' fees of Purchaser, and all other costs and expenses incurred by Purchaser in closing and consummating the purchase and sale of the Property pursuant hereto, including third-party inspection fees. Each party shall pay one-half of any escrow fees.

14. Prorations. Subject to the provisions of Section 5 hereof, the following items shall be prorated and/or credited between Seller and Purchaser as of the 11:59 PM immediately preceding the date of Closing:

(a) Rents. Rents, additional rents, and other income of the Property (other than security deposits, which shall be assigned and paid over to Purchaser) collected by Seller from Tenants for the month of Closing. Purchaser shall also receive a credit against the Purchase Price payable by Purchaser to Seller at Closing for any rents or other sums (not including security deposits) prepaid by Tenants for any period following the month of Closing, or otherwise.

(b) Property Taxes; Utility Charges and Other Operating Expenses.

City, state, county, and school district ad valorem taxes, utility charges and other operating expenses, and such taxes will be further adjusted, if necessary, upon receipt of the actual tax bill for the period adjusted. If such further adjustment is necessary, the same shall be adjusted between Stone and Purchaser, so that Purchaser shall pay any amount owing to Stone and shall receive any amount due from Stone. This agreement to adjust shall survive Closing.

15. Purchaser's Default. In the event Purchaser fails to close, Seller's sole and exclusive remedy shall be to terminate this Agreement and receive the Earnest Money as liquidated damages; Purchaser and Seller hereby agree that actual damages would be difficult or impossible to ascertain and such amount is a reasonable estimate of the damages for such breach or failure, and thereafter the parties hereto shall have no further rights or obligations hereunder whatsoever, except as to matters expressly surviving termination. Seller shall not be limited with respect to any matters expressly surviving such termination.

Seller's Initial GB Purchaser's Initials DPW

16. Seller's Default. In the event Seller fails to close or otherwise defaults with respect to Closing obligations, (i) Purchaser shall have the right to terminate this Agreement by giving written notice of such termination to Seller, whereupon Purchaser and Seller shall have no further rights, obligations, or liabilities hereunder, except as may be expressly provided to the contrary herein; or (ii) Purchaser shall have the right to accept title to the Property subject to defects and objections with no reduction in the Purchase Price (except for monetary encumbrances, arising by, through or under Seller), in which event such defects and objections shall be deemed "Permitted Exceptions;" or (iii) Purchaser may elect to seek specific performance of this Agreement. Purchaser shall not be limited with respect to any matters expressly surviving the termination of this Agreement.

17. Condemnation. If, prior to the Closing, all or any part of the Property is subjected to a bona fide threat of condemnation by a body having the power of eminent domain or is taken by eminent domain or condemnation (or sale in lieu thereof), or if Seller has received notice that any condemnation action or proceeding with respect to the Property is contemplated by a body having the power of eminent domain, Seller shall give Purchaser immediate written notice of such threatened or contemplated condemnation or of such taking or sale, and Purchaser may by written notice to Seller given within thirty (30) days of the receipt of such notice from Seller, elect to cancel this Agreement. If Purchaser chooses to cancel this Agreement in accordance with this Paragraph 17, then the rights, duties, obligations, and liabilities of the parties hereunder shall immediately terminate and be of no further force and effect. If Purchaser does not elect to cancel this Agreement in accordance herewith, this Agreement shall remain in full force and effect and the sale of the Property contemplated by this Agreement, less any interest taken by eminent domain or condemnation, or sale in lieu thereof, shall be effected with no further adjustment and without reduction of the Purchase Price, and at the Closing, Seller shall assign, transfer, and set over to Purchaser all of the right, title, and interest of Seller in and to any awards that have been or that may thereafter be made for such taking.

18. Damage or Destruction. If any of the Improvements shall be destroyed or damaged prior to the Closing, and the estimated cost of repair or replacement exceeds Five Hundred Thousand Dollars ($500,000.00) or if a Lease shall terminate as a result of such damage, Purchaser may, by written notice

given to Seller within twenty (20) days after receipt of written notice from Seller of such damage or destruction, elect to terminate this Agreement, in which event, except as expressly provided herein to the contrary, the rights, duties, obligations, and liabilities of all parties hereunder shall immediately terminate and be of no further force or effect. If Purchaser does not elect to terminate this Agreement pursuant to this Paragraph 18, or has no right to terminate this Agreement (because the damage or destruction does not exceed $500,000.00 and the Leases remain in full force and effect), and the sale of the Property is consummated, Purchaser shall be entitled to receive all insurance proceeds paid or payable to Seller by reason of such destruction or damage under the insurance maintained by Seller (less amounts of insurance theretofore received and applied by Seller to restoration). If the amount of said casualty or rent loss insurance proceeds is not settled by the date of Closing, Seller shall execute at Closing all proofs of loss, assignments of claim, and other similar instruments to ensure that Purchaser shall receive all of Seller's right, title, and interest in and under said insurance proceeds.

19. Hazardous Substances. Seller hereby warrants and represents,to Seller's Knowledge, that (i) no "hazardous substances," as that term is defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et. seq., the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et. seq., and the rules and regulations promulgated pursuant to these acts, any so-called "super-fund" or "super-lien" laws or any applicable state or local laws, nor any other pollutants, toxic materials, or contaminants have been or shall prior to Closing be discharged, disbursed, released, disposed of, or allowed to escape on the Property, (ii) no asbestos or asbestos containing materials are present on the Land and Improvements, except in amounts permitted under applicable environmental laws, (iii) no polychlorinated biphenyls are located on or in the Land and Improvements except in amounts

permitted under applicable environmental laws, (iv) no underground storage tanks for Hazardous Substances are located on the Property, and (v) no investigation, administrative order, consent order and agreement, litigation, or settlement with respect to Hazardous Substances is proposed, threatened, anticipated or in existence with respect to the Property.

20. Assignment. Purchaser's rights and duties under this Agreement shall not be assignable except to an affiliate of Purchaser without the consent of Seller which consent shall not be unreasonably withheld. Seller may assign this Agreement to an affiliate of Seller formed to take title to the Property.

21. Broker's Commission. Purchaser and Seller hereby represent, each to the other, that they have not discussed this Agreement or the subject matter hereof with any real estate broker or agent other than The Roylston Group ("Broker"), which Seller agrees to pay pursuant to a separate agreement, so as to create any legal right in any such broker or agent to claim a real estate commission with respect to the conveyance of the Property contemplated by this Agreement. Seller shall and does hereby indemnify and hold harmless Purchaser from and against any claim, whether or not meritorious, for any real estate sales commission, finder's fees, or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Seller. Likewise, Purchaser shall and does hereby indemnify and hold harmless Seller from and against any claim, whether or not meritorious, for any real estate sales commission, finder's fees, or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Purchaser. This Paragraph 21 shall survive the Closing or any termination of this Agreement.

22. Notices. Wherever any notice or other communication is required

or permitted hereunder, such notice or other communication shall be in writing and shall be delivered by overnight courier or by hand to the addresses set out below or at such other addresses as are specified by written notice delivered in accordance herewith:

PURCHASER:	c/o Wells Capital, Inc. 6200 The Corners Parkway, Suite 250 Norcross, Georgia 30092 Attn: Mr. Michael C. Berndt Fax No. 770-840-7224
with a copy to:	O'Callaghan & Stumm LLP 127 Peachtree Street, N. E., Suite 1330 Atlanta, Georgia 30303 Attn: William L. O'Callaghan, Esq. Fax No. 404-522-3080
SELLER:	c/o Cardinal Capital Partners, Inc. Attn: Mr. Gil J. Besing 8411 Preston Road, Suite 850 Dallas, Texas 75225 Fax No. 214-696-9845
with a copy to:	Goldfarb & Fleece Attn: Steven B. Shore, Esq. 345 Park Avenue, 33/rd/ Fl. New York, New York 10154 Fax No. 212-751-3738

Any notice or other communication sent as hereinabove provided shall be deemed effectively given or received on the date of delivery whether delivered by hand or by overnight courier.

23. Possession. Possession of the Property shall be granted by Seller to Purchaser on the date of Closing, subject only to the Leases and the Permitted Exceptions.

24. Time Periods. If the time period by which any right, option, or election provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a Saturday, Sunday, or holiday, then such time period shall be automatically extended through the close of business on the next regularly scheduled business day.

25. Survival of Provisions. All covenants, warranties, and agreements set forth in this Agreement shall survive the execution or delivery of any and all deeds and other documents at any time executed or delivered under, pursuant to, or by reason of this Agreement, and shall survive the payment of all monies made under, pursuant to, or by reason of this Agreement for a period of twelve (12) months from Closing, except with respect to paragraph 19 which shall survive for twenty-four (24) months.

26. Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules, and regulations. If any provision of this Agreement, or the application thereof to any person or circumstance, shall, for any reason and to any extent, be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby but rather shall be enforced to the greatest extent permitted by law.

27. Authorization. Purchaser represents to Seller that this Agreement has been duly authorized and executed on behalf of Purchaser and constitutes the valid and binding agreement of Purchaser, enforceable in accordance with its terms, and all necessary action on the part of Purchaser to authorize the transactions herein contemplated has been taken, and no further action is necessary for such purpose.

28. General Provisions. No failure of either party to exercise any power given hereunder or to insist upon strict compliance with any obligation specified herein, and no custom or practice at variance with the terms hereof, shall constitute a waiver of either party's right to

demand exact compliance with the terms hereof. This Agreement contains the entire agreement of the parties hereto, and no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. Any amendment to this Agreement shall not be binding upon the parties hereto unless such amendment is in writing and executed by all parties hereto. The provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns. Time is of the essence of this Agreement. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement. The headings inserted at the beginning of each paragraph are for convenience only, and do not add to or subtract from the meaning of the contents of each paragraph. This Agreement shall be construed and interpreted under the laws of the State of Texas. Except as otherwise provided herein, all rights, powers, and privileges conferred hereunder upon the parties shall be cumulative but not restrictive to those given by law. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender shall include all genders, and all references herein to the singular shall include the plural and vice versa.

29. Effective Date. The "effective date" of this Agreement shall be deemed to be the date this Agreement is fully executed by both Purchaser and Seller.

30. Duties as Escrow Agent. In performing its duties hereunder, Escrow Agent shall not incur any liability to anyone for any damages, losses or expenses, except for its gross negligence or willful misconduct, and it shall accordingly not incur any such liability with respect to any action taken or omitted in good faith upon advice of its counsel or in reliance upon any instrument, including any written notice or instruction provided for in this Agreement, not only as to its due execution and the validity and effectiveness of its provision, but also as to the truth and accuracy of any information contained therein that Escrow Agent shall in good faith believe to be genuine, to have been signed or presented by a proper person and to conform to the provisions of this Agreement. Seller and Purchaser hereby agree to indemnify and hold harmless Escrow Agent against any and all losses, claims, damages, liabilities and expenses, including reasonable costs of investigation and legal fees and disbursements, that may be imposed upon Escrow Agent or incurred by Escrow Agent in connection with its acceptance or performance of its duties hereunder as escrow agent, including without limitation, any litigation arising out of this Agreement. If any dispute shall arise between Seller and Purchaser sufficient in the discretion of Escrow Agent to justify its doing so, Escrow Agent shall be entitled to tender into the registry or custody of the clerk of the Court for the county in which the Property is located or the clerk for the United States District Court having jurisdiction over the county in which the Property is located, any or all money (less any sums required to pay Escrow Agent's attorneys' fees in filing such action), property or documents in its hands relating to this Agreement, together with such pleadings as it shall deem appropriate, and thereupon be discharged from all further duties under this Agreement. Seller and Purchaser shall bear all costs and expenses of any such legal proceedings.

31. Confidentiality. Pending the Closing, Purchaser and Seller agree to keep the terms of this Agreement, and the existence thereof, strictly confidential; provided, however, reasonable disclosure may be made to the parties attorneys, accountants, advisors, lenders, prospective lenders, investors, prospective investors and other persons whose involvement in the transaction requires such disclosure. Purchaser shall not in no event contact Stone nor inform Stone of the existence of this Agreement.

32. (a) This Agreement is subject to and conditioned upon Purchaser's obtaining a written loan commitment for a loan (the "Acquisition Loan") on or before the expiration of the Feasability Period TIME BEING OF THE ESSENCE (the "Loan Contingency Deadline"), from a national banking association or other lender (the "Bank"), in the amount of $35,970,000.00. All costs with respect to the Acquisition Loan, its acquisition, negotiation and closing shall be borne by Seller except that Purchaser shall pay its own legal and entity organizational fees in connection therewith. In the event the Bank does not issue a loan commitment ("Loan Commitment") to Purchaser by the Loan Contingency Deadline, Purchaser shall have the right to terminate this Contract provided that Seller receives written notice of such termination prior to the Loan Contingency Deadline, TIME BEING OF THE ESSENCE. Unless extended in writing by Seller, the contingency contained in this Section 32 shall expire and be of no force and effect after the Loan Contingency Deadline.

(b) Purchaser agrees to make prompt application for, and to diligently pursue obtaining, a Loan Commitment from the Bank. Purchaser shall pay for and submit the application for the Acquisition Loan within five (5) days of the date of this Agreement and provide evidence of such application to Seller. Purchaser agrees to promptly provide and/or execute such financial and other information and documents as the Bank may reasonably request in order to make the Acquisition Loan. Notwithstanding the foregoing, Seller shall reimburse Purchaser for the fee and other costs paid by Purchaser to the Bank in connection with the application for a Loan Commitment or in connection with the Loan Commitment itself in the event that, prior to the expiration of the Feasability Period, Purchaser certifies to Seller the nature of the Unsatisfactory Condition and Seller fails to cure the Unsatisfactory Condition prior to the expiration of the Cure Period.

33. Seller's Loan. At Closing, Purchaser shall execute a Purchase Money Note in favor of Seller (the "Purchase Note") in the amount of Three Million Dollars ($3,000,000.00) (the "Seller's Loan"), which Purchase Note shall be in the form attached hereto as Exhibit E. Seller's Loan shall bear interest at the annual rate of six percent (6%) on the outstanding principal balance of the Seller's Loan and shall be due in full to Seller on the earlier to occur of (i) the payment in full of the Acquisition Loan, or (ii) the date that is six (6) months subsequent to the Closing Date (the earlier date being the "Maturity Date"). Seller's Loan may be prepaid, in whole or in partial increments of Fifty Thousand Dollars ($50,000.00), at any time provided that Purchaser gives Seller written notice of such prepayment at least two weeks prior thereto. Interest shall be payable in full on the Maturity Date. In addition, the Purchase Note shall be secured by a deed of trust in the form attached hereto as Exhibit F in favor of Seller that encumbers the Land and Improvements (the "Deed of Trust"), which Deed of Trust shall be subordinate to any deed of trust that may secure the Acquisition Loan

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be

duly executed and their respective seals to be affixed hereunto as of the day, month and year first above written.

SELLER:

CARDINAL PARAGON, INC.,
a Texas corporation

By: /s/ Gil J. Besing

Gil J. Besing, Vice President

PURCHASER:

WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: WELLS REAL ESTATE INVESTMENT TRUST, a Maryland real estate investment trust, its general partner

By: /s/ Douglas P. Williams

Printed Name: Douglas P. Williams
Title: Executive Vice President

EXHIBIT A

LAND DESCRIPTION

Being all of the Unrestricted Reserve "I" in Block Six (6) of Partial Replat of Enclave, a subdivision in Harris County, Texas according to the map or plat thereof recorded in Volume 328, Page 13 of the Map Records of Harris County, Texas.

EXHIBIT 10.67

FIRST AMENDMENT TO AGREEMENT FOR PURCHASE AND SALE

OF PROPERTY FOR THE STONE & WEBSTER BUILDING

FIRST AMENDMENT TO AGREEMENT FOR
THE PURCHASE AND SALE OF PROPERTY

FIRST AMENDMENT TO AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY (this "First Amendment") dated as of December 18, 2000, is between CARDINAL PARAGON, INC., a Texas corporation, having an address at 10000 North Central Expressway, Dallas, Texas 75231 ("Seller"), and WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, having an address c/o Wells Capital, Inc., 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092 ("Purchaser").

RECITALS

A. Under Agreement for the Purchase and Sale of Property ("Contract") dated as of November 28, 2000, Seller agreed to sell its interests with respect to, and Purchaser agreed to purchase, the parcel of real property, the improvements thereon and related personal property located at and known as 1430 Enclave Parkway, Houston, Texas (the "Project"), as more fully described in the Contract; and

B. Seller and Purchaser mutually desire to amend the Contract as more particularly set forth herein.

NOW, THEREFORE, for and in consideration of the covenants and agreements set forth herein, the parties hereto hereby agree as follows:

1. For and in consideration of the disbursement by Seller to Purchaser at the Closing of Seventy Thousand, Five Hundred Dollars ($70,500.00) of the sales proceeds, Purchaser hereby agrees to accept the Improvements with such matters as are disclosed in the letter from Carpenter & Associates to Cardinal Capital Partners, Inc. dated December 4, 2000, and hereby releases Seller from any obligation to remedy or repair any such matters.

2. Exhibit B-2 to the Contract is hereby deleted and the Exhibit B-2 attached hereto is hereby substituted in lieu thereof. The obligations of Purchaser under the Contract are subject to receipt by Purchaser of one original of the documents set forth in Exhibits B-2 and B-3.

3. Exhibit C to the Contract is hereby deleted and the Exhibit C attached hereto is hereby substituted in lieu thereof.

4. Exhibit E to the Contract is hereby deleted and the Exhibit E attached hereto is hereby substituted in lieu thereof.

5. Exhibit F to the Contract is hereby deleted and the Exhibit F attached hereto is hereby substituted in lieu thereof.

6. The form of Sysco estoppel attached hereto as Exhibit G is hereby approved by Purchaser.

7. The form of Bill of Sale attached hereto as Exhibit H is hereby

approved by Purchaser.

8. The form of Assignment and Assumption of Leases attached hereto as Exhibit I is hereby approved by Purchaser.

9. The form of Assignment of any assignable Service Contracts attached hereto as Exhibit J is hereby approved by Purchaser.

10. Delivery to Purchaser of an original of the Notice letter attached hereto as Exhibit K shall satisfy the obligations of Seller pursuant to Subsection 11(j) of the Contract.

11. Delivery to Alamo Title Company of an original of the indemnity agreement attached hereto as Exhibit L shall satisfy Seller's obligations pursuant to Subsection 11(n) of the Contract.

12. The Feasability Period expires December 18, 2000, at 12:00 P.M. Eastern Time, FOR WHICH TIME IS OF THE ESSENCE; Purchaser may
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terminate the Contract by sending, prior to the expiration of the Feasability Period, written notice thereof by facsimile transmission to Mr. Gil J. Besing at 214- 696-9845 and to Steven B. Shore, Esq. at 212-751-3738 provided that receipt of any such notice is confirmed by speaking with, or leaving a voice-mail message for, Steven B. Shore at 212-891-9126 prior to the expiration of the Feasability Period.

13. The Closing Date shall occur no later than twenty-one (21) days subsequent to the expiration of the Feasability Period, FOR WHICH TIME

IS OF THE ESSENCE.
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14. The obligations of Purchaser under the Contract are subject to the receipt by Purchaser of one original of the document set forth in Exhibit M attached hereto and made a part hereof.

15. The obligations of Purchaser under the Contract are subject to the receipt by Purchaser of one original of the document set forth in Exhibit N attached hereto and made a part hereof.

16. The obligations of Purchaser under the Contract are subject to the receipt by Purchaser of one original of the document set forth in Exhibit O attached hereto and made a part hereof.

17. Purchaser hereby confirms the documents specified in the Contract and in this First Amendment are the documents reasonably required in order to close the transaction contemplated herein and therein.

18. The form of Special Warranty Deed attached hereto as Exhibit P is hereby approved by Purchaser.

19. Operating expenses, maintenance costs, utilities, and charges associated with the ownership and operation of the Property shall be apportioned between the parties and pro-rated as of the Closing Date. To the extent the apportionments to be made under this paragraph may not reasonably be determined on the Closing Date, the parties agree to effect such apportionments as soon as practicable thereafter, with final reconciliation to be made within sixty (60) days after the Closing.

20. The obligations of Purchaser under the Contract are subject to the receipt by Purchaser of one original of the document set forth in Exhibit Q attached hereto and made a part hereof.

21. The obligations of Purchaser under the Contract are subject to the

receipt by Purchaser of one original of the document set forth in Exhibit R attached hereto and made a part hereof, which document shall be evidence that the conditions set forth in Subsections 6(f) and (g) have been satisfied.

22. Subsection 3(c) of the Contract is hereby revised so Purchaser is not obligated to pay the $500,000.00 of additional Earnest Money described therein until the earlier of (i) Closing, or (ii) 5:00 PM Eastern Time, Wednesday, December 20, 2000.

Each capitalized term used herein and not defined shall have the definition ascribed to such term in the Contract. Except to the extent expressly modified herein, the Contract is hereby ratified and confirmed and in full force and effect and is binding upon the parties hereto. This First Amendment may be executed by facsimile transmission and in any number of counterparts all of which taken together shall constitute one agreement. All conflicts between the Contract and this First Amendment shall be resolved in favor of this First Amendment.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the date first above written.

SELLER:

CARDINAL PARAGON, INC.,
a Texas corporation

By: /s/ Gil J. Besing

Gil J. Besing, Vice President

PURCHASER:

WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: WELLS REAL ESTATE INVESTMENT TRUST, a Maryland real estate investment trust, its general partner

By: /s/ Douglas P. Williams

Printed Name: Douglas P. Williams
Title: Executive Vice President

EXHIBIT 10.68

PROMISSORY NOTE FOR $35,900,000

FOR THE GUARANTY FEDERAL BANK LOAN

PROMISSORY NOTE

$35,900,000 Dallas, Texas December 20/th/, 2000

FOR VALUE RECEIVED, the undersigned, Wells Operating Partnership, L.P., a Delaware limited partnership (herein called the "Maker"), hereby promises to pay to the order of GUARANTY FEDERAL BANK, F.S.B., a federal savings bank (herein sometimes called "Payee"), the principal sum of $35,900,000, or so much thereof as shall be advanced, with interest on the unpaid balance thereof from date of advancement until maturity at the rate or rates hereinafter provided, both principal and interest payable as hereinafter provided in lawful money of the United States of America at the offices of Guaranty Federal Bank, F.S.B., 8333 Douglas Avenue, Dallas, Texas 75225, or at such other place within Dallas County, Texas as from time to time may be designated by the holder of this Note.

As herein provided the unpaid Principal Amount of this Note (or portions thereof) from time to time outstanding shall bear interest prior to maturity at the Commercial Based Rate and/or one or more applicable LIBO Based Rates (as elected in the manner specified in this Note), provided that in no event shall the Applicable Rate exceed the Maximum Rate. Notwithstanding the foregoing, if at any time the Applicable Rate exceeds the Maximum Rate, the rate of interest payable under this Note shall be limited to the Maximum Rate, but any subsequent reductions in the Commercial Based Rate or the LIBO Based Rate, as the case may be, shall not reduce the Applicable Rate below the Maximum Rate until the total amount of interest accrued on this Note equals the total amount of interest which would have accrued at the Applicable Rate if the Applicable Rate had at all times been in effect.

As used in this Note, the following terms shall have the meanings indicated opposite them:

"Additional Costs" -- Any costs, losses or expenses incurred by Payee which it determines are attributable to its making or maintaining the Loan, or its obligation to make any Loan advances, or any reduction in any amount receivable by Payee under the Loan or this Note.

"Applicable Rate" -- The Commercial Based Rate as to that portion of Principal Amount bearing interest at the Commercial Based Rate and the LIBO Based Rate as to each Euro-Dollar Amount.

"Assignment of Leases and Rents" -- The Assignment of Leases and Rents of even date herewith more particularly described herein.

"Commercial Based Rate" -- Three-fourths of one percent (0.75%) per annum in excess of the base rate announced or published from time to time by the Payee, which rate may not be the lowest rate charged by the Payee; it being understood and agreed that

the Commercial Based Rate shall increase or decrease, as the case may be, from time to time as of the effective date of each change in the base rate.

"Default Rate" -- The rate per annum which is five percent (5%) above the Commercial Based Rate.

"Euro-Dollar Amount" -- Each portion of the Principal Amount bearing interest at an applicable LIBO Based Rate pursuant to a Euro-Dollar Rate Request.

"Euro-Dollar Business Day" -- Any day on which commercial banks are open for domestic and international business (including dealings in U.S. Dollar deposits) in New York City and Dallas, Texas.

"Euro-Dollar Rate Request" -- Maker's telephonic notice (to be promptly confirmed in writing which must be received by Payee before such Euro-Dollar Rate Request will be put into effect by Payee), to be received by Payee by 12 o'clock Noon (Dallas, Texas time) three (3) Euro-Dollar Business Days prior to the Euro-Dollar Business Day specified in the Euro-Dollar Rate Request for the commencement of the Interest Period, of (a) its intention to have (1) a portion (but not all) of the Principal Amount which is not then the subject of an Interest Period (other than an Interest Period which is terminating on such Euro-Dollar Business Day), and/or (2) all or any portion of any advance of Loan proceeds which is to be made on such Euro-Dollar Business Day, bear interest at the LIBO Based Rate and (b) the Interest Period desired by Maker in respect of the amount specified.

"Euro-Dollar Rate Request Amount" -- The amount, to be specified by Maker in each Euro-Dollar Rate Request, which Maker desires to bear interest at the LIBO Based Rate and which shall in no event be less than $1,000,000 and which, at Payee's option, shall be an integral multiple of $100,000.

"Euro-Dollar Reference Source" -- The display for Euro-Dollar rates provided on The Bloomberg (a data service), viewed by accessing the global deposits segment of money market rates; or, at the option of Payee, the display for Euro-Dollar rates on such other service selected from time to time by Payee and determined by Payee to be comparable to The Bloomberg, which other service may include Reuters Monitor Money Rates Service.

"Interest Period" -- The period during which interest at the LIBO Based Rate, determined as provided in this Note, shall be applicable to the Euro-Dollar Rate Request Amount in question, provided, however, that each such period shall be either one (1) month, two (2) months or three (3) months [or, if available, four (4) months, five (5) months, six (6) months, nine (9) months or one (1) year], which shall be measured from the date specified by Maker in each Euro-Dollar Rate Request for the commencement of the computation of interest at the LIBO Based Rate, to the numerically corresponding day

in the calendar month in which such period terminates (or, if there be no numerical correspondent in such month, or if the date selected by Maker for such commencement is the last Euro-Dollar Business Day of a calendar month, then the last Euro-Dollar Business Day of the calendar month in which such period terminates, or if the numerically corresponding day is not a Euro-Dollar Business Day then the next succeeding Euro-Dollar Business Day, unless such next succeeding Euro-Dollar Business Day enters a new calendar month, in which case such period shall end on the next preceding Euro-Dollar Business Day) and in no event shall any such period be elected which extends beyond the Maturity Date, as the same may have been extended pursuant to an exercise of Maker's right, if any, to extend the same as may be provided herein.

"LIBO Based Rate" -- With respect to any Euro-Dollar Amount, the rate per annum (expressed as a percentage) determined by Payee to be equal to the sum of (a) the quotient of the LIBO Rate for the Euro-Dollar Amount and Interest Period in question divided by (1 minus the Reserve Requirement), rounded up to the nearest 1/100 of 1%, and (b) two and one-half percent (2.50%). Notwithstanding the foregoing, provided that Maker is not in default under the Loan Documents, (a) at such time as Maker shall have increased Borrower's Equity to an aggregate total amount not less than

$10,000,000 and provided Payee with satisfactory evidence thereof, then, from and after such time, part (b) of the LIBO Based Rate provided above shall be equal to two percent (2.00%), and (b) after subpart (a) hereof is satisfied, at such time as Maker has demonstrated to Payee in a manner satisfactory to Payee that the amount of the Loan is not more than 50% of the appraised value of the Mortgaged Property, then, from and after such time, part (b) of the LIBO Based Rate provided above shall be equal to one and eighty hundredths percent (1.80%).

"LIBO Rate" -- The rate determined by Payee (rounded upward, if necessary, to the nearest 1/16 of 1%) equal to the offered rate (and not the bid rate) for deposits in U.S. Dollars of amounts comparable to the Euro-Dollar Rate Request Amount for the same period of time as the Interest Period selected by Maker in the Euro-Dollar Rate Request, as set forth on the Euro-Dollar Reference Source at approximately 10:00 a.m. (Dallas, Texas time) on the first day of the applicable Interest Period.

"Loan" -- The $35,900,000 loan to be made to Maker by Payee pursuant to the Loan Documents and evidenced hereby.

"Loan Documents" -- This Note, the Security Instrument, the Assignment of Leases and Rents and other documents evidencing, securing and relating to the Loan.

"Maturity Date" -- That date which is twelve (12) months from the date hereof, being the date this Note becomes due and payable in its entirety.

"Maximum Rate" -- The maximum interest rate permitted under applicable law, it being understood that, if applicable law provides for a ceiling under Chapter 301, Subchapter A of the Texas Credit Title (as may be amended from time to time), that ceiling shall be the "weekly" ceiling.

"Mortgaged Property" -- The real property, improvements, fixtures and other property and interest described in the Security Instrument.

"Principal Amount" -- That portion of the Loan evidenced hereby as is from time to time outstanding.

"Regulation D" -- Regulation D of the Board of Governors of the Federal Reserve System, as from time to time amended or supplemented.

"Regulation" -- With respect to the charging and collecting of interest at the LIBO Based Rate, any United States federal, state or foreign laws, treaties, rules or regulations whether now in effect or hereafter enacted or promulgated (including Regulation D) or any interpretations, directives or requests applying to a class of depository institutions including Payee under any United States federal, state or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Reserve Requirement" -- The average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding one billion U.S. Dollars against "Eurocurrency Liabilities", as such quoted term is used in Regulation D. Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks by reason of any Regulation against (a) any category of liabilities which includes deposits by reference to which the LIBO Rate is to be determined as provided in this Note 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 referred to in the definition of "LIBO Rate" set forth above.

"Security Instrument" -- The Deed of Trust, Mortgage and Security Agreement of even date herewith more particularly described herein.

Maker shall have the option, subject to the terms and conditions hereinafter set forth, of paying interest on the Principal Amount or portions thereof at the Commercial Based Rate or the LIBO Based Rate as herein provided. The Principal Amount (less each Euro-Dollar Amount from time to time outstanding) shall bear interest at the Commercial Based Rate. If Maker desires the application of the LIBO Based Rate, it shall submit a Euro-Dollar Rate Request to Payee. Such Euro-Dollar Rate Request shall specify the Interest Period and the Euro-Dollar Amount and shall be irrevocable, subject to Maker's right to convert the rate of interest payable hereunder with respect to any Euro-Dollar Amount from the LIBO Based Rate to the Commercial Based Rate as hereinafter provided. In the event that Maker fails to submit a Euro-Dollar Rate Request with respect to an existing Euro-Dollar Amount not later than 12 Noon (Dallas time) three (3) Euro-Dollar Business Days prior to the last day of the relevant Interest Period, the Euro-Dollar Amount in question shall bear interest, commencing at the end of such Interest Period, at the Commercial Based Rate.

Payee, at its option, may honor a Euro-Dollar Rate Request which is submitted less than three (3) Euro-Dollar Business Days prior to the Euro-Dollar Business Day specified in the Euro-Dollar Rate Request for the commencement of the Interest Period; provided, however, Payee is not and shall not thereafter be bound to honor such a request.

Maker shall not have the right to have more than three (3) Interest Periods in respect of Euro-Dollar Amounts in effect at any one time whether or not any portion of the Principal Amount is then bearing interest at the Commercial Based Rate.

Maker shall pay to Payee, promptly upon demand, such amounts as are necessary to compensate Payee for Additional Costs resulting from any Regulation which (i) subjects Payee to any tax, duty or other charge with respect to the Loan or this Note, or changes the basis of taxation of any amounts payable to Payee under the Loan or this Note (other than taxes imposed on the overall net income of Payee or of its applicable lending office by the jurisdiction in which Payee's principal office or such applicable lending office is located), (ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, Payee or (iii) imposes on Payee or on the interbank Euro-dollar market any other condition affecting the Loan or this Note, or any of such extensions of credit or liabilities. Payee will notify Maker of any event which would entitle Payee to compensation pursuant to this paragraph as promptly as practicable after Payee obtains knowledge thereof and determines to request such compensation. For purposes of this paragraph, of the definition of "Additional Costs" set forth above and of the next succeeding four paragraphs, the term "Payee" shall, at Payee's option, be deemed to include Payee's present and future participants in the Loan.

Without limiting the effect of the immediately preceding paragraph, in the event that, by reason of any Regulation, (i) Payee incurs Additional Costs based on or measured by the amount of (1) a category of deposits or other liabilities of Payee which includes deposits by reference to which the LIBO Rate is determined as provided in this Note and/or (2) a category of extensions of credit or other assets of Payee which includes loans the interest on which is determined on the basis of rates referred to in the definition of "LIBO Rate" set forth above, (ii) Payee becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold or (iii) it shall be unlawful or impractical for Payee to make or maintain the Loan (or any portion thereof) at the LIBO Based Rate, then Payee's obligation to make or maintain the Loan (or portions thereof) at the LIBO Based Rate (and Maker's right to request the same) shall be suspended and Payee shall give notice thereof to Maker and, upon the giving of such notice, interest payable hereunder at the LIBO Based Rate shall be converted to the Commercial Based Rate, unless Payee may lawfully

continue to maintain the Loan (or any portion thereof) then bearing interest at the LIBO Based Rate to the end of the current Interest Period(s), at which time the interest rate shall convert to the Commercial Based Rate. If subsequently Payee determines that such Regulation has ceased to be in effect, Payee will so advise Maker and Maker may convert the rate of interest payable hereunder with respect to those portions of the Principal Amount bearing interest at the Commercial Based Rate to the LIBO Based Rate by submitting a Euro-Dollar Rate Request in respect thereof and otherwise complying with the provisions of this Note with respect thereto.

Determinations by Payee of the existence or effect of any Regulation on its costs of making or maintaining the Loan, or portions thereof, at the LIBO Based Rate, or on amounts receivable by it in respect thereof, and of the additional amounts required to compensate Payee in respect of Additional Costs, shall be conclusive, provided that such determinations are made on a reasonable basis (absent manifest error).

Anything herein to the contrary notwithstanding, if, at the time of or prior to the determination of the LIBO Based Rate in respect of any Euro-Dollar Rate Request Amount as herein provided, Payee determines (which determination shall be conclusive [provided that such determination is made on a reasonable basis] absent manifest error) that (i) by reason of circumstances affecting the interbank Euro-dollar market generally, adequate and fair means do not or will not exist for determining the LIBO Based Rate applicable to an Interest Period or (ii) the LIBO Rate, as determined by Payee, will not accurately reflect the cost to Payee of making or maintaining the Loan (or any portion thereof) at the LIBO Based Rate, then Payee shall give Maker prompt notice thereof, and the Euro-Dollar Rate Request Amount in question shall bear interest, or continue to bear interest, as the case may be, at the Commercial Based Rate. If at any time subsequent to the giving of such notice, Payee determines that because of a change in circumstances the LIBO Based Rate is again available to Maker hereunder, Payee shall so advise Maker and Maker may convert the rate of interest payable hereunder from the Commercial Based Rate to the LIBO Based Rate by submitting a Euro-Dollar Rate Request to Payee and otherwise complying with the provisions of this Note with respect thereto.

Maker shall pay to Payee, immediately upon request and notwithstanding contrary provisions contained in the Security Instrument or other Loan Documents, such amounts as shall, in the conclusive judgment of Payee reasonably exercised, compensate Payee for any loss, cost or expense incurred by it as a result of (i) any payment or prepayment, under any circumstances whatsoever, of any portion of the Principal Amount bearing interest at the LIBO Based Rate on a date other than the last day of an applicable Interest Period, (ii) the conversion, for any reason whatsoever, of the rate of interest payable hereunder from the LIBO Based Rate to the Commercial Based Rate with respect to any portion of the Principal Amount then bearing interest at the LIBO Based Rate on a date other than the last day of an applicable Interest Period, (iii) the failure of all or a portion of an advance which was to have borne interest at the LIBO Based Rate pursuant to a Euro-Dollar Rate Request to be made under the Loan Agreement or (iv) the failure of Maker to borrow in accordance with a Euro-Dollar Rate Request submitted by it to Payee, which amounts shall include, without limitation, lost profits.

Maker shall have the right to convert, from time to time, the rate of interest payable hereunder with respect to any portion of the Principal Amount not subject to a Euro-Dollar Rate Request, to the LIBO Based Rate or the Commercial Based Rate, subject to the terms of this Note and provided that, in the case of a conversion from the LIBO Based Rate, the entire amount of the particular Euro-Dollar Amount is the subject of the conversion.

Maker shall have the right to prepay this Note, in whole or in part, without premium or penalty (subject, however, to the provisions of this Note) upon written notice thereof given to Payee by (i) prepaid registered or certified mail, or (ii) overnight delivery service by a nationally recognized delivery service or (iii) hand delivery to Payee at the address for Payee set

forth on page 1 of this Note at least two business days prior to the date to be fixed therein for prepayment,

and upon the payment of all accrued interest on the amount prepaid (and any interest which has accrued at the Default Rate and other sums that may be payable hereunder) to the date so fixed and any Additional Costs attributable to any Euro-Dollar Amount prepaid.

Any portion of the Principal Amount to which the LIBO Based Rate is not or cannot pursuant to the terms hereof be applicable shall bear interest at the Commercial Based Rate.

Interest on the Principal Amount (whether computed at the Commercial Based Rate or the LIBO Based Rate) shall be payable monthly on the first day of the first month following the first advance of Loan proceeds which are evidenced hereby and on the first day of each month thereafter until this Note is repaid in full or until the Maturity Date or the expiration of the applicable Extension Period, as the case may be, on which date the Principal Amount and accrued interest shall be due and payable. Notwithstanding anything to the contrary, in the event that the Loan is not repaid in full on or before March 31, 2001, Maker shall deliver to Payee a principal payment in the amount of $6,000,000 on such date, to be applied towards the Loan.

If a default (taking into consideration any applicable notice and cure periods) shall occur under the Security Instrument, interest on the Principal Amount shall, at the option of Payee, immediately and without notice to Maker, be converted to the Commercial Based Rate. The foregoing provision shall not be construed as a waiver by Payee of its right to pursue any other remedies available to it under the Security Instrument or any other instrument evidencing or securing the Loan, nor shall it be construed to limit in any way the application of the Default Rate.

Maker hereby agrees that it shall be bound by any agreement extending the time or modifying the above terms of payment, made by Payee and the owner or owners of the Mortgaged Property, whether with or without notice to Maker, and Maker shall continue to be liable to pay the amount due hereunder, but with interest at a rate no greater than the LIBO Based Rate or the Commercial Based Rate, as the case may be, according to the terms of any such agreement of extension or modification.

Notwithstanding anything to the contrary contained in this Note, at the option of the holder of this Note and upon notice to the undersigned at any time after the occurrence of a default as defined in the Security Instrument (taking into consideration any applicable notice and cure periods), from and after such notice and during the continuance of such default, the unpaid principal of this Note from time to time outstanding and all past due installments of interest shall, to the extent permitted by applicable law, bear interest at the Default Rate, provided that in no event shall such interest rate be more than the Maximum Rate.

All interest accruing under this Note shall be calculated on the basis of a 360-day year applied to the actual number of days in each month. The undersigned shall make each payment which it owes hereunder not later than twelve o'clock, noon, Dallas, Texas time, on the date such payment becomes due and payable (or the date any voluntary prepayment is made), in immediately available funds. Any payment received by the Payee after such time will be deemed to have been made on the next following business day. As used herein, the term "business day"

shall mean a day on which commercial banks are open for business with the public in Dallas, Texas.

This Note is secured, inter alia, by the Security Instrument of even date herewith evidencing a lien on certain real property in Harris County, Texas, described therein, and evidencing a security interest in certain personal property described therein, to which Security Instrument reference is here made for a description of the property covered thereby and the nature and extent of the security and the rights and powers of the holder of this Note in respect of such security. In addition, the Maker has made an Assignment of Leases and Rents (herein so called) covering certain leases and rents described therein to provide a source of future payment of this Note, reference to which Assignment of Leases and Rents is here made for a description of the leases and rents covered thereby and the rights and powers of the Payee with respect thereto. Upon the occurrence of a default specified in the Security Instrument which remains uncured beyond any applicable notice, cure or grace period, the holder of this Note or any part thereof shall have the option of declaring the Principal Amount hereof and the interest accrued hereon to be immediately due and payable.

It is the intent of Payee and Maker in the execution of this Note and all other instruments now or hereafter securing this Note to contract in strict compliance with applicable usury law. In furtherance thereof, Payee and Maker stipulate and agree that none of the terms and provisions contained in this Note, or in any other instrument executed in connection herewith, shall ever be construed to create a contract to pay for the use, forbearance or detention of money, interest at a rate in excess of the Maximum Rate; neither Maker nor any guarantors, endorsers or other parties now or hereafter becoming liable for payment of this Note shall ever be obligated or required to pay interest on this Note at a rate in excess of the Maximum Rate that may be lawfully charged under applicable law, and the provisions of this paragraph shall control over all other provisions of this Note and any other instruments now or hereafter executed in connection herewith which may be in apparent conflict herewith. Payee, including each holder of this Note, expressly disavows any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of this Note is accelerated. If the maturity of this Note shall be accelerated for any reason or if the principal of this Note is paid prior to the end of the term of this Note, and as a result thereof the interest received for the actual period of existence of the Loan exceeds the amount of interest that would have accrued at the Maximum Rate, the Payee or other holder of this Note shall, at its option, either refund to Maker the amount of such excess or credit the amount of such excess against the Principal Amount and thereby shall render inapplicable any and all penalties of any kind provided by applicable law as a result of such excess interest. In the event that Payee or any other holder of this Note shall contract for, charge or receive any amounts and/or any other thing of value which are determined to constitute interest which would increase the effective interest rate on this Note to a rate in excess of that permitted to be charged by applicable law, all such sums determined to constitute interest in excess of the amount of interest at the lawful rate shall, upon such determination, at the option of the Payee or other holder of this Note, be either immediately returned to Maker or credited against the Principal Amount, in which event any and all penalties of any kind under applicable law as a result of such excess interest shall be inapplicable. By execution of this Note Maker acknowledges that it believes the Loan evidenced by this Note to be non-usurious and agrees that if, at any time, Maker should have reason to believe that the Loan is in fact usurious, it will give the Payee or

other holder of this Note notice of such condition and Maker agrees that the Payee or other holder shall have ninety (90) days in which to make appropriate refund or other adjustment in order to correct such condition if in fact such exists. The term "applicable law" as used in this Note shall mean the laws of the State of Texas or the laws of the United States, whichever laws allow the greater rate of interest, as such laws now exist or may be changed or amended or come into effect in the future.

Should the indebtedness represented by this Note or any part thereof be collected at law or in equity or through any bankruptcy, receivership, probate

or other court proceedings or if this Note is placed in the hands of attorneys for collection after default, Maker and all endorsers, guarantors and sureties of this Note jointly and severally agree to pay to the Payee or other holder of this Note in addition to the principal and interest due and payable hereon reasonable attorneys' and collection fees.

Maker and all endorsers, guarantors and sureties of this Note and all other persons liable or to become liable on this Note severally waive presentment for payment, demand, notice of demand and of dishonor and nonpayment of this Note, notice of intention to accelerate the maturity of this Note, protest and notice of protest, diligence in collecting, and the bringing of suit against any other party, and agree to all renewals, extensions, modifications, partial payments, releases or substitutions of security, in whole or in part, with or without notice, before or after maturity.

THIS NOTE AND THE OTHER LOAN DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS (WITHOUT GIVING EFFECT TO TEXAS' PRINCIPLES OF CONFLICTS OF LAW) AND THE LAWS OF THE UNITED STATES APPLICABLE TO TRANSACTIONS IN SUCH STATE. MAKER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY TEXAS OR FEDERAL COURT SITTING IN DALLAS, TEXAS (OR ANY COUNTY IN TEXAS WHERE ANY PORTION OF THE MORTGAGED PROPERTY IS LOCATED) OVER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR ANY OF THE LOAN DOCUMENTS, AND MAKER HEREBY AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY TEXAS OR FEDERAL COURT SITTING IN DALLAS, TEXAS (OR SUCH OTHER COUNTY IN TEXAS) MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO MAKER AT THE ADDRESS OF MAKER FOR THE GIVING OF NOTICES UNDER THE SECURITY INSTRUMENT, AND SERVICE SO MADE SHALL BE COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

Maker hereby expressly and unconditionally waives, in connection with any suit, action or proceeding brought by the holder of this Note in connection with any of the Loan Documents, any and every right it may have to (i) injunctive relief, (ii) a trial by jury, (iii) interpose any counterclaim therein (other than a compulsory counterclaim) and (iv) have the same consolidated with any other or separate suit, action or proceeding. Nothing herein contained shall prevent or

prohibit Maker from instituting or maintaining a separate action against the holder of this Note with respect to any asserted claim.

Maker's Federal
Tax I.D. No.
58-2368838

WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: Wells Real Estate Investment Trust, Inc., a

Maryland corporation, its general partner

By: /s/ Douglas P. Williams

Name: Douglas P. Williams

Title: Executive Vice President

EXHIBIT 10.69

DEED OF TRUST, MORTGAGE AND SECURITY AGREEMENT

WITH GUARANTY FEDERAL BANK, F.S.B.

DEED OF TRUST, MORTGAGE AND
SECURITY AGREEMENT

THE STATE OF TEXAS)
)
COUNTY OF HARRIS)

KNOW ALL MEN BY THESE PRESENTS:

THAT, Wells Operating Partnership, L.P., a Delaware limited partnership (hereinafter called "Grantor", whether one or more), for and in consideration of the sum of Ten Dollars ($10.00) to Grantor in hand paid by Mark Crawford, Trustee, of Dallas County, Texas (hereinafter called the "Trustee"), in order to secure the payment of the indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements and undertakings of Grantor hereinafter described, does hereby GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN and SET OVER to the Trustee the real estate situated in the County of Harris and State of Texas described in Exhibit A attached hereto and made a part hereof, together with (i) all the buildings and other improvements now on or hereafter located thereon; (ii) all materials, equipment, fixtures or other property whatsoever now or hereafter attached or affixed to or installed in said buildings and other improvements, including, but not limited to, all heating, plumbing, lighting, water heating, cooking, laundry, refrigerating, incinerating, ventilating and air conditioning equipment, disposals, dishwashers, refrigerators and ranges, recreational equipment and apparatus, utility lines and equipment (whether owned individually or jointly with others), sprinkler systems, fire extinguishing apparatus and equipment, water tanks, swimming pools, engines, machines, elevators, motors, cabinets, shades, blinds, partitions, window screens, screen doors, storm windows, awnings, drapes, and rugs and other floor coverings, and all fixtures, accessions and appurtenances thereto, and all renewals or replacements of or substitutions for any of the foregoing, all of which materials, equipment, fixtures and other property are hereby declared to be permanent fixtures and accessions to the freehold and part of the realty conveyed herein as security for the indebtedness herein mentioned; (iii) all easements and rights of way now and at any time hereafter used in connection with any of the foregoing property or as a means of ingress to or egress from said property or for utilities to said property; (iv) all interests of Grantor in and to any streets, ways, alleys and/or strips of land adjoining said land or any part thereof; and (v) all rights, estates, powers and privileges appurtenant or incident to the foregoing, BUT SUBJECT TO the Permitted Encumbrances (hereinafter defined).

TO HAVE AND TO HOLD the foregoing property (herein called the "Mortgaged Property") unto the Trustee and his successors or substitutes in this trust and to his or their successors and assigns, IN TRUST, however, upon the terms, provisions and conditions herein set forth.

In order to secure the payment of the indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements and undertakings of Grantor hereinafter described, Grantor hereby grants to the Noteholder (as hereinafter defined) a security interest in

all goods, equipment, furnishings, fixtures, furniture, chattels and personal property of whatever nature owned by Grantor now or hereafter located or used in

and about the building or buildings or other improvements now erected or hereafter to be erected on the lands described in Exhibit A attached hereto and made a part hereof, or otherwise located on said lands, and all fixtures, accessions and appurtenances thereto, and all renewals or replacements of or substitutions for any of the foregoing, all building materials and equipment now or hereafter delivered to said premises and intended to be installed therein, all security deposits (whether cash, one or more letters of credit, bonds or other form of security) and advance rentals under lease agreements now or at any time hereafter covering or affecting any of the Property (as hereinafter defined) and held by or for the benefit of Grantor, all monetary deposits which Grantor has been required to give to any public or private utility with respect to utility services furnished to the Property, all rents and other amounts from and under leases of all or any part of the Property, all issues, profits and proceeds from all or any part of the Property, all proceeds (including premium refunds) of each policy of insurance relating to the Property, all proceeds from the taking of the Property or any part thereof or any interest therein or right or estate appurtenant thereto by eminent domain or by purchase in lieu thereof, all amounts deposited in escrow for the payment of ad valorem taxes, assessments and charges and/or premiums for policies of insurance with respect to the Property, all contracts related to the Property, all money, funds, accounts, instruments, documents, general intangibles (including trademarks, trade names and symbols used in connection therewith), all notes or chattel paper arising from or related to the Property, all permits, licenses, franchises, certificates, and other rights and privileges obtained in connection with the Property, all plans, specifications, maps, surveys, reports, architectural, engineering and construction contracts, books of account, insurance policies and other documents, of whatever kind or character, relating to the use, construction upon, occupancy, leasing, sale or operation of the Property, all proceeds and other amounts paid or owing to Grantor under or pursuant to any and all contracts and bonds relating to the construction, erection or renovation of the Property, all oil, gas and other hydrocarbons and other minerals produced from or allocated to the Property and all products processed or obtained therefrom, the proceeds thereof, and all accounts and general intangibles under which such proceeds may arise, together with any sums of money that may now or at any time hereafter become due and payable to Grantor by virtue of any and all royalties, overriding royalties, bonuses, delay rentals and any other amount of any kind or character arising under any and all present and future oil, gas and mining leases covering the Property or any part thereof (all of the property described in this paragraph hereinafter collectively called the "Collateral") and all proceeds of the Collateral. (The Mortgaged Property and the Collateral are herein sometimes collectively called the "Property".)

ARTICLE I.

Secured Indebtedness

1.1. Secured Indebtedness. This Deed of Trust, Mortgage and Security Agreement (hereinafter called this "Deed of Trust") is made to secure and enforce the payment of the following note, obligations, indebtedness and liabilities: (a) one certain promissory note of even

date herewith in the principal amount of $35,900,000, made by Grantor, and payable to the order of GUARANTY FEDERAL BANK, F.S.B., a federal savings bank, with interest at the rate or rates therein provided, both principal and interest being payable as therein provided and all amounts remaining unpaid thereon being finally due and payable on that date which is twelve (12) months from the date thereof, and containing a provision for the payment of a reasonable additional amount as attorney's fees, and all other notes given in substitution therefor or in modification, increase, renewal or extension thereof, in whole or in part, such note and all other notes given in substitution therefor or in modification, increase, renewal or extension thereof, in whole or in part, being hereinafter called the "Note", and said payee and all subsequent holders of the Note or any

part thereof or any interest therein or any of the "secured indebtedness" (as hereinafter defined) being hereinafter called the "Noteholder"; and (b) all loans and future advances made by the Noteholder to Grantor and all other debts, obligations and liabilities of every kind and character of Grantor now or hereafter existing in favor of the Noteholder as incurred or arising pursuant to the provisions of this Deed of Trust or any loan agreement relating to the above described indebtedness or any other instrument now or hereafter evidencing, governing or securing the above described indebtedness or any part thereof, whether such debts, obligations or liabilities be direct or indirect, primary or secondary, joint or several, fixed or contingent, and whether originally payable to the Noteholder or to a third party and subsequently acquired by the Noteholder and whether such debts, obligations and liabilities are evidenced by note, open account, overdraft, endorsement, surety agreement, guaranty or otherwise, it being contemplated that Grantor may hereafter become indebted to the Noteholder in further sum or sums. The indebtedness referred to in this Paragraph is hereinafter sometimes called the "secured indebtedness" or the "indebtedness secured hereby."

ARTICLE II.

Representations, Warranties and Covenants

2.1. Representations, Warranties and Covenants. Grantor represents, warrants and covenants to and with the Noteholder as follows:

(a) Financial Matters. Grantor is solvent, is not bankrupt and has no outstanding liens, suits, garnishments, bankruptcies or court actions which could render Grantor insolvent or bankrupt. There has not been filed by or against Grantor a petition in bankruptcy or a petition or answer seeking an assignment for the benefit of creditors, the appointment of a receiver, trustee, custodian or liquidator with respect to Grantor or any substantial portion of Grantor's property, reorganization, arrangement, rearrangement, composition, extension, liquidation or dissolution or similar relief under the Federal Bankruptcy Code or any state law. All reports, statements and other data furnished by Grantor to the Noteholder in connection with the loan evidenced by the Note are true and correct in all material respects and do not omit to state any fact or circumstance necessary to make the statements contained therein not misleading. No material adverse change has occurred since the dates of such reports, statements and other data in the financial condition of Grantor or of any tenant under leases described in such

reports, statements and other data. For the purposes of this paragraph, Grantor shall also include any surety(ies) and any joint venturer or general partner of Grantor.

(b) Title and Authority. Grantor is the lawful owner of good and marketable title to the Property and has good right and authority to grant, bargain, sell, convey, transfer, assign and mortgage the Mortgaged Property and to grant a security interest in the Collateral. Grantor does not do business with respect to the Property under any trade name.

(c) Permitted Encumbrances. To Grantor's knowledge, based solely on the title commitment issued by Fidelity National Title Insurance Company to Grantor regarding the Property (i) the Property is free and clear from all liens, security interests and encumbrances except the lien and security interest evidenced hereby and the encumbrances set forth in Exhibit B attached hereto and made a part

hereof (hereinafter called the "Permitted Encumbrances"), and (ii) there are no mechanic's or materialmen's liens, lienable bills or other claims constituting or that may constitute a lien on the Property, or any part thereof.

(d) No Financing Statement. To Grantor's knowledge, there is no financing statement covering all or any part of the Property or its proceeds on file in any public office.

(e) Location of Collateral. All tangible Collateral is located on the property described in Exhibit A attached hereto and made a part hereof.

(f) No Homestead. No portion of the Property is being used as Grantor's business or residential homestead.

(g) No Default or Violation. The execution, delivery and performance of this Deed of Trust, the Note and all other Loan Documents do not contravene, result in a breach of or constitute a default under any mortgage, deed of trust, lease, promissory note, loan agreement or other contract or agreement to which Grantor is a party or by which Grantor or any of its properties may be bound or affected and do not violate or contravene any law, order, decree, rule or regulation to which Grantor is subject.

(h) Compliance with Covenants and Laws. To Grantor's knowledge, the Property and the intended use thereof by Grantor comply with all applicable restrictive covenants, zoning ordinances and building codes, flood disaster laws, applicable health, safety and environmental laws and regulations, laws relating to the disabled (including but not limited to The Americans with Disabilities Act of 1990, 42 U.S.C.(S)(S) 12101 et seq. and regulations thereunder [hereinafter called the "ADA"]) and all other applicable laws, statutes, ordinances, rules, regulations, orders, determinations and court decisions (all of the foregoing hereinafter sometimes collectively called "Applicable Laws") without reliance upon grandfather provisions or adjacent or other properties. To

Grantor's knowledge, Grantor or Grantor's tenants have obtained all requisite zoning, utility, building, health and operating permits from the governmental authority or municipality having jurisdiction over the Property.

(i) Environmental. Without limitation of the foregoing, to the best knowledge of Grantor after due and diligent inquiry and except as specifically disclosed to the Noteholder in that certain Phase I Environmental Site Assessment & Environmental Site Investigation, Enclave Office Building, 1430 Enclave Parkway, Houston, Harris County, Texas, Project No. 92007566A, dated November 30, 2000, prepared by HBC Engineering, Inc., covering the Property, no asbestos, material containing asbestos which is or may become friable or material containing asbestos deemed hazardous by Applicable Laws has been installed in the Property and the Property and Grantor are not in violation of or subject to any existing, pending or, to the best knowledge of Grantor, threatened investigation or inquiry by any governmental authority or to any remedial obligations under any Applicable Laws pertaining to health, safety or the environment (such

Applicable Laws as they now exist or are hereafter enacted and/or amended hereinafter sometimes collectively called "Applicable Environmental Laws"), including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (hereinafter called "CERCLA") and the Resource Conservation and Recovery Act of 1976, as amended (hereinafter called "RCRA"), and this representation would continue to be true and correct following disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property and Grantor. To Grantor's knowledge, Grantor has not obtained and is not required to obtain any permits, licenses or similar authorizations to construct, occupy, operate or use any buildings, improvements, fixtures and equipment forming a part of the Property by reason of any Applicable Environmental Laws. Grantor undertook, at the time of acquisition of the Property, all appropriate inquiry into the previous ownership and uses of the Property consistent with good commercial or customary practice. Grantor has taken all steps necessary to determine and has determined that no hazardous substances or solid wastes have been disposed of or otherwise released on or to the Property. The use which Grantor makes and intends to make of the Property will not result in the disposal or other release of any hazardous substance or solid waste on or to the Property in violation of Applicable Environmental Laws. As used in this Deed of Trust, the term "release" shall have the meaning specified in CERCLA, the terms "solid waste" and "disposal" (or "disposed") shall have the meanings specified in RCRA, and the term "hazardous substance" shall mean (i) any "hazardous substance" as defined in CERCLA and regulations promulgated thereunder, (ii) any "hazardous waste" as defined in RCRA and regulations promulgated thereunder, (iii) any petroleum, including crude oil or any fraction thereof which is not otherwise specifically listed or designated as a hazardous substance under the definition of hazardous substance in CERCLA as well as natural gas, natural gas liquids, liquified natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas), and other petroleum products and by-products (iv) formaldehyde, urea, polychlorinated biphenyls, radon, and "source", "special nuclear" and "by-product"

material as defined in the Atomic Energy Act of 1985, 42 U.S.C.(S)(S) 3011 et seq., (v) any material defined as hazardous or toxic under any statute or regulation of the State of Texas or any agency thereof and (vi) any other material or substance which is toxic, ignitable, reactive or corrosive and which is regulated by any Applicable Environmental Law; provided, (i) all such terms shall be deemed to include all similar terms used in any Applicable Environmental Laws or regulations thereunder (including by way of example, but not limitation, pollutant, contaminant, toxic substance, discharge and migration), and (ii) to the extent that any Applicable Environmental Laws or regulations thereunder are amended so as to broaden the meaning, or otherwise establish a meaning, for "hazardous substance," "release," "solid waste," or "disposal" (or "disposed"), or any similar terms, which is broader than that specified above, such broader meaning shall apply.

(j) No Suits. There are no judicial or administrative actions, suits or proceedings pending or, to Grantor's knowledge, threatened against or affecting Grantor, any other person liable, directly or indirectly, for the secured indebtedness, or the Property or involving the validity, enforceability or priority of any of the Loan Documents.

(k) Condition of Property. To Grantor's knowledge, (i) the Property is served by electric, gas, storm and sanitary sewers, sanitary water supply, telephone and other utilities required for the

use thereof as represented by Grantor at or within the boundary lines of the Property, (ii) all streets, alleys and easements necessary to serve the Property for the use represented by Grantor have been completed and are serviceable and such streets have been dedicated and accepted by applicable governmental entities, (iii) the Property is in good condition and repair with no deferred maintenance and is free from damage caused by fire or other casualty, (iv) Grantor is aware of no latent or patent structural or other significant defect or deficiency in the Property, and (v) design and as-built conditions of the Property are such that no drainage or surface or other water will drain across or rest upon either the Property or land of others. None of the Property is within a flood plain except as indicated on a survey of the Property delivered to the Noteholder. None of the improvements on the Property create an encroachment over, across or upon any of the Property boundary lines, rights of way or easements, and no buildings or other improvements on adjoining land create such an encroachment.

(l) Organization. Grantor is a limited partnership duly organized under the laws of the State of Delaware and is qualified to do business in the State of Texas under the Texas Revised Limited Partnership Act. Grantor has all requisite power and all governmental certificates of authority, licenses, permits, qualifications and other documentation to own, lease and operate its properties and to carry on its business as now conducted and as contemplated to be conducted. The foregoing representations in this subparagraph shall also apply to any corporation which is a general partner of Grantor.

(m) Enforceability. The Note, this Deed of Trust and all other instruments securing the payment of the Note constitute the legal, valid and binding obligations of

Grantor enforceable in accordance with their terms, subject to bankruptcy, insolvency and other laws of general application affecting the rights of creditors and subject to the effect of general principles of equity regardless of whether enforcement is sought in a proceeding at law or in equity. The execution and delivery of, and performance under, the Note, this Deed of Trust and all other instruments securing the payment of the Note are within Grantor's powers and have been duly authorized by all requisite action and are not in contravention of the powers of Grantor's charter, by-laws or other corporate papers if Grantor is a corporation, or of Grantor's partnership or joint venture agreement if Grantor is a partnership or joint venture, or of Grantor's limited partnership agreement if Grantor is a limited partnership.

(n) Not a Foreign Person. Grantor is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended (hereinafter called the "Code"), Sections 1445 and 7701 (i.e. Grantor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and regulations promulgated thereunder).

(o) Warranty. Grantor will warrant and forever defend the title to the Property against the claims of all persons whomsoever lawfully claiming or to claim the same or any part thereof, subject to the Permitted Encumbrances.

2.2. Covenants and Agreements. So long as the secured indebtedness or any part thereof remains unpaid, Grantor covenants and agrees with the

Noteholder as follows:

(a) Payment. Grantor will make prompt payment, as the same becomes due, of the Note and of all installments of principal and interest thereon and of all other secured indebtedness.

(b) Existence. Grantor will continuously maintain its existence and its right to do business in the State of Texas together with its franchises and trade names.

(c) Taxes on Note and Other Taxes. Grantor will promptly pay all income, franchise and other taxes owing by Grantor and any stamp taxes which may be required to be paid with respect to the Note, this Deed of Trust or any other instrument evidencing or securing any of the secured indebtedness.

(d) Operation of Property. Grantor will operate the Property in a good and workmanlike manner and in accordance with all Applicable Laws and will pay all fees or charges of any kind in connection therewith. Grantor will keep the Property occupied so as not to impair the insurance carried thereon. Grantor will not use or occupy, or allow the use or occupancy of, the Property in any manner which violates any Applicable Law or which constitutes a public or private nuisance or which makes void, voidable or cancelable, or increases the premium of, any insurance then in force with respect thereto. Grantor will comply with and use reasonable efforts to cause all occupants of the

Property to comply with the ADA and shall provide the Noteholder with copies of all plans for compliance with the ADA and all surveys relating to such compliance now in Grantor's possession or obtained by Grantor during the term of the loan evidenced by the Note. Grantor will not initiate or permit any zoning reclassification of the Property or seek any variance under existing zoning ordinances applicable to the Property or use or permit the use of the Property in such a manner which would result in such use becoming a nonconforming use under applicable zoning ordinances or other Applicable Laws. Grantor will not impose any restrictive covenants or encumbrances upon the Property, execute or file any subdivision plat affecting the Property or consent to the annexation of the Property to any municipality, without the prior written consent of the Noteholder. Grantor shall not operate the Property, or permit the Property to be operated, as a cooperative or condominium building or buildings in which the tenants or occupants participate in the ownership, control or management of the Property or any part thereof, as tenant stockholders or otherwise. Grantor shall not cause or permit any drilling or exploration for, or extraction, removal or production of, minerals from the surface or subsurface of the Property. Grantor will not do or suffer to be done any act whereby the value of any part of the Property may be lessened. Noteholder or its authorized representatives, including but not limited to third party appraisers, environmental engineers, employees of the Noteholder, architects and engineers, shall have the right to inspect and conduct testing on the Property at any time and Grantor will assist the Noteholder and/or said representatives in whatever way necessary to make such inspections and/or testing. If Grantor receives a notice or claim from any federal, state or other governmental entity pertaining to the Property, including specifically but without limitation a notice that the Property is not in compliance with any Applicable Law, Grantor will promptly furnish a copy of such notice or claim to the Noteholder.

(e) Debts for Construction. Grantor will cause all debts and liabilities of any character, including without limitation all debts and liabilities for labor, material and equipment and all debts and charges for utilities servicing the Property, incurred in the construction, maintenance, operation and development of the Property to be promptly paid. Notwithstanding the foregoing, Grantor may in good faith, by appropriate proceedings, contest the validity, applicability or amount of any asserted mechanic's or materialmen's lien and pending such contest Grantor shall not be deemed in default hereunder if Grantor provides the Noteholder with security reasonably satisfactory to the Noteholder and if Grantor promptly causes to be paid any amount adjudged by a court of competent jurisdiction to be due, with all costs and interest thereon, promptly after such judgment.

(f) Ad Valorem Taxes. Grantor will cause to be paid prior to delinquency all taxes and assessments heretofore or hereafter levied or assessed against the Property, or any part thereof, or against the Trustee or the Noteholder for or on account of the Note or the other indebtedness secured hereby or the interest created by this Deed of Trust and will furnish the Noteholder with receipts showing payment of such taxes and assessments at least ten (10) days prior to the applicable default date therefor; except that Grantor may

in good faith, by appropriate proceedings, contest the validity, applicability, or amount of any asserted tax or assessment, and pending such contest Grantor shall not be deemed in default hereunder if (i) prior to delinquency of the asserted tax or assessment Grantor establishes an escrow acceptable to the Noteholder adequate to cover the payment of such tax or assessment with interest, costs and penalties and a reasonable additional sum to cover possible costs, interest and penalties (which escrow shall be returned to Grantor upon payment of all such taxes, assessments, interest, costs and penalties); (ii) Grantor pays to the Noteholder promptly after demand therefor all costs and expenses incurred by the Noteholder in connection with such contest; and (iii) Grantor promptly causes to be paid any amount adjudged by a court of competent jurisdiction to be due, with all costs, penalties and interest thereon, promptly after such judgment becomes final; provided, however, that in any event each such contest shall be concluded and the tax, assessment, penalties, interest and costs shall be paid prior to the date any writ or order is issued under which the Property may be sold.

(g) Repair and Maintenance. Grantor will keep the Property in good order, repair, condition and appearance, causing all necessary structural and non-structural repairs, renewals, replacements, additions and improvements to be promptly made, including but not limited to any repairs and maintenance required under all applicable restrictive covenants, and will not allow any of the Property to be misused, abused or wasted or to deteriorate,subject to reasonable wear and tear. Grantor will promptly replace all worn-out or obsolete fixtures or personal property covered by this Deed of Trust with fixtures or personal property comparable to the replaced fixtures or personal property when new, and will repaint the Property when needed. Notwithstanding the foregoing, Grantor will not, without the prior written consent of the Noteholder, (i) erect any new buildings, structures or other improvements on the Property; (ii) remove from the Property any fixtures or personal property covered by this Deed of Trust except such as is replaced by Grantor by an article of equal suitability and value, owned by Grantor, free and clear of any lien or security interest (except that created by this Deed of Trust), (iii)

make any structural alteration to the Property or any other alteration thereto which impairs the value thereof or (iv) make any alteration to the Property involving an estimated expenditure exceeding $25,000 except pursuant to plans and specifications approved in writing by the Noteholder. Upon request of the Noteholder, Grantor will deliver to the Noteholder an inventory describing and showing the make, model, serial number and location of all fixtures and personal property used in the management, maintenance and operation of the Property with a certification by Grantor that said inventory is a true and complete schedule of all such fixtures and personal property used in the management, maintenance and operation of the Property, that such items specified in the inventory constitute all of the fixtures and personal property required in the management, maintenance and operation of the Property, and that all such items are owned by Grantor free and clear of any lien or security interest (except that created by this Deed of Trust).

(h) Insurance and Casualty. Grantor will keep the Property insured against loss or damage by fire, explosion, windstorm, hail, flood (if the Property shall at any time be located in an identified "flood prone area" in which flood insurance has been made available pursuant to the Flood Disaster Protection Act of 1973), tornado and such other hazards as may be required by the Noteholder by policies of fire, extended coverage and other insurance in such company or companies, in such amounts, upon such terms and provisions, and with such endorsements, all as may be acceptable to the Noteholder. Grantor will also provide such other insurance as the Noteholder may from time to time require, in such companies, upon such terms and provisions, in such amounts, and with such endorsements, all as are approved by the Noteholder. Grantor further agrees that Grantor will deliver to the Noteholder certified copies of the original policies evidencing such insurance and any additional insurance which shall be taken out upon any part of the Property and receipts evidencing the payment of all premiums, and will deliver certificates evidencing renewals of all such policies of insurance to the Noteholder at least fifteen (15) days before any such insurance shall expire. Without limiting the discretion of the Noteholder with respect to required endorsements to insurance policies, Grantor further agrees that all such policies shall provide that proceeds thereunder will be payable to the Noteholder as its interest may appear pursuant and subject to a mortgagee clause (without contribution) of standard form attached to or otherwise made a part of the applicable policy. In the event of foreclosure of this Deed of Trust, or other transfer of title to the Property in extinguishment in whole or in part of the secured indebtedness, all right, title and interest of Grantor in and to such policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or the Noteholder or other transferee in the event of such other transfer of title. In the event any of the Property covered by such insurance is destroyed or damaged by fire, explosion, windstorm, hail or by any other casualty against which insurance shall have been required hereunder, (i) the Noteholder may, but shall not be obligated to, make proof of loss if not made promptly by Grantor, (ii) each insurance company concerned is hereby authorized and directed to make payment for such loss directly to the Noteholder instead of to Grantor, and (iii) the Noteholder shall have the right to apply the insurance proceeds first, to reimburse the Noteholder or the Trustee for all costs and expenses, including reasonable attorney's fees, incurred in connection with the collection of such proceeds and, second, the remainder of said proceeds shall be applied, at the discretion of the Noteholder, in payment (without premium or penalty) of the secured indebtedness, either in whole or in part, whether or not then due and payable, in the order determined by the Noteholder in its sole discretion, or to the repair, restoration or replacement,

either partly or entirely, of the Property so destroyed or damaged, provided that, any insurance proceeds held by the Noteholder to be applied to the repair, restoration or replacement of the Property shall be so held without payment or allowance of interest thereon and shall be paid out from time to time upon compliance by Grantor with such terms, conditions and requirements as may be reasonably imposed by the Noteholder. In any event, notwithstanding the occurrence of any casualty, the unpaid portion of the secured indebtedness shall remain in full force and effect (except to the extent of application of insurance proceeds as provided above) and Grantor shall not be excused in the payment

thereof. If any act or occurrence of any kind or nature (including any casualty on which insurance was not obtained or obtainable) shall result in damage to or loss or destruction of the Property, Grantor shall give immediate notice thereof by mail to the Noteholder and, unless otherwise so instructed by the Noteholder, shall promptly, at Grantor's sole cost and expense and regardless of whether the insurance proceeds, if any, shall be sufficient for the purpose, restore, repair, replace and rebuild the Property as nearly as possible to its value, condition and character immediately prior to such damage, loss or destruction in accordance with plans and specifications submitted to and approved by the Noteholder and otherwise in accordance with the provisions of this Deed of Trust.

(i) Condemnation. Immediately upon obtaining knowledge of the institution of any proceedings for the condemnation of the Property or any portion thereof, or any other proceedings arising out of injury or damage to the Property, or any portion thereof, Grantor will notify the Noteholder of the pendency of such proceedings. The Noteholder may participate in any such proceedings, and Grantor shall from time to time deliver to the Noteholder all instruments requested by it to permit such participation. Grantor shall, at its expense, diligently prosecute any such proceedings, and shall consult with the Noteholder, its attorneys and experts, and cooperate with them in the carrying on or defense of any such proceedings. All proceeds of condemnation awards or proceeds of sale in lieu of condemnation with respect to the Property and all judgments, decrees and awards for injury or damage to the Property shall be paid to the Noteholder and shall be applied, first, to reimburse the Noteholder or the Trustee for all costs and expenses, including reasonable attorney's fees, incurred in connection with collection of such proceeds and, second, the remainder of said proceeds shall be applied, at the discretion of the Noteholder, to the payment (without premium or penalty) of the secured indebtedness, either in whole or in part, whether or not then due and payable, in the order determined by the Noteholder in its sole discretion or paid out to repair or restore the Property so affected by such condemnation, injury or damage in the same manner as provided in subparagraph (h) of this Paragraph 2.2. In any event, notwithstanding such condemnation, the unpaid portion of the secured indebtedness shall remain in full force and effect (except to the extent of application of condemnation proceeds as provided above) and Grantor shall not be excused in the payment thereof. In the event any of the foregoing proceeds are applied to the repair, restoration or replacement of the Property, Grantor shall promptly commence and complete such repair, restoration or replacement of the Property as nearly as possible to its value, condition and character immediately prior to such damage or taking in accordance with plans and specifications submitted to and approved by the Noteholder and otherwise in accordance with the provisions of this Deed of Trust. Grantor hereby assigns and transfers all such proceeds, judgments, decrees and awards to the Noteholder and agrees to execute such further assignments of all such proceeds, judgments, decrees and awards as the Noteholder may request. The Noteholder is hereby

authorized, in the name of Grantor, to execute and deliver valid acquittances for, and to appeal from, any such judgment, decree or award. The Noteholder shall not be, in any event or circumstances, liable or responsible for failure to

collect, or exercise diligence in the collection of, any such proceeds, judgments, decrees or awards.

(j) Protection and Defense of Lien. If the validity or priority of this Deed of Trust or of any rights, titles, liens or security interests created or evidenced hereby with respect to the Property or any part thereof shall be endangered or questioned or shall be attacked directly or indirectly or if any legal proceedings are instituted against Grantor with respect thereto, Grantor will give prompt written notice thereof to the Noteholder and at Grantor's own cost and expense will diligently endeavor to cure any defect that may be developed or claimed, and will take all necessary and proper steps for the defense of such legal proceedings, including but not limited to the employment of counsel, the prosecution or defense of litigation and the release or discharge of all adverse claims, and the Trustee and the Noteholder, or either of them (whether or not named as parties to legal proceedings with respect thereto) are hereby authorized and empowered to take such additional steps as in their judgment and discretion may be necessary or proper for the defense of any such legal proceedings or the protection of the validity or priority of this Deed of Trust and the rights, titles, liens and security interests created or evidenced hereby, including but not limited to the employment of counsel, the prosecution or defense of litigation, the compromise or discharge of any adverse claims made with respect to the Property, the purchase of any tax title and the removal of prior liens or security interests (including but not limited to the payment of debts as they mature or the payment in full of matured or nonmatured debts, which are secured by these prior liens or security interests), and all expenses so incurred of every kind and character shall be a demand obligation owing by Grantor and the party incurring such expenses shall be subrogated to all rights of the person receiving such payment.

(k) No Other Liens. Except for the Equity Loan (as defined in that certain Intercreditor Agreement between Noteholder and Cardinal Paragon, Inc. of even date herewith) Grantor will not, without the prior written consent of the Noteholder, create, place or permit to be created or placed, or through any act or failure to act, acquiesce in the placing of, or allow to remain, any deed of trust, mortgage, voluntary or involuntary lien, whether statutory, constitutional or contractual (except for the lien for ad valorem taxes on the Property which are not delinquent), security interest, encumbrance or charge, or conditional sale or other title retention document, against or covering the Property, or any part thereof, other than the Permitted Encumbrances, regardless of whether the same are expressly or otherwise subordinate to the lien or security interest created in this Deed of Trust, and should any of the foregoing become attached hereafter in any manner to any part of the Property without the prior written consent of the Noteholder, Grantor will cause the same to be promptly discharged and released; except that Grantor may in good faith, by appropriate proceedings, contest the validity, applicability or amount of any such involuntary lien, and pending such contest Grantor shall not be deemed in default hereunder if (i) Grantor establishes an escrow or provides other security reasonably acceptable to the Noteholder adequate to cover the payment of such lien with interest, costs and penalties and a reasonable additional sum to cover possible costs, interest and

penalties (which escrow or other security shall be returned to Grantor upon payment of such lien, interest, costs and penalties; (ii) Grantor pays to the Noteholder promptly after demand all costs and expenses incurred by the Noteholder in connection with such contest; and (iii) Grantor promptly causes to be paid any amount adjudged by a court of competent jurisdiction to be due, with all costs, penalties and interest thereon, promptly after such judgment becomes final; provided, however, that in any event, such contest shall be concluded and such lien, penalties, interest and costs paid prior to the date any writ or order is issued under which the Property may be sold. Grantor will own all parts of the Property and will not acquire any fixtures, equipment or other property forming a part of the Property pursuant to a lease, license or similar agreement, without the prior written consent of the Noteholder.

(l) Books and Records. Grantor will keep accurate books and records in accordance with sound accounting principles in which full, true and correct entries shall be promptly made as to all operations on the Property, and will permit all such books and records (including without limitation all contracts, statements, invoices, bills and claims for labor, materials and services supplied for the construction and operation of the improvements forming a part of the Property) to be inspected and copied by the Noteholder and its duly accredited representatives at all times during reasonable business hours.

(m) Financial Statements and Reports; Rent Roll. Grantor will deliver to the Noteholder, within ninety (90) days after the close of each fiscal year of Grantor, a statement of condition or balance sheet of Grantor as at the end of such fiscal year. Grantor will deliver to the Noteholder, within ninety (90) days after the close of the fiscal year of each guarantor of the indebtedness secured hereby, a statement of condition or balance sheet of such guarantor as at the end of such fiscal year. Grantor will deliver to the Noteholder, within forty-five (45) days after the close of each fiscal quarter of Grantor, an operating statement showing in reasonable detail all income and expenses of Grantor with respect to the Property during such quarter and for the fiscal year through the end of such quarter. Said statements of condition, balance sheets and operating statements shall be in scope and detail reasonably satisfactory to the Noteholder and shall be prepared and certified as to accuracy by an independent certified public accountant or representative of Grantor reasonably acceptable to the Noteholder. Grantor will deliver to the Noteholder, within ninety (90) days after the close of each fiscal year of Grantor, a rent roll of the Property containing the name and address of all tenants then occupying portions of the Property under valid and subsisting lease agreements and, with respect to each lease, the rentals payable, square footage of the leased premises, amount of security deposit, lease commencement date, lease expiration date, date through which rent is paid and the nature and extent of any defaults by tenant, all certified as to accuracy by a representative of Grantor reasonably acceptable to the Noteholder. If, and as often as, reasonably requested by the Noteholder, Grantor will make further reports of operations in such form as the Noteholder reasonably prescribes, setting out full data reasonably requested by the Noteholder.

(n) Escrow. In order to secure the performance and discharge of Grantor's obligations under subparagraphs (f) and (h) of this

Paragraph 2.2, but not in lieu of such obligations, upon written demand by the Noteholder, Grantor will deposit with the Noteholder a sum equal to ad valorem taxes, assessments and charges (which charges for the purpose of this paragraph shall include without limitation ground rents and water and sewer rents and any other recurring charge which could create or result in a lien against the Property) against the Property for the then current year and the premiums for policies of insurance covering the period for the then current year, all as estimated by the Noteholder and prorated to the end of the calendar month following the month during which such demand is made, and thereafter will deposit with the Noteholder, on each date when an installment of principal and/or interest is due on the Note, sufficient funds (as estimated from time to time by the Noteholder) to permit the Noteholder to pay, at least fifteen (15) days prior to the due date thereof, the next maturing ad valorem taxes, assessments and charges and premiums for such policies of insurance. The Noteholder shall have the right to rely upon tax information furnished by applicable taxing authorities in the payment of such taxes or assessments and shall have no obligation to make any protest of any such taxes or assessments. Any excess over the amounts required for such purposes shall be held by the Noteholder for future use, applied to any secured indebtedness or refunded to Grantor, at the Noteholder's option, and any deficiency in such funds so deposited shall be made up by Grantor upon demand of the Noteholder. All such funds so deposited shall bear no interest whatsoever, may be mingled with the general funds of the Noteholder and shall be applied by the Noteholder toward the payment of such taxes, assessments, charges and premiums when statements therefor are presented to the Noteholder by Grantor (which statements shall be presented by Grantor to the Noteholder a reasonable time before the applicable amount is due); provided, however, that, if a default shall have occurred hereunder, such funds may at the Noteholder's option be applied to the payment of the secured indebtedness in the order determined by the Noteholder in its sole discretion, and that the Noteholder may at any time, in its discretion, apply all or any part of such funds toward the payment of any such taxes, assessments, charges or premiums which are past due, together with any penalties or late charges with respect thereto. The conveyance or transfer of Grantor's interest in the Property for any reason (including without limitation the foreclosure of a subordinate lien or security interest or a transfer by operation of law) shall constitute an assignment or transfer of Grantor's interest in and rights to such funds held by the Noteholder under this subparagraph (n) but subject to the rights of the Noteholder hereunder.

(o) Further Assurances. Grantor will, on request of the Noteholder, (i) promptly correct any defect, error or omission which may be discovered in the contents of this Deed of Trust or in any other instrument now or hereafter executed in connection herewith or in the execution or acknowledgment thereof; (ii) execute, acknowledge, deliver and record or file such further instruments (including without limitation further deeds of trust, security agreements, financing statements, continuation statements and assignments of rents or leases) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Deed of Trust and such other

instruments and to subject to the liens and security interests hereof and thereof any property intended by the terms hereof and thereof to be covered hereby and thereby including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property; (iii) execute, acknowledge, deliver, procure and record or file any document or instrument (including specifically any financing statement) deemed advisable by the Noteholder to protect the lien or the security interest hereunder

against the rights or interests of third persons; and (iv) provide such certificates, documents, reports, information, affidavits and other instruments and do such further acts as may be necessary, desirable or proper in the reasonable determination of the Noteholder to enable the Noteholder to comply with the requirements or requests of any agency having jurisdiction over the Noteholder or any examiners of such agencies with respect to the indebtedness secured hereby, Grantor or the Property; and Grantor will pay all costs connected with any of the foregoing.

(p) Fees and Expenses; Indemnification. Grantor will pay all appraisal fees, filing and recording fees, inspection fees, survey fees, taxes (other than the Noteholder's income taxes), brokerage fees and commissions, abstract fees, title policy fees, uniform commercial code search fees, escrow fees, reasonable attorney's fees and all other costs and expenses of every character incurred by Grantor or the Noteholder in connection with the loan evidenced by the Note, either at the closing thereof or at any time during the term thereof, or otherwise attributable or chargeable to Grantor as owner of the Property, and will reimburse the Noteholder for all such costs and expenses incurred by it. Grantor shall pay all expenses and reimburse the Noteholder for any expenditures, including reasonable attorney's fees and legal expenses, incurred or expended in connection with (i) the breach by Grantor of any covenant herein or in any other instrument securing the payment of the Note, (ii) the Noteholder's exercise of any of its rights and remedies hereunder or under the Note or any other instrument securing the payment of the Note or the Noteholder's protection of the Property and its lien and security interest therein, or (iii) any amendments to this Deed of Trust, the Note or any other Loan Document or any matter requested by Grantor or any approval required hereunder. Grantor will indemnify and hold harmless the Trustee and the Noteholder (for purposes of this paragraph, the terms "the Trustee" and "the Noteholder" shall include the directors, officers, partners, employees and agents of the Trustee and the Noteholder, respectively, and any persons or entities owned or controlled by, owning or controlling, or under common control or affiliated with the Trustee and the Noteholder, respectively) from and against, and reimburse them for, all claims, demands, liabilities, losses, damages, causes of action, judgments, penalties, costs and expenses (including, without limitation, reasonable attorney's fees) which may be imposed upon, asserted against or incurred or paid by them by reason of, on account of or in connection with any bodily injury or death or property damage occurring in or upon or in the vicinity of the Property through any cause whatsoever or asserted against them on account of any act performed or omitted to be performed hereunder or on account of any transaction arising out of or in any way connected with the Property or with this Deed of Trust, the Note or any other instrument securing the payment of the Note. WITHOUT LIMITATION, IT IS THE

INTENTION OF GRANTOR AND GRANTOR AGREES THAT THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES, CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION, REASONABLE ATTORNEY'S FEES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY OR ANY STRICT LIABILITY. HOWEVER, SUCH INDEMNITIES SHALL NOT APPLY TO ANY INDEMNIFIED PARTY TO THE EXTENT THE SUBJECT OF THE INDEMNIFICATION IS CAUSED BY OR ARISES OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY. The foregoing indemnities shall not terminate upon release, foreclosure or other termination of this Deed of Trust but will survive foreclosure of this Deed of Trust or conveyance in lieu of foreclosure and the repayment of the secured indebtedness and the discharge and release of this Deed of Trust and

the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid under this subparagraph by Grantor to the Noteholder and/or the Trustee shall be a demand obligation owing by Grantor to the Noteholder and/or the Trustee and shall be subject to and governed by the provisions of Paragraph 2.3 hereof.

(q) Liability Insurance. Grantor shall maintain Commercial General Liability insurance against claims for bodily injury or death and property damage occurring in or upon or resulting from the Property, in standard form and with such insurance company or companies as may be acceptable to the Noteholder, such insurance to afford immediate protection, to the limit of not less than $5,000,000 in respect of any one accident or occurrence, and to the limit of not less than $1,000,000 for property damage, with not more than $5,000 deductible. Such Commercial General Liability insurance shall include Blanket Contractual Liability coverage which insures contractual liability under the indemnifications of the Noteholder and the Trustee by Grantor set forth in this Deed of Trust (but such coverage or the amount thereof shall in no way limit such indemnifications). Grantor shall maintain with respect to each policy or agreement evidencing such Commercial General Liability insurance such endorsements as may be required by the Noteholder and shall at all times deliver and maintain with the Noteholder a certificate with respect to such insurance in form satisfactory to the Noteholder. Not less than fifteen (15) days prior to the expiration date of each policy of insurance required of Grantor pursuant to this subparagraph 2.2(q), Grantor shall deliver to the Noteholder a renewal policy or policies marked "premium paid" or accompanied by other evidence of payment satisfactory to the Noteholder. In the event of a foreclosure of this Deed of Trust, the purchaser of the Property shall succeed to all the rights of Grantor, including any right to unearned premiums, in and to all policies of insurance assigned pursuant to the provisions of this subparagraph, and Grantor hereby authorizes the Noteholder to notify any or all insurance carriers of this assignment.

(r) Tax on Lien. In the event of the enactment after this date of any law of the State of Texas or of any other governmental entity deducting from the value of property for the purpose of taxation any lien or security interest thereon, or imposing upon the Noteholder the payment of the whole or any part of the taxes or assessments or charges or liens herein required to be paid by Grantor, or changing in any way the laws relating to the taxation of deeds of trust or mortgages or security agreements or debts secured by deeds of trust or mortgages or security agreements or the interest of the mortgagee or secured party in the property covered thereby, or the manner of collection of such taxes, so as to affect this Deed of Trust or the indebtedness secured hereby or the Noteholder, then, and in any such event, Grantor, upon demand by the Noteholder, shall pay such taxes, assessments, charges or liens, or reimburse the Noteholder therefor; provided, however, that if in the opinion of counsel for the Noteholder (i) it might be unlawful to require Grantor to make such payment or (ii) the making of such payment might result in the imposition of interest beyond the maximum amount permitted by law, then and in such event, the Noteholder may elect, by notice in writing given to Grantor, to declare all of the indebtedness secured hereby to be and become due and payable sixty (60) days from the giving of such notice.

(s) Change of Name, Identity or Structure. Grantor will not change Grantor's name, identity (including its trade name or names) or, if not an individual, Grantor's corporate, partnership or other structure without notifying the Noteholder of such change in writing

at least thirty (30) days prior to the effective date of such change. Grantor will execute and deliver to the Noteholder, prior to or contemporaneously with the effective date of any such change, any financing statement or financing statement change required by the Noteholder to establish or maintain the validity, perfection and priority of the security interest granted herein. At the request of the Noteholder, Grantor shall execute a certificate in form satisfactory to the Noteholder listing the trade names under which Grantor intends to operate the Property, and representing and warranting that Grantor does business under no other trade name with respect to the Property.

(t) Location and Use of Collateral. All tangible Collateral will be used in the business of Grantor and shall remain in Grantor's possession or control at all times at Grantor's risk of loss and shall be located on the real property described in Exhibit A hereto.

(u) Estoppel Certificate. Grantor shall at any time and from time to time furnish promptly upon request by the Noteholder a written statement in such form as may be reasonably required by the Noteholder stating that the Note, this Deed of Trust and the other instruments securing the payment of the Note are valid and binding obligations of Grantor, enforceable against Grantor in accordance with their terms; the unpaid principal balance of the Note; the date to which interest on the Note is paid; that the Note, this Deed of Trust and the other instruments securing the payment of the Note have not been released, subordinated or modified; and that there are no offsets or defenses against the enforcement of the Note, this Deed of Trust or any other instrument securing the payment

of the Note, or if any of the foregoing statements are untrue, specifying the reasons therefor.

(v) Proceeds of Collateral. Grantor shall account fully and faithfully for and, if the Noteholder so elects, shall promptly pay or turn over to the Noteholder the proceeds in whatever form received from disposition in any manner of any of the Collateral, except as otherwise specifically authorized herein. Grantor shall at all times keep the Collateral and its proceeds separate and distinct from other property of Grantor and shall keep accurate and complete records of the Collateral and its proceeds.

(w) Permitted Encumbrances. Grantor will comply with and will perform all of the covenants, agreements and obligations imposed upon it or the Property in the Permitted Encumbrances in accordance with their respective terms and provisions, including but not limited to providing a copy of any default notice received by Grantor thereunder to Noteholder. Grantor will not modify or permit any modification of any Permitted Encumbrance, without the prior written consent of the Noteholder.

(x) Environmental. Grantor will not cause or permit the Property or Grantor to be in violation of, or do anything or permit anything to be done which will subject the Property to any remedial obligations under, any Applicable Environmental Laws, assuming disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property and Grantor and Grantor will promptly notify the Noteholder in writing of any existing, pending or, to the knowledge of Grantor,

threatened investigation or inquiry by any governmental authority in connection with any Applicable Environmental Laws. Grantor shall obtain any permits, licenses or similar authorizations to construct, occupy, operate or use any buildings, improvements, fixtures and equipment forming a part of the Property by reason of any Applicable Environmental Laws. Grantor shall take all steps reasonably necessary to determine that no hazardous substances or solid wastes are being disposed of or otherwise released on or to the Property. Grantor will not cause or permit the disposal or other release of any hazardous substance or solid waste (except those substances or wastes used by Grantor or tenants of the Property in the ordinary course of their respective businesses and in compliance with all Applicable Environmental Laws ("Permitted Substances")) on or to the Property and covenants and agrees to keep or cause the Property to be kept free of any hazardous substance or solid waste and to remove the same (or if removal is prohibited by law, to take whatever action is required by law) promptly upon discovery at its sole expense. Without limitation of the Noteholder's rights to declare a default hereunder and to exercise all remedies available by reason thereof, in the event Grantor fails to comply with or perform any of the foregoing covenants and obligations, the Noteholder may (without any obligation, express or implied) remove any hazardous substance or solid waste from the Property (or if removal is prohibited by law, take whatever action is required by law) and the cost of the removal or such other action shall be a demand obligation owing by Grantor to the Noteholder pursuant to this Deed of Trust and shall be subject to and covered by the

provisions of Paragraph 2.3 hereof. Grantor grants to the Noteholder and its agents, employees, contractors and consultants access to the Property and the license (which is coupled with an interest and irrevocable while this Deed of Trust is in effect) to remove the hazardous substance or solid waste (or if removal is prohibited by law, to take whatever action is required by law). Upon the Noteholder's reasonable request, at any time and from time to time during the existence of this Deed of Trust, Grantor will provide at Grantor's sole expense an inspection or audit of the Property from an engineering or consulting firm approved by the Noteholder indicating the presence or absence of hazardous substances and solid wastes on the Property. If Grantor fails to provide same after 45 days' notice, the Noteholder may order same, and Grantor grants to the Noteholder and its agents, employees, contractors and consultants access to the Property and a license (which is coupled with an interest and irrevocable while this Deed of Trust is in effect) to perform inspections and tests. The cost of such inspections and tests shall be a demand obligation owing by Grantor to the Noteholder pursuant to this Deed of Trust and shall be subject to and covered by the provisions of Paragraph 2.3 hereof.

(y) Asbestos. Grantor covenants and agrees that it will not
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install in the Property, nor permit to be installed in the Property, asbestos, material containing asbestos which is or may become friable or material containing asbestos deemed hazardous by Applicable Environmental Law, and that, if any such asbestos or material containing asbestos exists in or on the Property, whether installed by Grantor or others, Grantor will remove the same (or if removal is prohibited by law, will take whatever action is required by law, including without limitation implementing any required operation and maintenance program) promptly upon discovery at its sole expense. Without limitation of the Noteholder's rights to declare a default hereunder and to exercise all remedies available by reason thereof, in the event Grantor fails to comply with or perform any of the foregoing covenants and obligations, the Noteholder may (without any obligation, express or implied) remove such asbestos or material containing

asbestos (or if removal is prohibited by law, take whatever action is required by law including without limitation implementing any required operation and maintenance program) and the cost of removal or such other action shall be a demand obligation owing by Grantor to the Noteholder pursuant to this Deed of Trust and shall be subject to and covered by the provisions of Paragraph 2.3 hereof. Grantor grants to the Noteholder and its agents, employees, contractors and consultants access to the Property and a license (which is coupled with an interest and irrevocable while this Deed of Trust is in effect) to remove such asbestos or materials containing asbestos (or if removal is prohibited by law, take whatever action is required by law including without limitation implementing any required operation and maintenance program). Upon the Noteholder's reasonable request, at any time and from time to time during the existence of this Deed of Trust, Grantor shall provide at Grantor's sole expense an inspection or audit of the Property from an engineering or consulting firm approved by the Noteholder, indicating the presence or absence of asbestos or material containing asbestos on the Property. If Grantor fails to provide same after 45 days' notice, the Noteholder may order same, and Grantor grants to the Noteholder and its

agents, employees, contractors and consultants access to the Property and a license (which is coupled with an interest and irrevocable while this Deed of Trust is in effect) to perform inspections and tests. The cost of such inspections and tests shall be a demand obligation owing by Grantor to the Noteholder pursuant to this Deed of Trust and shall be subject to and covered by the provisions of Paragraph 2.3 hereof.

(z) Equity Loan. Grantor will punctually perform and discharge each and every obligation and undertaking of Grantor under the documents and instruments evidencing and securing the loan (the "Equity Loan") made by Equity Lender (as such term is defined in the Intercreditor Agreement of even date herewith), to Grantor, all of such documents and instruments being herein called the "Equity Loan Documents".

(aa) Grantor (if a partnership or a limited partnership, which is or becomes subject to the provisions of the Texas Revised Partnership Act) agrees with the Noteholder that the Noteholder is not required to comply with Art. 6132b-3.05(d) of the Texas Revised Partnership Act with respect to enforcement of the liability of Grantor hereunder or under the other Loan Documents against any general partner of Grantor.

2.3. Right of the Noteholder to Perform. Upon the occurrence of a default hereunder (taking into consideration any applicable notice and cure periods), Grantor agrees that, if Grantor fails to perform any act or to take any action which hereunder Grantor is required to perform or take, or to pay any money which hereunder Grantor is required to pay, or takes any action prohibited hereby, the Noteholder, in Grantor's name or in its own name, may but shall not be obligated to perform or cause to be performed such act or take such action or pay such money or remedy any action so taken, and any expenses so incurred by the Noteholder, and any money paid by the Noteholder in connection therewith, shall be a demand obligation owing by Grantor to the Noteholder and the Noteholder, upon making such payment, shall be subrogated to all of the rights of the person, corporation or body politic receiving such payment. Any amounts due and owing by Grantor to the Noteholder pursuant to this Deed of Trust shall bear interest from the date such amount becomes due until paid at the rate of interest payable on matured but unpaid principal of or interest on the Note and shall be a part of the secured indebtedness and shall be secured by this Deed of Trust and by any other instrument securing the secured indebtedness.

2.4. Indemnification Regarding Environmental Matters. Grantor agrees

to indemnify and hold the Noteholder and the Trustee (for purposes of this paragraph, the terms "the Noteholder" and "the Trustee" shall include the directors, officers, partners, employees and agents of the Noteholder and the Trustee, respectively, and any persons or entities owned or controlled by, owning or controlling, or under common control or affiliated with the Noteholder and the Trustee respectively) harmless from and against, and to reimburse the Noteholder and the Trustee with respect to, any and all claims, demands, losses, damages (including consequential damages), liabilities, causes of action, judgments, penalties, costs and expenses (including reasonable attorneys' fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, imposed on, asserted against or incurred by the Noteholder and/or the Trustee at any

time and from time to time by reason of, in connection with or arising out of (a) the breach of any representation or warranty of Grantor as set forth herein regarding asbestos, material containing asbestos or Applicable Environmental Laws, (b) the failure of Grantor to perform any obligation herein required to be performed by Grantor regarding asbestos, material containing asbestos or Applicable Environmental Laws, (c) any violation on or before the Release Date (as hereinafter defined) of any Applicable Environmental Law in effect on or before the Release Date, (d) the removal of hazardous substances or solid wastes from the Property (or if removal is prohibited by law, the taking of whatever action is required by law), (e) the removal of asbestos or material containing asbestos from the Property (or if removal is prohibited by law, the taking of whatever action is required by law including without limitation the implementation of any required operation and maintenance program), (f) any act, omission, event or circumstance existing or occurring on or prior to the Release Date (including without limitation the presence on the Property or release from the Property of hazardous substances or solid wastes disposed of or otherwise released on or prior to the Release Date other than Permitted Substances), resulting from or in connection with the ownership, construction, occupancy, operation, use and/or maintenance of the Property, regardless of whether the act, omission, event or circumstance constituted a violation of any Applicable Environmental Law at the time of its existence or occurrence, and (g) any and all claims or proceedings (whether brought by private party or governmental agency) for bodily injury, property damage, abatement or remediation, environmental damage or impairment or any other injury or damage resulting from or relating to any hazardous substance or solid waste located upon or migrating into, from or through the Property (whether or not any or all of the foregoing was caused by Grantor or its tenant or subtenant, or a prior owner of the Property or its tenant or subtenant, or any third party and whether or not the alleged liability is attributable to the handling, storage, generation, transportation or disposal of such substance or waste or the mere presence of such substance or waste on the Property). WITHOUT LIMITATION, THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO CLAIMS, DEMANDS, LOSSES, DAMAGES (INCLUDING CONSEQUENTIAL DAMAGES), LIABILITIES, CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES AND COURT COSTS) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY OR ANY STRICT LIABILITY. HOWEVER, SUCH INDEMNITIES SHALL NOT APPLY TO ANY INDEMNIFIED PARTY TO THE EXTENT THE SUBJECT OF THE INDEMNIFICATION IS CAUSED BY OR ARISES OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY. The "Release Date" as used herein shall mean the earlier of the following two dates: (i) the date on which the indebtedness and obligations secured hereby have been paid and performed in full and this Deed of Trust has been released, or (ii) the date on which the lien of this Deed of Trust is foreclosed or a conveyance by deed in lieu of such foreclosure is fully effective; provided, if such payment, performance, release, foreclosure or conveyance is challenged, in bankruptcy proceedings or otherwise, the Release Date shall be deemed not to have occurred until such challenge is rejected, dismissed or withdrawn with prejudice. The foregoing indemnities shall not terminate upon the Release Date or upon the release, foreclosure or other termination of this Deed of Trust but will survive the Release Date,

foreclosure of this Deed of Trust or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Deed of Trust and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid under this Paragraph by Grantor to the Noteholder and/or the Trustee shall be a demand obligation owing by Grantor to the Noteholder and/or the Trustee and shall be subject to and covered by the provisions of Paragraph 2.3 hereof. Nothing in this paragraph, elsewhere in this Deed of Trust or in any other document evidencing, securing or relating to the indebtedness secured hereby shall limit or impair any rights or remedies of the Noteholder and/or the Trustee against Grantor or any third party under Applicable Environmental Laws, including without limitation any rights of contribution or indemnification available thereunder.

ARTICLE III.

Assignment of Rents

3.1. Assignment. In order to provide a source of future payment of the indebtedness secured hereby, Grantor does hereby absolutely and unconditionally assign, transfer and set over to the Noteholder all of the rents, income, receipts, revenues, issues, profits and other sums of money (hereinafter collectively called the "Rent") that are now and/or at any time hereafter become due and payable to Grantor under the terms of any leases (hereinafter called the "Leases") now or hereafter covering the Property, or any part thereof, or arising or issuing from or out of the Leases or from or out of the Property or any part thereof, including but not limited to minimum rents, additional rents, percentage rents, deficiency rents and liquidated damages following default, security deposits (whether cash, one or more letters of credit, bonds or other form of security), advance rents, all proceeds payable under any policy of insurance covering loss of rents resulting from untenantability caused by destruction or damage to the Property, and all of Grantor's rights to recover monetary amounts from any lessee in bankruptcy including, without limitation, rights of recovery for use and occupancy and damage claims arising out of lease defaults, including rejections, under any applicable Bankruptcy Law (as hereinafter defined), including specifically the immediate and continuing right to collect and receive each and all of the foregoing and any and all guaranties of payment of the Rent. Until receipt from the Noteholder of notice of the occurrence of a default as defined in Paragraph 4.1 hereof (taking into consideration any applicable notice and cure periods) (hereinafter called a "Notice of Default"), each lessee under the Leases may pay Rent directly to Grantor and Grantor shall have the right to receive such Rent provided that Grantor shall hold such Rent as a trust fund to be applied as required by the Noteholder and Grantor hereby covenants so to apply the Rent, before using any part of the same for any other purposes, first, to the payment of taxes and assessments upon the Property before penalty or interest is due thereon; second, to the cost of insurance, maintenance and repairs required by the terms of this Deed of Trust; third, to the satisfaction of all obligations specifically set forth in the Leases; and, fourth, to the payment of interest and principal becoming due on the Note and this Deed of Trust. Upon receipt from the Noteholder of a Notice of Default, each lessee under the Leases is hereby authorized and directed to pay directly to the Noteholder all Rent thereafter accruing and the receipt of Rent by the Noteholder

shall be a release of such lessee to the extent of all amounts so paid. The receipt by a lessee under the Leases of a Notice of Default shall be sufficient authorization for such lessee to make all future payments of Rent directly to the Noteholder and each such lessee shall be entitled to rely on such Notice of Default and shall have no liability to Grantor for any Rent paid to the Noteholder after receipt of such Notice of Default. Rent so received by the Noteholder for any period prior to foreclosure under this Deed of Trust or

acceptance of a deed in lieu of such foreclosure shall be applied by the Noteholder to the payment (in such order as the Noteholder shall determine) of: (a) all expenses of managing the Property, including but not limited to the salaries, fees and wages of a managing agent and such other employees as the Noteholder may deem necessary or desirable; all expenses of operating and maintaining the Property, including but not limited to all taxes, assessments, charges, claims, utility costs and premiums for insurance, and the cost of all alterations, renovations, repairs or replacements; and all expenses incident to taking and retaining possession of the Property and/or collecting the Rent due and payable under the Leases; and (b) the Note and other indebtedness secured by this Deed of Trust, principal, interest, attorneys' and collection fees and other amounts, in such order as the Noteholder in its sole discretion may determine. In no event will the assignment pursuant to this Paragraph reduce the indebtedness evidenced by the Note or otherwise secured by this Deed of Trust, except to the extent, if any, that Rent is actually received by the Noteholder and applied upon or after said receipt to such indebtedness in accordance with the preceding sentence. Without impairing its rights hereunder, the Noteholder may, at its option, at any time and from time to time, release to Grantor Rent so received by the Noteholder or any part thereof. As between Grantor and the Noteholder, and any person claiming through or under Grantor, other than any lessee under the Leases who has not received a Notice of Default pursuant to this Paragraph, the assignment contained in this Paragraph is intended to be absolute, unconditional and presently effective and the provisions of this Paragraph for notification of lessees under the Leases upon the occurrence of a default as defined in Paragraph 4.1 hereof are intended solely for the benefit of each such lessee and shall never inure to the benefit of Grantor or any person claiming through or under Grantor, other than a lessee who has not received such notice. It shall never be necessary for the Noteholder to institute legal proceedings of any kind whatsoever to enforce the provisions of this Paragraph. At any time during which Grantor is receiving Rent directly from lessees under the Leases, Grantor shall, upon receipt of written direction from the Noteholder, make demand and/or sue for all Rent due and payable under one or more Leases, as directed by the Noteholder, as it becomes due and payable, including Rent which is past due and unpaid. In the event Grantor fails to take such action, or at any time during which Grantor is not receiving Rent directly from lessees under the Leases, the Noteholder shall have the right (but shall be under no duty) to demand, collect and sue for, in its own name or in the name of Grantor, all Rent due and payable under the Leases, as it becomes due and payable, including Rent which is past due and unpaid. The Noteholder shall not be deemed to have taken possession of the Property except on the exercise of its option to do so, evidenced by its demand and overt act for such purpose. Grantor shall make no assignment or other disposition of the Rent, nor shall Grantor cancel or amend any Lease or any other instrument under which Rent is to be paid or waive, excuse, condone, discount, set off, compromise or in any manner release any obligation thereunder, nor shall Grantor receive or collect any Rent for a period of more than one month in advance of the date on which payment thereof is due and Grantor shall duly and

punctually observe and perform every obligation to be performed by it under each Lease, and shall not do or permit to be done anything to impair the security thereof and shall enforce, to the extent such enforcement would be reasonably prudent under the circumstances, every obligation of each other party thereto. The assignment contained in this Paragraph 3.1 shall terminate upon the release of this Deed of Trust but no lessee under the Leases shall be required to take notice of such termination until a copy of a release of this Deed of Trust shall have been delivered to such lessee.

3.2. Controlling Provision. Contemporaneously with the execution of this Deed of Trust, Grantor is executing an Assignment of Leases and Rents in favor of the Noteholder. To the extent any provision of Paragraph 3.1 above is construed to contradict, conflict with or be inconsistent with any term, condition or provision contained in the Assignment of Leases and Rents, the applicable terms, conditions and provisions of the Assignment of Leases and Rents shall supersede such contradicting, conflicting or inconsistent provisions

of Paragraph 3.1 and shall control.

ARTICLE IV.

Remedies in Event of Default

4.1. Defaults. The term "default" as used in this Deed of Trust shall mean the occurrence of any of the following events:

(a) the failure of Grantor to make due and punctual payment of the Note or of any other secured indebtedness or of any installment of principal thereof or interest thereon, or of any other amount required to be paid under the Note, this Deed of Trust or any other instrument securing the payment of the Note, as the same shall become due and payable, whether at maturity or when accelerated pursuant to any power to accelerate contained in the Note or contained herein;

(b) the failure of Grantor timely and properly to observe, keep or perform any covenant, agreement, warranty or condition herein or in any other Loan Document required to be observed, kept or performed, other than those referred to in subparagraph 4.1(a) or in any other subparagraph of this Paragraph 4.1 except this subparagraph (b), if such failure continues for 35 days after receipt by Grantor of written notice and demand for the performance of such covenant, agreement, warranty or condition, provided that if Grantor shall within such 35 day period commence action to cure such failure but is unable, by reason of the nature of the performance required, to cure same within such period, and if Grantor continues such action thereafter diligently and without unnecessary delays, Grantor shall not be in default hereunder until the expiration of a period of time as may be reasonably necessary to cure such failure;

(c) any representation contained herein or in any other Loan Document or otherwise made by Grantor or any other person or entity to the Noteholder in connection with the loan evidenced by the Note is false or misleading in any material respect when made; or

(d) a default or event of default occurs under any other instrument securing the payment of the secured indebtedness or any part thereof or under the Equity Loan Documents (after expiration of any applicable notice, grace or cure period); or

(e) Grantor becomes insolvent, or makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due; or

(f) Grantor is generally not paying its debts as such debts become due; or

(g) a receiver, trustee or custodian is appointed for, or takes possession of, all or substantially all of the assets of Grantor or any of the Property, either in a proceeding brought by Grantor or in a proceeding brought against Grantor and such appointment is not discharged or such possession is not terminated within sixty (60) days after the effective date thereof or Grantor consents to or acquiesces in such appointment or possession; or

(h) Grantor files a petition for relief under the Federal Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar law (all of the foregoing hereinafter collectively called "applicable Bankruptcy Law") or an involuntary petition for relief is filed against Grantor under any

applicable Bankruptcy Law and such petition is not dismissed within sixty (60) days after the filing thereof, or an order for relief naming Grantor is entered under any applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by Grantor; or

(i) the Property or any part thereof is taken on execution or other process of law in any action against Grantor; or

(j) Grantor fails to have discharged within a period of thirty (30) days any attachment, sequestration or similar writ levied upon any property of Grantor; or

(k) Grantor fails to pay within thirty (30) days any final money judgment against Grantor; or

(l) any of the events referred to in subheadings (e), (f), (g), (h), (j) or (k) shall occur with respect to any joint venturer or general partner of Grantor or any guarantor of the payment of the secured indebtedness or any part thereof and shall not be remedied within the time set forth in said subheadings; or

(m) Grantor abandons all or a portion of the Property; or

(n) the holder of any lien or security interest on the Property (without hereby implying the consent of the Noteholder to the existence or creation of any such lien or security interest) declares a default beyond applicable notice and cure periods thereunder or institutes foreclosure or other proceedings for the enforcement of its remedies thereunder; or

(o) except for the Equity Loan, without the prior written consent of the Noteholder (which consent may be withheld for any reason or for no reason), Grantor sells, leases (except as expressly provided in the Assignment of Leases and Rents), exchanges, assigns, transfers, conveys or otherwise disposes of all or any part of the Property or any interest therein (except for the disposition of worn-out or obsolete personal property or fixtures under the circumstances described in subparagraph 2.2(g) hereof), or legal or equitable title to the Property, or any part thereof or any interest therein, is vested in any other party, in any manner whatsoever, by operation of law or otherwise, whether any of the foregoing is voluntary or involuntary, it being understood that the consent of the Noteholder required hereunder may be refused by the Noteholder in its sole and absolute discretion or may be predicated upon any terms, conditions and covenants deemed advisable or necessary in the sole and absolute discretion of the Noteholder, including but not limited to the right to change the interest rate, date of maturity or payments of principal and/or interest on the Note, to require payment of any amount as additional consideration as a transfer fee or otherwise and to require assumption of the obligations under the Loan Documents; or

(p) except for the Equity Loan, without the prior written consent of the Noteholder (which consent may be withheld for any reason or for no reason), Grantor creates, places or permits to be created or placed, or through any act or failure to act, acquiesces in the placing of, or allows to remain, any deed of trust, mortgage, voluntary or involuntary lien, whether statutory, constitutional or contractual (except for the lien for ad valorem taxes on the Property which are not delinquent), security interest, encumbrance or charge, or conditional sale or other title retention document, against or covering the Property, or any part thereof, other than encumbrances permitted by the Noteholder, regardless of whether the same are expressly or otherwise subordinate to the lien or security interest

created herein or in any other Loan Document, or acquires any fixtures, equipment or other property forming a part of the Property pursuant to a lease, license or similar agreement, it being understood that the consent of the Noteholder required hereunder may be refused by the Noteholder in its sole and absolute discretion or for any reason or may be predicated upon any terms, conditions and covenants deemed advisable or necessary in the sole and absolute discretion of the Noteholder including but not limited to the right to change the interest rate, date of maturity or payments of principal and/or interest on the Note, to require payment of any amount as a fee or other consideration and to require a payment on the principal of the Note; or

(q) the Property is so demolished, destroyed or damaged that, in the judgment of the Noteholder, it cannot be restored or rebuilt with available funds to a profitable condition within a reasonable period of time; or

(r) so much of the Property is taken in condemnation, or sold in lieu of condemnation, or the Property is so diminished in value due to any injury or damages to the Property, that the remainder thereof cannot, in the judgment of the Noteholder, continue to be operated profitably for the purpose for which it was being used immediately prior to such taking, sale or diminution; or

(s) Grantor dissolves, liquidates, merges or consolidates or any interest in Grantor is sold, assigned, transferred, mortgaged, pledged, encumbered, or otherwise disposed of, voluntarily or involuntarily, without the prior written consent of the Noteholder or, if an individual, Grantor dies or becomes legally incapacitated; or

(t) any failure of any representation or warranty made under any Certification of Non-Foreign Status furnished the Noteholder in connection with the Note to be true and correct in all material respects when made or any failure to perform or other breach of any covenant therein; or

(u) any failure of any representation or warranty made in any guaranty of the payment of the secured indebtedness or any part thereof to be true and correct in all respects or any failure to perform or other breach of any covenant in said guaranty.

4.2. Acceleration. Upon the occurrence of a default, the Noteholder shall have the option of declaring all secured indebtedness in its entirety to be immediately due and payable, and the liens and security interests evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law as the Noteholder may elect.

4.3. Possession. Upon the occurrence of a default, or any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute a default hereunder, the Noteholder is authorized prior or subsequent to the institution of any foreclosure proceedings to enter upon the Property, or any part thereof, and to take possession of the Property and of all books, records and accounts relating thereto and to exercise without interference from Grantor any and all rights which Grantor has with respect to the management, possession, operation, protection or preservation of the Property, including the right to rent the same for the account of Grantor and to deduct from such rents all costs, expenses and liabilities of every character incurred by the Noteholder in collecting such rents and in managing, operating, maintaining, protecting or preserving the Property and to apply the remainder of such rents on the indebtedness secured hereby in such manner as the Noteholder may elect. All such costs, expenses and liabilities incurred by the Noteholder in collecting such rents and in managing, operating, maintaining, protecting or

preserving the Property, if not paid out of rents as hereinabove provided, shall constitute a demand obligation owing by Grantor and shall bear interest from the date of expenditure until paid at the rate of interest payable on matured but

unpaid principal of or interest on the Note, all of which shall constitute a portion of the secured indebtedness. If necessary to obtain the possession provided for above, the Noteholder may invoke any and all legal remedies to dispossess Grantor, including specifically one or more actions for forcible entry and detainer, trespass to try title and restitution. IN CONNECTION WITH ANY ACTION TAKEN BY THE NOTEHOLDER PURSUANT TO THIS PARAGRAPH 4.3, THE NOTEHOLDER SHALL NOT BE LIABLE FOR ANY LOSS SUSTAINED BY GRANTOR RESULTING FROM ANY FAILURE TO LET THE PROPERTY, OR ANY PART THEREOF, OR FROM ANY OTHER ACT OR OMISSION OF THE NOTEHOLDER IN MANAGING THE PROPERTY (REGARDLESS OF WHETHER SUCH LOSS IS CAUSED BY THE NEGLIGENCE OF THE NOTEHOLDER) UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT AND BAD FAITH OF THE NOTEHOLDER, NOR SHALL THE NOTEHOLDER BE OBLIGATED TO PERFORM OR DISCHARGE ANY OBLIGATION, DUTY OR LIABILITY UNDER ANY LEASE AGREEMENT COVERING THE PROPERTY OR ANY PART THEREOF OR UNDER OR BY REASON OF THIS INSTRUMENT OR THE EXERCISE OF RIGHTS OR REMEDIES HEREUNDER. GRANTOR SHALL AND DOES HEREBY AGREE TO INDEMNIFY THE NOTEHOLDER FOR, AND TO HOLD THE NOTEHOLDER HARMLESS FROM, ANY AND ALL LIABILITY, LOSS OR DAMAGE WHICH MAY OR MIGHT BE INCURRED BY THE NOTEHOLDER UNDER ANY SUCH LEASE AGREEMENT OR UNDER OR BY REASON OF THIS DEED OF TRUST OR THE EXERCISE OF RIGHTS OR REMEDIES HEREUNDER AND FROM ANY AND ALL CLAIMS AND DEMANDS WHATSOEVER WHICH MAY BE ASSERTED AGAINST THE NOTEHOLDER BY REASON OF ANY ALLEGED OBLIGATIONS OR UNDERTAKINGS ON ITS PART TO PERFORM OR DISCHARGE ANY OF THE TERMS, COVENANTS OR AGREEMENTS CONTAINED IN ANY SUCH LEASE AGREEMENT, REGARDLESS OF WHETHER SUCH LIABILITY, LOSS, DAMAGE, CLAIMS OR DEMANDS ARE THE RESULT OF THE NEGLIGENCE OF THE NOTEHOLDER OR ANY STRICT LIABILITY. Should the Noteholder incur any such liability, the amount thereof, including costs, expenses and reasonable attorney's fees, shall be secured hereby and Grantor shall reimburse the Noteholder therefor immediately upon demand. Nothing in this Paragraph 4.3 shall impose any duty, obligation or responsibility upon the Noteholder for the control, care, management or repair of the Property, nor for the carrying out of any of the terms and conditions of any such lease agreement; nor shall it operate to make the Noteholder responsible or liable for any waste committed on the Property by the tenants or by any other parties or for any dangerous or defective condition of the Property, OR FOR ANY NEGLIGENCE IN THE MANAGEMENT, UPKEEP, REPAIR OR CONTROL OF THE PROPERTY RESULTING IN LOSS OR INJURY OR DEATH TO ANY TENANT, LICENSEE, EMPLOYEE OR STRANGER OR ANY STRICT LIABILITY. Grantor hereby assents to, ratifies and confirms any and all actions of the Noteholder with respect to the Property taken under this Paragraph 4.3. For purposes of this paragraph, the term "Noteholder" shall include the directors, officers, employees, attorneys and agents of the Noteholder and any persons or entities owned or controlled by, owning or controlling, or under common control or affiliated with the Noteholder.

4.4. Foreclosure. Upon the occurrence of a default, the Trustee, his successor or substitute, is authorized and empowered and it shall be his special duty at the request of the Noteholder to sell the Mortgaged Property or any part thereof situated in the State of Texas at the courthouse of any county in the State of Texas in which any part of the Mortgaged Property is situated, at public vendue to the highest bidder for cash between the hours of 10 o'clock a.m. and 4 o'clock p.m. on the first Tuesday in any month after having given notice of such sale in accordance with the statutes of the State of Texas then in force governing sales of real estate under powers conferred by deed of trust. Any sale made by the Trustee hereunder may be as an entirety or in such parcels as the Noteholder may request, and any sale may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law. The sale by the Trustee of less than the whole of the Mortgaged Property shall not exhaust the power of sale herein granted, and the Trustee is specifically empowered to make successive sale or sales under such

power until the whole of the Mortgaged Property shall be sold; and, if the proceeds of such sale of less than the whole of the Mortgaged Property shall be less than the aggregate of the indebtedness secured hereby and the expense of executing this trust as provided herein, this Deed of Trust and the lien hereof shall remain in full force and effect as to the unsold portion of the Mortgaged Property just as though no sale had been made; provided, however, that Grantor shall never have any right to require the sale of less than the whole of the Mortgaged Property but the Noteholder shall have the right, at its sole election, to request the Trustee to sell less than the whole of the Mortgaged Property. After each sale, the Trustee shall make to the purchaser or purchasers at such sale good and sufficient conveyances in the name of Grantor, conveying the property so sold to the purchaser or purchasers in fee simple with general warranty of title, and shall receive the proceeds of said sale or sales and apply the same as herein provided. Payment of the purchase price to the Trustee shall satisfy the obligation of purchaser at such sale therefor, and such purchaser shall not be responsible for the application thereof. The power of sale granted herein shall not be exhausted by any sale held hereunder by the Trustee or his substitute or successor, and such power of sale may be exercised from time to time and as many times as the Noteholder may deem necessary until all of the Mortgaged Property has been duly sold and all secured indebtedness has been fully paid. In the event any sale hereunder is not completed or is defective in the opinion of the Noteholder, such sale shall not exhaust the power of sale hereunder and the Noteholder shall have the right to cause a subsequent sale or sales to be made hereunder. Any and all statements of fact or other recitals made in any deed or deeds given by the Trustee or any successor or substitute appointed hereunder as to nonpayment of the indebtedness secured hereby, or as to the occurrence of any default, or as to the Noteholder having declared all of such indebtedness to be due and payable, or as to the request to sell, or as to notice of time, place and terms of sale and of the properties to be sold having been duly given, or as to the refusal, failure or inability to act of the Trustee or any substitute or successor, or as to the appointment of any substitute or successor trustee, or as to any other act or thing having been duly done by the Noteholder or by such Trustee, substitute or successor, shall be taken as prima facie evidence of the truth of the facts so stated and recited. The Trustee, his successor or substitute, may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by the Trustee, including the posting of notices and the conduct of sale, but in the name and on behalf of the Trustee, his successor or substitute.

4.5. Judicial Foreclosure. This instrument shall be effective as a mortgage as well as a deed of trust and upon the occurrence of a default may be foreclosed as to any of the Property in any manner permitted by the laws of the State of Texas or of any other state in which any part of the Property is situated, and any foreclosure suit may be brought by the Trustee or by the Noteholder. In the event a foreclosure hereunder shall be commenced by the Trustee, or his substitute or successor, the Noteholder may at any time before the sale of the Property direct the said Trustee to abandon the sale, and may then institute suit for the collection of the Note and the other secured indebtedness, and for the foreclosure of this Deed of Trust. It is agreed that if the Noteholder should institute a suit for the collection of the Note or any other secured indebtedness and for the foreclosure of this Deed of Trust, the Noteholder may at any time before the entry of a final judgment in said suit dismiss the same, and require the Trustee, his substitute or successor to sell the property in accordance with the provisions of this Deed of Trust.

4.6. Receiver. In addition to all other remedies herein provided for, Grantor agrees that upon the occurrence of a default, or any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute a default hereunder, the Noteholder shall as a matter of right be entitled to the appointment of a receiver or receivers for all or any part of the Property, whether such receivership be incident to a proposed sale of such property or otherwise, and without regard to the value of the Property or the

solvency of any person or persons liable for the payment of the indebtedness secured hereby, and Grantor does hereby consent to the appointment of such receiver or receivers, waives any and all defenses to such appointment and agrees not to oppose any application therefor by the Noteholder, but nothing herein is to be construed to deprive the Noteholder of any other right, remedy or privilege it may now have under the law to have a receiver appointed; provided, however, that the appointment of such receiver, trustee or other appointee by virtue of any court order, statute or regulation shall not impair or in any manner prejudice the rights of the Noteholder to receive payment of the rents and income pursuant to Paragraph 3.1 hereof. Any money advanced by the Noteholder in connection with any such receivership shall be a demand obligation owing by Grantor to the Noteholder and shall bear interest from the date of making such advancement by the Noteholder until paid at the rate of interest payable on matured but unpaid principal of or interest on the Note and shall be a part of the secured indebtedness and shall be secured by this Deed of Trust and by any other instrument securing the secured indebtedness.

4.7. Proceeds of Sale. The proceeds of any sale held by the Trustee or any receiver or public officer in foreclosure of the liens evidenced hereby shall be applied:

FIRST, to the payment of all necessary costs and expenses incident to such foreclosure sale, including but not limited to all court costs and charges of every character in the event foreclosed by suit, and a reasonable fee to the Trustee acting under the provisions of Paragraph 4.4 if foreclosed by power of sale as provided in said paragraph, not exceeding five percent (5%) of the proceeds of such sale;

SECOND, to the payment in full of the secured indebtedness (including specifically without limitation the principal, interest and attorney's fees due and unpaid

on the Note and the amounts due and unpaid and owed to the Noteholder under this Deed of Trust) in such order as the Noteholder may elect; and

THIRD, the remainder, if any there shall be, shall be paid to Grantor or to such other party or parties as may be entitled thereto by law.

4.8. The Noteholder as Purchaser. The Noteholder shall have the right to become the purchaser at any sale held by any Trustee or substitute or successor or by any receiver or public officer, and any Noteholder purchasing at any such sale shall have the right to credit upon the amount of the bid made therefor, to the extent necessary to satisfy such bid, the secured indebtedness owing to such Noteholder, or if such Noteholder holds less than all of such indebtedness the pro rata part thereof owing to such Noteholder, accounting to all other Noteholders not joining in such bid in cash for the portion of such bid or bids apportionable to such nonbidding Noteholder or Noteholders.

4.9. Uniform Commercial Code. Upon the occurrence of a default, the Noteholder may exercise its rights of enforcement with respect to the Collateral under the Texas Business and Commerce Code, as amended, and in conjunction with, in addition to or in substitution for those rights and remedies:

(a) the Noteholder may enter upon the Property to take possession of, assemble and collect the Collateral or to render it unusable; and

(b) the Noteholder may require Grantor to assemble the Collateral and make it available at a place the Noteholder designates

which is mutually convenient to allow the Noteholder to take possession or dispose of the Collateral; and

(c) written notice mailed to Grantor as provided herein 10 days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; and

(d) any sale made pursuant to the provisions of this paragraph shall be deemed to have been a public sale conducted in a commercially reasonable manner if held contemporaneously with the sale of the Mortgaged Property under power of sale as provided herein upon giving the same notice with respect to the sale of the Collateral hereunder as is required for such sale of the Mortgaged Property under power of sale; and

(e) in the event of a foreclosure sale, whether made by the Trustee under the terms hereof, or under judgment of a court, the Collateral and the Mortgaged Property may, at the option of the Noteholder, be sold as a whole; and

(f) it shall not be necessary that the Noteholder take possession of the Collateral or any part thereof prior to the time that any sale pursuant to the provisions of

this paragraph is conducted and it shall not be necessary that the Collateral or any part thereof be present at the location of such sale; and

(g) prior to application of proceeds of disposition of the Collateral to the secured indebtedness, such proceeds shall be applied to the reasonable expenses of retaking, holding, preparing for sale or lease, selling, leasing and the like and the reasonable attorney's fees and legal expenses incurred by the Noteholder; and

(h) any and all statements of fact or other recitals made in any bill of sale or assignment or other instrument evidencing any foreclosure sale hereunder as to nonpayment of the indebtedness or as to the occurrence of any default, or as to the Noteholder having declared all of such indebtedness to be due and payable, or as to notice of time, place and terms of sale and of the properties to be sold having been duly given, or as to any other act or thing having been duly done by the Noteholder, shall be taken as prima facie evidence of the truth of the facts so stated and recited; and

(i) the Noteholder may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by the Noteholder, including the sending of notices and the conduct of the sale, but in the name and on behalf of the Noteholder.

4.10. Partial Foreclosure. In the event of a default in the payment of any part of the secured indebtedness, the Noteholder shall have the right to proceed with foreclosure of the liens and security interests evidenced hereby without declaring the entire secured indebtedness due, and in such event any such foreclosure sale may be made subject to the unmatured part of the secured indebtedness; and any such sale shall not in any manner affect the unmatured part of the secured indebtedness, but as to such unmatured part this Deed of Trust shall remain in full force and effect just as though no sale had been made. The proceeds of any such sale shall be applied as provided in Paragraph 4.7 except that the amount paid under subparagraph SECOND thereof shall be only the matured portion of the secured indebtedness and any proceeds of such sale in excess of those provided for in subparagraphs FIRST and SECOND (modified as provided above) shall be applied to installments of principal of and interest on

the Note in the inverse order of maturity. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the secured indebtedness.

4.11. Remedies Cumulative. All remedies herein expressly provided for are cumulative of any and all other remedies existing at law or in equity and are cumulative of any and all other remedies provided for in any other instrument securing the payment of the secured indebtedness, or any part thereof, or otherwise benefiting the Noteholder, and the Trustee and the Noteholder shall, in addition to the remedies herein provided, be entitled to avail themselves of all such other remedies as may now or hereafter exist at law or in equity for the collection of the secured indebtedness and the enforcement of the covenants herein and the foreclosure of the liens and security interests evidenced hereby, and the resort to any remedy provided for hereunder or under

any such other instrument or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

4.12. Resort to Any Security. The Noteholder may resort to any security given by this Deed of Trust or to any other security now existing or hereafter given to secure the payment of the secured indebtedness, in whole or in part, and in such portions and in such order as may seem best to the Noteholder in its sole and uncontrolled discretion, and any such action shall not in anywise be considered as a waiver of any of the rights, benefits, liens or security interests evidenced by this Deed of Trust.

4.13. Waiver. To the full extent Grantor may do so, Grantor agrees that Grantor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force pertaining to the rights and remedies of sureties or redemption, and Grantor, for Grantor and Grantor's successors and assigns, and for any and all persons ever claiming any interest in the Property, to the extent permitted by law, hereby waives and releases all rights of redemption, valuation, appraisement, stay of execution, notice of intention to mature or declare due the whole of the secured indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of the assets of Grantor, including the Property, or to a sale in inverse order of alienation in the event of foreclosure of the liens and security interests hereby created. Grantor shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents or other matters whatever to defeat, reduce or affect the right of the Noteholder under the terms of this Deed of Trust to a sale of the Property for the collection of the secured indebtedness without any prior or different resort for collection, or the right of the Noteholder under the terms of this Deed of Trust to the payment of such indebtedness out of the proceeds of sale of the Property in preference to every other claimant whatever. If any law referred to in this paragraph and now in force, of which Grantor or Grantor's successors and assigns and such other persons claiming any interest in the Property might take advantage despite this Paragraph, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this Paragraph.

4.14. Delivery of Possession After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale Grantor or Grantor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Property by, through or under Grantor are occupying or using the Property, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale. Subject to the terms of any applicable non-disturbance and/or attornment agreement between the Noteholder and any tenant(s) of the Property, such tenancy shall be a tenancy from day-to-day, terminable at the will of either landlord or tenant, at a reasonable rental

per day based upon the value of the property occupied, such rental to be due daily to the purchaser. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain an action for forcible entry and detainer of said property in the Justice of the Peace Court in the Justice Precinct in which such property, or any part thereof, is situated.

4.15. Tender After Acceleration. If, following the occurrence of a default and the acceleration of the secured indebtedness but prior to the foreclosure of this Deed of Trust against the Property, Grantor shall tender to the Noteholder payment of an amount sufficient to pay the entire secured indebtedness, such tender shall be deemed to be a voluntary prepayment under the Note and, consequently, Grantor shall also pay to the Noteholder any charge or premium required under the Note to be paid in order to prepay principal and, if such principal payment is made during any period when prepayment is prohibited by this Deed of Trust or the Note, the applicable charge or premium shall be the maximum prepayment penalty provided for in the Note; provided, however, that in no event shall any amount payable under this paragraph, when added to the interest otherwise payable on the Note and the other secured indebtedness, exceed the maximum interest permitted under applicable law.

4.16. Collection Expenses. Upon the occurrence of a default, Grantor shall reimburse the Noteholder for all expenses incurred by the Noteholder as a result of such default, including, but not limited to, all travel costs, third-party appraisal fees, environmental report preparation and testing fees, architectural and engineering expenses, and legal fees and expenses.

ARTICLE V.

Miscellaneous

5.1. Defeasance. If all of the secured indebtedness be paid as the same becomes due and payable and if all of the covenants, warranties, undertakings and agreements made in this Deed of Trust are kept and performed, then and in that event only, all rights under this Deed of Trust shall terminate and the Property shall become wholly clear of the liens, security interests, conveyances and assignments evidenced hereby, which shall be released by the Noteholder in due form at Grantor's cost.

5.2. Successor Trustee. The Trustee may resign by an instrument in writing addressed to the Noteholder, or the Trustee may be removed at any time with or without cause by an instrument in writing executed by the Noteholder. In case of the death, resignation, removal or disqualification of the Trustee or if for any reason the Noteholder shall deem it desirable to appoint a substitute or successor trustee to act instead of the herein named trustee or any substitute or successor trustee, then the Noteholder shall have the right and is hereby authorized and empowered to appoint a successor trustee, or a substitute trustee, without other formality than appointment and designation in writing executed by the Noteholder and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness secured hereby has been paid in full or until the Property is sold hereunder. In the event the indebtedness secured hereby is owned by more than one person or entity, the holder or holders of not less than a majority in the amount of such indebtedness shall have the right and authority to make the appointment of a successor or substitute trustee provided for in the preceding sentence. Such appointment and designation by the Noteholder or by the holder or holders of not less than a majority of the indebtedness secured hereby shall be full evidence of

the right and authority to make the same and of all facts therein recited. If the Noteholder is a corporation and such appointment is executed in its behalf by an officer of such corporation, such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors or any superior officer of the corporation. Upon the making of any such appointment and designation, all of the estate and title of the Trustee in the Property shall vest in the named successor or substitute trustee and he shall thereupon succeed to and shall hold, possess and execute all the rights, powers, privileges, immunities and duties herein conferred upon the Trustee; but nevertheless, upon the written request of the Noteholder or of the successor or substitute Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor or substitute Trustee all of the estate and title in the Property of the Trustee so ceasing to act, together with all the rights, powers, privileges, immunities and duties herein conferred upon the Trustee, and shall duly assign, transfer and deliver any of the properties and moneys held by said Trustee hereunder to said successor or substitute Trustee. All references herein to the Trustee shall be deemed to refer to the Trustee (including any successor or substitute appointed and designated as herein provided) from time to time acting hereunder. Grantor hereby ratifies and confirms any and all acts which the herein named Trustee or his successor or successors, substitute or substitutes, in this trust, shall do lawfully by virtue hereof.

5.3. Liability and Indemnification of Trustee. THE TRUSTEE SHALL NOT BE LIABLE FOR ANY ERROR OF JUDGMENT OR ACT DONE BY THE TRUSTEE IN GOOD FAITH, OR BE OTHERWISE RESPONSIBLE OR ACCOUNTABLE UNDER ANY CIRCUMSTANCES WHATSOEVER (INCLUDING THE TRUSTEE'S NEGLIGENCE), EXCEPT FOR THE TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. The Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by him hereunder, believed by him in good faith to be genuine. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and the Trustee shall be under no liability for interest on any moneys received by him hereunder. GRANTOR WILL REIMBURSE THE TRUSTEE FOR, AND INDEMNIFY AND SAVE HIM HARMLESS AGAINST, ANY AND ALL LIABILITY AND EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES) WHICH MAY BE INCURRED BY HIM IN THE PERFORMANCE OF HIS DUTIES HEREUNDER (INCLUDING ANY LIABILITY AND EXPENSES RESULTING FROM THE TRUSTEE'S OWN NEGLIGENCE). The foregoing indemnity shall not terminate upon release, foreclosure or other termination of this Deed of Trust.

5.4. Waiver by the Noteholder. The Noteholder may at any time and from time to time (a) waive or not enforce compliance by Grantor with any covenant herein made by Grantor (b) consent to Grantor doing any act which hereunder Grantor is prohibited from doing, or consent to Grantor failing to do any act which hereunder Grantor is required to do, (c) release any part of the Property, or any interest therein, from the lien and security interest of this Deed of Trust without the joinder of the Trustee, or (d) release any party liable, either directly or indirectly, for

the secured indebtedness or for any covenant herein or in any other instrument now or hereafter securing the payment of the secured indebtedness, without impairing or releasing the liability of any other party. No such act shall in any way impair the rights of the Noteholder hereunder except to the extent specifically agreed to by the Noteholder in writing.

5.5. Actions by the Noteholder. The lien, security interest and other security rights of the Noteholder hereunder shall not be impaired by any indulgence, moratorium or release granted by the Noteholder, including but not limited to (a) any renewal, extension, increase or modification which the Noteholder may grant with respect to any secured indebtedness, (b) any

surrender, compromise, release, renewal, extension, exchange or substitution which the Noteholder may grant in respect of the Property, or any part thereof or any interest therein, or (c) any release or indulgence granted to any endorser, guarantor or surety of any secured indebtedness. The taking of additional security by the Noteholder shall not release or impair the lien, security interest or other security rights of the Noteholder hereunder or affect the liability of Grantor or of any endorser or guarantor or other surety or improve the right of any permitted junior lienholder in the Property.

5.6. Rights of the Noteholder. The Noteholder may waive any default without waiving any other prior or subsequent default. The Noteholder may remedy any default without waiving the default remedied. Neither the failure by the Noteholder to exercise, nor the delay by the Noteholder in exercising, any right, power or remedy upon any default shall be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise by the Noteholder of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Grantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Noteholder and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to nor demand on Grantor in any case shall of itself entitle Grantor to any other or further notice or demand in similar or other circumstances. Acceptance by the Noteholder of any payment in an amount less than the amount then due on any secured indebtedness shall be deemed an acceptance on account only and shall not in any way affect the existence of a default hereunder.

5.7. Notification of Account Debtors. The Noteholder may at any time after default by Grantor notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay the Noteholder directly.

5.8. Reproduction as Financing Statement. A carbon, photographic or other reproduction of this Deed of Trust or of any financing statement relating to this Deed of Trust shall be sufficient as a financing statement.

5.9. Fixture Filing. This Deed of Trust shall be effective as a financing statement filed as a fixture filing with respect to all fixtures included within the Property and is to be filed for record in the real estate records in the Office of the County Clerk where the Property (including said fixtures) is situated. This Deed of Trust shall also be effective as a financing statement covering minerals or the like (including oil and gas) and accounts subject to Subsection (e) of Section 9.103 of the Texas Business and Commerce Code, as amended, and is to be filed for record in the real estate records of the county where the Property is situated. The mailing address of Grantor is set forth below opposite the signature of Grantor to this Deed of Trust and the address of the Noteholder from which information concerning the security interest may be obtained is the address of the Noteholder set forth at the end of this Deed of Trust.

5.10. Filing and Recordation. Grantor will cause this Deed of Trust and all amendments and supplements thereto and substitutions therefor and all financing statements and continuation statements relating hereto to be recorded, filed, re-recorded and refiled in such manner and in such places as the Trustee or the Noteholder shall reasonably request, and will pay all such recording, filing, re-recording and refiling taxes, fees and other charges.

5.11. Dealing with Successor. In the event the ownership of the Property or any part thereof becomes vested in a person other than Grantor, the Noteholder may, without notice to Grantor, deal with such successor or successors in interest with reference to this Deed of Trust and to the indebtedness secured hereby in the same manner as with Grantor, without in any way vitiating or discharging Grantor's liability hereunder or for the payment of the indebtedness secured hereby. No sale of the Property, no forbearance on the part of the Noteholder and no extension of the time for the payment of the indebtedness secured hereby given by the Noteholder shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Grantor hereunder or for the payment of the indebtedness secured hereby or the liability of any other person hereunder or for the payment of the indebtedness secured hereby, except as agreed to in writing by the Noteholder.

5.12. Place of Payment. The Note and all other secured indebtedness which may be owing hereunder at any time by Grantor shall be payable at the place designated in the Note, or if no such designation is made, at the office of the Noteholder at the address indicated in this Deed of Trust, or at such other place in Dallas County, Texas as the Noteholder may designate in writing.

5.13. Subrogation. To the extent that proceeds of the Note are used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Property, such proceeds have been advanced by the Noteholder at Grantor's request and the Noteholder shall be subrogated to any and all rights, security interests and liens owned or held by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released; provided, however, that the terms and provisions of this Deed of Trust shall govern the rights and remedies of the Noteholder and shall supersede the terms, provisions, rights and remedies under

and pursuant to the instruments creating the lien or liens to which the Noteholder is subrogated hereunder.

5.14. Application of Indebtedness. If any part of the secured indebtedness cannot be lawfully secured by this Deed of Trust or if any part of the Property cannot be lawfully subject to the lien and security interest hereof to the full extent of such indebtedness or if the lien and security interest of the secured indebtedness of this Deed of Trust are invalid or unenforceable as to any part of the secured indebtedness or as to any part of the Property, then all payments made on the secured indebtedness, whether voluntary or under foreclosure or other enforcement action or procedure, shall be applied on said indebtedness first in discharge of that portion thereof which is unsecured in whole or in part by this Deed of Trust.

5.15. Usury. It is the intent of the Noteholder and Grantor in the execution of the Note, this Deed of Trust and all other instruments now or hereafter securing the Note or executed in connection therewith or under any other written or oral agreement by Grantor in favor of the Noteholder to contract in strict compliance with applicable usury law. In furtherance thereof, the Noteholder and Grantor stipulate and agree that none of the terms and provisions contained in the Note, this Deed of Trust or any other instrument securing the Note or executed in connection herewith, or in any other written or oral agreement by Grantor in favor of the Noteholder, shall ever be construed to create a contract to pay for the use, forbearance or detention of money, interest at a rate in excess of the maximum interest rate permitted to be charged by applicable law; that neither Grantor nor any guarantors, endorsers or other parties now or hereafter becoming liable for payment of the Note or the other indebtedness secured hereby shall ever be obligated or required to pay interest on the Note or on indebtedness arising under any instrument securing

the Note or executed in connection therewith, or in any other written or oral agreement by Grantor in favor of the Noteholder, at a rate in excess of the maximum interest that may be lawfully charged under applicable law; and that the provisions of this paragraph shall control over all other provisions of the Note, this Deed of Trust and any other instruments now or hereafter securing the Note or executed in connection herewith or any other oral or written agreements which may be in apparent conflict herewith. The Noteholder expressly disavows any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of the Note is accelerated. If the maturity of the Note shall be accelerated for any reason or if the principal of the Note is paid prior to the end of the term of the Note, and as a result thereof the interest received for the actual period of existence of the loan evidenced by the Note exceeds the applicable maximum lawful rate, the Noteholder shall, at its option, either refund to Grantor the amount of such excess or credit the amount of such excess against the principal balance of the Note then outstanding and thereby shall render inapplicable any and all penalties of any kind provided by applicable law as a result of such excess interest. In the event that the Noteholder shall contract for, charge or receive any amount or amounts and/or any other thing of value which are determined to constitute interest which would increase the effective interest rate on the Note or the other indebtedness secured hereby to a rate in excess of that permitted to be charged by applicable law, all such amounts determined to constitute interest in excess of the lawful rate shall, upon such determination, at the option of the Noteholder, be either immediately returned to Grantor or credited against the principal balance of the Note then

outstanding or the other indebtedness secured hereby, in which event any and all penalties of any kind under applicable law as a result of such excess interest shall be inapplicable. By execution of this Deed of Trust, Grantor acknowledges that it believes the loan evidenced by the Note to be non-usurious and agrees that if, at any time, Grantor should have reason to believe that such loan is in fact usurious, it will give the Noteholder notice of such condition and Grantor agrees that the Noteholder shall have ninety (90) days after receipt of such notice in which to make appropriate refund or other adjustment in order to correct such condition if in fact such exists. The term "applicable law" as used in this paragraph shall mean the laws of the State of *Texas or the laws of the United States, whichever laws allow the greater rate of interest, as such laws now exist or may be changed or amended or come into effect in the future.

5.16. Notice. Any notice, request, demand or other communication
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required or permitted hereunder, or under the Note, or under any other instrument securing the payment of the Note (unless otherwise expressly provided therein) shall be given in writing by (a) personal delivery, or (b) expedited delivery service with proof of delivery, or (c) United States Mail, postage prepaid, registered or certified mail, return receipt requested, sent to the intended addressee at the address shown on the signature page of this Deed of Trust, or to such different address as the addressee shall have designated by written notice sent in accordance herewith, and shall be deemed to have been given and received either at the time of personal delivery or, in the case of delivery service or mail, as of the date of first attempted delivery at the address and in the manner provided herein; provided that, service of a notice required by Tex. Property Code ss. 51.002 shall be considered complete when the requirements of that statute are met.

5.17. Successors and Assigns. The terms, provisions, covenants and
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conditions hereof shall be binding upon Grantor, and the successors and assigns of Grantor including all successors in interest of Grantor in and to all or any part of the Property, and shall inure to the benefit of the Trustee and the Noteholder and their respective successors, substitutes and assigns and shall constitute covenants running with the land. All references in this Deed of Trust to Grantor, Trustee or the Noteholder shall be deemed to include all such successors, substitutes and assigns.

5.18. Severability. A determination that any provision of this Deed of Trust is unenforceable or invalid shall not affect the enforceability or validity of any other provision and any determination that the application of any provision of this Deed of Trust to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to any other persons or circumstances.

5.19. Gender and Number. Within this Deed of Trust, words of any gender shall be held and construed to include any other gender, and words in the singular number shall be held and construed to include the plural, and words in the plural number shall be held and construed to include the singular, unless in each instance the context otherwise requires.

5.20. Joint and Several. Where two or more persons or entities have executed this Deed of Trust, unless the context clearly indicates otherwise, the term "Grantor" as used in this Deed

of Trust means the grantors hereunder or either or any of them and the obligations of Grantor hereunder shall be joint and several.

5.21. Reporting Requirements. Grantor agrees to comply with any and all reporting requirements applicable to the transaction evidenced by the Note and secured by this Deed of Trust which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any governmental authority, including but not limited to The International Investment Survey Act of 1976, The Agricultural Foreign Investment Disclosure Act of 1978, The Foreign Investment in Real Property Tax Act of 1980 and the Tax Reform Act of 1984 and further agrees upon request of the Noteholder to furnish the Noteholder with evidence of such compliance.

5.22. Headings. The paragraph headings contained in this Deed of Trust are for convenience only and shall in no way enlarge or limit the scope or meaning of the various and several paragraphs hereof.

5.23. Consent of the Noteholder. Except where otherwise provided herein, in any instance hereunder where the approval, consent or the exercise of judgment of the Noteholder is required, the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of the Noteholder, and the Noteholder shall not, for any reason or to any extent, be required to grant such approval or consent or exercise such judgment in any particular manner, regardless of the reasonableness of either the request or the Noteholder's judgment.

5.24. Modification or Termination. The Loan Documents may only be modified or terminated by a written instrument or instruments executed by the party against which enforcement of the modification or termination is asserted. Any alleged modification or termination which is not so documented shall not be effective as to any party.

5.25. Negation of Partnership. Nothing contained in the Loan Documents is intended to create any partnership, joint venture or association between Grantor and the Noteholder, or in any way make the Noteholder a co-principal with Grantor with reference to the Property, and any inferences to the contrary are hereby expressly negated.

5.26. Modification by Subsequent Owners. Grantor agrees that it shall

be bound by any modification of this Deed of Trust or any of the other Loan Documents made by the Noteholder and any subsequent owner of the Property, with or without notice to Grantor, and no such modification shall impair the obligations of Grantor under this Deed of Trust or under any Loan Document. Nothing in this paragraph shall be construed as permitting any transfer of the Property which would constitute a default under this Deed of Trust.

5.27. Entire Agreement. The Loan Documents constitute the entire understanding and agreement between Grantor and the Noteholder with respect to the transactions arising in connection with the indebtedness secured hereby and supersede all prior written or oral understandings and agreements between Grantor and the Noteholder with respect thereto.

Grantor hereby acknowledges that, except as incorporated in writing in the Loan Documents, there are not, and were not, and no persons are or were authorized by the Noteholder to make, any representations, understandings, stipulations, agreements or promises, oral or written, with respect to the transaction which is the subject of the Loan Documents.

5.28. Applicable Law. THIS DEED OF TRUST AND THE OTHER LOAN DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS (WITHOUT GIVING EFFECT TO TEXAS' PRINCIPLES OF CONFLICTS OF LAW) AND THE LAW OF THE UNITED STATES APPLICABLE TO TRANSACTIONS IN SUCH STATE. GRANTOR HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY TEXAS OR FEDERAL COURT SITTING IN DALLAS, TEXAS (OR ANY COUNTY IN TEXAS WHERE ANY PORTION OF THE PROPERTY IS LOCATED) OVER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS, AND GRANTOR HEREBY AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY TEXAS OR FEDERAL COURT SITTING IN DALLAS, TEXAS (OR SUCH OTHER COUNTY IN TEXAS) MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO GRANTOR AT THE ADDRESS OF GRANTOR FOR THE GIVING OF NOTICES PURSUANT TO PARAGRAPH 5.16 HEREOF, AND SERVICE SO MADE SHALL BE COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

5.29. Waiver of Judicial Procedural Matters. Grantor hereby expressly and unconditionally waives, in connection with any suit, action or proceeding brought by the Noteholder in connection with any of the Loan Documents, any and every right it may have to (i) injunctive relief, (ii) a trial by jury, (iii) interpose any counterclaim therein (other than a compulsory counterclaim) and (iv) have the same consolidated with any other or separate suit, action or proceeding. Nothing herein contained shall prevent or prohibit Grantor from instituting or maintaining a separate action against the Noteholder with respect to any asserted claim.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust, Mortgage and Security Agreement on this 20/th/ day of December, 2000.

WELLS OPERATING PARTNERSHIP, L.P.,
a Delaware limited partnership

By: Wells Real Estate Investment Trust, Inc., a Maryland corporation, its general partner

By:/s/ Douglas P. Williams

Name: Douglas P. Williams
Title: Executive Vice President

The address of Grantor is:
Wells Operating Partnership, L.P.
c/o Wells Real Estate Funds
6200 The Corners Parkway Suite 250
Atlanta, Georgia 30092

The address of the Noteholder is:
Guaranty Federal Bank, F.S.B.
8333 Douglas Avenue
Dallas, Texas 75225
Attention: Commercial Real Estate Lending Division

THE STATE OF GEORGIA)
)
COUNTY OF GWINNETT)

This instrument was acknowledged before me on December 19, 2000 by Douglas P. Williams, Executive Vice President of Wells Real Estate Investment Trust, Inc., a Maryland corporation, and the general partner of Wells Operating Partnership, L.P., a Delaware limited partnership, on behalf of said corporation and limited partnership.

[NOTARY SEAL]

/s/ W. L. O'Callaghan

Notary Public, State of Georgia

_____
(printed name)

My commission expires:
_____.

Exhibit A

EXHIBIT A

DESCRIPTION of 14.3048 acres (623,119 S.F.) of land, being all of Restricted Reserve 1 (restricted for non residential use), Block 6, of the Partial Replat

of Enclave, as recorded in Volume 328, Page 13 of the Map Records of Harris County, Texas, all being situated in the Joel Wheaton Survey, Abstract 80, Harris County, Texas and more particularly described as follows:

BEGINNING at the north cut-back corner in the west line of Enclave Parkway 105-foot right-of-way, and the northwest cut-back line of Briar Forest Drive 100-foot right-of-way, said corner being marked with a found 3/4-inch iron rod;

THENCE S.42(degrees) 19'00"W., 14.14 feet along a southeasterly line of the herein described tract to the south cut-back corner in the north line of Briar Forest Drive 100-foot right-of-way, marked with a found 3/4-inch iron rod;

THENCE S.87(degrees) 19'00"W., 708.92 feet along the north line of said Briar Forest Drive, said line also being the south line of the herein described tract to a found 1-inch iron rod marking its southwest corner;

THENCE N.01(degrees)58' 42"W, 476.85 feet along a west line of the herein described tract to an interior corner marked with a found 5/8-inch iron rod;

THENCE S.87(degrees)22' 44"W., 88.92 feet along a south line of the herein described tract to a 5/8-inch iron rod found marking a southwest corner;

THENCE N.01(degrees)58' 42"W., 405.83 feet along a west line of the herein described tract to its intersection with the south line of Olive Hill Drive 60-foot right-of-way, and being the northwest corner of the herein described tract marked with a found 5/8-inch iron rod;

THENCE S.86(degrees)02' 52"E., 149.73 feet found (S.85(degrees)55' 51"E., 150.00 call) along the north line of the herein described tract, said line also being the south line of Olive Hill Drive 90-foot right-of-way, to an angle point marked with a found 3/4-inch iron rod;

THENCE N.88(degrees)20' 47"E., 149.73 feet found (S.88(degrees)79' 48"E., 471.61 feet call) continuing along the south line of said Olive Hill Drive and the north line of the herein described tract to the west cut-back corner in the south line of Olive Hill Drive, being marked with a found 3/4-inch iron rod;

THENCE S.46(degrees)42' 08"E., 14.15 feet along a cut-back line to the south cut-back corner in the west line of Enclave Parkway 90-foot right-of-way, said corner being marked with a found 3/4-inch iron rod; said corner being in the arc of a curve to the left;

THENCE in a southerly direction 376.58 feet along the west line of said Enclave Parkway 90-foot right-of-way, following the arc of a curve to the left having a radius of 2,045.00 feet and subtending a central angle of 10(degrees)33' 03" to its point of tangency, marked with a found 3/4-inch iron rod;

THENCE S.12(degrees)25' 33"E., 100.00 feet continuing along the west line of Enclave Parkway 90-foot right-of-way, said line also being the east line of the herein described tract to the point of curvature of a curve to the right; said point being marked with a found 3/4-inch iron rod:

THENCE in a southerly direction 194.36 feet continuing along the west line of Enclave Parkway and the east line of the herein described tract following the arc of a curve to the right, having a radius of 1,955.00 feet and subtending a central angle of 05(degrees)41' 46" to a point being marked with a found 3/4-inch iron rod;

THENCE S.01(degrees)42' 39"E., 168.47 feet continuing along the east line of the herein described tract and the west line of said Enclave Parkway (with a right-of-way which varies from 90-feet to 105-feet) to the north cut-back corner of Enclave Parkway and the north cut-back line of Briar Forest Drive and the POINT OF BEGINNING and containing 14.3030 acres (623.119 square feet) of land and being all of the aforementioned Restricted Reserve I.

Exhibit B

(Permitted Encumbrances)

Subject to the matters set forth in Schedule B of the Mortgagee Policy of Title Insurance issued by Fidelity National Title Insurance Company in favor of Guaranty Federal Bank, F.S.B. insuring the lien of this Deed of Trust, Mortgage and Security Agreement, but excluding any exceptions for mechanics's or materialmen's liens, if any.

EXHIBIT 10.70

PROMISSORY NOTE FOR $3,000,000 FOR THE CARDINAL PARAGON, INC. LOAN

Form 14-1

Promissory Note

Date: December 21, 2000

Borrower: WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

Borrower's Mailing Address: c/o Wells Capital, Inc.
Attn: Mary Anna Raburn
6200 The Corners Parkway, Suite 250
Norcross, Gwinnett County, Georgia 30092

Lender: CARDINAL PARAGON, INC., a Texas corporation

Place for Payment: Attn: Mr. Gil J. Besing
8411 Preston Road, Suite 850
Dallas, Dallas County, Texas 75225

Principal Amount: THREE MILLION AND 00/100 DOLLARS ($3,000,000.00)

Annual Interest Rate: Six percent (6%)

Maturity Date: The earlier to occur of (i) the satisfaction in full of the obligations secured by the Prior Lien (as hereinafter defined), or (ii) the date that is six (6) months subsequent to the date hereof.

Prior Lien: Deed of Trust dated as of the date hereof by Borrower for the benefit of Guaranty Federal Bank, F.S.B., 8333 Douglas Avenue, Dallas, Dallas County, Texas 75225, Attention: John Fainter, and recorded in the Office of the Harris County Clerk, Texas, which Deed of Trust for the benefit of Guaranty Federal Bank, F.S.B. secures the original principal sum of Thirty-Five Million, Nine Hundred and 00/100 Dollars ($35,900,000.00)

Annual Interest Rate on Matured, Unpaid Amounts: The maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law.

Terms of Payment (principal and interest): Principal and interest shall be payable in full on the Maturity Date. In addition, principal and interest may be prepaid, in whole or in partial increments of Fifty Thousand Dollars ($50,000.00), at any time provided that Borrower gives Lender written notice of such prepayment at least two weeks prior thereto.

Security for Payment: A Deed of Trust made by Borrower for the benefit of Lender dated as of the date hereof, which Deed of Trust encumbers property commonly

known as 1430 Enclave Parkway, Houston, Harris County, Texas, and more particularly described therein.

Other Security for Payment: Note

Borrower promises to pay to the order of Lender the Principal Amount plus interest at the Annual Interest Rate. This note is payable at the Place for Payment and according to the Terms of Payment. All unpaid amounts are due by the Maturity Date. After the Maturity Date, Borrower promises to pay Lender any unpaid principal balance plus interest at the Annual Interest Rate on Matured, Unpaid Amounts.

If Borrower defaults in the payment of this note or in the performance of any obligation in any instrument securing or collateral to this note, Lender may declare the unpaid principal balance and earned interest on this note immediately due and payable. Borrower and each surety, endorser, and guarantor waive all demand for payment, presentation for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, protest, and notice of protest, to the extent permitted by law.

Borrower also promises to pay reasonable attorney's fees and court and other costs if this note is placed in the hands of an attorney to collect or enforce the note. These expenses will bear interest from the date of advance thereof at the Annual Interest Rate on Matured, Unpaid Amounts. Borrower will pay Lender these expenses and interest on demand at the Place for Payment. These expenses and interest will become part of the note and will be secured by any security for payment.

Interest on the debt evidenced by this note will not exceed the maximum rate or amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the Principal Amount or, if the Principal Amount has been paid, refunded. On any acceleration or required or permitted prepayment, any excess interest will be canceled automatically as of the acceleration or prepayment or, if the excess interest has already been paid, credited on the Principal Amount or, if the Principal Amount has been paid, refunded. This provision overrides any conflicting provisions in this note and all other instruments concerning the debt.

Each Borrower is responsible for all obligations represented by this note.

When the context requires, singular nouns and pronouns include the plural.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned Borrower hereby executes this note as of the date first set forth above.

WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: WELLS REAL ESTATE INVESTMENT TRUST, Inc.,
a Maryland corporation, its general partner

By: /s/ Douglas P. Williams

Printed Name: Douglas P. Williams
Title: Executive Vice President

EXHIBIT 10.71

DEED OF TRUST WITH CARDINAL PARAGON, INC.

Texas Real Estate Forms 15-1 Deed of Trust

Deed of Trust

Terms

Date: December 21, 2000

Grantor: WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

Grantor's Mailing Address: c/o Wells Capital, Inc.
Attn: Mary Anna Raburn
6200 The Corners Parkway, Suite 250
Norcross, Gwinnett County, Georgia 30092

Trustee: REPUBLIC TITLE INSURANCE COMPANY, a Texas corporation

Trustee's Mailing Address: 2626 Howell, 10/th/ Floor
Dallas, Dallas County, Texas 75204

Lender: CARDINAL PARAGON, INC., a Texas corporation

Lender's Mailing Address: Attn: Mr. Gil J. Besing
8411 Preston Road, Suite 850
Dallas, Dallas County, Texas 75225

Note

Date: Dated as of the date hereof

Original principal amount: Three Million Dollars ($3,000,000.00)

Borrower: WELLS OPERATING PARTNERSHIP, L.P.

Lender: CARDINAL PARAGON, INC.

Maturity date: The earlier to occur of (i) the satisfaction in full of the obligations secured by the Prior Lien (as hereinafter defined), or (ii) the date that is six (6) months subsequent to the date hereof

Property (including any improvements):

(a) all that tract or parcel of land (the "Land") located in Houston, Harris County, Texas, being more particularly described on Exhibit A
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hereto; and

Texas Real Estate Forms 15-1 Deed of Trust

(b) all rights, privileges, and easements appurtenant to the Land, including any water rights, mineral rights, reversions, or other appurtenances to said Land, if any, and all right, title, and interest of Grantor, if any, in and to any land lying in the bed of any street, road, alley, or right-of-way, open or proposed, adjacent to or abutting the Land; and

(c) all buildings, structures, and improvements situated on the

Land, and other amenities located on the Land, and all apparatus, built-in appliances, equipment, pumps, machinery, plumbing, heating, air conditioning, electrical and other fixtures located on the Land and not owned by tenants of the building (all of which, but exclusive of property owned by tenants of the building, are herein collectively referred to as the "Improvements"); and

(d) all personal property, if any, of Grantor and located on or to be located on or in, or used in connection with, the Land and Improvements ("Personal Property"); and

(e) all of Grantor's right, title, and interest, as landlord or lessor, in and to all leases that affect the Land and Improvements; and

(f) all of Grantor's right, title, and interest in and to any intangible property relating to and reasonably required for the ownership and operation of the Property, including, without limitation, building plans and specifications with respect to the Improvements, licenses and entitlements (e.g. certificates of occupancy), soil reports, surveys, warranties, guarantees, utility contracts, permits and any other rights acquired by Grantor and related to the ownership of or use and operation of the Land, Personal Property, or Improvements, if any (herein, the "Intangible Property").

Prior Lien: Deed of Trust dated as of the date hereof by Grantor for the benefit of Guaranty Federal Bank, F.S.B., 8333 Douglas Avenue, Dallas, Dallas County, Texas 75225, Attention: John Fainter, recorded in the Office of the Harris County Clerk, Texas, immediately prior to the recording of this deed of trust, which Deed of Trust for the benefit of Guaranty Federal Bank, F.S.B. secures the original principal sum of Thirty-Five Million, Nine Hundred Thousand and 00/100 Dollars ($35,900,000.00)

Other Exceptions to Conveyance and Warranty: See list of Other Exceptions to Conveyance and Warranty set forth on Exhibit B attached hereto and made a part hereof

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For value received and to secure payment of the Note, Grantor conveys the Property to Trustee in trust. Grantor warrants and agrees to defend the title to the Property, subject to the Prior Lien and the Other Exceptions to Conveyance and Warranty. On payment of the Note and all other amounts secured by this deed of trust, this deed of trust will have no further effect, and Lender will release it at Grantor's expense.

Clauses and Covenants

A. Grantor's Obligations

Grantor agrees to--

1. keep the Property in good repair and condition;

2. pay all taxes and assessments on the Property before delinquency;

3. defend title to the Property subject to the Prior Lien and the Other Exceptions to Conveyance and Warranty and preserve the lien's priority as it is established in this deed of trust;

4. maintain or cause to be maintained, in a form acceptable to Lender, but subject to the rights of the holder of the Prior Lien, an insurance policy that--

a. covers all improvements for their full insurable value as determined when the policy is issued and renewed, unless Lender approves a smaller amount in writing;

b. contains an 80 percent coinsurance clause;

c. provides fire and extended coverage, including windstorm coverage;

d. protects Lender with a standard mortgage clause;

e. provides flood insurance at any time the Property is in a flood hazard area; and

f. contains such other coverage as Lender may reasonably require;

5. comply at all times with the requirements of the 80 percent coinsurance clause;

6. deliver to Lender the certificate of insurance with respect to the insurance policy that Grantor is required to maintain hereunder no later than on the date of the deed of trust and deliver renewals to Lender at least fifteen days before expiration;

7. obey all laws, ordinances, and restrictive covenants applicable to the Property;

8. keep any buildings occupied as required by the insurance policy; and

9. pay or cause to be paid the Prior Lien notes and abide by or cause to be abided by all Prior Lien instruments.

B. Lender's Rights

1. Lender may appoint in writing a substitute trustee, succeeding to all rights and responsibilities of Trustee.

2. If the proceeds of the Note are used to pay any debt secured by prior liens, Lender is subrogated to all the rights and liens of the holders of any debt so paid.

3. If the holder of the Prior Lien applies any proceeds it receives under the insurance policy to repair or replace damaged or destroyed improvements covered by the policy, Lender shall do the same with any proceeds it receives under the insurance policy. Otherwise, but subject to the rights of the holder of the Prior Lien, Lender may apply any proceeds received under the insurance policy either to reduce the Note or to repair or replace damaged or destroyed improvements covered by the policy. If the Property is Grantor's primary residence and Lender reasonably determines that repairs to the improvements are economically feasible, Lender will make the insurance proceeds available to Grantor for repairs.

4. Notwithstanding note terms to the contrary, and unless applicable law prohibits, all payments received by Lender from Grantor under the Note or this deed of trust may, at Lender's discretion, be applied first to amounts payable under this deed of trust and then to amounts due and payable to Lender under the Note, to be applied to late charges, principal, or interest in the order Lender in its discretion determines.

5. If Grantor fails to perform any of Grantor's obligations, Lender may, subject to the rights of the holder of the Prior Lien, perform those obligations and be reimbursed by Grantor on demand for any amounts so paid, including attorney's fees, plus interest on those amounts from the dates of payment at the

rate stated in the Note for matured, unpaid amounts. The amount to be reimbursed will be secured by this deed of trust.

6. If there is a default on the Note after a grace period of five (5) days to cure such default, or if Grantor fails to perform any of Grantor's obligations after a grace period of ten (10) days to cure such default, except with respect to uncured defaults under the Prior Lien and defaults with respect to Grantor's obligation maintain, or cause to be maintained, an insurance policy as required hereunder, for which no cure period is allowed, and the default continues after any required notice of the default and the time allowed to cure, Lender may--

a. declare the unpaid principal balance and earned interest on the Note immediately due;

b. direct Trustee to foreclose this lien, in which case Lender or Lender's agent will cause notice of the foreclosure sale to be given as provided by the Texas Property Code as then in effect; and

c. purchase the Property at any foreclosure sale by offering the highest bid and then have the bid credited on the Note.

7. Lender may, subject to the rights of the holder of the Prior Lien, remedy any default without waiving it and may waive any default without waiving any prior or subsequent default.

8. This deed of trust, and the lien of this deed of trust, are subject and subordinate in all respects to the Prior Lien regardless of the order in which the Prior Lien and this deed of trust are recorded.

C. Trustee's Rights and Duties

If directed by Lender to foreclose this lien, Trustee will--

1. either personally or by agent give notice of the foreclosure sale as required by the Texas Property Code as then in effect;

2. sell and convey all or part of the Property "AS IS" to the highest bidder for cash with a general warranty binding Grantor, subject to the Prior Lien and to the Other Exceptions to Conveyance and Warranty and without representation or warranty, express or implied, by Trustee;

3. from the proceeds of the sale, pay, in this order--

a. expenses of foreclosure, including a reasonable commission to Trustee;

b. to Lender, the full amount of principal, interest, attorney's fees, and other charges due and unpaid;

c. any amounts required by law to be paid before payment to Grantor; and

d. to Grantor, any balance; and

4. be indemnified by Lender against all costs, expenses, and liabilities incurred by Trustee for acting in the execution or enforcement of the trust created by this deed of trust, which includes all court and other costs, including attorney's fees, incurred by Trustee in defense of any action or proceeding taken against Trustee in that capacity.

D. General Provisions

1. If any of the Property is sold under this deed of trust, Grantor must immediately surrender possession, subject to the leases affecting the Property then in existence, to the purchaser. If Grantor fails to do so, Grantor will

become a tenant at sufferance of the purchaser, subject to an action for forcible detainer.

2. Recitals in any trustee's deed conveying the Property will be presumed to be true.

3. Proceeding under this deed of trust, filing suit for foreclosure, or pursuing any other remedy will not constitute an election of remedies.

4. This lien will remain superior to liens later created even if the time of payment of all or part of the Note is extended or part of the Property is released.

5. If any portion of the Note cannot be lawfully secured by this deed of trust, payments will be applied first to discharge that portion.

6. Subject to the rights of the holder of the Prior Lien, Grantor assigns to Lender all amounts payable to or received by Borrower from condemnation of all or part of the Property, from private sale in lieu of condemnation, and from damages caused by public works or construction on or near the Property. After deducting any expenses incurred, including attorney's fees and court and other costs, but subject to the rights of the holder of the Prior Lien, Lender will either release any remaining amounts to Grantor or apply such amounts to reduce the Note. Lender will not be liable for failure to collect or to exercise diligence in collecting any such amounts. Grantor will immediately give Lender notice of any actual or threatened proceedings for condemnation of all or part of the Property.

7. Subject to the rights of the holder of the Prior Lien, Grantor assigns to Lender absolutely, not only as collateral, all present and future rent and other income and receipts from the Property. Grantor warrants the validity and enforceability of the assignment. Subject to the rights of the holder of the Prior Lien, Grantor may as Lender's licensee collect rent and other income and receipts as long as Grantor is not in default under the Note or this deed of trust. Subject to the rights of the holder of the Prior Lien, Grantor will apply all rent and other income and receipts to payment of the Note and performance of this deed of trust, but if the rent and other income and receipts exceed the amount due under the Note and deed of trust, Grantor may retain the excess. If Grantor defaults in payment of the Note or performance of this deed of trust, Lender may terminate Grantor's license to collect rent and other income and, subject to the rights of the holder of the Prior Lien, then as Grantor's agent may rent the Property and collect all rent and other income and receipts. Lender neither has nor assumes any obligations as lessor or landlord with respect to any occupant of the Property. Subject to the rights of the holder of the Prior Lien, Lender may exercise Lender's rights and remedies under this paragraph without taking possession of the Property. Lender will apply all rent and other income and receipts collected under this paragraph first to expenses incurred in exercising Lender's rights and remedies and then to Grantor's obligations under the Note and this deed of trust in the order determined by Lender. Lender is not required to act under this paragraph, and acting under this paragraph does not waive any of Lender's other rights or remedies. If Grantor becomes a voluntary or involuntary debtor in bankruptcy, Lender's filing a proof of claim in bankruptcy will be deemed, subject to the rights of the holder of the Prior Lien, equivalent to the appointment of a receiver under Texas law.

8. Interest on the debt secured by this deed of trust will not exceed the maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the principal of the debt or, if

that has been paid, refunded. On any acceleration or required or permitted prepayment, any such excess will be canceled automatically as of the acceleration or prepayment or, if already paid, credited on the principal of the debt or, if the principal of the debt has been paid, refunded. This provision overrides any conflicting provisions in this and all other instruments concerning the debt.

9. In no event may this deed of trust secure payment of any debt subject to chapters 342, 343, 345, or 346 of the Texas Finance Code or create a lien otherwise prohibited by law.

10. When the context requires, singular nouns and pronouns include the plural.

11. The term Note includes all extensions and renewals of the Note and all amounts secured by this deed of trust.

12. This deed of trust binds, benefits, and may be enforced by the successors in interest of all parties.

13. If Grantor and Borrower are not the same person, the term Grantor includes Borrower.

14. Grantor and each surety, endorser, and guarantor of the Note waive all demand for payment, presentation for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, protest, and notice of protest, to the extent permitted by law.

15. Grantor agrees to pay reasonable attorney's fees, trustee's fees, and court and other costs of enforcing Lender's rights under this deed of trust if this deed of trust is placed in the hands of an attorney for enforcement.

16. If any provision of this deed of trust is determined to be invalid or unenforceable, the validity or enforceability of any other provision will not be affected.

17. Grantor represents that this deed of trust and the Note are given for the following purposes: as partial purchase money financing from Lender, as seller, to Grantor, as purchaser, for the purchase of the Property.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned Grantor has executed this deed of trust as of the date first set forth above.

GRANTOR:

WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: WELLS REAL ESTATE INVESTMENT TRUST, Inc.,
a Maryland corporation, its general partner

By: /s/ Douglas P. Williams

Printed Name: Douglas P. Williams
Title: Executive Vice President

STATE OF GEORGIA)
) s.s.:

COUNTY OF GWINNETT)

On the 19/th/ day of December, 2000, before me personally came Douglas P. Williams, who, being personally known to me or satisfactorily proved to me to be such person, and being duly sworn by me, did depose and say that (s)he is the Executive VP of the Wells Real Estate Investment Trust, Inc., a Maryland corporation, which is a general partner of Wells Operating Partnership, L.P., a Delaware limited partnership, the partnership which executed the foregoing instrument; and that (s)he executed the foregoing instrument on behalf of such corporation, in its capacity of general partner of such limited partnership, as the act and deed of such limited partnership; and that (s)he was duly authorized to execute the foregoing instrument as set forth above.

/s/ W. L. O'Callaghan

Name:
Notary Public of the State of Georgia

My commission expires _____
[STAMP]

EXHIBIT A

LEGAL DESCRIPTION OF LAND

Reserve "I", in Block 6 of Partial Replat of Enclave, a subdivision in Harris County, Texas, according to the map or plat thereof recorded in Volume 328 Page 13 of the Map Records of Harris County, Texas.

EXHIBIT "B"

1. Restrictions recorded in Volume 328 Page 13 of the Map Records of Harris County, Texas. Restrictions filed for record under Clerk's File Nos. J 469311, M 463582 and P 007809, P684693, R369841 and T092402 of the Official Public Records of Real Property of Harris County, Texas.

2. An easement 10 feet wide along the most northerly west property line and the most southerly west property line, and an aerial easement 5 feet wide from a plane 20 feet above the ground upward located adjacent thereto, for the use of public utilities, as reflected by the plat recorded in Volume 328 Page 13 of the Map Records of Harris County, Texas.

3. An easement 10 feet wide along the most westerly south property line and an aerial easement 5 feet wide from a plane 20 feet above the ground upward located adjacent thereto, for the use of public utilities, as reflected by the plat recorded in Volume 328 Page 13 of the Map Records of Harris County, Texas.

4. Water line easement 10 feet wide at its widest point along a portion of the northerly property line beginning at its northwest corner and extending east approximately 150 feet, as shown on the plat recorded in Volume 328 Page 13 of the Map Records of Harris County, Texas.

5. An easement 5 feet wide along the east property line for sanitary sewer purposes as shown on the plat recorded in Volume 328 Page 13 of the Map Records of Harris County, Texas. Consent to encroachment of driveway and sidewalk into above easement as set out in instrument recorded under Harris

County Clerk's File No. PO11968.

6. An additional unobstructed aerial easement 11 feet 6 inches wide, beginning at a plane of 16 feet above the ground and extending upward, located adjacent to and adjoining the 10 foot wide dedicated utility easement located along the west property lines and the most westerly south property line, granted to Houston Lighting & Power Company by instrument dated November 14, 1984, filed for record under Clerk's File No. J 853626 of the Official Public Records of Real Property of Harris County, Texas.

7. Location of guy wire outside utility easement as shown on survey prepared by Sander Engineering Corporation dated December 1992 and last revised December 17, 1992. This guy wire is also set our in deed filed for record under Clerk's File No. M 677551 of the Official Public Records of Real Property of Harris County, Texas.

8. Building set back line of 25 feet along the most southerly property line, as set out on plat of Enclave recorded in Volume 328 Page 13 of the Map Records of Harris County, Texas.

9. Building set back line of 10 feet along north and east property lines as set out on plat of Enclave recorded in Volume 328 Page 13 of the Map Records of Harris County, Texas.

10. Annual Maintenance Charge and Special Assessments payable to Enclave Environmental Association, Inc. as set forth in instrument filed for record under Clerk's File No. J 469311 of the Official Public Records of Real Property of Harris County, Texas, and additional secured by a vendor's lien as set forth therein.

11. A Houston Lighting and Power Company easement 10 feet in width, together with an unobstructed aerial easement located on both sides of and adjacent to the aforesaid easement, being 10 feet wide from a plane 16 feet above the ground upward and being more particularly set out and described in instrument recorded under Harris County Clerk's File No. P467137.

12. A Houston Lighting and Power Company easement, being 9 feet by 12 feet and 15 feet by 20 feet as set out in instrument recorded under Harris County clerk's file No. P467137.

13. Water meter easement 10 feet by 20 feet located in the most southerly southwest portion of subject property as set out in instrument recorded under Harris County Clerk's File No. P735630.

14. Visible and apparent easements and rights-of-way which may be evidenced by a current survey or disclosed by physical inspection of the property.

EXHIBIT B

OTHER EXCEPTIONS TO CONVEYANCE AND WARRANTY

1. Lease dated July 20, 1998, by and between Enclave Parkway Realty, Inc., as landlord, and Sysco Corp.

2. Lease dated on or about date hereof by and between Grantor, as landlord, and Stone & Webster, Inc., as tenant.

EXHIBIT 10.72

LEASE AGREEMENT WITH STONE & WEBSTER, INC.

1430 ENCLAVE PARKWAY
HOUSTON, TEXAS

OFFICE BUILDING LEASE

BETWEEN

WELLS OPERATING PARTNERSHIP, L.P.

a Delaware limited partnership

AS LANDLORD

AND

STONE & WEBSTER, INC.

a Louisiana corporation

AS TENANT

TABLE OF CONTENTS

OFFICE BUILDING LEASE

In consideration of the mutual covenants and upon the terms and conditions set forth in Part One "Basic Lease Provisions", Part Two "General Lease Provisions", and other attachments and exhibits numerated in the Table of Contents to this Office Building Lease ("Lease"), Wells Operating Partnership, L.P., a Delaware limited partnership ("Landlord"), hereby leases to the Tenant named below and Tenant hereby leases from Landlord, certain premises described below.

PART ONE

BASIC LEASE PROVISIONS

1. Tenant: Stone & Webster, Inc.

2. Premises: The premises outlined and crosshatched on Exhibit B hereof and agreed by Landlord and Tenant to contain 206,048 square feet of Rentable Area on the first through fourth floors of the Building. (Part Two, Article 1)

3. Term: Beginning on _____, 2000 (the "Commencement Date") and ending on _____, 2010 (the "Expiration Date"). (Part Two, Article 2)

4. Base Rent (Part Two, Section 3.1): Base Rent shall be as follows:

Years	Annual Rent	Monthly Installment
1-5	$ 4,533,056	$377,754.67
6-10	$ 5,213,014	$434,417.83

5. Expense Stop: $7.50 per square foot {of Rentable Area} [Part Two, Section 3.2(b)(i)]

6. Security Deposit: None (Part Two, Section 3.5)

7. Premises Use: Office space. (Part Two, Article 6)

8. Tenant's Insurance (Part Two, Article 8):

Commercial General Liability:	$ 5,000,000

Workers' Compensation:	Statutory Limit
Employers' Liability:	$ 1,000,000
All Risk Property:	Full Replacement Value
Business Interruption/Excess Expense:	12 months' coverage

9. Addresses For Notices and Payment of Rent and Other Charges (Part Two, Article 16):

TO TENANT:

Stone & Webster, Inc.
8545 United Plaza Blvd.
Baton Rouge, Louisiana 70809
Attn: Walter R. Rhodes,
Executive Vice President

with a copy to:

The Shaw Group, Inc.
8545 United Plaza Blvd.
Baton Rouge, Louisiana 70809
Attn: General Counsel

TO LANDLORD:

Wells Operating Partnership, L.P.
10000 N. Central Expressway
Suite 1150
Dallas, Texas 75231

10. Brokers (Part Two, Article 17): C B Richard Ellis and Means Knaus.

11. Exhibits and Riders: The following numbered Riders are attached to this Lease and made of a part of this Lease for all purposes:

Exhibit A: Legal Description of Project
Exhibit B: Floor Plans
Exhibit C: Operating Costs
Exhibit D: Rules and Regulations
Exhibit E: Subordination, Non-Disturbance and Attornment Agreement
Exhibit F: Guaranty
Exhibit G: Site Plan, Showing Excess Land

12. Incorporation of Other Provisions: All of the provisions, covenants and conditions set forth in Part Two and all other exhibits and riders described in the attached Table of Contents and the preceding paragraph, are by this reference incorporated into the Basic Lease Provisions as fully as if the same

were set forth at length in the Basic Lease Provisions. Each reference in Part Two and exhibits and riders to any provision in the Basic Lease Provisions will be construed to incorporate all of the terms provided under the referenced provision in the Basic Lease Provisions. In the event of any conflict between a provision in the Basic Lease Provisions, on the one hand, and a provision in Part Two or exhibits or riders, on the other hand, the latter will control.

This Lease has been executed by Landlord and Tenant as of the _____ day of _____, 2000.

TENANT:	LANDLORD:
Stone & Webster, Inc.	Wells Operating Partnership, L.P.
By: /s/ Walter R. Rhodes	By:_____
Name: Walter R. Rhodes	Name:_____
Title: Executive Vice President	Title:_____

This Lease has been executed by Landlord and Tenant as of the 21st day of December, 2000.

TENANT:	LANDLORD:
Stone & Webster, Inc.	Wells Operating Partnership, L.P.
By:_____	By: /s/ Douglas P. Williams
Name:_____	Name: Douglas P. Williams
Title:_____	Title: Executive Vice President

PART TWO

GENERAL LEASE PROVISIONS

1. PREMISES, COMMON AREAS, SERVICE AREAS

1.1 Building. The term "Building" in this Lease will refer to the office building situated on a tract of land ("Land") in Houston, Texas, described in Exhibit A of this Lease, and having a postal address of 1430 Enclave Parkway, Houston, Texas. The Land, Building, and any other improvements situated on the Land are sometimes referred to collectively as the "Project".

1.2 Ceilings, Walls, Floors. Tenant acknowledges that pipes, ducts, conduits, wires and equipment serving other parts of the Building may be located above acoustical ceiling surfaces, below floor surfaces or within walls in the Premises.

1.3 Condition of Premises. Tenant acknowledges that the Premises and the Project are in satisfactory order and condition. Tenant further agrees to accept the Premises and the Project "as is."

1.4 Common and Service Areas. Tenant is hereby granted a nonexclusive right to use the Common Areas during the term of this Lease for their intended purposes, in common with others, subject to the terms and conditions of this Lease, including, without limitation, the provisions of Section 19 pertaining to use of the parking areas and the Rules and Regulations.

(a) Common Areas. "Common Areas" will mean all areas, spaces, facilities, and equipment in the Project made available by Landlord for the common and joint use of Landlord, Tenant and, subject to Section 19, others, including, but not limited to, sidewalks, parking areas, driveways, landscaped areas, loading areas, public corridors, public restrooms, Building lobbies, stairs and elevators, drinking fountains and such other areas and facilities, if any, as are designated by Landlord from time to time as Common Areas. Tenant acknowledges that the Project has unimproved land (the "Excess Land") that is not necessary for Tenant's occupancy. The Excess Land is identified on the site plan attached hereto as Exhibit G. Landlord shall have the right to sell the Excess Land or use the Excess Land for other purposes and the Excess Land shall not be deemed to be part of Common Areas.

(b) Service Areas. "Service Areas" will refer to areas, spaces, facilities and equipment serving the Project but to which Tenant and other occupants of the Building will not have access, including, but not limited to, mechanical, electrical and similar rooms, and air and water refrigeration equipment.

2. TERM; RENEWAL

2.1 Term. The Term of this Lease will commence on the Commencement Date set forth in the Basic Lease Provisions and will terminate on the Expiration Date set forth in the Basic

Lease Provisions, unless sooner terminated in accordance with the provisions of this Lease.

2.2 Renewal.

(a) Provided this Lease shall not have been terminated pursuant to the provisions hereof, this Lease and the term thereof may be extended for up to two (2) renewal terms of five (5) years each upon Tenant giving notice, in accordance with the provisions of Paragraph 16, to Landlord of such renewal at least twelve (12) months prior to the expiration of the then current Term, time being deemed to be of the essence with respect to Tenant's exercise of such renewal option. Any such extension or renewal of the Term shall be subject to all of the provisions of this Lease, and all such provisions shall continue in full force and effect except that the Base Rent for each renewal term shall be determined in accordance with the provision hereof.

(b) The Base Rent for each renewal term shall be upon an annual rental rate equal to the Fair Market Rental Value of the Premises on the first day of the renewal term at issue, as determined by agreement between Landlord and Tenant or by the Appraisal Procedure, except, however, that such Base Rent shall not in any event be less than the Base Rent in effect on the day before the commencement of the renewal term at issue.

(c) The term "Fair Market Rental Value" shall mean the fair market rent that would be obtained in an arm's-length transaction between an informed and willing tenant and an informed and willing landlord, in either case under no compulsion to lease, and neither of which is related to Landlord, or Tenant, for the lease of the Premises. Such fair market rental value shall be calculated as the value for the use of the Premises, assuming, in the determination of such fair market rental value, that the Premises is in the condition and repair required to be maintained by Tenant by the terms of this Lease.

(d) "Appraisal Procedure" shall mean the following procedure for determining the Fair Market Rental Value of the Premises after Landlord and Tenant have failed to reach agreement within sixty (60) days after the exercise by Tenant of its renewal option. Tenant and Landlord shall, within thirty (30) days after the end of such sixty (60) day period, each select an appraiser which is a member in good standing of the American Institute of Real Estate Appraisers with at least ten (10) years experience (such appraisers are hereinafter referred to as an "Approved Appraiser"). If either party shall fail to choose an Approved Appraiser within 30 days after notice from the other party of the selection of its Approved Appraiser, then the appraisal by such appointed Approved Appraiser shall be binding on Tenant and Landlord. If the two Approved Appraisers cannot agree within 30 days after both shall have been appointed, then a third Approved Appraiser shall be selected by the two Approved Appraisers or, failing agreement as to such third Approved Appraiser within 30 days after both shall have been appointed, by the American Arbitration Association. The decisions of the three Approved Appraisers shall be given within 30 days of the appointment of the third Approved Appraiser and the decision of the Approved Appraiser most different from the average of the other two shall be discarded and such average shall be binding on Landlord and Tenant; provided that if the highest appraisal and the lowest appraisal are equidistant in value from the third appraisal, the third appraisal shall be binding on Landlord and Tenant. All appraisals

hereunder shall be certified to Landlord and Tenant. The fees and expenses of the Appraisal Procedure shall be paid by Tenant.

2.3 Holding Over. If Tenant, or any party claiming rights to the Premises through Tenant, retains possession of the Premises without the written consent of Landlord after the Expiration Date or earlier termination of this Lease, such possession will constitute a tenancy at will, subject, however, to all the terms and provisions of this Lease, except for (i) the Term and (ii) the annual Base Rent, which annual Base Rent will become an amount equal to one hundred twenty-

five percent (125%) of the highest amount set forth in this Lease as annual Base Rent, plus any adjustments which have previously occurred. No holding over by Tenant, and no acceptance of rental payments by Landlord during a holdover period, whether with or without the consent of Landlord, will operate to extend this Lease.

3. MONETARY PROVISIONS

3.1 Base Rent. Tenant will pay as the monthly installment of "Base Rent" for each month of the Term, the sum set forth in the Basic Lease Provisions, in advance on or before the first day of each calendar month of the Term, without deduction, offset, prior notice, or demand, and in lawful money of the United States. If the Commencement Date is not the first day of a calendar month, Tenant will pay to Landlord on the Commencement Date a portion of the monthly installment of Base Rent prorated on the basis of a thirty (30) day month.

3.2 Tenant's Share of Certain Costs. In addition to all other sums due under this Lease, Tenant will pay to Landlord as additional monthly rent, in the manner and at the times set forth below, Tenant's Pro-Rata Share of Operating Costs as calculated in accordance with Section 3.2(b) for each calendar year or partial calendar year.

(a) Operating Costs. "Operating Costs" will mean all costs, charges, and expenses incurred by Landlord in connection with operating, maintaining, repairing, insuring and managing the Project, provided that such Operating Costs are substantially consistent with Operating Costs incurred by owners of other first-class office buildings in the Houston, Texas area. Operating Costs shall be computed on an accrual basis and shall include, without limitation, costs, charges and expenses incurred with respect to the items enumerated as "Operating Cost Examples" in Paragraph 2 of Exhibit C to this Lease. Operating Costs will not include those items enumerated as "Operating Cost Exclusions" in Paragraph 1 of Exhibit C to this Lease. Tenant reserves the right to protest or appeal the appraised value of the Premises, as well as the Project and Building, and the right to receive notices of reappraisement as set forth in Sections 41.413 and 42.015 of the Texas Tax Code.

(b) Pro Rata Share Computation.

(i) From the date hereof until and including the earlier of September 20, 2008 or the cancellation or termination of the Sysco Lease (as defined in Paragraph 4 of Part Two of this Lease), "Tenant's Pro Rata Share of Operating Costs" will be computed by multiplying (A) the amount, if any, by which the Operating Costs per square foot of Rentable Area in the Building exceed the Expense Stop, times (B)312,564, provided, however, that Tenant's Pro Rata Share of Operating Costs shall be reduced by the amount

of money Landlord actually receives under the Sysco Lease (as defined in Section 4 hereof) for such Tenant's Proportionate Share of any increases in Taxes and Operating Costs under Section 3(c)(3) and (4) of the Sysco Lease.

(ii) From and after the earlier of September 21, 2008 or the cancellation or termination of the Sysco Lease, "Tenant's Pro Rata Share of Operating Costs" will be computed by multiplying (A) the amount, if any, by which the Operating Costs per square foot of Rentable Area in the Building exceed the Expense Stop, times (B) the number of square feet of Rentable Area of the Building (which, for purposes of this calculation, is stipulated to be 312,564 square feet), times (C) sixty-five and 92/100 percent (65.92%).

(c) Estimated Costs. Tenant's Pro Rata Share of Operating Costs for the remainder of the first calendar year (whether full or partial) and for each subsequent calendar year of the Term will be estimated by Landlord, and notice of such estimated amounts will be given to Tenant at least thirty (30) days prior to the Commencement Date or the beginning of each calendar year, as the case may be. For the partial calendar year after the Commencement Date, Tenant will pay to Landlord each month, at the same time as the monthly installment of Base Rent is due, an amount equal to Tenant's estimated Pro Rata Share of Operating Costs for the remainder of such calendar year divided by the number of full months remaining in such year. For each full calendar year of the Term, Tenant will pay to Landlord each month, at the same time as the monthly installment of Base Rent is due, an amount equal to one-twelfth (1/12) of Tenant's estimated Pro Rata Share of Operating Costs due for such calendar year. If the Expiration Date does not occur on December 31, for the partial calendar year preceding the Expiration Date, Tenant will pay to Landlord, each month, at the same time as the monthly installment of Base Rent is due, an amount equal to the amount of Tenant's estimated Pro Rata Share of Operating Costs for such partial calendar year divided by the number of full calendar months of such partial calendar year.

(d) Estimate Revisions. At any time and from time to time during the Term, Landlord will have the right, by notice to Tenant, to change the monthly amount then payable by Tenant for Tenant's estimated Pro Rata Share of Operating Costs to reflect more accurately, in the reasonable judgment of Landlord, the actual amount of such costs payable by Tenant for the then current calendar year. Tenant will begin paying the revised estimated amount together with the next monthly payment of Base Rent due after receipt by Tenant of Landlord's notice.

(e) Annual Adjustments. On or before April 1 of each calendar year, Landlord will prepare and deliver to Tenant a statement setting forth the calculation of Tenant's actual Pro Rata Share of Operating Costs for the previous calendar year. Within thirty (30) days after receipt of such statement, Tenant will pay to Landlord, or Landlord will credit against the next rental or other payment or payments due from Tenant, as the case may be, the difference between Tenant's actual Pro Rata Share of Operating Costs for the preceding calendar year and Tenant's estimated Pro Rata Share of Operating Costs paid by Tenant during such year. Tenant shall have the right to conduct an audit ("Tenant's Audit") of the Operating Costs in respect of a calendar year provided that all the following conditions are met in strict accordance

with their terms: (i) such audit is conducted within two (2) years after Landlord delivers to Tenant the calculation of Tenant's actual Pro Rata Share of Operating Costs for such calendar year (time being of the essence with respect thereto); and (ii) such audit is conducted at hours reasonably designated by Landlord. The results of Tenant's Audit shall be made available to Landlord. The result of Tenant's Audit shall be binding upon the parties unless Landlord, during the thirty (30) day period after receipt of Tenant's Audit, requests that another audit of the relevant costs be performed. If such request is timely made, Landlord and Tenant shall retain a mutually acceptable accounting firm to conduct such audit (the "Mutual Audit"), the results of which shall be binding upon the parties. The cost of the Mutual Audit shall be borne equally by Landlord and Tenant. Tenant shall pay the cost of Tenant's Audit; provided, however, that if Tenant's Audit (or, in the alternative, the Mutual Audit if one is conducted) determines that Landlord's calculation of Operating Expenses was overstated by more than five percent (5%), then Landlord shall pay the entire cost of the Mutual Audit and reimburse Tenant for the cost of Tenant's Audit. If Tenant's Audit (or, in the alternative, the Mutual Audit if one is conducted) determines that Landlord has charged, and Tenant has paid, Operating Costs in excess of such costs required to be paid by Tenant under the terms of this Lease, Landlord shall, at Landlord's election (notice of which election shall be

sent to Tenant within twenty (20) days after the amount of any such excess has been finally determined), either (A) promptly reimburse Tenant the amount of such excess, or (B) credit the entire amount of such excess against the next installment of rent becoming due under this Lease.

(f) Final Partial Year. If the Term will expire or this Lease has been terminated prior to a final determination of Tenant's actual Pro Rata Share of Operating Costs, the amount of adjustment between Tenant's estimated pro rata share of such costs and Tenant's actual pro rata share of such costs payable for the preceding calendar year and/or the final partial calendar year of the Term will be projected by the Landlord based upon the best data available to Landlord at the time of the estimate. Within thirty (30) days after receipt of a statement from Landlord setting forth Landlord's projections, Tenant will pay to Landlord, or Landlord will pay to Tenant, as the case may be, the difference between Tenant's projected actual Pro Rata Share of Operating Costs for the period in question and Tenant's estimated Pro Rata Share of Operating Costs paid by Tenant for the period in question. Notwithstanding the foregoing, Tenant shall have the right to require that the adjustment be based upon the actual Operating Costs, in which event the adjustment shall be delayed until the actual Operating Costs are determined. The obligations set forth in the preceding sentence will survive the Expiration Date or earlier termination of this Lease.

(g) Adjustment for Occupancy. During any calendar year in which the Building has less than full occupancy, Operating Costs will be computed as though the Building had been completely occupied for the entire calendar year.

3.3 Personal Property Taxes. Tenant agrees to pay, before delinquency, all taxes, fees or charges, rates, duties and assessments, imposed, levied or assessed directly against Tenant, or indirectly through Landlord, and payable during the Term hereof, upon Tenant's equipment, furniture, movable trade fixtures and other

personal property located in the Premises. Tenant will also pay, before delinquency, business and other taxes, fees or charges, rates, duties and assessments imposed, levied or assessed because of the Tenant's occupancy of the Premises or upon the business or income of the Tenant generated from the Premises.

3.4 Late Payments. Should Tenant fail to pay any installment of Base Rent on or before the tenth (10th) day of each calendar month, Interest (as hereinafter defined) will accrue from the date on which such sum is due and such Interest, together with a "Late Charge" (herein so called) in an amount equal to five percent (5%) of the installment then due, will be paid by Tenant to Landlord at the time of payment of the delinquent sum. The Late Charge is agreed by Landlord and Tenant to be a reasonable estimate of the extra administrative expenses incurred by Landlord in handling such delinquency.

3.5 Interest. Whenever reference is made in this Lease to the accrual of interest on sums due Landlord or whenever any amount owed to Landlord is not paid when due, such sum will bear interest ("Interest") at an annual rate equal to the lesser of (i) two percent (2%) over the "base" or "prime" rate published from time to time by Bank of America, N.A., or (ii) the maximum lawful rate.

3.6 Administrative Reimbursement. In the event Landlord performs construction, maintenance, or repairs for Tenant under Sections 7.3 or 12.2 of Part Two of this Lease or incurs expenses under Section 8.5 of Part Two of this

Lease, Tenant will reimburse Landlord within ten (10) days after receipt of an invoice from Landlord for the cost of such construction, maintenance or repairs plus an amount equal to five percent (5%) of such costs ("Administrative Reimbursement") to reimburse Landlord for administration and overhead.

3.7 Additional Rent. Any payments to be made by Tenant to Landlord under this Lease in addition to the Base Rent, whether or not denominated as rent, will be deemed to be additional rent under this Lease for the purpose of securing their collection and will constitute rent for purposes of Section 502 of the Bankruptcy Code. Landlord will have the same rights and remedies upon Tenant's failure to make such payments as for the nonpayment of Base Rent.

4. SYSCO CORPORATION LEASE

Reference is made to the Lease Agreement (the "Sysco Lease") dated July 20, 1998 by and between Enclave Parkway Realty, Inc., as Landlord, and SYSCO Corporation, as Tenant. Tenant agrees that it has a copy of the Sysco Lease and that Tenant's rights under this Lease are subject to the rights of the Tenant under the Sysco Lease, including without limitation those rights under Section 6(d) and 24 and Exhibit E of the Sysco Lease.

5. SERVICES AND UTILITIES

5.1 Services by Landlord. Subject to the conditions and standards set forth in this Lease and to standards, limitations and guidelines imposed by governmental authorities and utility companies, Landlord will furnish or cause to be furnished the following services and utilities: (i) heat and air conditioning to the Premises during "Normal Business Hours" (as defined in the Rules and Regulations), at such temperatures and in such quantities as Landlord reasonably determines are reasonably necessary for the comfortable use

and occupancy of the Premises for general office purposes and as is consistent with the operation of a first class office building in the Houston metropolitan area; (ii) water at the normal temperature of the supply of water to the Building for lavatory and drinking purposes through fixtures installed by Landlord or by Tenant with Landlord's consent; (iii) janitorial cleaning services to those portions of the Premises which are used for office purposes five (5) days per week (except on holidays observed by the Building); (iv) cleaning of the carpet in the Premises at least two (2) times each calendar year; (v) twenty-four (24) hour, nonexclusive passenger elevator service and, when scheduled through the Building management, nonexclusive freight elevator service to the floor(s) on which the Premises are located; (vi) routine maintenance in the Common Areas to maintain such areas in good condition and repair; (vii) replacement of standard light bulbs, fluorescent tubes, and ballasts in the Premises; (viii) electric current to the Premises for standard office lighting and office machines which consume electric current within the parameters set forth in Section 5.3(a)(i) of this Lease; and (x) building security. All services referred to in this Section 5.1 shall be provided by Landlord and (subject to the provisions of Exhibit C) paid for by Tenant as part of Tenant's payment of Tenant's Pro Rate Share of Electrical Costs and Pro Rata Share of Operating Costs.

5.2 Tenant's Obligations. Tenant will pay for, prior to delinquency, all telephone charges and all other materials and services not expressly the obligation of Landlord that are furnished to or used on or about the Premises during the Term of this Lease.

5.3 Tenant's Additional Service Requirements.

(a) Additional Services Requiring Landlord Consent. Tenant will not, without Landlord's prior written consent, such consent not to be unreasonably withheld or delayed, do the following: (i) install or use special lighting beyond Building standard, or any equipment, machinery, or device in the Premises which requires a nominal voltage of more than one hundred twenty (120) volts single phase, or which in Landlord's reasonable opinion exceeds the capacity of existing feeders, conductors, risers, or wiring in or to the Premises or Building, or which requires amounts of water in excess of that usually furnished or supplied for use in office space, or which will decrease the amount or pressure of water or the amperage or voltage of electricity Landlord can furnish to other occupants of the Building; (ii) install or use any heat or cold-generating equipment, machinery or device which affects the temperature otherwise maintainable by the heat or air conditioning system of the Building; (iii) use portions of the Premises for special purposes requiring greater or more difficult cleaning work than office areas, such as, but not limited to, interior glass partitions, and non-Building standard materials or finishes; or (iv) accumulate refuse or rubbish (A) in excess of that ordinarily accumulated in business office occupancy or (B) at times other than the Building's standard cleaning times.

(b) Providing Additional Services. If, in the reasonable opinion of Landlord, additional services to Tenant are necessary, Landlord will have the following rights:

(i) Removal by Tenant. Landlord may require that Tenant cease the activity or

remove the item (or refuse to permit the activity or installation of the item), causing (or which will cause) the need for such additional service, if Landlord and Tenant are not able to agree upon a mutually satisfactory method for providing such additional services or, in the reasonable opinion of Landlord, providing such additional service is not operationally or economically feasible.

(ii) Separate Metering. Landlord may, at Landlord's expense, install and maintain separate metering devices. Landlord agrees that it will, at the request of Tenant, cause separate metering devices to be installed to monitor electricity usage in the Premises, and in such event the cost of such meters and their installation, maintenance and repair shall be the obligation of Tenant. Landlord may also cause periodic usage surveys to be prepared by an engineer employed by Landlord for such purpose, the cost of which shall be included in Operating Costs.

(iii) Additional HVAC. With respect to heat or cold generating equipment, Landlord may furnish additional heat or air conditioning to the Premises, or install supplementary heating or air conditioning units in the Premises or elsewhere in the Building, or modify the existing heating or air conditioning system in the Premises so long as the quality of such services is not diminished. The actual cost of additional heat or air conditioning, supplementary units, or modifications to the existing system specifically made for the Premises at the request of Tenant will be the obligation of Tenant.

(iv) Replacement Bulbs. With respect to lighting requested by Tenant beyond standard lighting used throughout the Building, Landlord may purchase and replace, at the expense of Tenant, light bulbs and ballasts and/or fixtures.

(v) Additional Janitorial Services. With respect to additional cleaning work, Landlord may instruct Landlord's janitorial contractor to provide

such services and the cost of such service will be the obligation of Tenant.

(vi) Substitution of Cleaning Contractors. In the event that Tenant, in its reasonable judgment, is dissatisfied with the janitorial service provided in the Premises by Landlord's cleaning contractor, Tenant shall send written notice thereof (a "Janitorial Complaint Notice") to Landlord stating with particularity the basis for such dissatisfaction. If Landlord fails to cure the cited problem with the janitorial service to Tenant's reasonable satisfaction within fifteen (15) days after receiving a Janitorial Complaint Notice, then Landlord shall allow Tenant to contract directly with a cleaning company reasonably acceptable to Landlord for the provision of janitorial services to the Premises. In such event, Tenant shall pay the cost of janitorial services to the Premises and the cost of janitorial services included in Operating Costs under this Lease shall be limited to the cost of janitorial services in the Common Areas.

(c) After Hours Heat or Air Conditioning. Landlord will use reasonable efforts to provide after hours heat or air conditioning, at the cost of Tenant, upon request from Tenant received no later than 3:00 p.m. on a week day for service required the same night (or prior to business hours of the following day) or 3:00 p.m. of the last business day before a weekend or a holiday for service required on a weekend or holiday. The cost of after hours heat

or air conditioning charged to Tenant will equal the actual cost to Landlord of providing such after hours heat or air conditioning.

(d) Payment. Tenant will pay to Landlord the cost of any additional service and any other cost for which Tenant is obligated under Section 5.3(b) or (c) within thirty (30) days after receipt of an invoice with respect to same from Landlord.

5.4 Interruption of Utility Service. Landlord will use Landlord's best efforts to provide the services required of Landlord under this Lease. However, Landlord reserves the right, without any liability to Tenant and without affecting Tenant's covenants and obligations under this Lease, to stop or interrupt or reduce any of the services listed in Section 5.1 or to stop or interrupt or reduce any other services required of Landlord under this Lease, whenever and for so long as may be necessary (provided that Landlord shall use its best efforts to minimize any disruption of or interference with Tenant's use and occupancy of the Premises, with the additional expense thereof to be included in Operating Costs) by reason of (i) accidents or emergencies, (ii) the making of repairs or changes which Landlord in good faith deems necessary or is required or is permitted by this Lease or is required by law to make, (iii) inability to secure proper supplies of fuel, water, electricity, labor or supplies, (iv) the compliance by Landlord with governmental, quasi-governmental or utility company energy conservation measures, or (v) the exercise by Landlord of any right under Section 6.5. Landlord will, in the event of an interruption of a utility service, use Landlord's best efforts to cause such service to be resumed. However, no interruption or stoppage of any of such services will ever be construed as an eviction of Tenant nor will such interruption or stoppage cause any abatement of the rent payable under this Lease or in any manner relieve Tenant from any of Tenant's obligations under this Lease; provided, that, subject to Section 12.7 of Part Two of this Lease, Tenant shall be entitled to an appropriate abatement of Base Rent and additional rent if there is an interruption or stoppage of any of such services for a period of five (5) days or more and Landlord is not using its best efforts to restore such

services.

6. OCCUPANCY AND CONTROL

6.1 Use. The Premises will be used and occupied by Tenant for general office and related purposes and for no other purposes. In no event will the term "general office purposes" be construed to include a public educational facility or public school, a telemarketing operation or a personnel agency, except with the consent of Landlord, which consent shall not be unreasonably withheld.

6.2 Access to the Building and Premises; Telephone System.

(a) Landlord shall furnish Tenant, at no cost to Tenant, one (1) card key to the Premises for each employee of Tenant working in the Premises; however, Tenant shall be required to pay a reasonable fee determined by Landlord for any replacement card keys.

(b) Notwithstanding anything to the contrary contained in the Rules and Regulations (as hereinafter defined), Tenant shall have the right, at its sole cost and expense, to control access to the Premises through the use of locks,card key or other access systems; provided,

however, that Landlord shall have the right to approve the design and installation of such system (which approval shall not be unreasonably withheld) and provided further that Landlord shall always be furnished with such keys, electronic keys, key cards, access codes, or similar access devices as are necessary to provide Landlord with access to the Premises.

(c) Tenant shall have the right, at its sole cost and expense, to install its own telephone and other communications systems in the Premises; provided, however, that Landlord shall have the right to approve the design and installation of such systems (which approval shall not be unreasonably withheld).

6.3 Rules and Regulations. Tenant's use of the Premises and the Common Areas will be subject at all times during the Term to the "Rules and Regulations" attached to the Lease as Exhibit D and to any modifications of such Rules and Regulations and any additional Rules and Regulations from time to time promulgated by Landlord in Landlord's reasonable discretion (the "Rules and Regulations"). Additional Rules and Regulations will not become effective and a part of this Lease until a copy of same has been delivered to Tenant. The inability of Landlord to cause another occupant of the Building to comply with the Rules and Regulations will neither excuse Tenant's obligation to comply with such Rules and Regulations or any other obligation of Tenant under this Lease nor the Landlord to be liable to Tenant for any damage resulting to Tenant. Tenant will use reasonable efforts to cause Tenant's employees, servants and agents to comply with the Rules and Regulations.

6.4 Additional Covenants of Tenant.

(a) Laws, Statutes. As respects the interior of the Premises, Tenant will, at Tenant's sole cost, promptly comply with (i) all laws, orders, regulations, and other government requirements now in force or hereafter enacted relating to the use, condition, or occupancy of the Premises, including without limitation, (A) Title III of The Americans with Disabilities Act of 1990, all regulations issued thereunder, and the Accessibility Guidelines for Buildings

and Facilities issued pursuant thereto, and the Texas Architectural Barriers Act, as the same are in effect on the date of this Lease and as hereafter amended ("Disabilities Acts"), and (B) all applicable laws, ordinances, and regulations (including consent orders and administrative orders) relating to public health and safety and protection of the environment and regulation of "Hazardous Substances", as such term is defined in Article 21 of the General Lease Provisions ("Environmental Laws"), and (ii) all rules, orders, mandates, directives, regulations and requirements pertaining to the use of the Premises and the conduct of Tenant's business imposed by Landlord's insurers, American Insurance Association (formerly known as "National Board of Fire Underwriters") or insurance service office, any utility company serving the Building or any other similar body having jurisdiction over the Building, any related parking areas, and the Premises. The foregoing provisions of this Section 6.4(a) shall in no event be construed to require Tenant to make any modifications to the Building or any improvements other than the interior of the Premises which may be required by applicable laws, orders, regulations and other governmental requirements, it being agreed that Landlord shall be responsible for such

modifications subject to the provisions of Article 3 and Exhibit C.

(b) Nuisance. Tenant will not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the operation of the Project or with the rights of other tenants or occupants of the Project or injure, disturb or annoy other tenants or occupants of the Project.

(c) Building Reputation. Tenant will not use or permit the Premises to be used for any objectionable purpose or any purpose which, in the reasonable opinion of the Landlord, harms or tends to harm the business or reputation of the Landlord or the Building or reflects unfavorably on the Building, or any part of the Building, or deceives or defrauds the public.

(d) Recording. Neither Landlord nor Tenant will record this Lease or any memorandum of this Lease without the prior written consent of the other party. Either Landlord or Tenant will, upon request of the other party, execute, acknowledge and deliver to the other party a short form or memorandum of this Lease for recording purposes.

6.5 Access by Landlord. Landlord reserves the right for Landlord and Landlord's agents to enter the Premises at any reasonable time, upon reasonable prior notice to Tenant: (a) to inspect the Premises (which inspections shall beconducted during business hours except in the event of an emergency), (b) to supply janitorial service or other services to be provided by Landlord to Tenant under this Lease, (c) to show the Premises to prospective lenders or purchasers, (d) to maintain or repair any portions of the Premises for which Landlord is responsible or any other portion of the Building abutting the Premises, (e) to install, maintain, repair, replace or relocate any pipe, duct, conduit, wire or equipment serving other portions of the Building but located in the ceiling, wall or floor of the Premises, (f) to perform any other obligation of Tenant after 30 days notice (or, in the case of an emergency, after such written or oral notice and opportunity to cure as may be reasonable under the circumstances) to Tenant of Tenant's failure to perform same, or (g) upon default by Tenant under this Lease. Furthermore, during the last six (6) months of the Term, Landlord and Landlord's agents shall have the right to enter the Premises at any reasonable time, upon reasonable prior notice to Tenant, to show the Premises to prospective tenants. If Landlord enters the Premises for the purpose of performing work, Landlord may erect scaffolding and store tools, material, and equipment in the Premises when required by the character of the work to be performed.

6.6 Control of Project. The Building and Common Areas will be at all times under the exclusive control, management and operation of the Landlord. Landlord hereby reserves the right from time to time to close temporarily doors, entry ways, public spaces and corridors and to interrupt or suspend temporarily Building services and facilities in order to perform any redecorating or alteration or in order to prevent the public from acquiring prescriptive rights in the Common Areas. Landlord agrees that the number of parking spaces available to tenants of the Project shall in all events comply with applicable parking ordinances.

6.7 Minimization of Disruption. Landlord will attempt not to disrupt Tenant's operations in the Premises during the exercise of Landlord's rights or the performance by Landlord of

Landlord's obligations under this Lease, but will not be required to incur extra expenses in order to minimize such disruption. No exercise by Landlord of any right or the performance by Landlord of Landlord's obligations under this Lease will constitute actual or constructive eviction or a breach of any express of implied covenant for quiet enjoyment.

7. REPAIRS, MAINTENANCE AND ALTERATIONS

7.1 Landlord's Repair Obligations. Landlord will, subject to the casualty provisions of Article 9, maintain (a) the Common Areas and Service Areas, (b) roof, foundation, exterior windows and load bearing items of the Building; (c) exterior surfaces of walls; (d) plumbing, pipes and conduits located in the Common Areas or Service Areas of the Building, and (e) the Building central heating, ventilation and air conditioning, electrical, mechanical and plumbing systems. Landlord will not be required to make any repair in connection with or resulting from (i) any alteration or modification to the Premises or to Building equipment performed by or on behalf of Tenant or to special equipment or systems installed by or on behalf of Tenant, (2)the installation, use or operation of Tenant's property, fixtures and equipment, (3) the moving of Tenant's property in or out of the Building or in and about the Premises, (4) Tenant's use or occupancy of the Premises in violation of Article 6 or in a manner not contemplated by the parties at the time of execution of this Lease (e.g., subsequent installation of special use rooms), (5) the acts or omissions of Tenant and Tenant's employees, agents, invitees, subtenants, licensees or contractors, (6) fire or other casualty, except as provided in Article 9, or (7) condemnation, except as provided in Article 10. Depending upon the nature of repairs undertaken by Landlord, the cost of such repairs will be borne solely by Landlord or reimbursed to Landlord either by a particular tenant or tenants or by all tenants as an Operating Cost as provided in this Lease.

7.2 Tenant's Repair Obligations. Except for janitorial services and Landlord's services pursuant to Section 7.1 above provided by Landlord, Tenant, at Tenant's expense, will maintain the Premises in good order, condition and repair, subject to ordinary wear and tear (which wear and tear Lessee also shall maintain as aforesaid at such time as such wear and tear would customarily require such maintenance), including, without limitation, the interior surfaces of the windows, walls and ceilings; floors; wall and floor coverings; window coverings; doors; interior windows; and all switches, fixtures and equipment in the Premises. Upon receipt of reasonable notice from Tenant, Landlord will perform, at the expense of Tenant, all repairs and maintenance to plumbing, pipes and electrical wiring located within walls, above ceilingsurfaces and below floor surfaces resulting from the use of the Premises by Tenant. In no

event will Tenant be responsible for any plumbing, pipes and electrical wiring, switches, fixtures and equipment located in the Premises but serving another tenant or for portions of the central heat, ventilation and air conditioning, electrical, mechanical and plumbing systems of the Building which are located in the Premises, except for (i) repairs resulting from the acts of Tenant and Tenant's employees, agents, invitees, subtenants, licensees or contractors, (ii) modifications made to such systems by or on behalf of Tenant, and (iii) special equipment installed by or on behalf of Tenant.

7.3 Rights of Landlord. In the event Tenant fails after written notice and 30 days opportunity to cure (or, in the case of an emergency, after such written or oral notice and opportunity to cure as may be reasonable under the circumstances), in the reasonable judgment of Landlord, to maintain the Premises in good order, condition and repair, Landlord will have the right to perform such maintenance, repairs, refurbishing or repairing at Tenant's expense.

7.4 Surrender. Upon the expiration or earlier termination of this Lease, or upon the exercise by Landlord of Landlord's right to re-enter the Premises without terminating this Lease, Tenant will surrender the Premises in the same condition as received or as subsequently improved by Landlord or Tenant, except for (i) ordinary wear and tear and (ii) damage by fire, earthquake, acts of God or the elements, and will deliver to Landlord all keys for the Premises and Garage and combinations to safes located in the premises. Tenant will remove, or cause to be removed, from the Premises or the Building, at Tenant's expense and as of the Expiration Date or earlier termination of this Lease, all signs (including any signs located on the Premises, i.e., building or monument signs), notices, displays, and trade fixtures of Tenant. Tenant agrees to repair, at Tenant's expense, any damage to the Premises or any other part of the Project resulting from the removal of any articles of personal property, movable business or trade fixtures, machinery, equipment, furniture or movable partitions, including without limitation, repairing the floor and patching and painting the walls where required by Landlord. Tenant's obligations under this Section 7.4 will survive the expiration or earlier termination of this Lease.

If Tenant fails to remove any item of property permitted or required to be removed at the expiration or earlier termination of the Term, Landlord, may, at Landlord's option, (a) remove such property from the Premises at the expense of Tenant and sell or dispose of same in such manner as Landlord deems advisable, or (b) place such property in storage at the expense of Tenant. Any property of Tenant remaining in the Premises ten (10) days after the Expiration Date or earlier termination of this Lease without the written consent of Landlord will be deemed to have been abandoned by Tenant.

7.5 Alterations by Tenant.

(a) Approval Required. Tenant will not make, or cause or permit to be made, any additions, alterations, installations or improvements in or to the Premises (collectively, "Alterations"), without the prior written consent of Landlord, provided, however, that in the case of non-structural Alterations proposed by Tenant, Landlord's consent shall not be required. Unless Landlord has waived such requirement in writing, together with Tenant's request for approval of any Alteration (other than a non-structural Alteration), Tenant must also submit details with respect to the proposed source of funds for the payment of the cost of the Alteration by Tenant, design concept, plans and specifications, names of proposed contractors, and financial and other pertinent information about such contractors (including without limitation, the labor organization affiliation or lack of affiliation of any contractors), certificates of insurance to be maintained by Tenant's contractors, hours of construction, proposed construction methods, details with respect to the quality of the proposed work and evidence of security (such as payment and performance bonds) to assure timely completion of the work by the contractor and payment by

the contractor of all costs of the

work. With respect to any Alteration which is visible from outside the Premises, such proposed Alteration shall, in the opinion of Landlord, also be architecturally and aesthetically harmonious with the remainder of the Building.

(b) Complex Alterations. If the nature, volume or complexity of any proposed Alterations causes Landlord to consult with an independent architect, engineer or other consultant, Tenant will reimburse Landlord for the reasonable fees and expenses incurred by Landlord. If any improvements will affect the basic heat, ventilation and air conditioning or other Building systems or the Building, Landlord may require that such work be designed by consultants designated by Landlord and be performed by Landlord or Landlord's contractors.

(c) Standard of Work. All work to be performed by or for Tenant pursuant hereto will be performed diligently and in a first-class, workmanlike manner, and in compliance with all applicable laws, ordinances, regulations and rules of any public authority having jurisdiction over the Project and/or Tenant, including, without limitation, the Disabilities Acts, Environmental Laws, and Landlord's insurance carriers. Landlord will have the right, but not the obligation, to inspect periodically the work on the Premises and may require changes in the method or quality of the work to comply with the provisions of this Section 7.5(c).

(d) Ownership of Alterations. All Alterations made by or for Tenant (other than Tenant's trade fixtures) will immediately become the property of Landlord, without compensation to Tenant. Carpeting will be deemed improvements of the Premises and not trade fixtures, regardless of how or where affixed. Such Alterations will not be removed by Tenant from the Premises either during or at the expiration or earlier termination of the Term and will be surrendered as a part of the Premises unless Landlord has requested that Tenant remove such Alterations.

7.6 Liens. Tenant will keep the Premises and the Building free from any liens arising out of work performed, materials furnished, or obligations incurred by or on behalf of or for the benefit of Tenant. If Tenant does not, within ten (10) days following notice of the imposition of any such lien, cause such lien to be released of record by payment or posting of a proper bond or other security, Landlord will have, in addition to all other remedies provided in this Lease and by law, the option, to cause the same to be released by such means as Landlord deems proper, including payment of the claim giving rise to such lien. All sums paid and expenses incurred by Landlord in connection therewith, including reasonable attorneys' fees and a reasonable amount for Landlord's administrative time, will be payable to Landlord by Tenant on demand with Interest from the date such sums are expended.

8. INSURANCE

8.1 Insurance Required of Tenant. Tenant will, at Tenant's sole expense, procure and maintain the coverages required by this Section 8.1.

(a) Commercial General Liability Insurance. Tenant will procure and maintain commercial general liability insurance ("Liability Insurance") written on an "occurrence" policy form, covering bodily injury, property damage and personal injury arising out of or relating, directly or indirectly, to Tenant's business

operations, conduct, assumed liabilities or use or occupancy of the Premises or any other part of the Project. Tenant will cause Landlord and any lender of Landlord as to which Tenant has been provided notice to be named as "additional insureds." The minimum acceptable limits for Tenant's Liability Insurance are set forth in Paragraph 8 of the Basic Lease Provisions.

(b) Workers' Compensation and Employer Liability Coverage. Tenant will procure and maintain workers' compensation insurance as required by law and employer's liability insurance with limits of no less than the amount set forth in Paragraph 8 of the Basic Lease Provisions.

(c) Property Insurance. Tenant will procure and maintain property insurance coverage ("Property Insurance") for the following: (i) all office furniture, trade fixtures, office equipment, merchandise and all other items of Tenant's personal property in, on, at or about the Premises or any other part of the Project; and (ii) all leasehold improvements to the Premises and other improvements, betterments, and Alterations to the Premises. Tenant's Property Insurance must be written on an "all-risk" (special-causes-of-loss) policy form or an equivalent form, include an agreed-amount endorsement for no less than one hundred percent (100%) of the full replacement cost (new without deduction for depreciation) of the covered items and property; be written in amounts of coverage that meet any coinsurance requirements of the policy or policies, and include vandalism and malicious mischief coverage, and sprinkler leakage coverage. Each of Landlord and any lender of Landlord as to which Tenant has been provided notice must be named as an "insured as its interest may appear" under Tenant's Property Insurance.

(d) Business Income and Extra Expense Coverage. Tenant will also procure and maintain business income /business interruption insurance and extra expense coverage (collectively, "Interruption Insurance") with coverage amountsthat will reimburse Tenant for all direct or indirect loss of income and charges and costs incurred arising out of all perils insured against by Tenant's Property Insurance coverage, including prevention of, or denial of use of or access to, all or part of the Premises or the Building, as a result of those perils. The Interruption Insurance coverage must provide coverage for no less than twelve (12) months of the loss of income, charges, and costs contemplated under the Lease.

8.2 Landlord's Insurance. Landlord will, during the Term of this Lease, procure and continue in force the following insurance: (a) liability insurance written on an "occurrence" policy form, covering bodily injury, property damage and personal injury arising out of or relating, directly or indirectly, to Landlord's business operations, conduct, assumed liability or use or occupancy of the Project, with a combined single limit of not less than Two Million Dollars ($2,000,000), it being agreed that Landlord will cause Tenant to be named as an "additional insured"; and (b) property insurance covering the Building and all personal property located in the Building and all machinery, equipment and other personal property used in connection with the Building (but not property owned by any tenant of the Building or for which any tenant of the Building is legally liable, or alterations, leasehold improvements, or betterments made, installed or purchased by or on behalf of any tenant of the Building), which property insurance must be written on an "all-risk" (special-causes-of-loss) policy from or an equivalent form, include an

agreed-amount endorsement for no less than one hundred percent (100%) of the full replacement cost (new without deduction for depreciation) of the covered

items and property; be written in amounts of coverage to meet any coinsurance requirements of the policy or policies, and include vandalism and malicious mischief coverage, and sprinkler leakage coverage. Such property insurance shall also include coverage for lost rental in an amount equal to one year of Base Rent in the Base Rent amount then in effect. Landlord shall also procure and maintain workers' compensation insurance as required by law and employer's liability insurance with limits of not less than One Million Dollars ($1,000,000).

8.3 Form of Policies and Additional Requirements. The insurance requirements set forth in Section 8.1 and Section 8.2 are independent of the waiver, indemnification, and other obligations of Tenant and Landlord under this Lease and will not be construed or interpreted in any way to restrict, limit or modify Tenant's or Landlord's waiver, indemnification and other obligations or to in any way limit Tenant's or Landlord's liability under this Lease. In addition to the requirements set forth in Section 8.1 and Section 8.2, the insurance required of Tenant and Landlord under this Article 8 must (a) be issued by an insurance company with a rating of no less than A-VIII in the current Best's Insurance Guide, or that is otherwise reasonably acceptable to Landlord as to Tenant's insurance or to Tenant as to Landlord's insurance, and admitted to engage in the business of insurance in the State of Texas; and (b) provide that insurance may not be canceled, nonrenewed or the subject of material change in coverage or available limits of coverage, except, in the case of Tenant'sinsurance, upon thirty (30) days' prior written notice (ten (10) days for non-payment of premium) to Landlord and any lender of Landlord as to which Tenant has been provided notice, and, in the case of Landlord's insurance, upon thirty (30) days' prior written notice (ten (10) days for non-payment of premium) to Tenant. Tenant and Landlord will each deliver to the other a certificate of insurance on all policies procured by Tenant or Landlord, as the case may be, in compliance with such party's obligations under this Lease, together with evidence of the payment of the premiums therefor, on or before the Lease Commencement Date, and at least thirty (30) days before the expiration date of any policy and upon the renewal of any policy. Provided that Tenant receives written notice of the name and address of any lender to Landlord that is the beneficiary of a deed of trust that encumbers the Premises, Tenant hereby covenants to provide such lender with a duplicate original certificate of insurance as required under the preceding sentence. Landlord or Tenant may comply with its insurance coverage requirements through a blanket policy.

8.4 Waiver of Subrogation. Landlord and Tenant agree to cause the insurance companies issuing their respective property insurance policies to waive any subrogation rights that those companies may have against Tenant or Landlord. It is the intent of the parties that with respect to any loss from a peril required to be covered by property insurance, the parties will look solely to their insurance companies for recovery. Landlord and Tenant will each deliver notice of this Section 8.4 to its insurance carriers.

8.5 Increase of Premiums. If Tenant's specific business operations, conduct or use of the Premises or any other part of the Project causes an increase in the premium for any insurance policy carried by Landlord, Tenant will, within ten (10) days after receipt of notice from

Landlord, reimburse Landlord for the entire increase.

9. DAMAGE OR DESTRUCTION

9.1 Repair by Landlord. Tenant will immediately notify Landlord of fire or

other casualty in the Premises. If the Premises are damaged by fire or other casualty and unless this Lease is terminated as hereinafter provided, Landlord will proceed with reasonable diligence to repair the so-called "shell" of the Premises and any leasehold improvements originally installed by Landlord or existing on the date Landlord acquired the Building. Landlord's obligation to repair is subject to (a) delays which may arise by reason of adjustment of loss under insurance policies, including, without limitation, Tenant's policy for leasehold improvements and betterments described in Section 8.1 of this Lease, and (b) other delays beyond Landlord's reasonable control. Landlord's obligation to repair will be limited to the extent of insurance proceeds actually available to Landlord for repairs after the election by the holder of any mortgage against the Building to apply a portion or all of the proceeds against the debt owing to such holder. Until Landlord's repairs to the Premises are completed, the Base Rent and additional rent will abate in proportion to the part of the Premises, if any, that is rendered untenantable.

9.2 Landlord's Rights Upon The Occurrence of Certain Casualties. In the event: (a) either the Premises or the Building (whether or not the Premises are affected) is totally or partially destroyed or damaged by fire or other casualty and repairs cannot be completed within two hundred seventy (270) days after the occurrence of such damage without the payment by Landlord of overtime or other premiums; (b) fifty percent (50%) or more of the Rentable Area of the Building (wherever located) is damaged or destroyed by fire or other casualty (whether or not the Premises are affected thereby); (c) damage is otherwise so great that Landlord, in Landlord's absolute discretion, decides to demolish the Building, in whole or in substantial part; (d) insurance proceeds remaining after payment of any proceeds required to be paid to the holder of any mortgage affecting the Project are insufficient to repair or restore the damage or destruction; (e) the Building or the Premises are damaged or destroyed as a result of any cause other than the perils covered by Landlord's property insurance; or (f) the Premises are materially damaged, in Landlord's judgment, by fire or other casualty during the last twenty-four (24) months of the Term; then Landlord may elect (i) to the extent of the insurance proceeds actually received by Landlord, to proceed to repair, restore or rebuild the Building and the Premises, in which event this Lease will continue in effect (subject to Tenant's right to terminate the Lease as set forth in Section 9.3), or (ii) to terminate this Lease (effective as of the event of destruction) upon thirty (30) days' prior notice to Tenant, which notice will be given, if at all,within sixty (60) days following the date of the occurrence of the destruction. In repairing or restoring the Building or any part thereof, Landlord may use designs, plans and specifications other than those used in the original construction of the Building, and the Landlord may alter or relocate, or both, any or all buildings, facilities and improvements, including the Premises, provided that the Premises as altered or relocated will be substantially the same size and will be in all material respects reasonably comparable to the Premises. Upon any such termination of this Lease, Tenant will surrender to Landlord the Premises. Landlord shall have no

interest in any proceeds from Tenant's insurance attributable to tenant improvements constructed by Tenant during the Term of this Lease. Tenant will pay Base Rent and all other sums payable under this Lease prorated through the effective date of such termination and Landlord and Tenant will be free and discharged from all obligations under this Lease arising after the effective date of such termination, except those obligations expressly stated in this Lease to survive the termination of this Lease.

9.3 Tenant's Rights Upon The Occurrence of Certain Casualties. In the event that the Premises or any portion thereof is destroyed or damaged by fire or other casualty and repairs cannot be completed within two hundred seventy (270) days after the occurrence of such damage without the payment by Landlord of overtime or other premiums, then Tenant may elect to terminate this Lease

(effective as of the event of destruction) upon thirty (30) days' prior notice to Landlord, which notice will be given, if at all,within sixty (60) days following the date of the occurrence of the destruction. Furthermore, in the event that this Lease remains in effect after destruction or damage to the Premises and Landlord fails to complete the repair of such destruction or damage in accordance with Section 9.1 within two hundred seventy (270) days after the occurrence of such destruction or damage (subject to extension by reason of the delays described in the third sentence of said Section 9.1) (the "Landlord Repair Period"), then Tenant may, as its sole and exclusive remedy, terminate this Lease (effective as of the expiration of the Landlord Repair Period) by sending written notice to Landlord, which notice will be given, if at all, within thirty (30) days after the expiration of the Landlord Repair Period.

9.4 Repairs by Tenant. Landlord will not be required to repair any injury or damage by fire or other cause, to restore or replace or to reimburse Tenant for damage to any of the Tenant's property. Tenant will be required to repair any injury or damage to Tenant's property in the Premises. Except for abatement, if any, of Base Rent and additional rent in accordance with the provisions of this Lease, Tenant will not be entitled to any allowance, compensation or damages from Landlord for loss of use of all or any part of the Premises or Tenant's property or for any inconvenience, annoyance, disturbance or loss or interruption of business, or otherwise, arising from any damage to the Premises or any other part of the Project by fire or any other cause, or arising from any repairs, reconstruction or restoration, nor will Tenant have the right to terminate this Lease except as specifically set forth in Section 9.3.

9.5 Determination or Period Required for Rebuilding. The determination of whether the repair of damage caused by fire or other casualty can be completed within the two hundred seventy (270) period referred to in Section 9.2 and Section 9.3 shall initially be made by Landlord, in Landlord's reasonable judgement, and notice of such determination shall be sent by Landlord to Tenant within twenty (20) days after the occurrence of such damage. Tenant shall be deemed to have accepted the determination made by Landlord unless Tenant sends written notice disputing such determination within ten (10) days after receiving notice of same. If Tenant timely objects to Landlord's determination, the parties shall, within ten (10) days thereafter, agree in good faith upon a mutually acceptable architect to make the determination of whether repair can be completed within the two hundred seventy (270) day period referred to in Section 9.2 and Section 9.3, which determination shall be made within ten (10) days after the selection of such architect and shall be binding upon the parties.

10. EMINENT DOMAIN

10.1 Total Taking. If all of the Project is taken or appropriated for public or quasi-public use by right of eminent domain or transferred by agreement with such public or quasi-public agency, this Lease will terminate as of the date possession is taken by the condemning authority. If less than all of the Premises or Project is taken or appropriated but, in Landlord's reasonable judgment, the balance will be rendered untenantable, such taking will constitute a total taking for purposes of this Section 10.1. Landlord will notify Tenant of Landlord's decision that the remainder is untenantable within thirty (30) days

of Landlord's receipt of notice of the taking or appropriation and this Lease will terminate as of the date possession is taken by the condemning authority.

10.2 Partial Taking. If only part of the Project (whether or not such part includes the Premises) is taken or appropriated by a public or quasi-public agency under the right of eminent domain or conveyed in agreement with a public or quasi-public agency (whether or not the Premises are affected thereby) and, (i) in Landlord's reasonable judgment, substantial alteration or reconstruction of the Project is necessary as a result of such taking or conveyance, or (ii) if Landlord decides to demolish or discontinue operating the Project as a result of such taking or conveyance, or (iii) twenty-five percent (25%) or more of the Rentable Area of the Building is so taken or conveyed or, in the reasonable judgment of Landlord, the Building is rendered untenable as a result, or (iv) proceeds from such taking or conveyance remaining after payment of any such proceeds required to be paid to the holder of any mortgage affecting the Project are insufficient to restore the Project and the Premises to an architectural whole, then, in any of such events, Landlord may, at Landlord's option, terminate this Lease by giving Tenant notice of termination within thirty (30) days after such taking or conveyance. In the event that the Premises or a portion thereof is taken or appropriated by a public or quasi-public agency under the right of eminent domain or conveyed in agreement with a public or quasi-public agency, then Tenant may,at Tenant's option, terminate this Lease by giving Landlord notice of termination within thirty (30) days after such taking or conveyance. In the event this Lease is not terminated, Landlord will, to the extent of proceeds actually received after the exercise by any mortgagee of the Project of an option to apply such proceeds against Landlord's debt to such mortgagee, restore the Project to an architectural whole.

10.3 Award. Any award for or proceeds from any partial or entire taking or conveyance to a public or quasi-public agency will be the property of Landlord, including, without limitation, any award or proceeds based on value of the leasehold interest of Tenant. Nothing contained in this Section 10.3 will be deemed to give Landlord any interest in or to preclude Tenant from seeking and recovering for Tenant's account a separate award from the condemning authority (but only to the extent such separate award does not reduce any award to Landlord) for the taking of personal property and fixtures removable by Tenant, for the interruption of or damage to Tenant's business or Tenant's or unamortized cost of leasehold improvements paid for by Tenant or for moving expenses. In the event of a partial taking which

does not result in a termination of this Lease, Base Rent and additional rent will be abated in the proportion which the Rentable Area of the Premises rendered unusable bears to the total Rentable Area of the Premises. No temporary taking of Tenant's Premises and/or of Tenant's rights therein or under this Lease will terminate this Lease or give Tenant any right to any abatement of Base Rent or additional rent under this Lease. Any award made to Tenant by reason of anytemporary taking will belong entirely to Tenant and Landlord will not be entitled to share in such award.

11. ASSIGNMENT AND SUBLETTING

11.1 Consent. Except for an assignment to an Affiliate of Tenant, Tenant will not assign this Lease without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. Tenant may sublet any portion of the Premises or assign this Lease to an Affiliate without the prior written consent of Landlord. For purposes of the preceding sentence, in determining whether to consent to a proposed assignment, Landlord will be deemed to be reasonable in taking into consideration, among other factors, (a) the credit standing and financial wherewithal of the proposed assignee or sublessee;

and (b) whether the use of the Premises by the proposed assignee will be consistent with the operation of a first-class office building in the Houston, Texas area. Any assignment or subletting will not relieve the Tenant or any guarantor of this Lease from any obligation or liability under this Lease. If this Lease is assigned without the consent of Landlord, then Landlord may nevertheless collect Base Rent and additional rent from the assignee, and apply the net amount collected to the Base Rent and other amounts payable under this Lease, but in no event will such collection be construed as a waiver of this covenant.

11.2 Definitions of Assignment and Affiliate. The use of the words "assignment", "assign", or "assigned" in this Article 11 will include thepledging, mortgaging or encumbering of Tenant's interest in this Lease. Tenant shall deliver to Landlord copies of all documents executed in connection with any permitted assignment or sublease, which documents (i) in the case of a permitted assignment, shall require such assignee to assume performance of all terms of this Lease on Tenant's part to be performed, and (ii) in the case of a subletting, shall require such sublessee to comply with all terms of this Lease on Tenant's part to be performed. In no event shall any assignment, sublease or transfer, whether or not with Landlord's consent, relieve Tenant of its primary liability under this Lease for the entire Term, and Tenant shall in no way be released from the full and complete performance of all the terms hereof. No acceptance by Landlord of any rent or any other sum of money from any assignee or other category of transferee shall be deemed to constitute Landlord's consent to any assignment or transfer. The term "Affiliate" shall mean as to any person, a person Controlling, Controlled by or under common Control with, directly or indirectly, through one or more intermediaries, such person. "Control" of a person means (i) the power, directly or indirectly, to (x) elect, appoint or cause the election or appointment of at least a majority of the members of the board of directors of such person, or (y) direct or cause the direction of the management and policies of such Person, or (ii) the ownership, directly or indirectly, of (x) all or substantially all of the properties and assets of such person or (y) a majority (by percentage) of the total voting power of all classes then

outstanding of the voting stock (or other voting interest) of such person.

12. DEFAULT; REMEDIES

12.1 Defaults by Tenant. The occurrence of any of the following will constitute a default under this Lease by Tenant: (a) any failure by Tenant to pay an installment of Base Rent or to make any other payment required under this Lease when due, where such failure continues for ten (10) days after notice by Landlord to Tenant, except that Landlord shall in no event be required to give more than two (2) notices of a recurring failure during each calendar year; (b) any failure by Tenant to observe and perform any other provision of this Lease to be observed and performed by Tenant, where such failure continues for thirty (30) days after notice by Landlord to Tenant (provided, however, that if the cure of such act or omission requires, despite the use of diligent efforts, a period in excess of thirty (30) days, then such thirty (30) day period shall be extended for so long as Tenant pursues the cure thereof with reasonable diligence), except that Landlord shall in no event be required to give more than two (2) notices of a recurring failure during each calendar year; (c) Tenant's interest in this Lease or in all or a part of the Premises is taken by process of law directed against Tenant, or becomes subject to any attachment at the instance of any creditor of or claimant against Tenant, and such attachment is not discharged within ten (10) days; (d) Tenant: (i) is unable to pay such party's debts generally as they become due; (ii) makes an assignment of all or a substantial part of such party's property for the benefit of creditors; (iii) convenes or attends a meeting of such party's creditors, or any class thereof, for purposes of effecting a moratorium upon or extension or composition of such

party'sdebts; (iv) applies for or consents to or acquiesces in the appointment of a receiver, trustee, liquidator, or custodian of such party or of all or a substantial part of such party's property or of the Premises or of Tenant's interest in this Lease; or (v) files a voluntary petition in bankruptcy or a petition or an answer seeking reorganization under the Bankruptcy Code or any other law relating to bankruptcy, insolvency, reorganization or relief of debtors or an arrangement with creditors, or takes advantage of any insolvency law or files an answer admitting the material allegations of a petition filed against such party in any bankruptcy, relief, reorganization or insolvency proceedings; (e) Tenant takes any corporate action to authorize any of the actions set forth in Section 12.1(d); or (f) the entry of a court order,
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judgment or decree against Tenant, without the application, approval or consent of Tenant, approving a petition seeking reorganization of Tenant or relief of debtors under the Bankruptcy Code or any other law relating to bankruptcy, insolvency, reorganization, or relief of debtors or granting an order for relief against it as debtor or appointing a receiver, trustee, liquidator, or custodian of such party or of all or a substantial part of Tenant's property or of the Premises or of Tenant's interest in this Lease, or adjudicating such party bankrupt or insolvent, and such order, judgment or decree will not be vacated, set aside or dismissed within ninety (90) days from the date of entry.

12.2 Remedies. Upon the occurrence of any event of default enumerated in
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Section 12.1, Landlord will have the option of (a) terminating this Lease by
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notice thereof to Tenant or (b) continuing this Lease in full force and effectand/or (c) performing the obligation of Tenant and/or (d) changing locks.

(a) Termination of Lease. In the event Landlord elects to terminate
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this Lease, upon notice to Tenant this Lease will end as to Tenant and all persons holding under Tenant, and all of Tenant's rights will be forfeited and lapsed, as fully as if this Lease had expired by lapse of time, and there will be recoverable from Tenant: (i) the cost of restoring the Premises to good condition, normal wear and tear excepted, (ii) all accrued, unpaid sums, plus Interest and late charges, if in arrears, under the terms of this Lease up to the date of termination, (iii) Landlord's reasonable costs of recovering possession of the Premises, and (iv) if Tenant remains in possession of the Premises subsequent to the date of termination, rent and other sums accruing subsequent to the date of termination pursuant to the holdover provisions of Section 2.3. The Landlord will at once have all the rights of re-entry upon the
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Premises, without becoming liable for damages, or guilty of a trespass.

(b) Continuation of Lease. In the event that Landlord elects to
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continue this Lease in full force and effect, Tenant will continue to be liable for all rents. Landlord will nevertheless have all the rights of re-entry upon the Premises without becoming liable for damages, or guilty of a trespass. Landlord, after re-entry, may relet all or a part of the Premises to a substitute tenant or tenants, for a period of time equal to or less or greater than the remainder of the Term on whatever terms and conditions Landlord, at Landlord's sole discretion, deems advisable. Against the rents and sums due from Tenant toLandlord during the remainder of the Term, credit will be given Tenant in the net amount of rent received from the new tenant after deduction by Landlord for: (i) the reasonable costs incurred by Landlord in reletting the Premises (including, without limitation, remodeling costs, brokerage fees, and the like), (ii) the accrued sums, plus Interest and late charges if in arrears, under the terms of this Lease, (iii) Landlord's cost of recovering possession of the Premises, and (iv) if Landlord elects to store Tenant's property in accordance with Section 7.4, the cost of storing any of Tenant's property
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left on the Premises after re-entry. Notwithstanding any provision in this Section 12.2(b) to the contrary, upon the default of any substitute tenant or

upon the expiration of the term of such substitute tenant before the expiration of the Term hereof, Landlord may, at Landlord's election, either relet to another substitute tenant, or terminate this Lease and exercise Landlord's rights under Section 12.2(a) of this Lease.

(c) Performance for Tenant. In the event that Landlord elects to perform the obligation(s) of Tenant, all reasonable sums expended by Landlord effecting such performance (including Administrative Reimbursement under Section 3.8), plus Interest thereon, will be due and payable with the next monthly installment of Base Rent. Such sum will constitute additional rental under this Lease, and failure to pay such sums when due will enable Landlord to exercise all of Landlord's remedies under this Lease.

(d) Changing Locks. Additionally, upon the occurrence of an event of default, Landlord may without notice alter locks or other securitydevices at the Premises to deprive Tenant of access to the Premises, and Landlord will not be required to provide a new key or rights of access to Tenant.

12.3 Remedies Cumulative. All rights and remedies of Landlord under this Lease will be nonexclusive of and in addition to any other

remedies available to Landlord at law or in equity.

12.4 Default by Landlord. The failure of Landlord to observe and perform any provision of this Lease to be observed and performed by Landlord, where such failure continues for thirty (30) days after notice by Tenant to Landlord (provided, however, that if the cure of such failure requires, despite the use of diligent efforts, a period in excess of thirty (30) days, then such thirty (30) day period shall be extended for so long as Landlord pursues the cure thereof with reasonable diligence) shall constitute a default under this Lease by Landlord. Provided that Tenant receives written notice of the name and address of any lender to Landlord that is the beneficiary of a deed of trust that encumbers the Premises, Tenant hereby covenants to give such lender written notice of any failure by Landlord to observe and perform any provision of this Lease to be observed and performed by Landlord, which notice shall be given simultaneously with, and in the same manner as, the notice of such failure given by Tenant to Landlord. Furthermore, Tenant hereby covenants to accept the cure of such failure by such lender provided that such cure occurs within thirty (30) days after receipt of such notice by such lender; provided further, however, that if such cure requires,despite the use of diligent efforts, a period in excess of thirty (30) days, then such thirty (30) day period shall be extended for so long as such lender pursues the cure thereof with reasonable diligence. Notwithstanding the foregoing, such lender shall in no case be obligated to cure any failure by Landlord. Upon the occurrence of a default by Landlord, Tenant may pursue any remedy provided under this Lease or by law, subject to any provisions of this Lease limiting Tenant's remedies (including, without limitation, the provisions of Section 15.1). Without limiting the remedies otherwise conferred upon Tenant, if Landlord fails to perform a repair which it is obligated to perform under this Lease and such failure continues for fifteen (15) days after notice by Tenant to Landlord (provided, however, that if the cure of such failure requires, despite the use of diligent efforts, a period in excess of fifteen (15) days, then such fifteen (15) day period shall be extended for so long as Landlord pursues the cure thereof with reasonable diligence), then Tenant shall have the right (but not the obligation) to perform such repair on Landlord's behalf and any reasonable amount which Tenant spends in performing such repair shall be repaid by Landlord within thirty (30) days after delivery to Landlord of a copy of the invoice for such repair together with proof of

payment thereof.

12.5 Attorneys' Fees. If legal action is necessary in order to enforce or interpret this Lease, the prevailing party will be entitled to reasonable attorneys' fees, costs and disbursements in addition to any other relief to which such party is entitled.

12.6 Waiver. No covenant, term or conditionor the breach thereof will be deemed waived, except by written consent of the party against whom the waiver is claimed and any waiver of the breach of any covenant, term or condition will not be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant, term or condition. Acceptance by Landlord of any performance by Tenant after the time the same was due will not constitute a waiver by Landlord of the breach or default of any covenant, term or condition unless otherwise expressly agreed to by Landlord in writing.

12.7 Force Majeure. Whenever a period of time is herein prescribed for the taking of any action by either Landlord or Tenant (other than the payment obligations of Landlord or Tenant hereunder), the performing party shall not be liable or responsible for, and there shall be excluded from the computation of such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental laws, regulations or restrictions, or any act, omission, delay, or neglect of the other party or any employees or agents of the other party, or any other cause whatsoever beyond the control of the performing party.

13. ESTOPPEL CERTIFICATES

13.1 Acknowledgment of Commencement Date. Upon tender of possession of the Premises to the Tenant and as often thereafter as may be reasonably requested by Landlord, Tenant will, within twenty (20) days after receipt of a request from Landlord, execute, acknowledge and deliver to Landlord a statement which will (a) set forththe actual Commencement Date and Expiration Date of the Term, and (b) contain acknowledgments that Tenant has accepted the Premises and that the Premises and Building are satisfactory in all respects, if such statements are accurate.

13.2 Certificates. Tenant or Landlord will, within twenty (20) days after receipt of a request from the other or any mortgagee of either party, execute, acknowledge and deliver to the requesting party or such mortgagee either a statement in writing or three party agreement among Landlord, Tenant and such mortgagee (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which Base Rent and other charges are paid in advance, if any; (b) acknowledging that there are not, to the requesting party's knowledge, any uncured defaults on the part of the requesting party under this Lease, or specifying such defaults if any are claimed, and (c) specifying any further information and agreeing to such notice provisions and other matters reasonably requested by the requesting party or such mortgagee. Any such statement may be conclusively relied upon by a prospective purchaser, mortgagee, assignee or sublessee of the Premises. Failure to deliver such statement within twenty (20) days will constitute a default under this Lease.

13.3 Financial Statements. Unless Tenant is a corporation for which

publicly available financial information is available (in which case the provisions of this Section 13.3 shall not beapplicable), Landlord will have the right to request financial statements from Tenant for purposes of selling, financing or refinancing the Building. Tenant will, within ten (10) days after receipt of a request from Landlord setting forth the purposes for which such financial statement will be used, deliver to Landlord a current financial statement certified by Tenant's chief financial officer to be true and correct and to fairly express Tenant's current financial condition. All such financial statements will be received by Landlord in confidence and used only for the purpose set forth in the request.

14. SUBORDINATION AND ATTORNMENT

14.1 Lease Subordinate. This Lease is subject and subordinate to, in addition to matters

currently of record: (a) all applicable present and future laws, rules, regulations, ordinances or requirements of any governmental authority having jurisdiction over the Project, (b) restrictive covenants affecting the Project, as same may be amended; and (c) all utility easements and agreements, now or hereafter created for the benefit of the Project.

14.2 Subordination. Upon demand, Tenant shall execute, acknowledge, and deliver to Landlord and any proposed mortgagee of the Building a Subordination, Non-Disturbance and Attornment Agreement in the form of Exhibit E attached hereto and made a part hereof, with such reasonable and customary changes thereto as may be requested by such mortgagee.

15. LANDLORD'S INTEREST

15.1 Liability of Landlord. If Landlord defaults under the provisions of this Lease and, if as a consequence of such default, Tenant recovers a money judgment against Landlord, Landlord's liability under such judgment shall not exceed the right, title and interest of Landlord in the Project. Any lien on the Project obtained to enforce such judgment and levy of execution thereon shall be subject and subordinate to any mortgage encumbering the Project in accordance with the terms of any applicable Subordination, Non-Disturbance and Attornment Agreement executed by Tenant pursuant to Section 14.2 above. In no event will Tenant have the right to levy execution against any property of Landlord's partners, members, venturers, trustees, and ancillary trustees.

15.2 Sale of Project. The term "Landlord" will mean only the owner at the time in question of the fee title or a tenant's interest in a ground lease of the Project, provided that the successor to Landlord assumes the obligations of Landlord under this Lease. The obligations contained in this Lease to be performed by Landlord will be binding on Landlord and Landlord's successors and assigns only as to their respective periods of ownership. In the event of a sale of the Project or assignment of this Lease by Landlord, the purchaser of the Project or the assignee of this Lease, as the case may be, shall be deemed to have assumed the obligations of Landlord hereunder during its period of ownership.

16. NOTICES

Wherever in this Lease it is required or permitted that a request, notice or demand begiven or served or consent be obtained by either party to, on, or

from the other, such request, notice, demand, or consent must be in writing and (a) personally delivered, or (b) mailed by certified or registered United States mail, postage prepaid, or (c) sent by Federal Express Corporation or other nationally recognized overnight carrier for next day delivery, to the addresses of the parties specified in the Basic Lease Provisions. Any notice which is mailed shall be deemed to have been given on the date of receipt thereof, and any notice sent by overnight courier will be deemed to have been given on the regular business day next following the date of deposit of such notice in a depository of the overnight courier. Either party may change such address by notice to the other. Base Rent and other charges will be paid to Landlord at Landlord's address as set forth in the Basic Lease Provisions, or as changed pursuant to a notice delivered to Tenant in the manner specified above.

17. BROKERS

Each of Landlord and Tenant represents and warrants that it has had no dealings with any broker or agent in connection with the negotiation or execution of this Lease other than the Brokers set forth in Paragraph 10 of the Basic Lease Provisions. Tenant shall be responsible for the fees of C B Richard Ellis and Landlord shall be responsible for the fees of Means Knaus.

18. INDEMNITIES AND WAIVERS

18.1 Indemnities by Tenant. To the fullest extent permitted by law, and except to the extent caused by the willful or negligent acts of anyLandlord Party, Tenant will, at Tenant's sole cost and expense, Indemnify Landlord Parties against all Claims arising from (a) any Personal Injury, Bodily Injury or Property Damage whatsoever occurring in or at the Premises, except for such Claims asserted by an employee of a Landlord Party arising out of and in the course of employment of such employee; (b) all Claims arising from any Bodily Injury to an employee of a Tenant Party arising out of and in the course of employment of the employee and occurring anywhere in the Project; (c) any liens or encumbrances arising out of any work performed or materials furnished by or for Tenant; (d) commissions or other compensation or charges claimed by any real estate broker or agent with respect to this Lease by, through, or under Tenant (unless specifically the obligation of Landlord under Section 17); or (e) the default by Tenant under this Lease.

18.2 Indemnities by Landlord. To the fullest extent permitted by law (but subject to the limitations on Landlord's liability set forth in Section 15.1), and except to the extent caused by the willful or negligent acts of any Tenant Party, Landlord will, at Landlord's sole cost and expense, Indemnify Tenant Parties against all Claims arising from (a) any Personal Injury, Bodily Injury or Property Damage whatsoever occurring in the Common Areas, except for such Claims asserted by an employee of a Tenant Party arising out of and in the course of employment of such employee; (b) any Bodily Injury to an employee of a Landlord Party arising out of and in the course of employment of the employee and occurring anywhere in the Project; (c) any liens or encumbrances against any Tenant Party or itsproperty arising out of any work performed or materials furnished by or for Landlord; (d) commissions or other compensation or charges claimed by any real estate broker or agent with respect to this Lease by, through, or under Landlord (unless specifically the obligation of Tenant under Section 17); or (e) the default by Landlord under this Lease.

18.3 Waivers by Tenant. Tenant, on behalf of all Tenant Parties, waives all claims against Landlord Parties arising from the following: (a) any Personal Injury, Bodily Injury, or Property Damage to any Tenant Party resulting from interruption or stoppage of utility services (subject to Tenant's rights under

Section 5.4) or resulting from failure of Landlord to provide adequate building security, or caused by the other lessees of the Project, parties not occupying space in the Project, occupants of property adjacent to the Project, or the public or by the construction of any private, public, or quasi-public work occurring either in the Premises or elsewhere in the Project; or (b) any Bodily Injury to an employee of a Tenant Party arising out of and in the course of employment of the employee and occurring anywhere in the Project.

18.4 Waivers by Landlord. Landlord, on behalf of all Landlord Parties, waives all claims

against Tenant Parties arising from the following: (a) any Personal Injury, Bodily Injury, or Property Damage to any Landlord Party resulting from interruption or stoppage of utility services or caused by lessees of the Project other than Tenant, parties not occupying space in the Project, occupants of property adjacent to the Project, or the public or by the construction ofany private, public or quasi-public work occurring either in the Premises or elsewhere in the Project; or (b) Bodily Injury to an employee of a Landlord Party arising out of and in the course of employment of the employee and occurring anywhere in the Project.

18.5 Definitions. For purposes of the foregoing provisions of this Article 18: (a) the term "Tenant Parties" means Tenant, and Tenant's officers, directors, members, partners, agents, employees, sublessees, licensees, invitees and independent contractors, and all persons and entities claiming through any of these persons or entities; (b) the term "Landlord Parties" means Landlord and the partners, venturers, trustees and ancillary trustees of Landlord and the respective officers, directors, shareholders, members, parents, subsidiaries and any other affiliated entities, personal representatives, executors, heirs, assigns, licensees, invitees, beneficiaries, agents, servants, employees and independent contractors of these persons or entities; (c) the term "Indemnify" means indemnify, defend (with counsel reasonably acceptable to the indemnified party) and hold free and harmless from and against; (d) the term "Claims" means all liabilities, claims, damages (including consequential damages to the extent not excluded by the provisions of the last sentence of Section 21.18), losses, penalties, litigation, demands, causes of action (whether in tort or contract, in law or at equity or otherwise), suits, proceedings, judgments, disbursements, charges, assessments, and expenses (including attorneys' and experts' fees and expenses and expenses incurred in investigating, defending, or prosecuting any litigation, claim, or proceeding); (e) the term"Waives" means that the waiving party waives and knowingly and voluntarily assumes the risk of; and (f) the terms "Bodily Injury", "Personal Injury" and "Property Damage" will have the same meanings as in the form of commercial general insurance policy issued by Insurance Services Office, Inc. most recently prior to the date of the injury or loss in question.

18.6 Scope of Waivers. The waivers contained in Section 18.3 and Section 18.4 will apply regardless of the active or passive negligence or sole, joint, concurrent, or comparative negligence of any of the Landlord Parties or Tenant Parties, as the case may be.

18.7 Obligations Independent of Insurance. The indemnification provided in Section 18.1 may not be construed or interpreted as in any way restricting, limiting or modifying Tenant's insurance or other obligations under this Lease, and the provisions of Section 18.1 are independent of Tenant's insurance and

other obligations. Tenant's compliance with the insurance requirements and other obligations under this Lease does not in any way restrict, limit or modify Tenant's indemnification obligations under this Lease. Conversely, The indemnification provided in Section 18.2 may not be construed or interpreted as in any way restricting, limiting or modifying Landlord's insurance or other obligations under this Lease, and the provisions of Section 18.2 are independent of Landlord's insurance and other obligations. Landlord's compliance with the insurance requirements and other obligations

under this Lease does not in any way restrict, limit or modify Landlord's indemnification obligations under this Lease.

18.8 Survival. The provisions of this Article 18 will survive the expiration or earlier termination of this Lease until all claims against Landlord Parties involving any of the indemnified or waived matters are fully and finally barred by the applicable statutes of limitations.

18.9 Duty to Defend. The duty of an indemnifying party to defend is separate and independent of such party's duty to Indemnify. The duty of an indemnifying party to defend includes Claims for which the indemnified party may be liable without fault or may be strictly liable. The duty of an indemnifying party to defend applies regardless of whether the issues of negligence, liability, fault, default or other obligation on the part of the indemnifying party have been determined. The duty of an indemnifying party to defend applies immediately, regardless of whether the indemnified party has paid any sums or incurred any detriment arising out of or relating, directly or indirectly, to any Claims. It is the express intention of Landlord and Tenant that the indemnified party will be entitled to obtain summary adjudication regarding the indemnifying party's duty to defend the indemnified party at any stage of any Claim within the scope of this Article 18.

19. PARKING

19.1 Garage. Notwithstanding anything set forth in this Lease to the contrary, the existing parking garage in the Building shall be for the exclusive use of Tenant and the other tenants and occupants of the Building and its and their employees, customers, visitors and invitees. No part of such existing parking garage shall be designated or reserved for use by any tenants or occupants, or their employees, customers, visitors and invitees, of any improvements to be built on the Excess Land. Tenant's use of the parking garage shall be subject to such terms, conditions and regulations as are from time to time applicable to the patrons of the parking garage, but shall be without charge to Tenant.

20. HAZARDOUS SUBSTANCES; REPRESENTATIONS

20.1 Tenant's Operations. The term "Hazardous Substances", as used in this Lease will mean pollutants, contaminants, toxic or hazardous wastes, or any other substances, the removal of which is required or the use of which is regulated, restricted, prohibited or penalized by any Environmental Law. Tenant hereby agrees that (i) no activity will be conducted on the Premises that will produce any Hazardous Substances, except for such activities that are part of

the ordinary course of Tenant's business activities ("Permitted Activities") provided the Permitted Activities are conducted in accordance with all Environmental Laws; (ii) the Premises will not be used in any manner for the storage of any Hazardous Substances except for any temporary storage of such materials that are used in the ordinary course of Tenant's business ("Permitted Materials"), provided such Permitted Materials are properly stored in a manner and location meeting all Environmental Laws; (iii)Tenant will not permit any Hazardous Substances to be brought onto the Premises, except for the Permitted Materials, and if so brought or found thereon, the same shall be immediately removed, with proper disposal, and all required cleanup

procedures shall be diligently undertaken pursuant to all Environmental Laws. If any Hazardous Substance is discovered outside the Premises and such Hazardous Substance was brought into the Building or parking areas or any other portion of the Project by Tenant or any of Tenant Parties (as defined in Section 18.5), Tenant, at Tenant's sole cost and expense, will immediately take such action as is necessary to detain the spread of and remove the Hazardous Substance to the satisfaction of Landlord.

21. INTERPRETATIVE

21.1 Captions. The captions of the Articles and Sections of this Lease are for convenience only and will not affect the interpretation or construction of any provision of this Lease.

21.2 Section Numbers. All references to section numbers contained in the Basic Lease Provisions, the General Lease Provisions or Exhibit C, if any, are to sections in the General Lease Provisions, unless expressly provided to the contrary.

21.3 Attachments. Exhibits, addenda, schedules and riders attached hereto and listed in the Basic Lease Provisions (and no other exhibits, addendums, schedules and riders) are deemed by attachment to constitute part of this Lease and are incorporated into this Lease.

21.4 Number, Gender, Defined Terms. The words "Landlord" and "Tenant", as used in this Lease, will include the plural as well as the singular. Words used in the neuter gender include the masculine and feminine and words in the masculine or feminine gender include the other and the neuter. If more than one person or entity constitutes Tenant, the obligations under this Lease imposed upon Tenant will be joint and several.

21.5 Entire Agreement. This Lease, including any exhibits and attachments hereto listed in the Basic Lease Provisions, constitutes the entire agreement between Landlord and Tenant relative to the Premises. Landlord and Tenant agree hereby that all prior or contemporaneous oral and written agreements between and among themselves or their agents, including any leasing agent, and representatives relative to the leasing of the Premises are merged in or revoked by this Lease. Notwithstanding the foregoing, the representations and warranties of Tenant, as seller, and Landlord, as purchaser, under the Purchase and Sale Agreement of even date herewith are not merged or revoked and shall continue to be applicable.

21.6 Amendment. This Lease and the exhibits and attachments may be altered,

amended or revoked only by an instrument in writing signed by both Landlord and Tenant.

21.7 Severability. If any term or provision of this Lease is, to any extent, determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease will not be affected thereby, and each remaining termand provision of this Lease will be valid and be enforceable to the fullest extent permitted by law.

21.8 Time of Essence. Time is of the essence of this Lease and each and every provision of this Lease.

21.9 Best Efforts. Whenever in this Lease there is imposed upon either party the obligation to use the best efforts of a party or reasonable

efforts or diligence, such party will be required to exert such efforts or diligence only to the extent the same are economically feasible and will not impose upon such party extraordinary financial or other burdens.

21.10 Binding Effect. Subject to any provisions of this Lease restricting assignment by Tenant and releasing Landlord upon sale of the Building, all of the provisions of this Lease will bind and inure to the benefit of the parties to this Lease and their respective heirs, legal representatives, successors and assigns.

21.11 Subtenancies. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, will not work a merger of estates and will, at the option of Landlord, operate as an assignment to Landlord of any or all subleases or subtenancies.

21.12 No Reservation. Submission by Landlord of this instrument to Tenant for examination or signature does not constitute a reservation of or option for lease. This Lease will be effective only upon execution and delivery by both Landlord and Tenant.

21.13 Consents. If Tenant requests Landlord's consent under any provision of this Lease and Landlord fails or refuses to give such consent, Tenant's sole remedy will be an action for specific performance or injunction.

21.14 Choice of Law. This Lease will be construed under, governed by and enforced in accordance with the laws of the State of Texas.

21.15. Non-Merger. There shall be no merger of this Lease with any ground leasehold interest or the fee estate in the Project or any part thereof by reason of the fact that the same person may acquire or hold, directly or indirectly, this Lease or any interest in this Lease as well as any ground leasehold interest or fee estate in the Project or any interest in such fee estate.

21.16. Representations of Landlord. Except as expressly set forth in this Lease, neither Landlord nor Landlord's agents or brokers have made any representations or promises with respect to the Premises, the Building, or any

other part of the Project. Unless otherwise expressly provided in this Lease, to the extent permitted by applicable law, Landlord and Tenant expressly disclaim any implied warranty that the Premises are suitable for Tenant's intended commercial purpose, it being acknowledged that Landlord has purchased the Project from Tenant on even date herewith.

21.17. Jointly Prepared Document. Should any provision of this Lease require judicial interpretation, Landlord and Tenant hereby agree and stipulate that the court interpreting or considering same shall not apply the presumptionthat the terms hereof shall be more strictly construed against a party by reason of any rule or conclusion that a document should be construed more strictly against the party who itself or through its agents prepared the same, it being agreed that all parties hereto have participated in the preparation of this Lease and that each party had full opportunity to consult legal counsel of its choice before the execution of this Lease.

21.18. Waiver of Trial by Jury. Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either party hereto in respect of any matter arising out of or in any way connected with this Lease or Tenant's use or occupancy of the Premises.

Under no circumstances whatsoever shall Landlord or Tenant be liable to the other for such other party's own consequential damages or special damages.

21.19 Independent Covenants. The obligations of Tenant to pay rent hereunder is not dependent upon the condition of the Premises or the performance by Landlord of its obligations hereunder, and, except as otherwise expressly provided herein, (a) Tenant shall continue to pay rent, without abatement, setoff, or deduction notwithstanding any claim that Landlord has breached its obligations hereunder; and (b) Tenant waives and relinquishes all rights which Tenant may have (including specifically, without limitation, all rights under Section 91.004 of the Texas Property Code) to claim any lien against any property of Landlord or to withhold, deduct or offset rent hereunder.

21.20 Execution on Behalf of Tenant. Theperson executing this Lease on behalf of Tenant, by execution hereof, represents to Landlord that he or she has the authority to bind such Tenant to the terms of this Lease.

21.21 Execution on Behalf of Landlord. The person executing this Lease on behalf of Landlord, by execution hereof, represents to Tenant that he or she has the authority to bind such Landlord to the terms of this Lease.

21.22 Quiet Enjoyment. Landlord represents and warrants that it has full right and authority to enter into this Lease and that Tenant, so long as Tenant is paying the rent due under this Lease as same becomes due and is performing its other covenants and agreements set forth herein, shall peaceably and quietly have, hold and enjoy the Premises for the Term, subject to the terms and provisions of this Lease.

21.23 Conflict with Rules and Regulations. In the event of any conflict between the terms of this Lease (including the exhibits hereto other than the exhibit containing the Rules and Regulations) and the Rules and Regulations, the terms of this Lease shall govern.

EXHIBIT A

LEGAL DESCRIPTION

Being 14.3048 ACRES (623,119 square feet) of land all of Restricted Reserve "I" (Restricted for Non-Residential use), in Block Six (6) of Partial Replat of Enclave, a subdivision in Harris County, Texas according to the map or plat thereof recorded in Volume 328, Page 13 of the Map Records of Harris County, Texas.

EXHIBIT B

FLOOR PLANS

See Attached

[FLOOR PLAN]

[FLOOR PLAN]

[FLOOR PLAN]

[FLOOR PLAN]

[FLOOR PLAN]

EXHIBIT C

OPERATING COST COMPUTATION

1. Operating Cost Exclusions. The following costs are notwithstanding anything to the contrary set forth in this Lease (including Section 2 of this Exhibit C), excluded from the computation of Operating Costs:

(a) leasing commissions, attorneys' fees, costs and disbursement and other expenses incurred in connection with leasing, renovating or improving space for tenants or prospective tenants of the Project;

(b) costs (including permit, license and inspection fees) incurred in renovating or otherwise improving or decorating, painting or redecorating space for tenants or vacant space;

(c) Landlord's costs of any services sold to tenants for which Landlord is entitled to be reimbursed by such tenants as an additional charge or rental over and above the Base Rent and Operating Costs payable under the lease with such tenant or other occupant;

(d) any depreciation and amortization on the Project except as expressly permitted herein;

(e) costs incurred due to violation by Landlord of any of the terms and conditions of this Lease or any other lease relating to the Project;

(f) interest on debt or amortization payments on any mortgages or deeds of trust or any other debt for borrowed money;

(g) all items and services for which Tenant reimburses Landlord outside of Operating Costs or pays third persons or which Landlord provides selectively to one or more tenants or occupants of the Project (other than Tenant) without reimbursement;

(h) advertising and promotional expenditures;

(i) repairs or other work occasioned by fire, windstorm or other casualty, or by condemnation, or other work paid for through insurance or condemnation proceeds;

(j) repairs resulting from any defect in the original design or construction of the Project;

(k) amortization of the costs of improvements to the Project which are capital in nature, except to the extent set forth in Section 2(p) of this Exhibit C;

(l) federal, state and local income taxes, inheritance taxes, estate taxes, gift taxes and franchise taxes paid by Landlord;

(m) rents paid under any ground lease in respect of the Land or the Building;

(n) any interest, fines, penalties and related expenses (including attorneys' fees)

incurred by Landlord as a result of (i) Landlord's violation of any governmental rule, statute or authority (including specifically, without limitation, the failure of Landlord to pay timely real estate taxes or assessments in respect of the Project), (ii) default by Landlord under any mortgage encumbering the Project, or (iii) default by Landlord under this Lease;

(o) losses of rent, bad debts or any damages or settlements paid to any other tenant, prospective tenant or occupant of the Building; or

(p) costs representing an amount paid to an affiliate of Landlord which is in excess of the amount which would have been paid in the absence of such relationship;

(q) costs incurred to test, survey, clean up, contain, abate, remove or otherwise remedy any Hazardous Substances from the Project placed thereon by Landlord.

2. Operating Cost Examples. The following are, without limitation, examples of costs included within the computation of Operating Costs:

(a) garbage and waste disposal;

(b) janitorial service and window cleaning for the Project (including materials, supplies, light bulbs and ballasts standard to the Building, equipment and tools therefor and rental and depreciation costs related to any of the foregoing) or contracts with third parties to provide same;

(c) security;

(d) insurance premiums (including, without limitation, property, rental value, liability and any other types of insurance carried by Landlord

with respect to the Project, the costs of which may include an allocation of a portion of the premium of a blanket insurance policy maintained by Landlord);

(e) business or excise taxes payable on account of Landlord's ownership or operation of the Project (including, without limitation, any state tax imposed upon Landlord as a substitute in whole or in part for, or in addition to, real property taxes assessed against the Premises as of the date of this Lease);

(f) real estate taxes, assessments, excises, and any other governmental levies and charges of every kind and nature whatsoever, general and special, extraordinary and ordinary, foreseen and unforeseen, which may during the Term be levied or assessed against, or arising in connection with the use, occupancy, operation or possession of, the Project, or any part thereof, or substituted, in whole or in part, for a real estate tax, assessment, excise or governmental charge or levy previously in existence, by any authority having the direct or indirect power to tax, including interest on installment payments and all costs and fees (including attorneys' fees) incurred by Landlord in contesting or negotiating with taxing authorities as to same; provided, however, that Landlord will pay all such taxes and assessments over the longest

period of time permitted by the applicable taxing authority;

(g) water and sewer charges and any add-ons;

(h) operation, maintenance, and repair (to include replacement of components) of the Project, including but not limited to all floor, wall and window coverings and personal property in the Common Areas, Building systems such as heat, ventilation and air conditioning system, elevators, escalators, and all other mechanical or electrical systems serving the Building and the Common Areas and Service Areas and service agreements for all such systems and equipment (to the extent any of such costs constitute capital expenditures, then the last sentence of Subsection 2(p) below shall apply);

(i) charges for any easement maintained for the benefit of the Project;

(j) license, permit and inspection fees;

(k) compliance with any fire safety or other governmental rules, regulations, laws, statutes, ordinances or requirements imposed by any governmental authority or insurance company with respect to the Project during the Term hereof (to the extent any of such costs constitute capital expenditures, then the last sentence of Subsection 2(p) below shall apply);

(l) wages, salaries, employee benefits and taxes (or an allocation of the foregoing) for personnel working full or part time in connection with the operation, maintenance and management of the Project;

(m) accounting and legal services (but excluding legal services in connection with negotiations and disputes with specific tenants unless the matter involved affects all tenants of the Project);

(n) administrative and management fees for the Project and Landlord's overhead expenses directly attributable to Project management;

(o) indoor or outdoor landscaping;

(p) depreciation (or amortization) of Required Capital Improvements and Cost Savings Improvements. "Required Capital Improvements" will mean capital improvements or replacements made in or to the Building in order to conform to any future law, ordinance, rule, regulation or order of any governmental authority not existing as of the date of this Lease having jurisdiction over the project, including, without limitations, The Disabilities Acts. "Cost Savings Improvements" will mean any capital improvements or replacements which are

intended to reduce, stabilize or limit increases in Operating Costs. The cost of Required Capital Improvements, Cost Savings Improvements and depreciable (or amortizable) maintenance and repair items (e.g., painting of Common Areas, replacement of carpet in elevator lobbies), will be amortized over the useful life of the applicable item in accordance with generally accepted accounting principles.

(q) expenses and fees (including attorneys' fees) incurred contesting of the validity or applicability of any governmental enactments which may affect Operating Costs.

(r) Costs incurred by Landlord for (i) electricity utilized in connection with the operation, maintenance, and use of the Project, and (ii) sales, use, excise and other taxes assessed by governmental authorities on electricity.

(s) all assessments owed by Landlord pursuant to the Amended and Restated Declaration of Covenants, Conditions and Restrictions (Including the Fifth Amendment) for Enclave (the "Declaration"), including, but not limited to, the Basic Charge (as such term is defined in the Declaration).

3. Landlord will credit against Operations Costs any refunds received as a result of tax contests, after deduction for Landlord's costs in connection with same.

4. The foregoing provisions of this Exhibit C will not be deemed to require Landlord to furnish or cause to be furnished any service or facility not otherwise required to be furnished by Landlord pursuant to the provisions of this Lease, although Landlord, in Landlord's absolute discretion, may choose to do so from time to time.

EXHIBIT D

BUILDING RULES AND REGULATIONS

The following rules and regulations shall apply to the Premises, the Building, the parking garage associated therewith, and the appurtenances thereto:

1. Sidewalks, doorways, vestibules, halls, stairways, and other similar areas shall not be obstructed by tenants or used by any tenant for purposes other than ingress and egress to and from their respective leased premises and for going from one to another part of the Building.

2. Plumbing, fixtures and appliances shall be used only for the purposes for which designed, and no sweepings, rubbish, rags or other unsuitable material shall be thrown or deposited therein. Damage resulting to any such fixtures or appliances from misuse by a tenant or its agents, employees or invitees, shall be paid by such tenant.

3. No signs, advertisements or notices shall be painted or affixed on or to any windows or doors or other part of the Building without the prior written consent of Landlord. No nails, hooks or screws shall be driven or inserted in any part of the Building except by Building maintenance personnel. No curtains or other window treatments shall be placed between the glass and the Building standard window treatments.

4. Landlord shall provide and maintain an alphabetical directory for all tenants in the main lobby of the Building.

5. Landlord shall provide all door locks in each tenant's leased premises, at the cost of such tenant, and no tenant shall place any additional door locks in its leased premises without Landlord's prior written consent. Landlord shall furnish to each tenant a reasonable number of keys to such tenant's leased premises, at such tenant's cost, and no tenant shall make a duplicate thereof.

6. Movement in or out of the Building of furniture or office equipment, or dispatch or receipt by tenants of any bulky material, merchandise or materials which require use of elevators or stairways, or movement through the Building entrances or lobby shall be conducted under Landlord's supervision at such times and in such a manner as Landlord may reasonably require. Each tenant assumes all risks of and shall be liable for all damage to articles moved and injury to persons or public engaged or not engaged in such movement, including equipment, property and personnel of Landlord if damaged or injured as a result of acts in connection with carrying out this service for such tenant.

7. Landlord may prescribe weight limitations and determine the locations for safes and other heavy equipment or items, which shall in all cases be placed in the Building so as to distribute weight in a manner acceptable to Landlord which may include the use of such supporting devices as Landlord may require. All damages to the Building caused by the installation or removal of any property of a tenant, shall be repaired at the expense of such tenant.

8. Corridor doors, when not in use, shall be kept closed. Nothing shall be swept or thrown into the corridors, halls, elevator shafts or stairways. No birds or animals shall be brought into or kept in, on or about any tenant's leased premises. No portion of any tenant's leased premises shall at any time be used or occupied as sleeping or lodging quarters.

9. Tenant shall cooperate with Landlord's employees in keeping its leased premises neat and clean. Tenants shall not employ any person for the purpose of such cleaning other than the Building's cleaning and maintenance personnel.

10. To ensure orderly operation of the Building, no ice, mineral or other water, towels, newspapers, etc. shall be delivered to any leased area except by persons approved by Landlord.

11. Tenant shall not make or permit any vibration or improper, objectionable or unpleasant noises or odors in the Building or otherwise interfere in any way with other tenants or persons having business with them.

12. No machinery of any kind (other than normal office equipment) shall be operated by any tenant on its leased area without Landlord's prior written consent, nor shall any tenant use or keep in the Building any flammable or explosive fluid or substance.

13. Landlord will not be responsible for lost or stolen personal property, money or jewelry from tenant's leased premises or public or common areas regardless of whether such loss occurs when the area is locked against entry or not.

14. All vehicles are to be currently licensed, parked for business purposes having to do with tenant's business operated in the Premises, parked within designated parking spaces, one vehicle to each space. No vehicle shall be parked as a "billboard" vehicle in the parking lot. Any vehicle parked improperly may be towed away. Tenant, tenant's agents, employees, vendors and customers who do not operate or park their vehicles as required shall subject the vehicle to being towed at the expense of the owner or driver. Landlord may place a "boot" on the vehicle to immobilize it and may levy a charge of $50.00 to remove the "boot."

EXHIBIT E

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (the "Agreement") is made and entered into this ____ day of _____, 2000, by and between _____, _____a _____ corporation (hereinafter referred to as "Tenant"), and _____, a _____ (hereinafter referred to as "Lender").

WHEREAS, pursuant to that certain Office Building Lease (hereinafter referred to as the "Lease") dated _____, 2000, between _____ _____ (hereinafter referred to as "Landlord"), as Landlord, and Tenant, as Tenant, Landlord leased to Tenant _____ square feet of space (hereinafter referred to as the "Premises") in an office building (the "Building") located at ____ _____, a legal description of the Building and the land on which the Building is located being set forth on Exhibit "A" attached hereto and by this reference made a part hereof (the Building and such land being hereinafter referred to as the "Property"); and

WHEREAS, Landlord has granted to Lender a security interest in and to the Property pursuant to a certain Deed of Trust executed by Landlord in favor of _____ as Trustee, for the benefit of Lender, dated _____ _____, 2000, recorded or to be recorded in the public records of _____ County, Texas (hereinafter referred to as the "Mortgage").

WHEREAS, Tenant has been requested by Lender and by Landlord to enter into this Agreement, and Tenant is willing to do so as hereinafter set forth;

WHEREAS, Lender and Tenant desire to confirm their understanding with respect to the Lease and the Mortgage;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and promises contained herein, and other good and valuable consideration, Lender and Tenant hereby agree as follows:

1. Subordination. The Lease and the rights of Tenant thereunder are hereby subordinated and shall be and remain subordinated to the Mortgage and the lien thereof, and to any and all renewals, modifications, consolidations, spreaders and extensions thereof. Nothing contained herein shall be deemed or construed as limiting or restricting the

enforcement by Lender of any of the terms, covenants, provisions or remedies contained in the Mortgage, to the extent not inconsistent with the Lease.

2. Non-Disturbance. For purposes hereof, the term "Remedial Action"

shall mean the transfer of title to the Property by foreclosure, deed in lieu of foreclosure or otherwise in the exercise of Lender's rights under the Mortgage, and the term "Purchaser" shall mean Lender or any other party who acquires title to the Property pursuant to a Remedial Action. It is hereby agreed that in the event of a Remedial Action, and so long as no default by Tenant then exists under the Lease beyond any applicable cure period, then the Lease and Tenant's right to possession of the Premises thereunder shall not be terminated, nor shall any of Tenant's other rights under the Lease be affected on account of such Remedial Action, and Tenant's possession of the Premises and Tenant's rights and privileges under the Lease, or under extensions or renewals thereof, shall not be diminished or interfered with by Purchaser. Tenant's occupancy of the Premises shall not be disturbed by Purchaser for any reason whatsoever during the term of the Lease or any extension or renewal thereof, except as would be permitted for Landlord to do so, provided that no default by Tenant exists under the Lease beyond any applicable cure period.

3. Joinder of Tenant as Party Defendant. So long as Tenant is not in default beyond any applicable cure period in the payment or performance of any of the terms, covenants or conditions of the Lease on Tenant's part to be performed, Lender will not join Tenant as a party defendant in any foreclosure action or other proceeding under the Mortgage or otherwise.

4. Attornment; Obligations of Lender.

(a) If the interests of Landlord in the Property shall become owned by a Purchaser, then: (i) Tenant shall be directly bound to Purchaser as landlord under all the terms, covenants and conditions of the Lease, subject to the terms of this Agreement, for the balance of the term of the Lease and for any extensions or renewals thereof which may be duly exercised by Tenant, with the same force and effect as if Purchaser were the Landlord under the Lease; and (ii) Tenant will attorn to Purchaser as its landlord, said attornment to be effective and self-operative (without the execution of any further instruments) immediately upon Purchaser succeeding to the interest of the Landlord under the Lease; provided, however, that Tenant shall have received written notice from Purchaser that it has succeeded to the interest of the Landlord under the Lease.

(b) The respective rights and obligations of Tenant and Purchaser upon such attornment, to the extent of the then remaining balance of the term of the Lease and any such extensions and renewals thereof, shall be and are the same as now set forth in the Lease, and Tenant shall have the same remedies against Purchaser for the breach of any agreement contained in the Lease that Tenant would have under the Lease against Landlord if Purchaser

had not succeeded to the interest of Landlord; provided, however, that, notwithstanding anything to the contrary contained herein, Purchaser shall not:

(i) be liable for any damages or other relief or be subject to any offsets or defenses of any kind in any case attributable to any default by any prior landlord under the Lease (including, without limitation, Landlord), unless notice thereof has been given to Lender pursuant to Paragraph 7 hereof and such default has not been cured within the grace period, if any, provided for doing so under the Lease; provided, however, the foregoing shall not be construed as imposing personal liability on Purchaser, but Tenant shall have all of its rights and remedies pursuant to the Lease and at law or in equity by reason of such default if same is not cured within the grace period provided in the Lease;

(ii) be bound by any prepayment by Tenant of more than one month's installment of rent, unless such prepayment of rent shall have been approved in writing by Lender (or by any subsequent holder of the Mortgage of which Tenant has been notified in writing).

(iii) be bound by any amendment to the Lease which requires the approval of Lender pursuant to Paragraph 6(b) below, unless written approval thereof has been obtained from Lender (or by any subsequent holder of the Mortgage of which Tenant has been notified in writing).

5. Assignment of Rents. Tenant acknowledges that, in addition to the Mortgage and certain other documents, the loan secured by the Mortgage will be secured by an Assignment of Leases and Rents ("Assignment of Leases") whereby the Lease and the rent and all other sums due thereunder have been assigned or are to be assigned to Lender as security for such loan. In the event that Lender (or any person or entity to whom the Mortgage and/or Assignment of Leases may subsequently be assigned) notifies Tenant in writing of a default under the Mortgage or Assignment of Leases and demands that Tenant pay its rent and all other sums due under the Lease to Lender (or such future lender), Tenant shall honor such demand and pay its rent and all other sums due under the Lease directly to Lender (or such future lender) or as otherwise required pursuant to such notice. By its execution hereof, Landlord hereby agrees that Tenant shall have the right to honor such demand by Lender (or such future lender) without incurring liability to Landlord.

6. Agreement of Tenant. Tenant agrees not to do any of the following:

(a) prepay the rent under the Lease for more than one (1) month in advance;

(b) enter into any agreement with Landlord to amend or modify the Lease to reduce the rental thereunder or increase the obligations or liabilities of Landlord, or reduce any cure periods provided to Landlord thereunder, or terminate the Lease, without prior written consent of Lender; or

(c) voluntarily surrender the Premises or terminate the Lease without cause.

7. Notices Sent to Landlord/Lender Right to Cure. In the event of a default by Landlord under the Lease, Tenant hereby agrees to give Lender the same notice and cure period, if any, granted Landlord under the Lease before Tenant takes action with respect to the uncured default. Lender shall have the right, but not the obligation, to cure any default by Landlord within the aforementioned cure period. Notwithstanding the foregoing provisions, however, if the default by Landlord is of such a nature that it cannot be cured by Lender (for example, the filing of bankruptcy by Landlord), then Tenant shall not be obligated to give Lender such notice. It is expressly understood and agreed that if Tenant is not obligated to give Landlord any notice with respect to the failure of Landlord to perform a repair obligation in the event of an emergency, then Tenant shall not be required to give Lender notice in respect thereof prior to commencing a cure.

8. Amendment. This Agreement may not be modified or amended, except by a writing by Lender and Tenant or their respective successors in interest, as applicable. Upon satisfaction of the Mortgage, this Agreement shall become null and void and be of no further affect.

9. Notices. Whenever in this Agreement it is provided that notice be given to or served upon either of the parties, each such notice or demand shall be in writing, and (a) personally delivered, or (b) sent by FedEx or other nationally recognized overnight courier for next day delivery, to the addresses of the parties hereinafter specified. Any notice which is sent by overnight courier will be deemed to have been given on the regular business day next

following the date of deposit of such notice in a depository of the overnight courier. Either party may change this address for notice by notice to the other party. The addresses for notices are as follows:

If addressed to Lender:

With a copy to:

If sent to Tenant:

With a copy to:

10. Effectiveness. Notwithstanding anything herein to the contrary, Tenant shall not be bound by any terms of this Agreement until Tenant has received a duplicate original of this Agreement executed by Lender.

11. Binding Effect. This Agreement shall be binding upon the parties hereto, and their successors and assigns. In addition, this Agreement shall be binding upon any successor to Lender's interest as Landlord under the Lease.

This Agreement has been executed by Lender and Tenant as of the ____ day of _____, 2000.

TENANT:

_____

By:_____
Name:_____
Title:_____

LENDER:

By:_____
Name:_____
Title:_____

LANDLORD:

_____

By:_____
Name:_____
Title:_____

EXHIBIT F

GUARANTY OF LEASE

WHEREAS, Wells Operating Partnership, L.P., a Delaware limited partnership, as Landlord ("Landlord"), and Enclave Parkway Realty, Inc., a Delaware corporation, as Tenant ("Tenant"), are about to enter into a certain lease ("Lease") of even date herewith of certain premises ("Leased Premises") located in Houston, Texas, as more fully described in the Lease, and

WHEREAS, Tenant is a wholly-owned subsidiary corporation of The Shaw Group, Inc. a Louisiana corporation ("Guarantor"), and

WHEREAS, Guarantor acknowledges that Landlord would not enter into the Lease unless this Guaranty accompanied execution and delivery of the Lease.

NOW, THEREFORE, in consideration of One ($1.00) Dollar and other valuable consideration and to induce Landlord to enter into the Lease, Guarantor, having an office at 8545 United Plaza Blvd., Baton Rouge, Louisiana, does hereby on behalf of itself and its successors and assigns covenant and agree as follows:

(a) If Tenant, its successors or assigns, shall default at any time during the term of the Lease (including any renewal terms) in the payment of Base Rent (as defined in the Lease), additional rent, or other charges payable by Tenant under the Lease, or in the observance or performance of any of the terms, covenants or conditions of the Lease on Tenant's part to be observed or performed, beyond the applicable grace period provided in the Lease for the curing of such default, then Guarantor will, on demand, observe and perform said terms, covenants and conditions and pay to Landlord all Base Rent, additional rent and other charges payable under the Lease, together with all arrearages of the foregoing

amounts, all interest, fees, penalties, late fees, damages and expenses which Landlord is entitled to recover pursuant to the terms of the Lease in consequence of a default under the Lease, all reasonable costs and expenses that may be incurred by Landlord in enforcing Tenant's covenants and agreements under the Lease and all reasonable costs that may be incurred by Landlord in enforcing the covenants and agreements of Guarantor hereunder, without requiring notice from Landlord or any other person or entity;

(b) Guarantor may, at Landlord's option, be joined in any action or proceeding commenced by Landlord against Tenant in connection with and based upon the Lease or any term, covenant or condition thereof, and that recovery may be had against Guarantor in such action or proceeding or any independent action or proceeding against Guarantor without Landlord first asserting, prosecuting, or exhausting any remedy or claim against Tenant, its successors or assigns;

(c) This Guaranty shall remain and continue in full force and effect as to any renewal, extension, modification or amendment of the Lease and as to any assignee of Tenant's interest in the Lease, and notwithstanding the fact that any assignee of Tenant's interest in the Lease shall be released thereunder, however, this Guaranty shall automatically terminate if Tenant assigns its interest in the Lease to Guarantor, or if Tenant merges with Guarantor;

(d) (i) This Guaranty constitutes an absolute, unconditional, present and continuing guaranty of payment and not of collection and (ii) the validity of this Guaranty and the obligations of Guarantor hereunder shall in no wise be terminated, affected or impaired by reason of (A) any action which Landlord and/or any lender of Landlord ("Lender") may take or fail to take against Tenant, (B) any waiver of, or failure to enforce, any of the rights or remedies

reserved to Landlord in the Lease, or otherwise, (C) the bankruptcy or insolvency of Tenant under the Lease and whether or not the term thereof shall

terminate by reason of said bankruptcy or insolvency, (D) any set-off, counterclaim, reduction or diminution of an obligation, or any defense of any kind or nature (other than payment of the liabilities and obligations guaranteed hereunder) which Guarantor or Tenant has or may have with respect to a claim hereunder or under the Lease, or (E) any other occurrence or circumstance which might otherwise constitute a legal or equitable discharge of a surety or guarantor. No invalidity, irregularity, contractual or other unenforceability of all or any part of the liabilities and obligations guaranteed hereunder or of any security therefor, shall affect, impair or be a defense to this Guaranty;

(e) In the event of termination of the Lease by reason of the occurrence of an event of default enumerated in Section 12.1 of the Lease or in the event of the disaffirmance or rejection of the Lease in any bankruptcy or insolvency proceeding, and without limiting any of Landlord's rights under this Guaranty, Guarantor shall, upon written request of Landlord, made within thirty (30) days next following notice to Landlord of any such termination, disaffirmance or rejection or, at any time thereafter, (i) pay to Landlord all Base Rent, additional rent and other charges due and owing from Tenant to Landlord under the Lease to and including the date of such termination, disaffirmance or rejection, and (ii) enter, as "Tenant", into a new lease with Landlord, of the Leased Premises demised in the Lease for a term commencing on the effective date of such termination, disaffirmance or rejection, and ending on the date fixed in the Lease for its natural expiration (unless such new lease shall be sooner terminated as therein provided) at the same Base Rent and upon the same executory terms, covenants and conditions as are contained in the Lease except that (a) Guarantor's right as "Tenant" under the new lease shall be subject to the possessory rights of Tenant under the Lease and the possessory rights of any person, firm or corporation claiming by, through or under Tenant or by virtue of any statute or of an order of any court, and (b) such new lease to Guarantor shall require that all defaults existing under the Lease be cured by Guarantor with due diligence, (iii) execute and deliver to Lender a subordination, non-disturbance and attornment agreement (the "New Subordination

Agreement") substantially identical to the subordination, non-disturbance and attornment agreement of even date herewith executed by Tenant and (iv) deliver to Landlord and Lender an opinion of counsel reasonably satisfactory to Landlord and Lender stating that the new lease and the New Subordination Agreement are duly executed, authorized and delivered. In the event Guarantor shall default in its obligation to enter into said new lease and such default shall continue for a period of ten (10) days next following Landlord's request therefor, then, in addition to all other remedies by reason of such default, either at law or in equity, Landlord shall have the same rights and remedies against Guarantor as if Guarantor had entered into said new lease and said new lease had thereafter been terminated, as at the commencement date thereof, by reason of Guarantor's default thereunder;

(f) If Guarantor consolidates or merges with, or sells or otherwise disposes of all or substantially all of its assets to any other individual, corporation, company, partnership, association, trust or any other entity or organization (herein referred to as a "Person"), in each case whether directly or indirectly, and if Guarantor is not the survivor of such transaction, the survivor shall (i) be a Person subject to the laws of a State of the United States and (ii) expressly assume in writing Guarantor's obligations under this Guaranty;

(g) Guarantor hereby waives notice of acceptance of this Guaranty and of any liability to which it may apply, and notice or proof of reliance by Landlord or Lender upon this Guaranty, and further waives diligence, presentment, demand

of payment, protest, notice of dishonor or nonpayment of any of the liabilities and obligations guaranteed hereby, suit or taking other action or making any demand against, and any other notice to, any Person liable thereon (including Guarantor);

(h) If claim is ever made upon Landlord or Lender for repayment or recovery of any amount or amounts received by Landlord or Lender in payment or on account of the liabilities and obligations guaranteed hereunder and Landlord or Lender repays to or for the

benefit of Guarantor or Tenant or any of their respective creditors all or part of such amount by reason of (i) any judgment, decree or order or any court or administrative body having jurisdiction over Landlord or Lender, or (ii) any settlement or compromise of any such claim effected by Landlord or Lender with any such claimant (including Tenant), then and in such event Guarantor shall be and remain liable under this Guaranty for the amount so repaid or recovered to the same extent as if such amount had never originally been received by Landlord or Lender;

(i) Nothing contained in this Guaranty shall be construed to give Guarantor any direct or indirect claim, right or remedy against Tenant by reason of this Guaranty and/or any performance by Guarantor, including, without limitation, any claim, remedy or right of subrogation, reimbursement or participation in any claim, right or remedy of Landlord or Lender against Tenant, and all such claims, rights or remedies are hereby waived. Guarantor will protect, indemnify and hold harmless Landlord and Lender from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs, fees, charges and expenses (including, without limitation, reasonable attorneys' fees and expenses) imposed upon or incurred by or asserted against it or them by reason or arising out of any payment of Base Rent or additional rent under the Lease being deemed or asserted to be voidable under the United States Bankruptcy Code or any other bankruptcy or insolvency law, whether by reason of being a preference or otherwise;

(j) Guarantor submits itself to the jurisdiction of the State of Texas in any action or proceeding arising out of or under the Lease or this Guaranty, and agrees that the laws of the State of Texas shall apply in any such action or proceeding;

(k) Guarantor agrees that all notices, consents and other communications under this Guaranty (collectively, "Notice" or "Notices") shall be in writing and shall be deemed to have been given hereunder for all purposes (i) three (3) days after having been sent by United States mail, by registered or certified mail, return receipt requested, postage prepaid,

addressed to the other party at its address as stated below, (ii) one (1) day after having been sent by Federal Express or other nationally recognized air courier service, to the addresses stated below or (iii) upon confirmation of transmission via facsimile, provided that a conforming signed original is mailed to the party to receive the notice on the date it is transmitted:

To Landlord:
Wells Operating Partnership, L.P.
c/o Cardinal Capital Partners, Inc.
8411 Preston Road, Suite 850
Dallas, Texas 75225
Facsimile: 214-696-9845

With a copy to Lender:
Guaranty Federal Bank, F.S.B.
8333 Douglas Avenue
Dallas, Texas 75225

Facsimile: _____

To Guarantor:
The Shaw Group, Inc.
Attn: Walter R. Rhodes
8545 United Plaza Blvd.
Baton Rouge, Louisiana 70809
Facsimile: 225-925-9146

With a copy to:
Office of General Counsel
Attn: Gary P. Graphia
The Shaw Group, Inc.
8545 United Plaza Blvd.
Baton Rouge, Louisiana 70809
Facsimile: 225-932-2642

If any Lender shall have advised Guarantor by Notice in the manner aforesaid that it is the holder of a mortgage on the Leased Premises and stating in said Notice its address for the receipt of Notices, then simultaneously with the giving of any Notice by Guarantor to Landlord, Guarantor shall serve one or more copies of such Notice upon Lender in the

manner aforesaid. For the purposes of this paragraph, any party may substitute its address by giving fifteen (15) days notice to the other party in the manner provided above;

(l) This Guaranty shall be interpreted and enforceable in accordance with the laws of the State of Texas and shall be binding on Guarantor, its successors and assigns, and shall enure to the benefit of Landlord and Lender, their and each of their respective successors and assigns and all future owners of the Leased Premises. If any portion of this Guaranty is determined to be invalid or unenforceable, the remainder of this Guaranty shall nevertheless continue in full force and effect. Any provision of this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction;

(m) Neither this Guaranty nor any term hereof may be changed, waived, discharged, amended, modified, extended or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought, together with the written consent of the Landlord, which consent may be withheld at Landlord's discretion. Any such attempted change, waiver, discharge, amendment, modification, extension or termination without such consent of the Landlord shall be void and of no force and effect; and

(n) Guarantor hereby warrants and represents that Guarantor is the owner and holder of all the issued and outstanding shares of Tenant and that the execution and delivery of this Guaranty are not in contravention of its Certificate of Incorporation or by-laws and have been authorized by its Board of Directors and are in furtherance of its corporate purposes, and that said Board of Directors has full authority under the said by-laws to authorize the execution of this Guaranty and to validly bind Guarantor.

WITNESS the execution of this instrument as a sealed instrument as of the _____day of _____, 2000.

THE SHAW GROUP, INC.,
a Louisiana corporation

(Seal)

By:_____

Name:_____
Title:_____

Attest:

_____
Secretary

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

On _____, before me, _____ personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument as the _____ of The Shaw Group, Inc., and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed this instrument.

WITNESS my hand and official seal.

Signature of Notary

EXHIBIT G

Site Plan Showing Excess Land

see attached

[SITE PLAN]

EXHIBIT 10.73

LEASE AGREEMENT WITH SYSCO CORPORATION

LEASE AGREEMENT BETWEEN

ENCLAVE PARKWAY REALTY, INC., AS LANDLORD, AND

SYSCO CORPORATION, AS TENANT

DATED JULY 20, 1998

TABLE OF CONTENTS

LIST OF DEFINED TERMS

LEASE

THIS LEASE AGREEMENT (this "Lease") is entered into as of July 20, 1998, between Enclave Parkway Realty, Inc., a Delaware limited partnership ("Landlord"), and SYSCO Corporation, a Delaware corporation ("Tenant").

1. Lease Grant. Subject to the terms of this Lease, Landlord leases to Tenant, and Tenant leases from Landlord, the entirety of Floors 5 and 6 (the "Premises") as depicted in the plan attached as Exhibit A (and containing the stipulated net rentable square feet as set forth in Section 3(c)(7)) in the office building (the "Building") located at 1430 Enclave Parkway, Houston, Texas. The land on which the Building is located is described on Exhibit B. The term "Building" includes the related land, driveways, parking facilities, and similar improvements.

2. Term. The term of this Lease shall commence on the earlier of (i) October 1, 1998, or (ii) Tenant's occupancy of the Premises (the "Commencement Date"), and expiring at 5:00 p.m., 120 months from the Commencement Date (the "Term"). If the Commencement Date is not the first day of a calendar month, then the Term shall be extended by the number of days between the Commencement Date and the first day of the next month. Landlord shall deliver the 6th floor of the Premises to the Tenant on or before August 1, 1998 and shall deliver the 5th floor of the Premises to Tenant on or before August 15, 1998. If the Premises are not delivered by Landlord as set forth in the preceding sentence, then (a) Tenant's obligation to pay Basic Rent and Additional Rent (as defined in Section 3) shall be waived until Landlord tenders possession of the Premises to Tenant, (b) the Term shall be extended by the time between the scheduled delivery date and the date on which Landlord tenders possession of the Premises to Tenant, (c) Landlord shall not be in default hereunder or be liable for damages therefor, and (d) Tenant shall accept possession of the Premises when Landlord tenders

possession thereof to Tenant. Notwithstanding anything to the contrary contained herein, if Landlord fails to deliver the Premises to Tenant by August 22, 1998, then Tenant, as its sole and exclusive remedy, may terminate this Lease. Landlord and Tenant agree to execute a certificate in the form of Exhibit F to confirm the Commencement Date.

3. Rent.

(a) Basic Rent. "Basic Rent" (herein so called) shall be the following amounts for the following periods of time:

Time Period	Annual Basic Rent	Monthly Basic Rent
Years 1-5	$20.00 per rentable square foot/year ($2,130,320)	$177,526.67
Years 6-10	$21.00 per rentable square foot/year ($2,236,836)	$186,403.00

(b) Payment. Tenant shall timely pay to Landlord Basic Rent and all additional sums to be paid by Tenant to Landlord under this Lease (Basic Rent, Additional Rent, as hereinafter

defined and all other sums required hereunder are collectively referred to as "Rent"), without deduction or set off, at Landlord's address provided for in this Lease or as otherwise specified by Landlord. Basic Rent, adjusted as herein provided, shall be payable monthly in advance, and shall be accompanied by all applicable state and local sales or use taxes. The first monthly installment of Basic Rent shall be payable on or before three (3) business days after the execution of this Lease; thereafter, Basic Rent shall be payable on the first day of each month beginning on the first day of the second full calendar month of the Term. The monthly Basic Rent for any partial month at the beginning of the Term shall equal the product of 1/365 of the annual Basic Rent in effect during the partial month and the number of days in the partial month from and after the Commencement Date, and shall be due on the Commencement Date.

(c) Operating Costs.

(1) Subject to the provisions of Paragraph (2) below, Tenant shall pay an amount (per each rentable square foot in the Premises) ("Additional Rent") equal to its Proportionate Share of the difference between the Operating Costs (defined below) for any calendar year after calendar year 1998 and the actual Operating Costs for the calendar year 1998 (the "Expense Stop"). Landlord may make a good faith estimate of the Additional Rent to be due by Tenant for calendar year 1999 and for any calendar year thereafter or part thereof during the Term, and Tenant shall pay to Landlord, on or after January 1, 1999, and on the first day of each calendar month thereafter, an amount equal to the estimated Additional Rent for such calendar year or part thereof divided by the number of months therein. From time to time, Landlord may estimate and re-estimate the Additional Rent to be due by Tenant and deliver a copy of the estimate or re-estimate to Tenant. Thereafter, the monthly installments of Additional Rent payable by Tenant shall be appropriately adjusted in accordance with the estimations so that, by the end of the calendar year in question, Tenant shall have paid all of the Additional Rent as estimated by Landlord. Any amounts paid based on such an estimate shall be subject to adjustment as herein provided when actual Operating Costs are available for each

calendar year.

(2) Notwithstanding anything to the contrary contained herein, the Additional Rent due hereunder shall not increase by more than 5% over the Additional Rent that was payable in the previous calendar year for increases in Operating Costs that are "controllable expenses", such as janitorial services, security or maintenance; however, no such limit shall apply to non-controllable costs, such as utilities, insurance, charges promulgated by government authorities, or any other cost or expense outside of the control of Landlord.

(3) The term "Operating Costs" shall mean all expenses and
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disbursements (subject to the limitations set forth below) that Landlord incurs in connection with the ownership, operation, and maintenance of the Building, determined on an annual basis in accordance with generally accepted accounting principles consistently applied, including, but not limited to, the following costs: (A) wages and salaries (including management fees not to exceed 3% of gross revenues attributable to the Building) of all employees engaged in the operation, maintenance, and security of the Building, including taxes, insurance and benefits relating thereto; (B) all supplies and materials used in the

operation, maintenance, repair, replacement, and security of the Building; (C) costs for improvements made to the Building which, although capital in nature, are reasonably expected to reduce the normal operating costs of the Building, as well as capital improvements made in order to comply with any law hereafter promulgated by any governmental authority, as amortized over the useful economic life of such improvements as determined by Landlord in its reasonable discretion; (D) cost of all utilities, except the cost of utilities reimbursable to Landlord by the Building's tenants other than pursuant to a provision similar to this Section 3.(c); (E) insurance expenses; (F) repairs, replacements, and general maintenance of the Building; and (G) service or maintenance contracts with independent contractors for the operation, maintenance, repair, replacement, or security of the Building (including, without limitation, alarm service, window cleaning, and elevator maintenance).

Operating Costs shall not include costs for (i) capital improvements made to the Building, other than capital improvements described in Section 3.(c)(3)(C) and except for items which are generally considered maintenance and repair items, such as painting of common areas, replacement of carpet in elevator lobbies, and the like; (ii) repair, replacements and general maintenance paid by proceeds of insurance or by Tenant or other third parties or reimbursed by warranties of manufacturers, suppliers or contractors; (iii) interest, amortization or other payments on loans to Landlord; (iv) depreciation; (v) costs, expenses and fees relating to solicitation, advertising for and entering into leases for space in the Building with any tenants, and leasing commissions in connection therewith; (vi) legal expenses for services, other than those that benefit the Building tenants generally (e.g., tax disputes); (vii) renovating or otherwise improving space for occupants of the Building or vacant space in the Building; (viii) Taxes (defined below); (ix) costs in connection with services (including electricity) and items or other benefits of a type which are not standard for the Building and which are not available to Tenant without specific charge therefor, but which are provided to another tenant or occupant of the Building, whether or not such other tenant or occupant is specifically charged therefor by Landlord; (x) costs of sculpture, paintings or works of art; and (xi) federal income taxes imposed on or measured by the income of Landlord from the operation of the Building. There shall be no offset or credit against Operating Costs for any revenue attributable to the parking facilities or any cafeteria or vending areas located in the Building.

(4) Tenant shall also pay its Proportionate Share (defined

below) of any increase in Taxes for each year and partial year falling within the Term, which shall be determined by multiplying the difference between (A) the Taxes for the year in question and (B) the Taxes for the year 1998 by Tenant's Proportionate Share. Tenant shall pay its Proportionate Share of Taxes in the same manner as provided above for Additional Rent with regard to Operating Costs. "Taxes" shall mean taxes, assessments, and governmental charges whether federal, state, county or municipal, and whether they be by taxing districts or authorities presently taxing or by others, subsequently created or otherwise, and any other taxes and assessments attributable to the Building (or its operation), excluding, however, penalties and interest thereon and federal and state taxes on income (if the present method of taxation changes so that in lieu of the whole or any part of any Taxes, there is levied on Landlord a capital tax directly on the rents received therefrom or a franchise tax, assessment,

or charge based, in whole or in part, upon such rents for the Building, then all such taxes, assessments, or charges, or the part thereof so based, shall be deemed to be included within the term "Taxes" for purposes hereof). Taxes shall include the costs of consultants retained in an effort to lower taxes and all costs incurred in disputing any taxes or in seeking to lower the tax valuation of the Building.

(5) By April 1 of each calendar year, or as soon thereafter as practicable, Landlord shall furnish to Tenant a statement of Operating Costs for the previous year, adjusted as provided in Section 3.(c)(7), and of the Taxes for the previous year (the "Operating Costs and Tax Statement"). If the Operating Costs and Tax Statement reveals that Tenant paid more for Operating Costs than the actual amount for the year for which such statement was prepared, or more than its actual share of Taxes for such year, then Landlord shall promptly credit or reimburse Tenant for such excess without interest; likewise, if Tenant paid less than Tenant's actual Proportionate Share of Additional Rent or share of Taxes due, then Tenant shall promptly pay Landlord such deficiency without interest.

(6) As used herein, Tenant's "Proportionate Share" shall be 34.08%, which is the percentage obtained by dividing the rentable square feet of area in the Premises, which is stipulated to be 106,516 rentable square feet, by the total number of square feet of area in the Building, which is stipulated to be 312,564 rentable square feet.

(7) With respect to any calendar year or partial calendar year in which the Building is not occupied to the extent of 95% of the rentable area thereof, the Operating Costs for such period shall, for the purposes hereof, be increased to the amount which would have been incurred had the Building been occupied to the extent of 95% of the rentable area thereof.

(d) Audit. Upon written notice delivered before the later of July 1 or sixty (60) days after Tenant receives the Operating Costs and Tax Statement, Tenant shall have the right to cause an audit to be made of Landlord's calculations of Additional Rent for the prior calendar year. Such audit shall be made by Tenant's in house accountants or by a reputable accounting firm of national standing (in the latter case which are not being compensated for such service on a contingent or incentive fee basis) and at the expense of Tenant, and Landlord shall provide access to Landlord's books and records for the purpose of such audit. If the final results of the audit reflect that an incorrect amount of Additional Rent has been charged in any calendar year, Landlord or Tenant, as the case may be, shall reimburse the other party within 30 days of receiving the result of such audit. Notwithstanding the foregoing, if the final results of the audit reflects in any calendar year the Additional Rent was overstated by more than five percent (5%), Landlord shall reimburse Tenant

for 50% of the reasonable out of pocket costs incurred by Tenant in connection with the audit then being conducted by Tenant, but in no case in excess of $2,500.00

4. Delinquent Payment; Handling Charges. Landlord may charge Tenant a fee equal to 5% of the delinquent payment for any past due payments required hereunder to reimburse Landlord for its cost and inconvenience incurred as a consequence of Tenant's delinquency. In no event, however, shall the charges permitted under this Section 4 or elsewhere in this Lease, to the extent they are considered to be interest under law, exceed the maximum lawful rate of interest, and

any such payment may, at the election of Landlord be returned to Tenant or credited against other payments due hereunder.

5. Security Deposit. In the event that (i) Tenant abandons or vacates the Premises or fails to continuously operate its business in the Premises for the Permitted Use, or (ii) any Transfer is made as permitted under Section 9 (other than under Section 9(a)), then Tenant shall pay to Landlord $177,526.67 (the "Security Deposit"), which shall be held by Landlord to secure Tenant's performance of its obligations under this Lease. The Security Deposit is not an advance payment of Rent or a measure or limit of Landlord's damages upon an Event of Default (defined in Section 16). Landlord may, from time to time and without prejudice to any other remedy, use all or a part of the Security Deposit to perform any obligation Tenant fails to perform hereunder. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand the amount so applied in order to restore the Security Deposit to its original amount. Provided that Tenant has performed all of its obligations hereunder, Landlord shall, within 30 days after the Term ends, return to Tenant the portion of the Security Deposit which was not applied to satisfy Tenant's obligations. The Security Deposit may be commingled with other funds, and no interest shall be paid thereon. If Landlord transfers its interest in the Premises and the transferee assumes Landlord's obligations under this Lease, then Landlord may assign the Security Deposit to the transferee and Landlord thereafter shall have no further liability for the return of the Security Deposit.

6. Landlord's Obligations.

(a) Services. Provided that no Event of Default exists, Landlord shall use reasonable commercial efforts to provide the services set forth herein. Landlord shall furnish to Tenant (1) water at those points of supply provided for general use of tenants of the Building; (2) heated and refrigerated air conditioning as appropriate, at such temperatures and in such amounts as are standard for comparable buildings in the vicinity of the Building; (3) janitorial service to the Premises on weekdays, other than holidays, for Building-standard installations and such window washing as may from time to time be reasonably required; (4) elevators for ingress and egress to the floor on which the Premises are located, in common with other tenants, provided that Landlord may reasonably limit the number of operating elevators during non-business hours and holidays; and (5) electrical current during normal business hours for equipment that does not require more than 110 volts and whose electrical energy consumption does not exceed normal office usage. Items (1), (2) and (4) above shall be provided on a 24 hour basis, seven days per week except as may be limited in cases of emergency or maintenance (provided that Landlord shall use reasonable commercial efforts to minimize any interruptions in services due to, and to notify Tenant in advance of, maintenance requirements). Landlord shall maintain the common areas of the Building in reasonably good order and condition. If Tenant desires any of the services specified in Section 6.(a)(2): (A) at any time other than between 7:00 a.m. and 6:00 p.m. on weekdays or (at the request of Tenant, and without additional cost)

between 8:00 a.m. and 12:00 p.m. on Saturday, or (B) on Sunday or holidays, then such services shall be supplied to Tenant upon the written request of Tenant delivered to Landlord before 3:00 p.m. on the business day preceding such extra usage, and Tenant shall pay to Landlord the greater of (i) $50 per fan hour (2 fans per floor, operated independently) or (ii) Landlord's actual cost of such services, with such payments being due and payable with the next installment of Rent that is payable hereunder. The costs incurred by Landlord in providing after-hour

HVAC service to Tenant shall include costs for electricity, water, sewage, water treatment, labor, metering, filtering, and maintenance reasonably allocated by Landlord to providing such service.

(b) Excess Utility Use. Landlord shall not be required to furnish
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electrical current for equipment that requires more than 110 volts or other equipment whose electrical energy consumption exceeds normal office usage. If Tenant's requirements for or consumption of electricity exceed the electricity to be provided by Landlord as described in Section 6.(a), Landlord shall, at Tenant's expense, make reasonable efforts to supply such service through the then-existing feeders and risers serving the Building and the Premises, and Tenant shall pay to Landlord the cost of such service within ten days after Landlord has delivered to Tenant an invoice therefor. Landlord may determine the amount of such additional consumption and potential consumption by any verifiable method, including installation of a separate meter in the Premises installed, maintained, and read by Landlord, at Tenant's expense. Tenant shall not install any electrical equipment requiring special wiring or requiring voltage in excess of 110 volts or otherwise exceeding 0.5 kilowatts per hour per square foot of net rentable area of the Premises unless approved in advance by Landlord. Landlord may, at its option, install metering equipment to monitor Tenant's electrical usage in the Premises, and any excess usage shall be invoiced, and due within ten days after Landlord has delivered to Tenant an invoice therefor. The use of electricity in the Premises shall not exceed the capacity of existing feeders and risers to or wiring in the Premises. Any risers or wiring required to meet Tenant's excess electrical requirements shall, upon Tenant's written request, be installed by Landlord, at Tenant's cost, if, in Landlord's judgment, the same are necessary and shall not cause permanent damage to the Building or the Premises, cause or create a dangerous or hazardous condition, entail excessive or unreasonable alterations, repairs, or expenses, or interfere with or disturb other tenants of the Building. If Tenant uses machines or equipment in the Premises which affect the temperature otherwise maintained by the air conditioning system or otherwise overload any utility, Landlord may install supplemental air conditioning units or other supplemental equipment in the Premises, and the cost thereof, including the cost of installation, operation, use, and maintenance, shall be paid by Tenant to Landlord within ten days after Landlord has delivered to Tenant an invoice therefor.

(c) Restoration of Services; Abatement. Landlord shall use
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reasonable efforts to restore any service required of it that becomes unavailable; however, such unavailability shall not render Landlord liable for any damages caused thereby, be a constructive eviction of Tenant, constitute a breach of any implied warranty, or, except as provided below, entitle Tenant to any abatement of Tenant's obligations hereunder. If, however, Tenant is prevented from using the Premises for more than 15 consecutive business days because of the unavailability of any such service and such unavailability was not caused by a Tenant Party, then Tenant shall, as its exclusive remedy be entitled to a reasonable abatement of Rent for each consecutive day (after such 15-day period) that Tenant is so prevented from using the Premises. If such interruption continues for more than 15 business days, then Landlord shall within thirty (30) days after such interruption provide to Tenant a written report prepared by a contractor or architect located in Houston, Texas selected jointly by Landlord and Tenant setting forth an estimate of time required to restore such services. To the extent such interruption is not capable of being

cured by Landlord (in the opinion of the contractor or architect) within 180 days (or if such interruption is due to Tenant's negligence or wilful misconduct, and is not capable of being cured by Landlord (in the opinion of the contractor or architect) within 210 days), then Tenant, at its option may, in addition to the remedies set forth

in the preceding sentence terminate this Lease and all of its obligations for the remaining balance of the Term of this Lease with respect only to the portion of the Premises so affected by such interruption and non-use by giving written notice of such termination to Landlord within thirty (30) days after receipt of the opinion of the contractor or architect that the interruption can not be cured by Landlord within the time period set forth above. Failure to give such notice within such periods shall be deemed to be a waiver thereof by Tenant for all purposes. If Tenant shall elect to terminate this Lease as provided above, the Basic Rent and any and all other Rent payable by Tenant to Landlord hereunder shall be apportioned and paid up to the date of such termination, except as otherwise abated as permitted under the terms hereof but not otherwise.

(d) Special Services.

(i) Tenant shall have the right, subject to availability, to use the area of the Building currently used as a vending and employee lunch area, on a non-exclusive basis in conjunction with the use of other tenants in the Building; however, Landlord reserves the right to change the nature or use of the area now used for such purposes.

(ii) Landlord shall, upon reasonable approval of Tenant's plans and specifications, allow Tenant to connect its systems to the backup generators located at the Building. Tenant's use of power from the backup generators is subject to the following: The backup generators of the Building provide emergency power to all Building systems on a priority basis. As generator capacity becomes available, the system begins loading the critical load groups in order of priority. The system will not add load unless generator capacity is available. Those Building systems receiving priority in order of their importance are fire and life safety systems, elevator systems chilled water and building automation systems and UPS (uninterruptible power supply) power. Tenant acknowledges that in the event of an emergency, the backup generators may be required to shed noncritical loads servicing standard Building systems e.g., lighting to office space and common areas,
---- power to the vending machine area, components of the transportation systems and other Building systems.

(iii) Certain space on the first floor of the Building is currently leased to another tenant of the Building; however, said space may be generally available for conference room usage. To the extent said space is available, Landlord shall coordinate the availability of said space and will use reasonable commercial efforts to make said space available from time to time, upon prior request for Tenant's usage, subject to such limitations as the existing tenant, and any other tenant's usage of said space may require.

(iv) Landlord agrees to allocate up to 100 square feet of space on the first floor of the Building for a reception area for Tenant, and cooperate with Tenant in the design and construction of said reception area, at Tenant's sole cost and expense. At the end of the Term, Tenant shall remove all items constructed

in accordance herewith from the first floor of the Building, and restore the portion so affected to the pre-existing condition.

7. Improvements; Alterations; Repairs; Maintenance.

(a) Permitted Alterations. Except for (i) the initial leasehold improvements in accordance with the Work Letter attached as Exhibit D (the "Work Letter"), (ii) any alteration that costs less than $25,000, and (iii) any alteration involving carpeting, painting or wallpaper, Tenant shall make no alterations, installations, additions, or improvements in or to the Premises without Landlord's prior written consent that:

(x) would be visible from outside the Premises (other than from elevator cab openings of each Floor); or

(y) would materially affect the Building's mechanical, electrical, plumbing, security or life safety systems; or

(z) are structural in nature.

(b) Improvements; Alterations. Except as set forth in Paragraph 7(a):

(i) Improvements to the Premises shall be installed at Tenant's expense only in accordance with plans and specifications which have been previously submitted to and approved in writing by Landlord. No alterations or physical additions in or to the Premises may be made without Landlord's prior written consent, which shall not be unreasonably withheld or delayed; however, Landlord may withhold its consent to any alteration or addition that would be visible from outside the Premises or affect the Building's structure or its HVAC, plumbing, electrical, security, life support or mechanical systems.

(ii) Tenant shall not paint or install lighting or decorations, signs, window or door lettering, or advertising media of any type on or about the Premises without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed; however, Landlord may withhold its consent to any such painting or installation which would affect the appearance of the exterior of the Building or of any common areas of the Building. All alterations, additions, or improvements (specifically including any cabling, telecommunications lines or other conduit) made in or upon the Premises shall, at Landlord's option, either be removed by Tenant prior to the end of the Term (and Tenant shall repair all damage caused thereby), or shall remain on the Premises at the end of the Term without compensation to Tenant.

All alterations, additions, and improvements shall be constructed, maintained, and used by Tenant, at its risk and expense, in accordance with all Laws; Landlord's approval of the

plans and specifications therefor shall not be a representation by Landlord that such alterations, additions, or improvements comply with any Law.

(c) Repairs; Maintenance. Tenant shall maintain the Premises in a clean, safe, and operable condition, and shall not permit or allow to remain any waste or damage to any portion of the Premises. Tenant shall repair or replace, subject to Landlord's direction and supervision, any damage to the Building caused by a Tenant Party. If Tenant fails to make such repairs or replacements within 15 days after the occurrence of such damage, then Landlord may make the same at Tenant's cost upon written notice to Tenant. If any such damage occurs outside of the Premises, then Landlord may elect to repair such damage at Tenant's expense, rather than having Tenant repair such damage. The cost of all repair or replacement work performed by Landlord under this Section 7 shall be paid by Tenant to Landlord within ten days after Landlord has invoiced Tenant therefor.

(d) Performance of Work. All work described in this Section 7 shall be performed only by Landlord or by contractors and subcontractors approved in writing by Landlord. Tenant shall cause all contractors and subcontractors to procure and maintain insurance coverage naming Landlord as an additional insured against such risks, in such amounts, and with such companies as Landlord may reasonably require. All such work shall be performed in accordance with all Laws and in a good and workmanlike manner so as not to damage the Premises, the Building, or the components thereof.

(e) Mechanic's Liens. Tenant shall not permit any mechanic's liens to be filed against the Premises or the Building for any work performed, materials furnished, or obligation incurred by or at the request of Tenant. If such a lien is filed, then Tenant shall, within ten days after Landlord has delivered notice of the filing thereof to Tenant, either pay the amount of the lien or diligently contest such lien and deliver to Landlord a bond or other security reasonably satisfactory to Landlord. If Tenant fails to timely take either such action, then Landlord may pay the lien claim, and any amounts so paid, including expenses and interest, shall be paid by Tenant to Landlord within ten days after Landlord has invoiced Tenant therefor.

8. Use. Tenant shall continuously occupy and use the Premises only for general office, administration, systems and related telecommunications purposes (the "Permitted Use") and shall comply with all Laws relating to the use, condition, access to, and occupancy of the Premises. The Premises shall not be used for any use which is disreputable, creates extraordinary fire hazards, or results in an increased rate of insurance on the Building or its contents, or for the storage of any hazardous materials or substances. If, because of a Tenant Party's acts, the rate of insurance on the Building or its contents increases, then such acts shall be an Event of Default, Tenant shall pay to Landlord the amount of such increase on demand, and acceptance of such payment shall not waive any of Landlord's other rights. Tenant shall conduct its business and control each other Tenant Party so as not to create any nuisance or unreasonably interfere with other tenants or Landlord in its management of the Building.

9. Assignment and Subletting.

(a) Transfers to Affiliates. Tenant shall have the right, without the consent of Landlord, to assign this Lease, in whole but not in part, or sublease the Premises or any portion thereof, or to permit the occupancy of any portion of Premises, only to an Affiliate of Tenant, including any successor entity by merger, consolidation, liquidation, reorganization or otherwise or any entity acquiring all or substantially all of the assets of Tenant, whether or not there may be a change in Tenant's name. Tenant shall promptly give Landlord

notice and provide Landlord such documentation as Landlord may reasonably request for any transaction described in this Section 9(a).

(b) Transfers; Consent. Except as allowed under Section 9(a), Tenant shall not, without the prior written consent of Landlord, (1) assign, transfer, or encumber this Lease or any estate or interest herein, whether directly or by operation of law, (2) permit any other entity to become Tenant hereunder by merger, consolidation, or other reorganization, (3) if Tenant is an entity other than a corporation whose stock is publicly traded, permit the transfer of an ownership interest in Tenant so as to result in a change in the current control of Tenant, (4) sublet any portion of the Premises, (5) grant any license, concession, or other right of occupancy of any portion of the Premises, or (6) permit the use of the Premises by any parties other than Tenant (any of the events listed in Section 9.(b)(1) through 9.(b)(6) being a "Transfer"). If Tenant requests Landlord's consent to a Transfer, then Tenant shall provide Landlord with executed documentation of the proposed Transfer, and the following information about the proposed transferee: name and address; reasonably satisfactory information about its business and business history; its proposed use of the Premises; banking, financial, and other credit information; and general references sufficient to enable Landlord to determine the proposed transferee's creditworthiness and character. Landlord shall not unreasonably withhold its consent to any assignment or subletting of the Premises, provided that the proposed transferee (A) is creditworthy, (B) has a good reputation in the business community, (C) does not engage in business similar to those of the Landlord, any affiliate of the Landlord, or of other tenants in the Building, and (D) is not another occupant of the Building or person or entity with whom Landlord is negotiating to lease space in the Building; otherwise, Landlord may withhold its consent in its sole discretion. Tenant shall (i) reimburse Landlord immediately upon request for its reasonable attorneys' fees incurred in connection with considering any request for consent to a Transfer, and (ii) shall provide Landlord with the Security Deposit required under Section 5 upon Landlord consenting to such transfer. If Landlord consents to a proposed Transfer, then the proposed transferee shall deliver to Landlord a written agreement whereby it expressly assumes Tenant's obligations hereunder; however, any transferee of less than all of the space in the Premises shall be liable only for obligations under this Lease that are properly allocable to the space subject to the Transfer for the period of the Transfer. No Transfer shall release Tenant from its obligations under this Lease, but rather Tenant and its transferee shall be jointly and severally liable therefor. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfers. If an Event of Default occurs while the Premises or any part thereof are subject to a Transfer, then Landlord, in addition to its other remedies, may collect (and retain) directly from such transferee all rents becoming due to Tenant. Tenant authorizes its transferees to make payments of rent directly to Landlord upon receipt of notice from Landlord to do so. Tenant shall pay for the cost of any demising walls or other improvements necessitated by a proposed subletting or assignment.

(c) Cancellation. Landlord may, within 30 days after submission of Tenant's written request for Landlord's consent to an assignment or subletting, cancel this Lease as to the portion of the Premises proposed to be sublet or assigned as of the date the proposed Transfer is to be effective. If Landlord cancels this Lease as to any portion of the Premises, then this Lease shall cease for such portion of the Premises and Tenant shall pay to Landlord all Rent accrued through the cancellation date relating to the portion of the Premises covered by the proposed Transfer. Thereafter, Landlord may lease such portion of the Premises to the prospective transferee (or to any other person) without liability to Tenant.

(d) Additional Compensation. Tenant shall pay to Landlord, immediately upon receipt thereof, 75% of the excess (if any) of (1) all

compensation received by Tenant for a Transfer less the costs reasonably incurred by Tenant with unaffiliated third parties in connection with such Transfer (i.e., brokerage commissions, tenant finish work, and the like) over (2) the Rent allocable to the portion of the Premises covered thereby.

10. Insurance; Waivers; Subrogation; Indemnity.

(a) Insurance. Tenant shall maintain throughout the Term the following insurance policies: (1) commercial general liability insurance in amounts of $5,000,000 per occurrence or such other amounts as Landlord may from time to time reasonably require, insuring Tenant, Landlord, Landlord's agents and their respective affiliates against all liability for injury to or death of a person or persons or damage to property arising from the use and occupancy of the Premises (except for the gross negligence or willful misconduct of Landlord or Landlord's agents and their respective affiliates), (2) insurance covering the full value of Tenant's property and improvements, and other property (including property of others) in the Premises, (3) contractual liability insurance sufficient to cover Tenant's indemnity obligations hereunder, (4) worker's compensation insurance, containing a waiver of subrogation endorsement acceptable to Landlord, and (5) business interruption insurance. Except as set forth in Section 10(b) Tenant's insurance shall provide primary coverage to Landlord when any policy issued to Landlord provides duplicate or similar coverage, and in such circumstance Landlord's policy will be excess over Tenant's policy. Tenant shall furnish to Landlord certificates of such insurance and such other evidence satisfactory to Landlord of the maintenance of all insurance coverages required hereunder, and Tenant shall obtain a written obligation on the part of each insurance company to notify Landlord at least 30 days before cancellation or a material change of any such insurance policies. All such insurance policies shall be in form, and issued by reputable companies rated by A.M. Best (or similar service) in one of the three highest ratings categories.

(b) Waiver of Negligence; No Subrogation. Landlord and Tenant each waives any claim it might have against the other for any injury to or death of any person or persons or damage to or theft, destruction, loss, or loss of use of any property (a "Loss"), to the extent the same is insured against under any insurance policy that covers the Building, the Premises, Landlord's or Tenant's fixtures, personal property, leasehold improvements, or business, or, in the case of Tenant's waiver, is required to be insured against under the terms hereof, regardless of whether the negligence of the other party caused such Loss; however, Landlord's waiver shall not include any deductible amounts on insurance policies carried by Landlord. Each party shall cause its insurance

carrier to endorse all applicable policies waiving the carrier's rights of recovery under subrogation or otherwise against the other party.

(c) Indemnity. Subject to Section 10(b), Tenant shall indemnify and save harmless Landlord and its agents, servants, directors, officers, invitees, partners, venturers, contractors, lenders under security documents, and employees from and against any and all liabilities, claims, costs (including, but not limited to, court costs, reasonable attorneys' fees, and costs of investigation), and actions of any kind arising or alleged to arise by reason of injury to or death of any person or damage to or loss of property occurring on, in, or about the Premises or Building (by reason of any other claim of whatever nature of any person or party related to the Premises or the Building (including other tenants in the Building)); in each case, to the extent caused by Tenant's failure to perform its obligations under this Lease or the negligence, gross negligence or wilful misconduct of Tenant or any employee, director, officer, servant, or agent to the extent Tenant is under the law responsible for the actions of such persons. The previous sentence shall not apply to Hazardous

Materials, which are subject to a separate indemnity provision in Section 22(t). This indemnity provision shall survive termination or expiration of this Lease. If any proceeding is filed for which indemnity is required hereunder, Tenant agrees, upon request therefor, to defend the indemnified party in such proceeding at its sole cost utilizing counsel satisfactory to the indemnified party.

(d) Self Insurance. Notwithstanding the foregoing, Tenant may maintain a program of self-insurance or captive insurance covering all or any portion of the insurance required hereby so long as SYSCO Corporation and/or an Affiliate of SYSCO Corporation, is the Tenant hereunder, or is liable for the obligations of Tenant hereunder, and SYSCO Corporation (or the Affiliate that is liable for the obligation of Tenant) maintains a net worth according to generally accepted accounting principles of at least $250,000,000.

11. Subordination; Attornment; Notice to Landlord's Mortgagee.

(a) Subordination. This Lease shall be subordinate to any deed of trust, mortgage, or other security instrument, or any ground lease, master lease, or primary lease, that now or hereafter covers all or any part of the Premises (the mortgagee under any such mortgage or the lessor under any such lease is referred to herein as a "Landlord's Mortgagee") provided, as a condition precedent to such subordination, Landlord agrees to take commercially reasonable actions (including obtaining written documentation from Landlord's Mortgagee reasonably acceptable to Landlord, Tenant and Landlord's Mortgagee) to assure that each such mortgagee shall expressly covenant, or each such mortgage shall expressly provide, that so long as Tenant is not in default under this Lease, Tenant's quiet possession of the Premises shall remain undisturbed, on the terms, covenants and conditions stated herein, whether or not the mortgage is in default and notwithstanding any foreclosure or other action brought by Landlord's Mortgagee. Any Landlord's Mortgagee may elect, at any time, unilaterally, to make this Lease superior to its mortgage, ground lease, or other interest in the Premises by so notifying Tenant in writing.

(b) Attornment. Tenant shall attorn to any party succeeding to Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale,

termination of lease, or otherwise, upon such party's request, and shall execute such agreements confirming such attornment as such party may reasonably request.

(c) Notice to Landlord's Mortgagee. Tenant shall not seek to enforce any remedy it may have for any default on the part of Landlord without first giving written notice by certified mail, return receipt requested, specifying the default in reasonable detail, to any Landlord's Mortgagee whose address has been given to Tenant, and affording such Landlord's Mortgagee a reasonable opportunity to perform Landlord's obligations hereunder.

(d) Landlord's Mortgagee's Protection Provisions. If Landlord's Mortgagee shall succeed to the interest of Landlord under this Lease, Landlord's Mortgagee shall not be: (1) liable for any act or omission of any prior lessor (including Landlord); (2) bound by any rent or additional rent or advance rent which Tenant might have paid for more than the current month to any prior lessor (including Landlord), and all such rent shall remain due and owing, notwithstanding such advance payment; (3) bound by any termination, amendment or modification of this Lease made without Landlord's Mortgagee's consent and written approval, except for those terminations, amendments and modifications permitted to be made by Landlord without Landlord's Mortgagee's consent pursuant

to the terms of the loan documents between Landlord and Landlord's Mortgagee; (4) subject to the defenses which Tenant might have against any prior lessor (including Landlord); and (5) subject to the offsets which Tenant might have against any prior lessor (including Landlord) except for those offset rights which (A) are expressly provided in this Lease, (B) relate to periods of time following the acquisition of the Building by Landlord's Mortgagee, and (C) Tenant has provided written notice to Landlord's Mortgagee and provided Landlord's Mortgagee a reasonable opportunity to cure the event giving rise to such offset event. Landlord's Mortgagee shall have no liability or responsibility under or pursuant to the terms of this Lease or otherwise after it ceases to own an interest in the Building. Nothing in this Lease shall be construed to require Landlord's Mortgagee to see to the application of the proceeds of any loan, and Tenant's agreements set forth herein shall not be impaired on account of any modification of the documents evidencing and securing any loan.

12. Rules and Regulations. Tenant shall comply with the rules and regulations of the Building which are attached hereto as Exhibit C, except to the extent that any such rules and regulations conflict with the terms of this Lease, in which case this Lease shall control. Landlord may, from time to time, change such rules and regulations for the safety, care, or cleanliness of the Building and related facilities, provided that such changes are applicable to all tenants of the Building and will not unreasonably interfere with Tenant's use of the Premises. Tenant shall be responsible for the compliance with such rules and regulations by each Tenant Party.

13. Condemnation.

(a) Total Taking. If the entire Building or Premises are taken by right of eminent domain or conveyed in lieu thereof (a "Taking"), this Lease shall terminate as of the date of the Taking.

(b) Partial Taking - Tenant's Rights. If any part of the Building becomes subject to a Taking and such Taking will prevent Tenant from conducting its business in the Premises in a manner reasonably comparable to that conducted immediately before such Taking for a period of more than 180 days, then Tenant may terminate this Lease as of the date of such Taking by giving written notice to Landlord within 30 days after the Taking, and Rent shall be apportioned as of the date of such Taking. If Tenant does not terminate this Lease, then Rent shall be abated on a reasonable basis as to that portion of the Premises rendered untenantable by the Taking.

(c) Partial Taking - Landlord's Rights. If any material portion, but less than all, of the Building becomes subject to a Taking, or if Landlord is required to pay any of the proceeds received for a Taking to a Landlord's Mortgagee, then Landlord may terminate this Lease by delivering written notice thereof to Tenant within 30 days after such Taking, and Rent shall be apportioned as of the date of such Taking. If Landlord does not so terminate this Lease, then this Lease will continue, but if any portion of the Premises has been taken, Rent shall abate as provided in the last sentence of Section 13.(b).

(d) Award. If any Taking occurs, then Landlord shall receive the entire award or other compensation for the land on which the Building is situated, the Building, and other improvements taken, and Tenant may separately pursue a claim (to the extent it will not reduce Landlord's award) against the condemnor for (i) the value of Tenant's personal property which Tenant is

entitled to remove under this Lease, moving costs, loss of business, (ii) an award for Tenant's leasehold estate, and (iii) other claims it may have.

14. Fire or Other Casualty.

(a) Repair Estimate. If the Premises or the Building are damaged by fire or other casualty (a "Casualty"), Landlord shall, within 60 days after such Casualty, deliver to Tenant a good faith estimate (the "Damage Notice") of the time needed to repair the damage caused by such Casualty.

(b) Landlord's and Tenant's Rights. If a material portion of the Premises or the Building is damaged by Casualty such that Tenant is prevented from conducting its business in the Premises in a manner reasonably comparable to that conducted immediately before such Casualty and Landlord estimates that the damage caused thereby cannot be repaired within 240 days after the Casualty, then Tenant may terminate this Lease by delivering written notice to Landlord of its election to terminate within 30 days after the Damage Notice has been delivered to Tenant. If Tenant does not so timely terminate this Lease, then (subject to Section 14.(c)) Landlord shall repair the Building or the Premises, as the case may be, as provided below, and Rent for the portion of the Premises rendered untenantable by the damage shall be abated on a reasonable basis from the date of damage until the completion of the repair, unless a Tenant Party caused such damage, in which case, Tenant shall continue to pay Rent without abatement (except to the extent Landlord has obtained a policy of rental reimbursement insurance, and actually receives the proceeds thereof).

(c) Landlord's Rights. If a Casualty damages a material portion of the Building, and Landlord makes a good faith determination that restoring the Premises would be uneconomical,

or if Landlord is required to pay any insurance proceeds arising out of the Casualty to a Landlord's Mortgagee, then Landlord may terminate this Lease by giving written notice of its election to terminate within 30 days after the Damage Notice has been delivered to Tenant, and Basic Rent and Additional Rent shall be abated as of the date of the Casualty.

(d) Repair Obligation. If neither party elects to terminate this Lease following a Casualty, then Landlord shall, within a reasonable time after such Casualty, begin to repair the Building and the Premises and shall proceed with reasonable diligence to restore the Building and Premises to substantially the same condition as they existed immediately before such Casualty; however, Landlord shall not be required to repair or replace any of the furniture, equipment, fixtures, and other improvements which may have been placed by, or at the request of, Tenant or other occupants in the Building or the Premises, and Landlord's obligation to repair or restore the Building or Premises shall be limited to the extent of the insurance proceeds actually received by Landlord for the Casualty in question.

15. Personal Property Taxes. Tenant shall be liable for all taxes levied or assessed against personal property, furniture, or fixtures placed by Tenant in the Premises. If any taxes for which Tenant is liable are levied or assessed against Landlord or Landlord's property and Landlord elects to pay the same, or if the assessed value of Landlord's property is increased by inclusion of such personal property, furniture or fixtures and Landlord elects to pay the taxes based on such increase, then Landlord shall promptly give written notice of the same to Tenant, and Tenant shall pay to Landlord, upon demand, the part of such taxes for which Tenant is primarily liable hereunder; however, Landlord shall

not pay such amount if Tenant notifies Landlord that it will contest the validity or amount of such taxes before Landlord makes such payment, and thereafter diligently proceeds with such contest in accordance with law and if the non-payment thereof does not pose a threat of loss or seizure of the Building or interest of Landlord therein or impose any fee or penalty against Landlord. Landlord shall promptly forward to Tenant any tax or assessment notices that are received by Landlord and that Landlord can reasonably identify as levying or taxing Tenant's property, furniture or fixtures; however, Landlord shall not be liable for its failure to do so.

16. Events of Default. Each of the following occurrences shall be an "Event of Default":

(a) Tenant's failure to pay Rent within five days after Landlord has delivered notice to Tenant that the same is due; however, an Event of Default shall occur hereunder without any obligation of Landlord to give any notice if Landlord has given Tenant written notice under this Section 16.(a) on more than one occasion during the twelve (12) month interval preceding such failure by Tenant;

(b) Tenant fails to provide the Security Deposit required under Section 5 and such failure shall continue for 5 days after written notice thereof from Landlord to Tenant;

(c) Tenant's failure to perform, comply with, or observe any other agreement or obligation of Tenant under this Lease and the continuance of such failure for a period of more than 30 days after Landlord has delivered to Tenant written notice thereof (provided, however, Tenant

shall have such additional time, not to exceed 90 days, to cure any such default if Tenant has promptly commenced and is diligently pursuing such cure and diligently prosecutes the same); and

(d) The filing of a petition by or against Tenant (the term "Tenant" shall include, for the purpose of this Section 16.(d), any guarantor of Tenant's obligations hereunder) (1) in any bankruptcy or other insolvency proceeding; (2) seeking any relief under any state or federal debtor relief law; (3) for the appointment of a liquidator or receiver for all or substantially all of Tenant's property or for Tenant's interest in this Lease; or (4) for the reorganization or modification of Tenant's capital structure; however, if such a petition is filed against Tenant, then such filing shall not be an Event of Default unless Tenant fails to have the proceedings initiated by such petition dismissed within 60 days after the filing thereof.

17. Remedies. Upon any Event of Default, Landlord may, in addition to all other rights and remedies afforded Landlord hereunder or by law or equity, take any of the following actions:

(a) Terminate this Lease by giving Tenant written notice thereof, in which event Tenant shall pay to Landlord the sum of (1) all Rent accrued hereunder through the date of termination, (2) all amounts due under Section 18.(a), and (3) an amount equal to (A) the total Rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at a per annum rate equal to the "Prime Rate" as published on the date this Lease is terminated by The Wall Street Journal, Southwest Edition, in its listing of "Money Rates" minus one percent, minus (B) the then present fair rental value of the Premises for such period, similarly discounted;

(b) Terminate Tenant's right to possess the Premises without terminating this Lease by giving written notice thereof to Tenant, in which event Tenant shall pay to Landlord (1) all Rent and other amounts accrued

hereunder to the date of termination of possession, (2) all amounts due from time to time under Section 18.(a), and (3) all Rent and other net sums required hereunder to be paid by Tenant during the remainder of the Term, diminished by any net sums thereafter received by Landlord through reletting the Premises during such period, after deducting all costs incurred by Landlord in reletting the Premises. Landlord shall use reasonable efforts to relet the Premises on such terms as Landlord in its sole discretion may determine (including a term different from the Term, rental concessions, and alterations to, and improvement of, the Premises); however, Landlord shall not be obligated to relet the Premises before leasing other portions of the Building. Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or to collect rent due for such reletting. Tenant shall not be entitled to the excess of any consideration obtained by reletting over the Rent due hereunder. Reentry by Landlord in the Premises shall not affect Tenant's obligations hereunder for the unexpired Term; rather, Landlord may, from time to time, bring an action against Tenant to collect amounts due by Tenant, without the necessity of Landlord's waiting until the expiration of the Term. Unless Landlord delivers written notice to Tenant expressly stating that it has elected to terminate this Lease, all actions taken by Landlord to dispossess or exclude Tenant from the Premises shall be deemed to be taken under this Section 17.(b). If Landlord elects to proceed under this Section 17.(b), it may at any time elect to terminate this Lease under Section 17.(a); or

(c) Additionally, without notice, Landlord may alter locks or other security devices at the Premises to deprive Tenant of access thereto, and Landlord shall not be required to provide a new key or right of access to Tenant.

18. Payment by Tenant; Non-Waiver.

(a) Payment by Tenant. Upon any Event of Default, Tenant shall pay to Landlord all costs incurred by Landlord (including court costs and reasonable attorneys' fees and expenses) in (1 obtaining possession of the Premises, (2 removing and storing Tenant's or any other occupant's property, (3 repairing, restoring, altering, remodeling, or otherwise putting the Premises into condition acceptable to a new tenant, (4 if Tenant is dispossessed of the Premises and this Lease is not terminated, reletting all or any part of the Premises (including brokerage commissions, cost of tenant finish work, and other costs incidental to such reletting), (5 performing Tenant's obligations which Tenant failed to perform, and (6 enforcing, or advising Landlord of, its rights, remedies, and recourses arising out of the Event of Default. To the full extent permitted by law, Landlord and Tenant agree the federal and state courts of Texas shall have exclusive jurisdiction over any matter relating to or arising from this Lease and the parties' rights and obligations under this Lease.

(b) No Waiver. Landlord's acceptance of Rent following an Event of Default shall not waive Landlord's rights regarding such Event of Default. No waiver by Landlord of any violation or breach of any of the terms contained herein shall waive Landlord's rights regarding any future violation of such term. Landlord's acceptance of any partial payment of Rent shall not waive Landlord's rights with regard to the remaining portion of the Rent that is due, regardless of any endorsement or other statement on any instrument delivered in payment of Rent or any writing delivered in connection therewith; accordingly, Landlord's acceptance of a partial payment of Rent shall not constitute an accord and satisfaction of the full amount of the Rent that is due.

19. Surrender of Premises. No act by Landlord shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid unless it is in writing and signed by Landlord. At the expiration or termination of this Lease, Tenant shall deliver

to Landlord the Premises with all improvements located therein in good repair and condition, free of Hazardous Materials placed on the Premises during the Term, broom-clean, reasonable wear and tear (and condemnation and Casualty damage not caused by Tenant, as to which Sections 13 and 14 shall control) excepted, and shall deliver to Landlord all keys to the Premises. Provided that Tenant has performed all of its obligations hereunder, Tenant may remove all unattached trade fixtures, furniture, and personal property placed in the Premises by Tenant, and shall remove such alterations, additions, improvements, trade fixtures, personal property, equipment, wiring, and furniture as Landlord may request. Tenant shall repair all damage caused by such removal. All items not so removed shall be deemed to have been abandoned by Tenant and may be appropriated, sold, stored, destroyed, or otherwise disposed of by Landlord without notice to Tenant and without any obligation to account for such items. The provisions of this Section 19 shall survive the end of the Term.

20. Holding Over. If Tenant fails to vacate the Premises at the end of the Term, then Tenant shall be a tenant at will and, in addition to all other damages and remedies to which Landlord may be entitled for such holding over, Tenant shall pay, in addition to the other Rent, a daily Basic Rent equal to the greater of (a) twice the daily Basic Rent payable during the last month of the Term, or (b) 125% of the prevailing rental rate in the Building for similar space. The provisions of this Section 20 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender, and any lost profits to Landlord resulting therefrom.

21. Certain Rights Reserved by Landlord. Provided that the exercise of such rights does not unreasonably interfere with Tenant's occupancy of the Premises, Landlord (and its agents and contractors) shall have the following rights:

(a) To decorate and to make inspections, repairs, alterations, additions, changes, or improvements, whether structural or otherwise, in and about the Building, or any part thereof; to enter upon the Premises and, during the continuance of any such work, to temporarily close doors, entryways, public space, and corridors in the Building; to interrupt or temporarily suspend Building services and facilities; to change the name of the Building; and to change the arrangement and location of entrances or passageways, doors, and doorways, corridors, elevators, stairs, restrooms, or other public parts of the Building;

(b) To take such reasonable measures as Landlord deems advisable for the security of the Building and its occupants; evacuating the Building for cause, suspected cause, or for drill purposes; temporarily denying access to the Building; and closing the Building after normal business hours and on Sundays and holidays, subject, however, to Tenant's right to enter when the Building is closed after normal business hours under such reasonable regulations as Landlord may prescribe from time to time; and

(c) To enter the Premises at reasonable hours to show the Premises to prospective purchasers, lenders, or, during the last 18 months of the Term, tenants.

(d) Any entry by the Landlord (or its agents and contractors) shall be after reasonable prior notice to Tenant, except in the case of emergency. If requested by Tenant, Landlord will use reasonable commercial efforts to enter the Premises only after business hours; however, if Landlord's entry for any

purpose referenced above could have been done during normal business hours, but Tenant requested Landlord's entry to be after normal business hours, then Tenant agrees to reimburse Landlord for any additional costs incurred by Landlord as a result thereof.

(e) Tenant may, by prior written notice, from time to time designate up to 30,000 square feet of net rentable area of the Premises as secure areas, as to which Tenant shall have the right to limit the people having access thereto (absent emergencies) to only the persons necessary

to perform the repairs and maintenance contemplated by this Section 21. Except in the case of emergency, Landlord shall have no access to the secured areas of the Premises without being accompanied at all times by a designated representative of Tenant.

22. Miscellaneous.

(a) Landlord Transfer. Landlord may transfer any portion of the Building and any of its rights under this Lease. If Landlord assigns its rights under this Lease, then Landlord shall thereby be released from any further obligations hereunder, provided that the assignee assumes Landlord's obligations hereunder in writing.

(b) Landlord's Liability. The liability of Landlord to Tenant for any default by Landlord under the terms of this Lease shall be limited to Tenant's actual direct, but not consequential, damages therefor and shall be recoverable only from the interest of Landlord in the Building, and Landlord shall not be personally liable for any deficiency. This Section shall not limit any remedies which Tenant may have for Landlord's defaults which do not involve the personal liability of Landlord.

(c) Force Majeure. Other than for Tenant's obligations under this Lease that can be performed by the payment of money (e.g., payment of Rent and maintenance of insurance), whenever a period of time is herein prescribed for action to be taken by either party hereto, such party shall not be liable or responsible for, and there shall be excluded from the computation of any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental laws, regulations, or restrictions, or any other causes of any kind whatsoever which are beyond the control of such party.

(d) Brokerage. Neither Landlord nor Tenant has dealt with any broker or agent in connection with the negotiation or execution of this Lease, other than CB Richard Ellis, whose commission shall be paid by Landlord pursuant to a separate agreement. Tenant and Landlord shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any broker or agent claiming the same by, through, or under the indemnifying party.

(e) Estoppel Certificates. From time to time, Tenant shall furnish to any party designated by Landlord, within ten business days after Landlord has made a request therefor, a certificate signed by Tenant confirming and containing such factual certifications and representations (if true) as to this Lease as Landlord may reasonably request stating, (a) whether or not this Lease is in full force and effect; (b) whether or not this Lease has been amended and certifying as to copies of such amendments, if any; (c) whether or not there are any existing defaults under this Lease to the knowledge of Tenant and specifying the nature of such defaults, if any; (d) that Tenant will not amend, terminate or make prepayment of more than one month's rent under this Lease or subordinate this Lease to any lien subordinate to a mortgage; (e) that any notice required

hereunder to be given to Landlord shall be given also to such mortgagee or assignee and any right of Tenant hereunder which is dependent on such notice shall take effect only after notice so given; and (f) such other matters as may reasonably be requested by Landlord, such mortgagee or assignee.

(f) Notices. All notices and other communications given pursuant to this Lease shall be in writing and shall be (1 mailed by first class, United States Mail, postage prepaid, certified, with return receipt requested, and addressed to the parties hereto at the address specified next to their signature block, (2 hand delivered to the intended address, or (3 sent by prepaid telegram, cable, facsimile transmission, or telex followed by a confirmatory letter. All notices shall be effective upon delivery to the address of the addressee. The parties hereto may change their addresses by giving notice thereof to the other in conformity with this provision.

(g) Separability. If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws, then the remainder of this Lease shall not be affected thereby and in lieu of such clause or provision, there shall be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and be legal, valid, and enforceable.

(h) Amendments; and Binding Effect. This Lease may not be amended except by instrument in writing signed by Landlord and Tenant. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord, and no custom or practice which may evolve between the parties in the administration of the terms hereof shall waive or diminish the right of Landlord to insist upon the performance by Tenant in strict accordance with the terms hereof. The terms and conditions contained in this Lease shall inure to the benefit of and be binding upon the parties hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided. This Lease is for the sole benefit of Landlord and Tenant, and, other than Landlord's Mortgagee, no third party shall be deemed a third party beneficiary hereof.

(i) Quiet Enjoyment. Provided Tenant has performed all of its obligations hereunder, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term, without hindrance from Landlord or any party claiming by, through, or under Landlord, but not otherwise, subject to the terms and conditions of this Lease.

(j) No Merger. There shall be no merger of the leasehold estate hereby created with the fee estate in the Premises or any part thereof if the same person acquires or holds, directly or indirectly, this Lease or any interest in this Lease and the fee estate in the leasehold Premises or any interest in such fee estate.

(k) No Offer. The submission of this Lease to Tenant shall not be construed as an offer, and Tenant shall not have any rights under this Lease unless Landlord executes a copy of this Lease and delivers it to Tenant.

(l) Entire Agreement. This Lease constitutes the entire agreement between Landlord and Tenant regarding the subject matter hereof and supersedes all oral statements and prior writings relating thereto, including that certain letter agreement between Landlord and Tenant dated June 30, 1998. Except for those set forth in this Lease, no representations, warranties, or agreements have been made by Landlord or Tenant to the other with respect to this Lease or the obligations of Landlord or Tenant in connection therewith. The normal rule

of construction that any ambiguities

be resolved against the drafting party shall not apply to the interpretation of this Lease or any exhibits or amendments hereto.

(m) Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State in which the Premises are located.

(n) Joint and Several Liability. If Tenant is comprised of more than one party, each such party shall be jointly and severally liable for Tenant's obligations under this Lease.

(o) Financial Reports. Tenant shall furnish to Landlord, promptly upon its becoming available, each financial statement, report, notice or proxy statement sent by Tenant to stockholders generally and each regular or periodic report filed by Tenant with any securities exchange or the Securities and Exchange Commission or any successor agency.

(p) Landlord's Fees. Whenever Tenant requests Landlord to take any action or give any consent required or permitted under this Lease, Tenant will reimburse Landlord for Landlord's reasonable, out-of-pocket costs incurred in reviewing the proposed action or consent, including without limitation reasonable attorneys', engineers' or architects' fees, within ten days after Landlord's delivery to Tenant of a statement of such costs. Tenant will be obligated to make such reimbursement without regard to whether Landlord consents to any such proposed action.

(q) Telecommunications. Tenant and its telecommunications companies, including but not limited to local exchange telecommunications companies and alternative access vendor services companies shall have no right of access to and within the Building, for the installation and operation of telecommunications systems including but not limited to voice, video, data, and any other telecommunications services provided over wire, fiber optic, microwave, wireless, and any other transmission systems, for part or all of Tenant's telecommunications within the Building and from the Building to any other location without Landlord's prior written consent, which consent shall not be withheld, conditioned or delayed: provided however, that Landlord may withhold, condition or delay such consent if said telecommunications may unreasonably interfere with other tenant's existing telecommunications uses, require structural modifications, reduce the amount of leasable space in the Building, interfere with any of the base Building systems or the operation of the Building. If any of Tenant's telecommunications uses require access or use of the rooftop of the Building, Landlord and Tenant shall negotiate a separate license agreement relating to the same.

(r) General Definitions. The following terms shall have the following meanings: "Laws" means all federal, state, and local laws, rules and regulations, all court orders, all governmental directives and governmental orders, and all restrictive covenants affecting the Property, and "Law" means any of the foregoing; "Affiliate" means (i) any Parent of Tenant or (ii) any wholly owned subsidiary of Tenant, where "Parent" for the purpose of this definition means any person directly or indirectly controlling Tenant, or any direct or indirect (whether once or more removed) parent of Tenant's parent; "Tenant Party" shall include Tenant, any assignees claiming by, through, or under Tenant, any subtenants claiming by, through, or under Tenant, and any

agents,

contractors, employees, invitees of the foregoing parties; and "including" means including, without limitation.

(s) Confidentiality. Tenant acknowledges that the economic terms and conditions of this Lease are to remain confidential for Landlord's benefit, and may not be disclosed by Tenant to anyone, by any manner or means, directly or indirectly, without Landlord's prior written consent. The consent by Landlord to any disclosures shall not be deemed to be a waiver on the part of Landlord of any prohibition against any future disclosure. Unless otherwise mutually agreed, no party shall make or authorize any press release of information regarding the matters contemplated by, or any provisions or terms of, this Lease, except (i) that a press release or press releases in mutually agreed upon form or forms shall be issued by the parties following the execution of this Lease if requested or required by either party, and (ii) after consultation with each other, as required by law or stock exchange rule, or as necessary for the assertion or enforcement of contractual rights.

(t) Hazardous Materials. The term "Hazardous Materials" means any substance, material, or waste which is now or hereafter classified or considered to be hazardous, toxic, or dangerous under any Law relating to pollution or the protection or regulation of human health, natural resources or the environment, or poses or threatens to pose a hazard to the health or safety of persons on the Premises or in the Building. Tenant shall not use, generate, store, or dispose of, or permit the use, generation, storage or disposal of Hazardous Materials on or about the Premises or the Building except in a manner and quantity necessary for the ordinary performance of Tenant's business, and then in compliance with all Laws. If Tenant breaches its obligations under this Section 22.(t), Landlord may immediately take any and all action reasonably appropriate to remedy the same, including taking all appropriate action to clean up or remediate any contamination resulting from Tenant's use, generation, storage or disposal of Hazardous Materials. Tenant shall defend, indemnify, and hold harmless Landlord and its representatives and agents from and against any and all claims, demands, liabilities, causes of action, suits, judgments, damages and expenses (including reasonable attorneys' fees and cost of clean up and remediation) arising from Tenant's failure to comply with the provisions of this Section 22.(t). This indemnity provision shall survive termination or expiration of the Lease.

(u) List of Exhibits. All exhibits and attachments attached hereto are incorporated herein by this reference.

Exhibit A - Outline of Premises
Exhibit B - Legal Description of Building
Exhibit C - Building Rules and Regulations
Exhibit D - Tenant Finish-Work Letter
Exhibit E - Parking
Exhibit F - Commencement Date Certificate
Exhibit G - Signage

23. Other Provisions.

LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE, AND EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN TENANT'S OBLIGATION TO PAY RENT HEREUNDER IS NOT DEPENDENT UPON THE CONDITION OF THE PREMISES OR THE PERFORMANCE BY LANDLORD OF ITS OBLIGATIONS HEREUNDER, AND, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN,

TENANT SHALL CONTINUE TO PAY THE RENT, WITHOUT ABATEMENT, SETOFF OR DEDUCTION, NOTWITHSTANDING ANY BREACH BY LANDLORD OF ITS DUTIES OR OBLIGATIONS HEREUNDER, WHETHER EXPRESS OR IMPLIED.

24. Signage.

(a) Landlord hereby grants to Tenant the right to place and from time to time replace signage in the interior of the Building of the size and type described in Exhibit "G", which right shall be non-exclusive as to the street level lobby. Such signage shall be subject to the reasonable approval of Landlord, but Landlord shall not object to the signage being or including Tenant's name (or an abbreviation thereof) and/or Tenant's corporate logos in the colors customarily utilized by Tenant.

(b) There shall be no additional cost to Tenant for the rights granted in this Section 24; however all of Landlord's reasonable out of pocket costs related to the construction and placement of Tenant's signage described in (a) above shall be at Tenant's expense. Tenant may install the signage described in Section 24 at any time after September 1, 1998. At the end of the Term, Tenant shall remove all signage and restore the portion of the Building so affected by the signage to the pre-existing condition.

25. Lender Approval. The parties acknowledge that (i) this Lease and (ii) any amendment, modification or termination of this Lease is subject to the consent of Principal Mutual Life Insurance Company ("Principal") and this Lease is also subject to the execution of a Subordination, Non-Disturbance and Attornment agreement in a form acceptable to Principal, Tenant and Landlord.

Dated as of the date first above written.

TENANT: SYSCO CORPORATION

By: /s/ John K. Stubblefield, Jr.
Name: John K. Stubblefield, Jr.
Title: Senior Vice President & Chief Financial Officer
Address: 1390 Enclave Parkway
Houston, Texas 77077
Attention: General Counsel
Telecopy: 281/584-2510

LANDLORD: ENCLAVE PARKWAY REALTY, INC.

By: /s/ Thomas L. Langford
Name: Thomas L. Langford
Title: Executive Vice President
Address: c/o Stone & Webster, Incorporated
245 Summer Street
Boston, Massachusetts 02210
Attention: General Counsel
Telecopy: 617/589-2201

EXHIBIT A

[OUTLINE OF PREMISES]

A-1

EXHIBIT A

[FLOOR PLAN]

Sixth Floor

[FLOOR PLAN]

Fifth Floor

A-1

EXHIBIT B

Reserve "I" in Block 6 of Partial Replat of Enclave, a subdivision in Harris County, Texas, according to the map or plat thereof recorded in Volume 328, Page 13 of the Map Records of Harris County, Texas.

B-1

EXHIBIT C

BUILDING RULES AND REGULATIONS

The following rules and regulations shall apply to the Premises, the Building, the parking garage associated therewith, and the appurtenances thereto:

1. Sidewalks, doorways, vestibules, halls, stairways, and other similar areas shall not be obstructed by tenants or used by any tenant for purposes other than ingress and egress to and from their respective leased premises and for going from one to another part of the Building.

2. Plumbing, fixtures and appliances shall be used only for the purposes for which designed, and no sweepings, rubbish, rags or other unsuitable material shall be thrown or deposited therein. Damage resulting to any such fixtures or appliances from misuse by a tenant or its agents, employees or invitees, shall be paid by such tenant.

3. No signs, advertisements or notices shall be painted or affixed on or to any windows or doors or other part of the Building without the prior written consent of Landlord. No nails, hooks or screws shall be driven or inserted in any part of the Building except by Building maintenance personnel. No curtains or other window treatments shall be placed between the glass and the Building standard window treatments.

4. Landlord shall provide and maintain an alphabetical directory for all tenants in the main lobby of the Building.

5. Landlord shall provide all door locks in each tenant's leased premises, at the cost of such tenant, and no tenant shall place any additional door locks in its leased premises without Landlord's prior written consent. Landlord shall furnish to each tenant a reasonable number of keys to such tenant's leased premises, at such tenant's cost, and no tenant shall make a duplicate thereof.

6. Movement in or out of the Building of furniture or office equipment, or dispatch or receipt by tenants of any bulky material, merchandise or materials which require use of elevators or stairways, or movement through the Building entrances or lobby shall be conducted under Landlord's supervision at such times and in such a manner as Landlord may reasonably require. Each tenant assumes all risks of and shall be liable for all damage to articles moved and injury to persons or public engaged or not engaged in such movement, including equipment, property and personnel of Landlord if damaged or injured as a result of acts in connection with carrying out this service for such tenant.

7. Landlord may prescribe weight limitations and determine the locations for safes and other heavy equipment or items, which shall in all cases be placed in the Building so as to distribute weight in a manner acceptable to Landlord which may include the use of such supporting devices as Landlord may require. All damages to the Building caused by the installation or removal of any

property of a tenant, or done by a tenant's property while in the Building, shall be repaired at the expense of such tenant.

8. Corridor doors, when not in use, shall be kept closed. Nothing shall be swept or thrown into the corridors, halls, elevator shafts or stairways. No birds or animals shall be brought into or kept in, on or about any tenant's leased premises. No portion of any tenant's leased premises shall at any time be used or occupied as sleeping or lodging quarters.

9. Tenant shall cooperate with Landlord's employees in keeping its leased premises neat and clean. Tenants shall not employ any person for the purpose of such cleaning other than the Building's cleaning and maintenance personnel.

10. To ensure orderly operation of the Building, no ice, mineral or other water, towels, newspapers, etc. shall be delivered to any leased area except by persons approved by Landlord.

11. Tenant shall not make or permit any vibration or improper, objectionable or unpleasant noises or odors in the Building or otherwise interfere in any way with other tenants or persons having business with them.

12. No machinery of any kind (other than normal office equipment) shall be operated by any tenant on its leased area without Landlord's prior written consent, nor shall any tenant use or keep in the Building any flammable or explosive fluid or substance.

13. Landlord will not be responsible for lost or stolen personal property, money or jewelry from tenant's leased premises or public or common areas regardless of whether such loss occurs when the area is locked against entry or not.

14. Tenant shall not conduct any activity on or about the Premises or Building which will draw pickets, demonstrators, or the like.

15. All vehicles are to be currently licensed, parked for business purposes having to do with Tenant's business operated in the Premises, parked within designated parking spaces, one vehicle to each space. No vehicle shall be parked as a "billboard" vehicle in the parking lot. Any vehicle parked improperly may be towed away. Tenant, Tenant's agents, employees, vendors and customers who do not operate or park their vehicles as required shall subject the vehicle to being towed at the expense of the owner or driver. Landlord may place a "boot" on the vehicle to immobilize it and may levy a charge of $50.00 to remove the "boot."

EXHIBIT D

TENANT FINISH-WORK LETTER

1. Except as set forth in this Exhibit, Tenant accepts the Premises in their "AS-IS" condition on the date that this lease is entered into.

2. On or before September 1, 1998, Tenant shall provide to Landlord for its approval final working drawings, prepared by an architect that has been approved by Landlord (which approval shall not unreasonably be withheld), of all improvements that Tenant proposes to install in the Premises; such working drawings shall include the partition layout, ceiling plan, electrical outlets and switches, telephone outlets, drawings for any modifications to the mechanical and plumbing systems of the Building, and detailed plans and specifications for the construction of the improvements called for under this Exhibit in accordance with all applicable governmental laws, codes, rules, and regulations. If any of Tenant's proposed construction work will affect the Building's HVAC, electrical, mechanical, or plumbing systems, then the working drawings pertaining thereto must be approved by the Building's engineer of record. Landlord's approval of such working drawings shall not be unreasonably withheld, provided that they comply with all laws, rules, and regulations, such working drawings are sufficiently detailed to allow construction of the improvements in a good and workmanlike manner, and the improvements depicted thereon conform to the rules and regulations promulgated from time to time by Landlord for the construction of tenant improvements (a copy of which has been delivered to Tenant). As used herein, "Working Drawings" shall mean the final working drawings approved by Landlord, as amended from time to time by any approved changes thereto, and "Work" shall mean all improvements to be constructed in accordance with and as indicated on the Working Drawings. Landlord's approval of the Working Drawings shall not be a representation or warranty of Landlord that such drawings are adequate for any use or comply with any law, but shall merely be the consent of Landlord thereto. Tenant shall, at Landlord's request, sign the Working Drawings to evidence its review and approval thereof. All changes in the Work must receive the prior written approval of Landlord, and in the event of any such approved change Tenant shall, upon completion of the Work, furnish Landlord with an accurate, reproducible "as-built" plan of the improvements as constructed.

3. The Work shall be performed only by contractors and subcontractors approved in writing by Landlord, which approval shall not be unreasonably withheld. All contractors and subcontractors shall be required to procure and maintain insurance against such risks, in such amounts, and with such companies as Landlord may reasonably require. Certificates of such

insurance, with paid receipts therefor, must be received by Landlord before the Work is commenced. The Work shall be performed in a good and workmanlike manner free of defects, shall conform strictly with the Working Drawings, and shall be performed in such a manner and at such times as and not to interfere with or delay Landlord's other contractors, the operation of the Building, and the occupancy thereof by other tenants. All contractors

and subcontractors shall contact Landlord and schedule time periods during which they may use Building facilities in connection with the Work (e.g., elevators, excess electricity, etc.).

4. If a delay in the performance of the Work occurs because of any change by Tenant to the Working Drawings, or if Tenant or Tenant's agents otherwise delays completion of the Work, then, notwithstanding any provision to the contrary in this Lease, Tenant's obligation to pay Rent hereunder shall commence on the scheduled Commencement Date.

5. Tenant shall, from and after the date of delivery to Tenant of each portion of the Premises, construct all of the initial leasehold improvements with respect such portion of the Premises required for Tenant's occupancy of the Premises. Tenant shall pay for all costs and expenses relating thereto, including the costs of labor, materials and the preparation of all plans and specifications. In connection therewith, Landlord will pay to Tenant the Construction Allowance in the amount set forth below. Landlord shall pay the Construction Allowance within fifteen (15) days after the Landlord's receipt of final lien waivers from Tenant's Contractor (as defined below) and each subcontractor thereof performing work in accordance with this Exhibit D. Tenant shall supply partial lien releases from general and subcontractors from time to time to the extent that the same are provided to Tenant. "Tenant Contractor" shall mean such construction firm
(----------)
as may be reasonably approved by Landlord, as designated by Tenant in writing to Landlord.

6. The entire cost of performing the Work (including, without limitation, design of the Work and preparation of the Working Drawings, costs of construction labor and materials, electrical usage during construction, additional janitorial services, general tenant signage, related taxes and insurance costs, all of which costs are herein collectively called the "Total Construction Costs") in excess of the Construction Allowance
(----------)
(hereinafter defined) shall be paid by Tenant.

7. Landlord shall provide to Tenant a construction allowance (the "Construction Allowance") equal to the lesser of $6.00 per usable square
(----------)
foot in the Premises or the Total Construction Costs, as adjusted for any approved changes to the Work; however, if Tenant or its agent is managing the performance of the Work, then Tenant shall not become entitled to full credit for the Construction Allowance until the Work has been substantially completed and Tenant has caused to be delivered to Landlord all invoices from contractors, subcontractors, and suppliers evidencing the cost of performing the Work, together with lien waivers from such parties, and a consent of the surety to the finished Work (if applicable) and a certificate of occupancy from the appropriate governmental authority, if applicable to the Work, or evidence of governmental inspection and approval of the Work. The Construction Allowance may only be applied against invoices that are incurred prior to the Commencement Date or during the first 24 months of the Term, and may not be applied against expenses for items other than Tenant improvements.

8. (a) As otherwise provided below, Tenant shall cause Tenant's Contractor to construct all of the initial leasehold improvements in a good and workmanlike manner, in accordance with the Working Drawings and all

applicable legal requirements. Tenant

shall include, for the express benefit of it, Landlord, and Landlord's Mortgagee the following provisions in the contract between Tenant and Tenant's Contractor:

(i) Tenant's Contractor and its subcontractors shall at all times comply with Landlord's construction rules and regulations.

(ii) All warranties set forth in the contract between Tenant's Contractor and Tenant shall run in favor of Landlord and Landlord's Mortgagee.

(iii) Tenant's Contractor shall defend, indemnify and hold Landlord, and its employees, agents, and contractors and lenders harmless against any claim for personal injury or property damage arising out of the construction of the initial leasehold improvements, provided that, at the request of Landlord or Tenant's Contractor, such parties shall enter into an agreement providing for waiver of claims and subrogation against damage to property of each other on the same basis as between Landlord and Tenant under the Lease.

(b) Landlord shall not be liable in any way for any injury, loss or damage which may occur to any of Tenant's installations during construction of the initial leasehold improvements, the same being solely at Tenant's risk. While in or upon the Premises and the Building for the purposes of performing work hereunder, Tenant and Tenant's Contractor shall comply with all terms and provisions of the Lease, which shall govern the relationship of the parties except as expressly provided otherwise herein.

9. Landlord or its affiliate or agent shall be entitled to review and supervise the Work to ensure that Landlord's rights are protected. Tenant shall supervise the Work, and act as a liaison between the Contractor and Landlord and coordinate the relationship between the Work, the Building, and the Building's systems.

10. Tenant shall, at its expense, obtain (and furnish a copy to Landlord) all permits and approvals from all appropriate governmental authorities prior to commencing construction of the portion of the initial leasehold improvements then to be constructed by Tenant's Contractor. Tenant shall also obtain prior to occupancy, a certificate of occupancy permitting occupancy and use of the Premises for the uses permitted under the Lease. Tenant's failure to do so shall not cause a delay of the Commencement Date. Landlord shall reasonably cooperate with Tenant, at no cost to Landlord, in connection with Tenant's efforts to obtain all such necessary approvals and permits and the certificate of occupancy for the Premises.

EXHIBIT E

PARKING

Tenant may use five (5) undesignated non-reserved parking spaces per 1,000 rentable square feet in the Premises for parking for Tenants', contractors, agents and employees (but only if the same are occupants or visitors of the

Building) in the adjacent parking garage associated with the Building (the "Parking Area") during the Term at such rates and subject to such terms, conditions and regulations as are from time to time charged or applicable to patrons of the Parking Area. Provided that there is not Event of Default under the Lease, Tenant's obligation to pay the parking charges for such spaces shall be abated for the ten year initial period of the Term. If Tenant sublets any portion of the Premises or assigns any of its interest in this Lease, then the parking spaces allocated to Tenant hereunder shall be reduced to the extent the ratio between the rentable square feet of the Premises and the parking spaces granted to Tenant hereunder exceeds the Building standard ratio of parking space per rentable square foot as established by Landlord from time to time.

EXHIBIT F

COMMENCEMENT DATE CERTIFICATE

THIS COMMENCEMENT DATE CERTIFICATE is executed in connection with the Lease Agreement dated July ____, 1998 between ENCLAVE PARKWAY REALTY, INC., a Delaware corporation, as Landlord, and SYSCO CORPORATION, a Delaware corporation, as Tenant.

Landlord and Tenant hereby agree that:

1. The Floor delivery date for each floor of the Premises is as follows:

Floor	Floor Commencement Date

2. The Lease Commencement Date is _____.

All other terms and conditions of the Lease are hereby ratified and acknowledged to be unchanged.

IN WITNESS WHEREOF, this Commencement Date Certificate is executed this _____day of _____, 1998.

"LANDLORD"	"TENANT"
ENCLAVE PARKWAY REALTY, INC.	SYSCO CORPORATION
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit "G"

[LOGO OF SYSCO]

Signage of the above to be of such materials, size and with such lighting as mutually agreed by the parties to the Lease.

EXHIBIT 10.74

PURCHASE AGREEMENT FOR METRIS MINNETONKA BUILDING

Phase II

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT ("Agreement") is made as of October 31, 2000, by and between OPUS NORTHWEST, L.L.C., a Delaware limited liability company ("Seller") and WELLS CAPITAL, INC., a Georgia corporation ("Purchaser").

In consideration of this Agreement, Seller and Purchaser agree as follows:

1. Sale of Subject Property. Seller agrees to sell to Purchaser, and Purchaser agrees to buy from Seller, all of Seller's right, title and interest in and to the following property (collectively, "Subject Property"):

(a) Real Property. Fee simple interest in those certain parcels of real estate located at 10900 Wayzata Boulevard, Minnetonka, Minnesota, and commonly known as Crescent Ridge Corporate Center, Phase II, legally described on Exhibit A attached hereto and made a part hereof ("Land"), together with (i) all building structures, improvements and fixtures owned by Seller located on the Land, including, without limitation, an approximately 300,633 square foot single tenant office building but not including any of the improvements located in Link as described in the Amended and Restated Declaration of Easements, Covenants, and Restrictions Regarding Link described in Section 4(a) hereto ("Improvements"), and (ii) all rights, privileges, easements, reversions, water rights, development rights, air rights, servitudes and appurtenances thereunto belonging or appertaining, including, without limitation, the rights and easements benefiting the Land or the Improvements created and established by the documents and instruments listed on Exhibit A-1 attached hereto and made a part hereof and all right, title and interest of Seller, if any, in and to the streets, alleys and rights-of-way adjacent to the Land and the Improvements (collectively, the "Real Property").

(b) Personal Property. All of the equipment and personal property owned by Seller and used in the operation of the Real Property, including the items set forth and described on Exhibit B attached hereto and made a part hereof (all of which together are collectively referred to as the "Personal Property").

(c) Lease. Seller's interest as landlord in and to the lease with Metris Direct, Inc. (the "Tenant") described on Exhibit C attached hereto and made a part hereof, together with all amendments or modifications thereto (such lease, as amended, being herein referred to as the "Lease"), and together with the guaranty of such Lease from Metris Companies, Inc. dated June 9, 1999 (the "Lease Guaranty") and separate Storage Space License Agreement by and between Seller and Tenant and guaranteed by Metris Companies, Inc. (the "Storage Agreement") which Storage Agreement will be substantially in the form attached hereto as Exhibit O and made a part hereof and will be entered into prior to Closing.

(d) Permits. Seller's interest in and to all assignable licenses, permits, and certificates of occupancy owned by Seller and pertaining to the Real Property and Personal Property, including, without limitation, the items described on Exhibit D attached hereto and made a part hereof (all of

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which together are collectively referred to as the "Permits").

(e) Service Contracts. Seller's interest in and to the existing service and maintenance contracts described on Exhibit E attached hereto
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and made a part hereof, together with all amendments or modifications thereto (collectively, the "Service Contracts"), subject to this Section 1(e). On or before November 3, 2000, Purchaser shall advise Seller, in writing, of any Service Contracts that Purchaser does not desire to be assigned to and assumed by Purchaser at Closing (as such term is defined in Section 8(a) hereof). Seller shall then cause any such Service Contracts (i.e., any Service Contracts set forth in the aforesaid written notice from Purchaser) to be terminated prior to Closing. Failure by Purchaser to notify Seller, in writing, prior to November 3, 2000, shall constitute an irrevocable election by Purchaser to have all of the Service Contracts assigned to and assumed by Purchaser at Closing. The assumption by Purchaser of the obligations of Seller under such Service Contracts shall include only such obligations that arise or accrue from and after the date of Closing.

(f) Warranties. Seller's interest in and to all unexpired, assignable warranties and guaranties given or assigned to, or benefiting, Seller, the Real Property or the Personal Property relating to the acquisition, construction, design, use, operation, management or maintenance of the Real Property or the Personal Property, including, without limitation, the warranties and guaranties described on Exhibit F attached hereto and made a
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part hereof (collectively, the "Warranties").

(g) Plans. Seller's interest in and to all final plans and specifications (excluding shop drawings) relating to the construction of the Improvements, to the extent that the same are assignable ("Plans"). Neither Purchaser nor its successors or assigns may use the Plans for any purpose other than the repair, maintenance or restoration of the Improvements, without the prior written consent of Seller (which consent may be given or withheld in Seller's sole and absolute discretion); and provided further, however, that Purchaser shall indemnify, defend and hold harmless Seller and each Seller Affiliate from and against any unauthorized use of the Plans by Purchaser, its employees, officers, directors, affiliates and agents, which indemnification obligation shall survive Closing and any termination of this Agreement.

(h) Other Intangibles. Seller's interest in and to all other assignable intangible property (the "Other Intangible Property") owned by Seller pertaining to the Real Property and Personal Property, including, without limitation, geotechnical reports, operating manuals, floor plans (including any related computer aided design measurements), and landscape plans, and together with the non-exclusive right to the name "Crescent Ridge Corporate Center", to be utilized by Purchaser (and its successors in title) only with respect to the Real Property and to be shared in common with Seller (and its successors in title) only with respect to the adjacent real property located at 11100 Wayzata Boulevard, Minnetonka, Minnesota.

2. Purchase Price. Purchaser shall pay to Seller, as consideration for the purchase of the Subject Property, the sum ("Purchase Price") of Fifty Two Million Eight Hundred Thousand and 00/100 Dollars ($52,800,000). The Purchase Price shall be payable as follows:

(a) Initial Earnest Money Deposit. Concurrently herewith, Purchaser shall deposit the sum of Five Hundred Thousand and 00/100 Dollars ($500,000) with the escrow department of Old Republic National Title Insurance Company ("Title Company") pursuant to an escrow agreement in substantially the form of Exhibit G attached hereto and made a part hereof
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(the "Escrow Agreement"). Such sum, together with any interest thereon less any investment fees related thereto, is sometimes hereinafter collectively referred to as the "Earnest Money." The Earnest Money shall be deposited in a federally insured interest-bearing money market account and disbursed according to the terms of this Agreement and the Escrow Agreement. All or a portion of the Earnest Money shall, at Purchaser's election, be credited against the Purchase Price or returned to Purchaser at Closing.

(b) Balance of Purchase Price. The balance of the Purchase Price, plus or minus prorations and other adjustments, if any, shall be due at Closing. Purchaser shall pay such balance to Seller, or at the direction of Seller, by wire transfer of immediately available funds.

3. Conditions Precedent to Closing. Purchaser's obligation to consummate the transaction contemplated by this Agreement shall be subject to satisfaction or waiver of each of the following conditions ("Conditions Precedent") on or before November 15, 2000 ("Contingency Date"):

(a) Title/Survey. Seller has previously furnished to Purchaser (i) a current title commitment bearing application No. HEN.OR973633C ("Commitment") for an owner's title policy issued by the Title Company showing title in Seller (with copies of all underlying title documents listed in the Commitment other than any financing documents encumbering the Real Property), which Commitment is in a nominal amount, but shall be increased to the Purchase Price at Closing, and (ii) an as-built survey ("Survey") for the Real Property prepared in accordance with the Minimum Standard Detail Requirements for Class A Land Title Surveys (jointly established by ALTA/ACSM, as revised in 1999) and certified to Seller and the Title Company (and to be certified to Purchaser and Purchaser's lender prior to the Contingency Date). If the Survey discloses survey defects or if the Commitment shows exceptions (collectively, "Unpermitted Encumbrances") other than the matters set forth on Exhibit H attached hereto and made a part hereof (collectively, "Permitted Encumbrances"), then Purchaser shall notify Seller, in writing, on or before November 6, 2000, specifying the Unpermitted Encumbrances. In such event, prior to the Contingency Date, Purchaser shall have received adequate assurances in writing from Seller that the Unpermitted Encumbrances will be removed, satisfied, or cured on or before Closing, it being acknowledged by the parties hereto that the written commitment by the Title Company to delete the requirement set forth in item 1 of Schedule B, Section 1, of the Commitment from the final title insurance policy to be issued by the Title Company shall constitute removal or cure of such Unpermitted Encumbrance for purposes hereof.

(b) Tests. Seller has previously delivered to Purchaser true and correct copies of the Lease, Permits, Service Contracts, Warranties, Plans and the environmental assessments or soils reports in Seller's possession or control with respect to the Subject Property, for Purchaser's review and analysis. Seller shall allow Purchaser and Purchaser's officers, employees, agents, attorneys, accountants, architects and engineers access to the Real Property, subject to the rights of the Tenant, and to the books and records in Seller's possession or control relating to the Subject Property, without charge and at all reasonable times, for the purpose of making such inspections, tests and verifications (collectively, "Tests") as they shall deem reasonably necessary. On or before the Contingency Date, Purchaser shall be satisfied, in its sole and absolute discretion, with the results of the Tests. Purchaser shall pay all costs and expenses of the Tests and shall defend, indemnify and hold harmless Seller, and its agents, employees and contractors, and the Subject Property, from and against any and all loss, cost, damage, liability, settlement, cause of action or threat thereof or expense (including, without limitation, reasonable attorneys' fees and costs) arising from or relating to the Tests. Purchaser shall cause any consultants retained by Purchaser and which shall enter upon the

Real Property to name Seller and Seller's management agent as additional insureds on such consultants' policies of liability insurance. Purchaser shall promptly repair and restore any damage to the Subject Property attributable to the conduct of the Tests, and shall promptly return the Subject Property to substantially the same condition as existed prior to the conduct of the Tests. No Tests shall be conducted without Seller's approval as to the time and manner of such Tests, which approval shall not be unreasonably withheld or delayed. At Seller's sole option, any such Tests shall be performed in the presence of a representative of Seller. All Tests shall be conducted in such a manner so as to minimize interference with the operation of the Subject Property and the business of the Tenant. In the event Purchaser elects to terminate this Agreement as provided in this Section 3, or if this Agreement otherwise terminates as provided for hereunder for reasons other than default by Seller, then Purchaser shall promptly deliver to Seller copies of the written results of all Tests, including, without limitation, any environmental assessments prepared with respect to the Subject Property; provided, however, if Purchaser and any consultants performing any of the Tests have entered into a written agreement prohibiting delivery of any Test results to any other party, Purchaser shall not be required so to deliver copies of the written results thereof. Anything in this Agreement to the contrary notwithstanding, the obligations of Purchaser under this Section 3(b) shall survive Closing and any termination of this Agreement; provided, however, that the indemnity by Purchaser in favor of Seller under this Section 3(b) shall survive only with respect to claims asserted in writing by Seller within one (1) year after the Closing or one (1) year after any termination of this Agreement.

If any of the Conditions Precedent have not been satisfied on or before the Contingency Date, or if Purchaser is not satisfied, in its sole and absolute discretion, with any other aspect of the Subject Property, then this Agreement may be terminated, at Purchaser's sole option, by written notice from Purchaser to Seller. Such notice of termination may be given at any time on or before the Contingency Date. Except as otherwise provided herein, upon such termination, neither party will have any further rights or obligations regarding this Agreement or the Subject Property, and the Earnest Money shall be returned to Purchaser. Failure of Purchaser to give Seller notice of termination on or before the Contingency Date shall constitute an irrevocable

waiver by Purchaser of the right of Purchaser to terminate this Agreement under this Section 3. All the Conditions Precedent are specifically stated and agreed to be for the sole and exclusive benefit of Purchaser, and Purchaser shall have the right unilaterally to waive, in whole or in part, any Condition Precedent by written notice to Seller.

4. Covenants by Seller. Seller covenants and agrees with Purchaser that from the date hereof until the Closing Date (as such term is defined in Section 8(a) hereof), Seller shall conduct its business involving the Subject Property as follows (except as specifically provided to the contrary herein):

(a) Transfers; Easements. Seller shall refrain from transferring any of the Subject Property, or creating on the Real Property any easements, restrictions, liens, assessments or encumbrances without the express prior written consent of Purchaser; provided, however, that nothing herein shall preclude Seller from replacing any equipment, supplies or machinery in the ordinary course of operating the Subject Property so long as such replacement equipment is of type and quality reasonably equivalent to the replaced equipment and provided further that Seller may prepare, execute and record an Amended and Restated Declaration of Easements, Covenants and Restrictions Regarding Link (the "Amended Link Agreement") and an Amended and Restated Declaration of Driveway, Monument and Storm Sewer Easement ("Driveway and Storm Sewer Easement Amendment"), the forms of which are attached hereto as Exhibit P and Exhibit Q, respectively.
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(b) Contracts. Seller shall refrain from entering into or amending

any contracts or other agreements regarding the Subject Property (other than contracts in the ordinary course of business which are cancelable by the owner of the Subject Property, without penalty payable by Purchaser, either prior to the Closing Date or within thirty (30) days after giving notice thereof) without the prior written consent of Purchaser, which consent shall not be unreasonably withheld or delayed.

(c) Operations. Seller shall operate and insure the Subject Property in a manner consistent with the existing operation of and insurance on the Subject Property and Seller will keep, maintain and repair the Subject Property in substantially its condition as of the date of this Agreement..

(d) Lease. Seller will not modify, amend or terminate the Lease or the Lease Guaranty without the prior written consent of Purchaser; provided, however, Seller agrees that Seller shall use reasonable efforts in good faith to obtain prior to the Contingency Date, a Fifth Amendment to the Lease in substantially the form attached as Exhibit L (the "Fifth Amendment") and the Storage Agreement. Seller will not waive any material rights of Seller under the Lease or Storage Agreement, and Seller will use reasonable commercial efforts to perform and discharge all of the duties and obligations of the "Landlord" under the Lease (and when signed, the Storage Agreement) in the manner and within the time limits required thereunder.

5. Representations and Warranties by Seller.

(a) Representations and Warranties. Seller represents and warrants to Purchaser as follows:

(i) Authority. Seller is a limited liability company duly organized and validly existing and in good standing under the laws of the State of Delaware and in good standing under the laws of the State of Minnesota. Seller has the requisite power and authority to enter into and perform this Agreement and Seller's Closing Documents (as such term is defined in Section 9(a) hereof). This Agreement and Seller's Closing Documents have been duly authorized by all necessary action on the part of Seller and have been or will be duly executed and delivered by Seller. Seller's execution, delivery and performance of this Agreement and Seller's Closing Documents will not conflict with or result in a violation of Seller's organizational documents, or any judgment, order or decree of any court or arbiter, to which Seller is a party. This Agreement and Seller's Closing Documents (when signed) are valid and binding obligations of Seller, and are enforceable against Seller in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, creditor's rights and other similar laws.

(ii) Utilities. All installation and connection charges for utilities serving the Real Property have been paid in full. Seller has received no written notice of actual or threatened reduction or curtailment of any utility service currently supplied to the Real Property.

(iii) Hazardous Substances. Seller shall make available to Purchaser in accordance with Section 3(b) hereof complete copies of all environmental reports and studies with respect to the Real Property conducted or received by Seller from any third party (the "Environmental Reports"). Except as disclosed by the Environmental Reports or any other environmental assessment obtained by Purchaser, to the best of Seller's knowledge, (A) the Real Property has never been used for the production, storage, deposit or disposal of hazardous substances in any reportable quantities under and in violation of applicable environmental laws; and (B) no above or below ground gas or fuel storage tank is or has been located at the Real Property. Seller has not received any written notice from any

applicable governmental authority that any hazardous substances have been placed or located upon the Real Property in violation of applicable environmental laws.

(iv) FIRPTA. Seller is not a "foreign person," "foreign partnership," "foreign trust" or "foreign estate" as those terms are defined in Section 1445 of the Internal Revenue Code.

(v) Proceedings. There is no action, litigation, condemnation or proceeding of any kind pending or, to the best knowledge of Seller, threatened against Seller or against any portion of the Subject Property, which would have an

adverse effect on the use or value of the Subject Property or an adverse effect on the ability of Seller to perform its obligations under this Agreement.

(vi) Condition of the Real Property. Seller has not received written notice from any governmental authority having jurisdiction over the Real Property of any violation of any applicable law, rule, regulation or code of any such governmental authority, which has not been cured or remedied and to the best of Seller's knowledge, no such violation exists. To the best of Seller's knowledge, except as disclosed by any engineering report received by Purchaser with respect to the Real Property, the major structural, mechanical, roof, storm drainage, sanitary sewer, and electrical systems constituting the Improvements are in good working order and condition to perform the work or function for which intended.

(vii) Books and Records. To the best of Seller's knowledge, the books and records relating to the Subject Property which have been made or will be made available to Purchaser by Seller, and which have been prepared by Seller's property manager, accurately reflect the operation of the Subject Property.

(viii) Lease.

(A) Exhibit C is a true and complete list and description of the Lease and Storage Agreement. Seller has delivered to Purchaser a complete and accurate copy of the Lease and drafts of the Fifth Amendment and Storage Agreement. Except as set forth in the Lease, there are no options to expand, rights of first refusal, options to terminate, options to renew, options to purchase, or any rent abatements given to the Tenant.

(B) To the best of Seller's knowledge, each of the Lease and the Lease Guaranty is, and upon Closing each of the Lease, the Fifth Amendment and the Storage Agreement will be, in full force and effect according to the terms set forth therein, and the Lease has not been modified, amended, or altered, in writing or otherwise, except as set forth on Exhibit C.

(C) Seller has not received written notice from the Tenant of any uncured default or unperformed obligation of the Landlord under the Lease, including, without limitation, failure of the Landlord to construct any required tenant improvements. Tenant has not asserted in writing to Seller any offsets, defenses or claims available against rent payable by it or other

performance or obligations otherwise due from it under the Lease.

(D) To the best of Seller's knowledge, Tenant is not in default under its Lease (beyond any applicable grace or cure

period), or is in arrears in the payment of any sums or in the performance of any obligations required of it under the Lease.

(E) No guarantor of the Lease has been released or discharged by Seller, voluntarily or involuntarily, from any obligation under the Lease Guaranty.

(F) There are no brokers' commissions, finders' fees, or other charges payable or to become payable to any third party on behalf of Seller as a result of or in connection with the Lease, including, without limitation, any unexecuted options to expand or renew, other than as set forth on Exhibit C-1 attached hereto and made a part
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hereof.

(G) To the best of Seller's knowledge, the Tenant has not assigned its interest in its Lease or sublet any portion of the premises leased to such Tenant under its Lease.

(H) The Tenant has not prepaid rent for more than the current month under the Lease.

(ix) Special Assessments. Except as shown on any tax bills delivered to Purchaser and the Commitment and except for (i) the special assessments levied by the City of Minnetonka at the public hearing on August 14, 2000 in the principal amount of $534,750.30 payable over a ten year period commencing 2001 and (ii) the special assessments contemplated by the Contract for Private Redevelopment by and between Economic Development Authority For the City of Minnetonka, the City of Minnetonka and Seller dated February 23, 1998 (the "Redevelopment Agreement") in the approximate amount of $210,000 relating to construction costs for a left turn lane onto the frontage road south of the Subject Property and design costs for minor traffic improvements adjacent to the Subject Property, Seller has not received any notice, in writing, of any special assessment which affects the Subject Property.

(x) Service Contracts. The Service Contracts described on Exhibit E are all of the contracts which are in effect and which relate to
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the operation, management, or maintenance of the Subject Property. Seller shall provide Purchaser with complete and accurate copies of all Service Contracts pursuant to Section 3(b) hereof. All such Service Contracts are in full force and effect in accordance with their respective provisions.

(xi) Warranties and Guaranties. Exhibit F attached hereto is a
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complete and accurate list and description of all of the warranties and guaranties of contractors, vendors, manufacturers and other parties which are known by Seller to be in effect and to relate to the Subject Property.

(xii) No Other Agreements. Other than the Lease, Storage Agreement, the Service Contracts, and the Permitted Encumbrances, there are no leases, service contracts, management agreements, or other agreements or instruments in force and effect, oral or written, that grant to any person whomsoever or any entity whatsoever any right, title, interest or benefit in or to all or any part of the Subject Property, any rights to acquire all or any part of the Subject Property or any rights relating to the use, operation, management, maintenance, or repair of all or any part of the Subject Property.

(xiii) Certificates. Seller has heretofore provided Purchaser with complete and accurate copies of all Permits which are known by Seller to relate to the Subject Property and which are in the possession or control of Seller.

(xiv) Bankruptcy. Seller is solvent and has not made a general assignment for the benefit of creditors nor been adjudicated a bankrupt or insolvent, nor has a receiver, liquidator, or trustee for any of Seller's properties (including the Subject Property) been appointed or a petition filed by or against Seller for bankruptcy, reorganization, or arrangement pursuant to the Federal Bankruptcy Act or any similar Federal or state statute, or any proceeding instituted for the dissolution or liquidation of Seller.

(xv) No Roll Back Taxes. The Subject Property has not been classified under any designation authorized by law to obtain a special low ad valorem tax rate or to receive a reduction, abatement, or deferment of ad valorem taxes which will result in additional, catch-up or roll-back ad valorem taxes in the future in order to recover the amounts previously reduced, abated or deferred.

(b) Seller's Knowledge. For purposes of this Agreement, the phrase "to the best of Seller's knowledge" or words of similar import shall mean the actual knowledge of Lori A. Larson, Vice President, Tim Murnane, Vice President, Dave Menke, Senior Director of Development, Dan Hanson, Property Manager and Jeffrey Smith, Senior Project Manager - Construction. Seller represents to Purchaser that such persons are the only officers or representatives of Seller having principal responsibility for the development, management, operation, leasing and sale of the Subject Property.

(c) Representation and Warranty Becoming Untrue. In the event that, between the date of this Agreement and the Closing Date, Seller becomes aware that any of the foregoing representations and warranties of Seller is no longer true and correct, Seller shall promptly notify Purchaser thereof in writing. Seller covenants and agrees, within thirty (30) days (such thirty (30)-day period being sometimes hereinafter referred to as the "Warranty Cure Period"), to use reasonable efforts to cure any such then-incorrect representations and warranties, and the Closing shall be delayed in accordance with this Section 5(c) while Seller undertakes such efforts. If, after using reasonable efforts, Seller cannot effect such cure on or before the expiration of the Warranty Cure Period, Purchaser shall, within five (5) business days following expiration of the Warranty Cure Period, elect either (i) to terminate this Agreement (other than the rights and obligations of the parties that, by the express terms hereof, survive any termination of

this Agreement), or (ii) to waive any such incorrect representations and warranties of Seller, and thereby release Seller from any and all liability or obligations with respect thereto, and to proceed hereunder, or (iii) if such representations and warranties of Seller are knowingly and intentionally breached by Seller, to exercise the remedies available to Purchaser under Section 11(b) hereof. Failure of Purchaser to notify Seller within the aforesaid five (5)-business day period shall constitute Purchaser's irrevocable election under clause (ii) of the immediately

preceding sentence. In the event that Purchaser terminates this Agreement as provided in clause (i) above, the Earnest Money shall be promptly returned to Purchaser.

6. Representations and Warranties by Purchaser. Purchaser represents and warrants to Seller as follows: (a) Purchaser is a Georgia corporation duly organized and validly existing and in good standing under the laws of the State of Georgia, and by the Closing Date, will be in good standing under the laws of Minnesota as may be required in order for the Title Company to issue the Title Policy required hereunder; (b) Purchaser has the requisite power and authority to enter into this Agreement and Purchaser's Closing Documents (as such term is defined in Section 9(c) hereof); (c) this Agreement has been duly authorized by all necessary action on the part of Purchaser and this Agreement and Purchaser's Closing Documents have been or will be duly executed and delivered by Purchaser; (d) Purchaser's execution, delivery and performance of this Agreement and Purchaser's Closing Documents will not conflict with or result in violation of Purchaser's organizational documents, or any judgment, order or decree of any court or arbiter, to which Purchaser is a party; and (e) this Agreement and Purchaser's Closing Documents (when signed) are valid and binding obligations of Purchaser, and are enforceable against Purchaser in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, creditor's rights and other similar laws.

7. Other Matters Related to Representations and Warranties of Seller and Purchaser. The respective representations and warranties of Seller and Purchaser contained in this Agreement shall survive Closing; provided, however, that (a) any cause of action that Purchaser may have against Seller by reason of a breach or default of any of Seller's representations and warranties set forth herein shall automatically expire on the date which is one (1) year after the Closing Date ("Warranty Expiration Date"), except that the same shall not expire as to any such breach or default as to which Purchaser has instituted litigation against Seller prior to the Warranty Expiration Date; (b) Seller's total liability for any breach or breaches of its representations and warranties set forth herein shall in no event exceed Seller's interest in the Subject Property or the proceeds from the sale thereof, as the case may be; and (c) Seller shall have no liability whatsoever to Purchaser with respect to any breach or breaches by Seller of its representations and warranties set forth herein, if, prior to Closing, Purchaser obtains actual knowledge of a fact or circumstance, the existence of which would constitute a breach of Seller's representations and warranties set forth herein, unless such representations and warranties of Seller are knowingly and intentionally breached by Seller. Among other things, for purposes hereof, Purchaser shall be deemed to have actual knowledge of any fact or circumstance set forth in the estoppel certificates delivered to Purchaser and in any environmental assessments or engineering reports received by Purchaser. Seller's representations and warranties set forth herein shall be deemed automatically modified to the extent that any information contained in any estoppel certificates delivered to Purchaser prior to Closing or in any environmental

assessments or engineering reports received by Purchaser is inconsistent with the matters which are the subject to such representations and warranties.

8. Closing.

(a) Closing Date. The closing of the purchase and sale contemplated by this Agreement ("Closing") shall occur on or before November 20, 2000, or on such earlier or later date as Seller and Purchaser may mutually agree, subject to delays occasioned by operation of Sections 3(a), 5(c) or 9(b) hereof ("Closing Date"), at the offices of Seller's attorneys, Briggs and Morgan, P.A., 2400 IDS Center, Minneapolis, MN 55402 or at such other location as Seller and Purchaser may mutually agree.

(b) Purchaser's Closing Conditions Precedent. Purchaser's obligation to consummate the transaction contemplated by this Agreement shall be subject to satisfaction or waiver of each of the following conditions

("Purchaser's Closing Conditions Precedent"); provided, however, that Purchaser shall have the unilateral right to waive any Purchaser's Closing Condition Precedent, in whole or in part, by written notice to Seller:

(i) The representations and warranties of Seller set forth in Section 5(a) hereof shall be, in all material respects, true and complete as of the Closing Date.

(ii) Seller shall have performed all of the obligations required to be performed by Seller under this Agreement, as and when required by this Agreement, in all material respects.

(iii) Seller shall have obtained an amendment to the Lease, on or before the Closing Date, in substantially the form of Exhibit L attached hereto and made a part hereof, fully executed by Seller, as Landlord under the Lease, and Tenant.

(iv) Purchaser shall have received, on or before the Closing Date, an estoppel certificate in substantially the form of Exhibit I attached hereto and made a part hereof, or otherwise reasonably approved by Purchaser, from the Tenant.

(v) Seller shall provide Purchaser with (i) evidence reasonably acceptable to Purchaser that the Tenant has approved the number of parking spaces currently provided on the Subject Property consisting of 49 enclosed lower level spaces, 395 ramp spaces and 787 surface parking spaces, or (ii) a written undertaking by Seller that Seller will construct (at Seller's cost and expense) an additional 21 surface parking spaces on the Subject Property on or before June 1, 2001.

(c) Seller's Conditions Precedent. Seller's obligation to consummate the transaction contemplated by this Agreement shall be subject to satisfaction or waiver of each of the following conditions ("Seller's Closing Conditions Precedent"); provided, however, that Seller shall have the unilateral right to waive any Seller's Closing Condition Precedent, in whole or in part, by written notice to Purchaser:

(i) The representations and warranties of Purchaser set forth in Section 6 hereof shall be, in all material respects, true and complete.

(ii) Purchaser shall have performed all of the obligations required to be performed by Purchaser under this Agreement, as and when required by this Agreement, in all material respects.

(d) Failure of Condition Precedent. In the event that Purchaser's Closing Conditions Precedent or Seller's Closing Conditions Precedent, as the case may be, have not been satisfied or waived as of the scheduled Closing Date as the same may be extended as permitted above, and provided the failure to satisfy or waive any such condition is not attributable to a breach or default of this Agreement by Seller or Purchaser, as the case may be, this Agreement shall terminate (other than the obligations of the parties that, by the express terms hereof, survive any such termination) and the Earnest Money shall be returned to the Purchaser.

9. Closing Deliveries.

(a) Seller's Closing Documents. On the Closing Date, Seller shall execute and/or deliver to Purchaser or cause to be executed and/or delivered the following (collectively, "Seller's Closing Documents"):

(i) Deed. A Limited Warranty Deed conveying the Real Property to Purchaser, free and clear of all encumbrances, except the Permitted

Encumbrances, in the form set forth in Exhibit J attached hereto and made a part hereof (the "Deed").

(ii) Bill of Sale. A Bill of Sale transferring the Personal Property to Purchaser, in the form set forth in Exhibit K attached hereto and made a part hereof (the "Bill of Sale").

(iii) Seller's Affidavit. An Affidavit of Seller indicating that on the Closing Date, to the best of Seller's knowledge, there are no outstanding, unsatisfied judgments, tax liens (other than the lien of real estate taxes not yet due and payable) or bankruptcies against or involving Seller or the Real Property; and that, to the best of Seller's knowledge, there are no other unrecorded interests in the Real Property other than the Lease as amended by the Fifth Amendment, and the Storage Agreement. Such Affidavit shall be in such form and shall contain such averments as may be reasonably required by the Title Company in order for the Title Company to issue to Purchaser its owner's policy of title insurance without exception for rights of parties in possession (other than the rights of the Tenant under the Lease and Storage Agreement, as tenant and licensee only) and without exception for filed or unfiled mechanics' and materialmen's liens.

(iv) Original Documents. Original copies of the Lease, the Storage Agreement, the Permits, those of the Service Contracts (if any) to be assigned to and assumed by Purchaser pursuant to Section 1(e) hereof, the Warranties and the

Plans, to the extent that the same are in Seller's possession or control and have not previously been delivered to Purchaser.

(v) FIRPTA Affidavit. A non-foreign affidavit properly containing such information as is required by Section 1445(b)(2) of the Internal Revenue Code and the regulations promulgated thereunder.

(vi) Title Documents. Such affidavits of Seller or other documents as may be reasonably required by the Title Company in order to record the Deed and issue the title insurance policy required by this Agreement.

(vii) Tax Reporting Designation. A Designation of Person Responsible for Tax Reporting under Internal Revenue Code Section 6045 in the form of Exhibit M attached hereto and made a part hereof designating the Title Company as the party responsible for making returns required under Internal Revenue Code Section 6405.

(viii) Operating Expense Statement. An operating expense statement certified by Seller to be a complete and correct list and description of operating expenses relating to Seller's ownership, operation, management and maintenance of the Subject Property since September 1, 2000.

(ix) Miscellaneous. Keys to all locks at the Subject Property in Seller's possession or control; and the documents referred to in Section 9(d) below.

(b) Title Policy. At Closing, Seller shall cause the Title Company to deliver to Purchaser its owner's title insurance policy required by this Agreement. Seller hereby agrees that Seller shall remove, satisfy or cure at or prior to the Closing, any Unpermitted Encumbrances created by Seller after the effective date of this Agreement in violation of this Agreement or any Unpermitted Encumbrances consisting of taxes and installments of special assessments (except for taxes which are not yet due or payable

which shall be prorated between Seller and Purchaser and installments of special assessments as provided in Section 10(a) below), mortgages, mechanic's or materialmen's liens or other such monetary encumbrances. In the event that Seller shall fail, on or before the date of Closing, to remove, satisfy or cure any Unpermitted Encumbrances that Seller is obligated hereunder to remove, satisfy or cure or as to which Seller gave assurance to Purchaser that Seller would remove, satisfy or cure as provided in Section 3(b) above or that Seller created after the Effective Date of this Agreement in violation of this Agreement, (i) Purchaser may terminate this Agreement by written notice to Seller and Title Company, in which even the Earnest Money shall be immediately refunded to Purchaser, (ii) Purchaser may remove, cure or cause the Title Company to endorse over such Unpermitted Encumbrance, in which event the Purchase Price payable pursuant to Section 2 hereof shall be reduced by an amount equal to the actual cost and expense incurred by Purchaser in connection with the removing, curing or endorsing over of such Unpermitted Encumbrance, or (iii) Purchaser may accept title to the Real Property subject to such Unpermitted Encumbrances, or (iv) any combination of items (ii) and

(iii). In the event Purchaser elects to remove, cure or cause the Title Company to endorse over any such Unpermitted Encumbrances pursuant to item (ii) above, Purchaser at its option, upon giving notice to Seller, may extend the date of Closing until the curing of such Unpermitted Encumbrances or fifteen (15) days from and after the previously scheduled date of Closing, whichever shall first occur. If any defect or objection shall not have been removed, cured or endorsed over within such period, Purchaser may exercise its option under either item (i) or (iii) hereof. Notwithstanding the foregoing, the parties hereto agree that if Seller has not completed the Proceeding Subsequent to Initial Registration set forth in item 1 of Schedule B - Section 1 of the Commitment by the Closing Date and the Title Company agrees to insure over Seller's failure to have completed such requirement, Seller undertakes and agrees with Purchaser to complete said Proceeding Subsequent and obtain the Order deleting the recitals listed in item 1 of Schedule B - Section 1 of the Commitment. The foregoing undertaking and agreement shall survive the Closing.

(c) Purchaser's Closing Documents. On the Closing Date, Purchaser shall execute and/or deliver or cause to be executed and/or delivered to Seller the following (collectively, "Purchaser's Closing Documents"):

(i) Purchase Price. The Purchase Price, plus or minus prorations and other adjustments, if any, by wire transfer of immediately available funds.

(ii) Title Documents. Such affidavits of Purchaser other documents as may be reasonably required by the Title Company in order to record the Deed and issue the title insurance policy required by this Agreement.

(d) Purchaser's and Seller's Closing Documents. On the Closing Date, Seller and Purchaser shall jointly execute and deliver the following:

(i) Closing Statement. A closing statement in form and substance reasonably acceptable to both Seller and Purchaser, and consistent with the terms, provisions and conditions of this Agreement.

(ii) Transfer Tax Declarations. Such Certificate of Real Estate Value or similar declarations, affidavits or certificates as may be required by applicable law.

(iii) Assignment and Assumption of Lease. An Assignment and Assumption of Lease pursuant to which, among other things, (A) Seller shall assign to Purchaser all of Seller's right, title and interest as landlord in, to and under the Lease and Storage Agreement, and

Purchaser shall assume the obligations of the landlord under the Lease and Storage Agreement with respect to any event, fact or circumstance that occurs, from and after the Closing Date; (B) Seller shall defend, indemnify and hold harmless Purchaser from and against any lease defaults by the landlord under the Lease and Storage Agreement with respect to any event, fact or circumstance that occurs prior to the Closing Date, and Purchaser shall defend, indemnify and hold harmless Seller from and against

any lease defaults by the landlord under the Lease and Storage Agreement with respect to any event, fact or circumstance that occurs from and after the Closing Date, subject, however, to Section 26 hereof; and (C) the total liability of Seller for breach thereof shall be limited to Seller's interest in the Subject Property or the proceeds from the sale thereof, as the case may be, and the total liability of Purchaser for breach thereof shall be limited to Purchaser's interest in the Subject Property.

(iv) Assignment and Assumption of Permits, Warranties and Plans. An Assignment and Assumption of Permits, Warranties and Plans, pursuant to which, among other things, (A) Seller shall assign to Purchaser all of Seller's right, title and interest as owner in, to and under the Permits, Warranties and Plans, and Purchaser shall assume all obligations of the owner under the Permits, Warranties and Plans with respect to any event, fact or circumstance that occurs, from and after the Closing Date; (B) Seller shall defend, indemnify and hold harmless Purchaser from and against any default in the performance by the owner of its obligations under the Permits, Warranties and Plans with respect to any event, fact or circumstance that occurs prior to the Closing Date, and Purchaser shall defend, indemnify and hold harmless Seller from and against any default in the performance by the owner of its obligations under the Permits, Warranties and Plans with respect to any event, fact or circumstance that occurs from and after the Closing Date; (C) Purchaser shall defend, indemnify, and hold harmless Seller and Seller's Affiliates from any unauthorized use of the Plans, as more particularly set forth in Section 1(f) hereof; and (D) the total liability of Seller for breach thereof shall be limited to Seller's interest in the Subject Property or the proceeds from the sale thereof, as the case may be, and the total liability of Purchaser for breach thereof shall be limited to Purchaser's interest in the Subject Property.

(v) Assignment of Service Contracts. An Assignment and Assumption of Service Contracts pursuant to which, among other things, (A) Seller and/or Seller's property manager shall assign to Purchaser all right, title and interest of Seller and/or Seller's property manager, as buyer, in, to and under the Service Contracts which are to be assigned hereunder, and Purchaser shall assume all obligations of Seller and/or Seller's property manager under such Service Contracts with respect to any event, fact or circumstance that occurs, from and after the Closing Date; (B) Seller shall defend, indemnify and hold harmless Purchaser from and against any defaults by the buyer under such Service Contracts with respect to any event, fact or circumstance that occurs prior to the Closing Date, and Purchaser shall defend, indemnify and hold harmless Seller and/or Seller's property manager from and against any defaults by the buyer under such Service Contracts with respect to any event, fact or circumstance that occurs from and after the Closing Date; and (C) the total liability of Seller for breach thereof shall be limited to Seller's interest in the Subject Property or the proceeds from the sale thereof, as the case may be, and the total liability of Purchaser for breach thereof shall be limited to Purchaser's interest in the Subject Property.

(vi) Notices to Tenant. Written notices to the Tenant advising it of the sale of the Subject Property and directing it to make future lease payments to Purchaser at the place designated by Purchaser.

(vii) Miscellaneous. Such other documents, instruments and affidavits as shall be reasonably necessary to consummate the transaction contemplated by this Agreement, including, without limitation, affidavits identifying any brokers involved as the only persons entitled to a brokerage or similar commission in connection with consummation of the transaction contemplated hereby.

10. Adjustment and Prorations. Seller and Purchaser shall make all adjustments and apportion all expenses with respect to the Subject Property, including, without limitation, the following:

(a) Real Estate Taxes and Special Assessments. Seller shall be responsible for payment to the collecting authorities of all real estate taxes and installments of special assessments affecting the Real Property (collectively, "Taxes") due and payable in 1999 and prior years. Taxes due and payable in the year 2000 shall be prorated between Seller and Purchaser as of the date immediately preceding the Closing Date ("Proration Date"), and Purchaser shall be responsible for payment to the collecting authorities of all Taxes which become due and payable after the Proration Date. There shall be no further proration of Taxes.

(b) Title Insurance. Seller shall pay for the cost of the owner's title insurance policy required under this Agreement. Purchaser shall pay for the cost of any additional endorsements to the owner's title insurance policy which Purchaser is able to obtain from the Title Company, and all costs of any lender's title insurance policy.

(c) Closing Fee. Seller and Purchaser will each pay one-half of any reasonable and customary closing fee by the Title Company.

(d) Deed or Transfer Tax. Seller shall pay all applicable deed taxes imposed by the State of Minnesota.

(e) Rents. The following items shall be prorated on an accrual basis up to and including the Proration Date, on the basis of the most recent ascertainable amounts thereof or on the basis of such other reasonably reliable information with respect thereto: (i) current and advance rental payments under the Leases; (ii) operating expense and insurance escalations and adjustments and other charges payable by the Tenant to the landlord under the Lease, excluding any contributions toward the payment of Taxes (collectively, "Expense Contributions"); (iii) any utility charges and deposits made by Seller with respect to utilities for which the landlord under the Lease is responsible; and (iv) all other items of accrued or prepaid income and expenses, other than delinquent rental payments under the Lease. Such prorations shall not account for or reflect any of the foregoing items to the extent Tenant is delinquent in payment of the same.

When actual Expense Contributions for the year in which Closing occurs are known (and the year preceding the year in which Closing occurs if such amounts are not

known at Closing), Purchaser shall bill the Tenant for the additional amount, if any, owed by such Tenant as a result of non-payment or underpayment of the Tenant's share of Expense Contributions for the year to which such Expense Contributions apply under the Tenant's Lease. Upon collection of such amounts the same shall be prorated between Seller and Purchaser, and Purchaser shall pay Seller all amounts due Seller for the period prior to the Proration Date as soon as reasonably practical. In the event that the Expense Contributions collected by Seller for the period up to and including the Proration Date exceed the actual Expense Contributions

for such period, Seller shall pay to Purchaser an amount equal to the excess of the Expense Contributions collected over the actual Expense Contributions for such period as soon as reasonably practical after such Expense Contributions are known. Seller shall have the right to inspect the books and records of the Subject Property to verify that Purchaser is remitting to Seller all amounts to be remitted to Seller according to the terms of this Agreement, and for any other purpose related to Seller's prior ownership of the Subject Property. Notwithstanding the foregoing, if the amounts to be prorated hereunder can be established with reasonable certainty at Closing, the appropriate party shall receive credit therefor at Closing, which credit shall be final and in lieu of any proration contemplated hereby.

In the event that on the Closing Date the Tenant is delinquent for a period of thirty (30) days or less in the payment of rent (base rent, additional rent or otherwise), billed but unpaid at the time of Closing, a proportionate share of such delinquent rent shall be credited in favor of Seller, it being understood that if the Tenant is delinquent for a period of thirty (30) days or less in the payment of current monthly rent but is also delinquent for a period of more than thirty (30) days for past monthly rent, all such rent shall be considered delinquent for more than thirty (30) days for purposes of this grammatical paragraph. In the event that on the Closing Date the Tenant is delinquent for a period of more than thirty (30) days in the payment of rent (base rent, additional rent or otherwise), billed but unpaid at the time of Closing, then no proration shall be made at Closing, and, after Closing, Seller shall have the right to proceed against the Tenant for collection of such past due amounts, which proceedings may include instituting litigation for damages, but not eviction from or dispossession of the leased premises. If Seller recovers any such delinquent amounts, the same shall be distributed in the following order of priority: (i) to Seller for amounts due or accrued from Tenant prior to the Proration Date, then (ii) the balance to Purchaser. If Purchaser recovers any such delinquent amounts, the same shall be distributed in the following order of priority: (i) to Purchaser for amounts due or accrued from Tenant from and after the Closing Date, then (ii) the balance to Seller, provided the same has not previously been credited to Seller as provided above.

(f) Recording Costs. Seller shall pay the cost of recording all documents necessary to place record title in the condition required by this Agreement other than the cost of recording the Deed which shall be paid by Purchaser.

(g) Operating Expenses. All other operating costs of the Subject Property shall be allocated between Seller and Purchaser as of the Proration Date, so that Seller pays that part of such other operating costs payable before the Proration Date, and Purchaser pays that part of such operating costs payable from and after the Proration Date.

(h) Attorney's Fees. Each of the parties shall pay its own attorneys' fees, except that a party defaulting under this Agreement or any closing document shall pay the reasonable attorneys' fees and court costs incurred by the nondefaulting party to enforce successfully its rights regarding such default.

(i) Other Costs. All other costs shall be allocated in accordance with the customs prevailing in similar transactions in the greater metropolitan Twin Cities area.

(j) Free Rent. Seller shall pay to Purchaser at Closing the sum of $738,416.55 representing the total amount of free or reduced rental under the Lease for the period from and after the Closing Date, which amount is calculated as provided in Exhibit N attached hereto and made a part hereof,
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based upon an assumed Closing Date of November 20, 2000. In the event the

actual amount of free or reduced rental under the Lease is determined (either before or after Closing) to be more or less than $738,416.55, or in the event the Closing shall occur on a date other than November 20, 2000, the foregoing payment amount shall be recalculated and Seller and Purchaser shall promptly make appropriate adjustments and payments between them so that the payment by Seller to Purchaser under this Section 10(j) shall equal the total amount of free or reduced rental under the Lease for the period from and after the Closing Date.

The obligations of the parties under this Section 10 shall survive the Closing and delivery of the Deed.

11. Default.

(a) If Purchaser defaults in its obligation to consummate this Agreement, Seller shall be entitled, at Seller's option, to terminate this Agreement, and the Earnest Money shall be forfeited to Seller, as Seller's sole and exclusive remedy; provided, however, that Seller shall also have the right to sue for or otherwise recover actual damages as a result of Purchaser's failure to perform Purchaser's indemnity obligations herein.

(b) If Seller defaults in its obligations under this Agreement or knowingly and intentionally breaches its representations and warranties hereunder, Purchaser shall be entitled either (i) to terminate this Agreement and have the Earnest Money returned as Purchaser's sole and exclusive remedy, or (ii) to enforce specific performance of the terms and provisions of this Agreement; provided, however, that if Purchaser elects to terminate this Agreement and have the Earnest Money returned, Seller agrees to pay the actual out-of-pocket expenses incurred by Purchaser (not to exceed $100,000) in connection with Purchaser's proposed acquisition of the Property.

12. Damage. If, prior to the Closing Date, all or any part of the Improvements are damaged by fire or other casualty, Seller shall promptly give notice to Purchaser of such fact. If any part of the Improvements are substantially damaged, at Purchaser's option (to be exercised by Purchaser's written notice to Seller given within thirty (30) days after Seller's initial notice to Purchaser), this Agreement shall terminate. In the event of any such termination of this Agreement, neither party will have any further obligations under this Agreement (other than the

obligations of the parties that, by the express terms hereof, survive any such termination), and the Earnest Money shall be refunded to Purchaser. If Purchaser fails to elect to terminate (in the manner provided in this Section 12) despite such damage, or if the Improvements are damaged but not substantially, Seller shall promptly commence to repair such damage or destruction and to return the Improvements to substantially their condition prior to such damage. If such damage shall be completely repaired prior to the Closing Date, then there shall be no reduction in the Purchase Price, and Seller shall retain the proceeds of all insurance related to such damage. If such damage shall not be completely repaired prior to the Closing Date, but Seller is diligently proceeding to repair, then Seller shall complete the repair after the Closing Date and shall be entitled to receive the proceeds of all insurance related to such damage; provided, however, that Purchaser shall have the right to delay the Closing Date until repair is completed. For purposes of this Section 12, the words "substantially damaged" mean damage that would cost $750,000 or more to repair or damage that would entitle the Tenant to terminate the Lease.

13. Condemnation. If, prior to the Closing Date, eminent domain proceedings are commenced against all or any part of the Subject Property, or if the Subject Property is subjected to a bona fide threat of eminent domain, or if Seller has received notice that any such eminent domain proceedings are contemplated, Seller shall immediately give notice to Purchaser of such fact and, at Purchaser's option (to be exercised within thirty (30) days after Seller's notice), this Agreement shall terminate. In the event of any such

termination, neither party will have further obligations under this Agreement (other than the obligations of the parties that, by the express terms hereof, survive any such termination), and the Earnest Money shall be refunded to Purchaser. If Purchaser fails to elect to terminate (in the manner provided in this Section 13), then there shall be no reduction in the Purchase Price, and Seller shall assign to Purchaser at the Closing Date all of Seller's right, title and interest in and to any award made or to be made in the condemnation proceedings. Prior to the Closing Date, Seller shall not designate counsel, appear in, or otherwise act with respect to the condemnation proceedings without Purchaser's prior written consent, which consent shall not be unreasonably withheld or delayed; provided, however, that if any action is necessary with respect to such proceeding to avoid any forfeiture or material prejudice, Seller shall be entitled to take such action as and to the extent necessary without obtaining Purchaser's prior written consent.

14. Broker's Commission. Seller represents and warrants to Purchaser that in connection with the transaction contemplated hereby, no third party broker or finder has been engaged or consulted by Seller or is entitled to compensation or commission in connection herewith, other than CB Richard Ellis, Inc. ("Seller's Broker"). Seller shall be responsible for payment of the broker's commission due and owing Seller's Broker. Seller shall defend, indemnify and hold harmless Purchaser from and against any and all claims of brokers, finders or any like third party claiming any right to commission or compensation by or through acts of Seller in connection herewith. Purchaser represents and warrants to Seller that in connection with the transaction contemplated hereby, no third party broker or finder has been engaged or consulted by Purchaser or is entitled to compensation or commission in connection herewith, other than Seller's Broker. Purchaser shall defend, indemnify and hold harmless Seller from and against any and all claims of brokers, finders or any like party claiming any right to commission or compensation by or through acts of Purchaser in connection herewith other than Seller's Broker. The indemnity obligations hereunder shall include, without limitation, all damages, losses, risks, liabilities and expenses (including, without limitation, reasonable attorneys' fees

and costs) arising from and related to matters being indemnified hereunder. Neither Seller's Broker nor any other broker, finder or like party shall be entitled to rely (as a third-party beneficiary or otherwise) on the provisions herein in claiming any right to commission or compensation or otherwise. The obligations of the parties under this Section 14 shall survive the Closing or any termination of this Agreement.

15. Mutual Indemnification. Seller and Purchaser agree to indemnify each other against, and hold each other harmless from all liabilities (including, without limitation, reasonable attorneys' fees in defending against claims) arising out of the ownership, operation or maintenance of the Subject Property for their respective periods of ownership; provided, however, that nothing herein shall diminish the defense, indemnify and hold harmless obligations of Purchaser set forth in Section 3(b) hereof with respect to matters arising from or related to the Tests. If and to the extent that the indemnified party has insurance coverage, or the right to make claim against any third party for any amount to be indemnified against as set forth above, the indemnified party will, upon full performance by the indemnifying party of its indemnification obligations, assign such rights to the indemnifying party. If such rights are not assignable, the indemnified party will diligently pursue such rights by appropriate legal action or proceeding and assign the recovery and/or right of recovery to the indemnifying party to the extent of the indemnification payment made by such party. The provisions of this Section 15 shall survive Closing and execution and delivery of the Deed.

16. Assignment. Purchaser may not assign its rights under this Agreement without the prior written consent of Seller; provided, however, that Purchaser may assign its rights under this Agreement to Wells Operating Partnership, L.P., a Delaware limited partnership ("WLP") or Wells Real Estate Investment Trust, Inc., a Maryland corporation ("Wells REIT") or Wells Development Corporation, a Georgia corporation ("WDC") or any trust, corporation, partnership or limited

liability company controlling, controlled by or under common control with Purchaser, WLP, Wells REIT, WDC or any partnership having Purchaser, WLP, Wells REIT or WDC or any entity controlled by Purchaser, WLP, Wells Reit or WDC as a direct or indirect general partner. For purposes hereof, "control" shall mean ownership (directly or indirectly) of 51% or more of the voting or other comparable ownership interest of any such trust, corporation, partnership or limited liability company. Any assignment shall be subject to all the provisions, terms, covenants and conditions of this Agreement, and the assignor shall, in any event, continue to be and remain liable under this Agreement, as it may be amended from time to time, as a principal and not as a surety without notice to such assignor. Any such assignment and assumption shall be evidenced by a written agreement in form and substance reasonably acceptable to Seller.

17. Notices. Any notice or other communication in connection with this Agreement shall be in writing and shall be sent by United States certified mail, return receipt requested, postage prepaid, by nationally recognized overnight courier guarantee next day delivery, by telecopy or facsimile transmission, or by personal delivery, properly addressed as follows:

If to Seller: Opus Northwest, L.L.C.
10350 Bren Road West
Minnetonka, MN 55343
Attn: Lori Larson, Vice President

Facsimile No.: (952) 656-4814

With a copy to: Opus L.L.C. Legal Department
10350 Bren Road West
Minnetonka, MN 55343
Attn: Brad Osmundson
Facsimile No.: (952) 656-4814

And a copy to: Briggs and Morgan, P.A.
2400 IDS Center
Minneapolis, MN 55402
Attn: Charles R. Haynor, Esq.
Facsimile No.: (612) 334-8650

If to Purchaser: Wells Capital, Inc.
6200 The Corners Parkway
Suite 250
Norcross, GA 30092
Attn: Michael C. Berndt
Facsimile No.: (770) 200-8222

With a copy to: Troutman Sanders LLP
Bank of America Plaza
600 Peachtree Street N.E.
Suite 5200
Atlanta, Georgia 30308-2216
Attn: John W. Griffin, Esq.
Facsimile No.: (404) 962-6577

All notices shall be deemed given three (3) business days following deposit in the United States mail with respect to certified or registered letters, one (1) business day following deposit if delivered to an overnight courier guaranteeing next day delivery and on the same day if sent by personal delivery or by telecopy or facsimile transmission (with proof of transmission). Attorneys for each party shall be authorized to give notices for each such party. Any party may change its address for the service of notice by giving written notice of such change to the other party, in any manner above specified.

18. Captions. The section headings or captions appearing in this Agreement are for convenience only, are not a part of this Agreement, and are

not to be considered in interpreting this Agreement.

19. Entire Agreement; Modification. This Agreement constitutes the entire agreement between the parties with respect to the subject matter herein contained, and all prior negotiations, discussions, writings and agreements between the parties with respect to the subject matter herein contained are superseded and of no further force and effect. No covenant, term or condition of this Agreement shall be deemed to have been waived by either party, unless such waiver is in writing signed by the party charged with such waiver.

20. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

21. Controlling Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

22. Severability. The unenforceability or invalidity of any provisions hereof shall not render any other provision herein contained unenforceable or invalid.

23. "As Is" Sale. Purchaser acknowledges that except as set forth in this Agreement and in Seller's Closing Documents (which term "Seller's Closing Documents" includes the documents referred to in Section 9(d) above), (a) neither Seller, nor any principal, agent, attorney, employee, broker, or other representative of Seller, has made any representation or warranty of any kind whatsoever, either express or implied, with respect to the Subject Property or any matter related thereto; (b) Purchaser is not relying on any warranty, representation, or covenant, express or implied, with respect to the condition of the Subject Property; and (c) Purchaser is acquiring the Subject Property in its "as-is" condition with all faults. In particular, but without limitation, except as set forth in this Agreement and the Seller's Closing Documents, Seller makes no representations or warranties with respect to the use, condition, occupation or management of the Subject Property, compliance of the Subject Property with applicable statutes, laws, codes, ordinances, regulations or requirements or compliance of the Subject Property with covenants, conditions, and restrictions, whether or not of record.

24. Time of Essence. Time is of the essence of this Agreement.

25. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

26. Construction Warranty. Pursuant to Section 17.1.15 of the Lease, Seller has warranted to Tenant that the "Tenant Improvements" and related materials, equipment and installation shall be free from defects in workmanship and shall conform to the plans and specifications, which warranty is stated to run for a period of one (1) year after the applicable commencement date for leased space finished by Seller, and Seller agreed to repair, correct or replace as necessary any defective item occasioned by a breach of such warranty if notified by Tenant of the defective item within the foregoing one (1) year period. In the event Purchaser is notified by Tenant of a claim under Section 17.1.5 of the Lease (a "Claim"), Purchaser shall notify Seller of such Claim and Seller shall promptly repair, correct or replace the claimed defective item occasioned by such breach of warranty and provide Purchaser with reasonable evidence of such repair, correction or replacement. Purchaser agrees to provide Seller access to the Property for the purposes of making such repairs, corrections or replacements. In the event Seller fails to promptly repair, correct or replace such defective item, Purchaser may, after giving Seller five days notice of such failure on the part of Seller, repair, correct or replace such defective item and Seller hereby agrees that in the event Purchaser shall incur any costs or expenses in performing and complying with the obligations of the Landlord under Section 17.1.15 of the Lease, Seller shall promptly reimburse

Purchaser for any such costs and expenses, net of any amounts thereof recovered by Purchaser under any Warranties, within ten (10)

business days after receipt by Seller of a written request for such payment from Purchaser accompanied by copies of invoices or other back-up information substantiating the amount of such costs and expenses incurred by Purchaser. The obligations of Seller under this Section 26 shall survive the Closing, but only with respect to Claims asserted in writing by Purchaser within thirteen (13) months after the Closing.

27. Exhibits. The following exhibits are made a part hereof, with the same force and effect as if specifically set forth herein:

Exhibit A -	Legal Description
Exhibit A-1	Schedule of Easement Documents
Exhibit B -	Personal Property
Exhibit C -	Schedule of Lease
Exhibit C-1	Schedule of Broker Commissions
Exhibit D -	Schedule of Permits
Exhibit E -	Schedule of Service Contracts
Exhibit F -	Schedule of Warranties
Exhibit G -	Form of Earnest Money Escrow Agreement
Exhibit H -	Permitted Encumbrances
Exhibit I -	Form of Tenant Estoppel Certificate
Exhibit J -	Form of Deed
Exhibit K -	Form of Bill of Sale
Exhibit L	Form of Fifth Amendment to Lease
Exhibit M	Designation of Person Responsible for Tax Reporting
Exhibit N	Calculation of Payment Attributable to Free or Reduced Rentals under Lease
Exhibit O	Form of Storage Agreement
Exhibit P	Form of Amended Link Agreement
Exhibit Q	Form of Driveway and Storm Sewer Easement Amendment

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

PURCHASER:	SELLER:
WELLS CAPITAL, INC., a Georgia corporation	OPUS NORTHWEST, L.L.C. a Delaware limited liability company
By: /s/ Douglas P. Williams	By: /s/ Lori A. Larson
Its: Senior Vice President	Its: Vice President--Sales

EXHIBIT A

Legal Description

Lot 2, Block 1, and Outlot C, Crescent Ridge Corporate Center, according to the recorded plat thereof, Hennepin County, Minnesota

EXHIBIT A-1

1. Amended and Restated Declaration of Easements, Covenants and Restrictions Regarding Link dated October ___, 2000 and recorded in the office of the Hennepin County Registrar of Titles as Document No. _____.

2. Declaration of Covenants, Restrictions and Easements dated May 10, 1999 and recorded in the office of the Hennepin County Registrar of Titles as Document No. 3155465.

3. Declaration of Covenants and Easements Regarding Stormwater Retention Pond dated October 14, 1999, recorded in the office of the Hennepin County Registrar of Title as Document No. 3216830.

4. Declaration of Driveway and Storm Sewer Easement dated October 14, 1999 recorded in the Office of the Hennepin County Registrar of Titles as Document No. 3216831, as amended by Amended and Restated Declaration of Driveway, Monument and Storm Sewer Easement dated _____ __, 2000.

EXHIBIT B

Personal Property

Monument Sign

Steel Bench and Storage Cabinet

6' ladder

8' ladder

EXHIBIT C

Lease

Metris Direct Inc.

Multi-Tenant Office Lease Agreement, dated 3/29/1999

Guaranty, dated 6/9/1999

First Amendment to Lease, dated 7/12/1999

Consent to First Amendment to Multi-Tenant Office Lease Agreement, dated 8/9/1999

Second Amendment to Multi-Tenant Office Lease Agreement, dated 12/17/1999

Consent to Second Amendment to Multi-Tenant Office Lease Agreement dated _____ (to be entered into).

Third Amendment to Multi-Tenant Office Lease Agreement, dated 4/17/2000

Consent to Third Amendment to Multi-Tenant Office Lease Agreement, dated 4/17/2000

Fourth Amendment to Multi-Tenant Office Lease Agreement, dated 6/21/2000

Consent to Fourth Amendment to Multi-Tenant Office Lease Agreement, dated 6/21/2000

Fifth Amendment to Multi-Tenant Office Lease Agreement dated __/__/00 (to be entered into)

Consent To Fifth Amendment to Multi-Tenant Office Lease Agreement dated _____ (to be entered into).

Storage Space Licensing Agreement dated _____, 2000 by and between Opus Northwest, L.L.C. and Metris Direct, Inc. and guaranteed by Metris Companies, Inc. (to be entered into)

EXHIBIT C-1

Schedule of Broker Commissions

None

EXHIBIT D

Schedule of Permits

Building Permit

Permit #078815

Issued Date 4/13/1999

Certificate of Occupancy - Shell

Permit #78815

Issued Date 5/31/2000

Certificate of Occupancy - Metris Direct Inc. (floors 3-8)

Permit #M1087297

Issued Date 8/25/2000

Certificate of Occupancy - Metris Direct Inc. (floors 1 & 9)

Expected Issuance Date: No later than October 15, 2000

Certificate of Occupancy - Metris Direct Inc. (floor 2)

Expected Issuance Date: No later than October 31, 2000

EXHIBIT E

Schedule of Service Contracts

Agreement dated July 10, 2000 between ABM Janitorial and Opus Northwest Management, L.L.C. for cleaning services.

Agreement dated July 17, 2000 between BFI Waste Systems of North America and Opus Northwest Management, L.L.C. for trash removal services.

Agreement dated May 28, 2000 between Muzak Limited Partnership and Opus Northwest Management, L.L.C. for music services.

Agreement dated May 30, 2000 between Otis Elevator Company and Opus Northwest Management L.L.C. for elevator services.

Agreement dated June 27, 2000 between TruGreen LandCare and Opus Northwest Management, L.L.C. for landscape services.

EXHIBIT F

Schedule of Unexpired Warranties

and Guaranties

Roofing Guarantee

Dalco Roofing & Sheet Metal, Inc.

Expires 7/25/2010

EXHIBIT 10.75

LEASE AGREEMENT FOR THE METRIS MINNETONKA BUILDING

MULTITENANT
OFFICE LEASE AGREEMENT

OPUS NORTHWEST, L.L.C.,
AS LANDLORD

AND

METRIS DIRECT, INC.,
AS TENANT,

Dated: March 29, 1999

CRESCENT RIDGE CORPORATE CENTER - PHASE II
MINNETONKA, MINNESOTA

TABLE OF CONTENTS

EXHIBITS

OFFICE LEASE AGREEMENT

This Office Lease Agreement is made and entered into as of the Effective Date by and between OPUS NORTHWEST, L.L.C., a Delaware limited liability company, as Landlord, and METRIS DIRECT, INC., as Tenant.

DEFINITIONS

Capitalized terms used in this Lease have the meanings ascribed to them on the attached EXHIBIT "A" or as otherwise defined in this Lease.

BASIC TERMS

The following Basic Terms are applied under and governed by the particular Section(s) in this Lease pertaining to the following information:

1.1. Premises: The Land upon which the premises are situated is described in EXHIBIT "B". The premises shall consist initially of the entire 7th, 8th and 9th floors and, if applicable, portions of the 5th and 1st floor of the Phase II Building (the "Initial Premises"). Thereafter, the entire 6th floor of the Phase II Building (the "6th Floor") shall be added to the Lease. The Premises is depicted on EXHIBIT "C". (See Section 1.1 and 17.4)

2. Initial Term: 6 Lease Years 4 months for a total of 76 months (See Section 1.2)

Renewal Options: One 5 year option (See Section 1.2.7)

3. Commencement Date: September 1, 2000 for the Initial Premises (See Section 1.2) unless extended (See Sections 17.1.10; 17.1.11; 17.1.17; 17.1.18 or 17.1.20); September 1, 2001 for the 6th Floor unless advanced (See Section 1.2.1(b) or Section 17.1.21) or extended (See Section 17.1.13 or Section 17.1.21

4. Basic Rent:

For the Initial Term of the Lease	Annual Basic Rent for the Premises(assuming combined total 136,759 Rentable square feet in the Premises)	Monthly Installments
$15.95 per square foot per annum	Initial Premises (101,767 sq/ft) = $1,623,184 6th Floor (34,992 sq/ft) = $ 558,122 "Premises" (136,759 sq/ft) = $2,181,306	Subject to rent abatement pursuant to Section 2.1.1 and also subject to possible increase in size of Initial Premises Months 1-4 = $0.00 Months 5-12 = $135,265.30 Months 13-76 = $181,775.50

See Section 2.1.1

5. Tenant's Share of Expenses Percentage: Pro rata percentage(s) based upon the size of the Premises located on such lots within the Land at times during the Initial Term (See Section 3 and Section 17.2.2) and pursuant to the formula set forth in the definition for "Tenant's Share of Expenses Percentage" in Exhibit "A"

6. Additional Rent: Tenant is obligated to pay Tenant's Share of Expenses as Additional Rent. (See Sections 2.2 and 3)

7. Base Improvement Allowance: As to the Premises $17.10 per rentable square foot. (See Section 17.1.3)

8. Cash Improvement Allowance: $3.00 per rentable square foot of the Initial Premises. (See Section 17.1.4)

9. Security Deposit: N/A

10. Property Manager/Rent Payment Address:
Opus Northwest Management, L.L.C.
10350 Bren Road West
Minnetonka, MN 55343
Telephone: (612) 656-4444
Facsimile: (612) 656-4529

11. Address of Landlord for Notices:
Opus Northwest L.L.C.
10350 Bren Road West
Minnetonka, MN 55343
Attn: Vice President - General Manager of Real Estate
Telephone: (612) 656-4444
Facsimile: (612) 656-4529

With a copy to:
Opus Corporation
10350 Bren Road West
Minnetonka, MN 55343
Attn: Legal Department
Telephone: (612) 656-4444
Facsimile: (612) 656-4755

With a copy to:
Property Manager (to the attention of the Senior Vice President and Managing Director) at the address described in Section 9 of the Basic Terms.

12. Address of Tenant for Notices:
Metris Direct, Inc.
606 S. Highway I69
Interchange Tower Suite 300
St. Louis Park, MN 55426
Attn: Lee Stastny
Telephone: (612) 593-4888
Facsimile: (612) 417-5680

With a copy to:
606 S. Highway I69
Interchange Tower Suite 300
St. Louis Park, MN 55426
Attn: Metris Legal Department
Telephone: (612) 525-5020
Facsimile: (612) 417-5680

13. Broker(s):
The Schoening Group, Inc. 6800 France Avenue South, Suite 120
Edina, MN 55435

and

CB Richard Ellis
7760 France Avenue South
Suite 770
Minneapolis, MN 55435

14.	Guarantor(s):	N/A
15.	Storage Space:	700 square feet subject of a separate agreement
16.	Indoor Parking:	1 stall per each 5,400 rentable square feet in the Premises at $100.00 monthly per stall during the Initial Term paid as additional Basic Rent (See Sections 1.1, 2.1.2 and 17.3.1)
17.	Additional Allowance:	Up to $3.00 per rentable square foot of the Premises which, if paid, will increase the Basic Rent (See Section 17.1.22)
18.	Post Commencement Date Right of First Offer:	As to 5/th/ Floor of the Phase II Building (See Section 17.6)
19.	Expansion Rights:	As to any appropriate space in either the Phase I or Phase II Building in Crescent Ridge Project (See Section 17.5)
20.	Pre Commencement Date Adjustment to Initial Premises:	Up to the entire 5th Floor of the Phase II Building (See Section 1.1.1)
21.	Roof Access:	Yes. (See Section 17.7)
22.	Project Site:	See EXHIBIT "I" attached hereto.

ARTICLE 1
LEASE OF PREMISES AND LEASE TERM

1.1 Premises and Parking Premises.

Landlord leases the Premises and the Parking Premises to Tenant and Tenant leases the Premises and Parking Premises from Landlord, in consideration of the covenants and agreements set forth in this Lease and upon and subject to the terms, covenants and conditions set forth in this Lease. The estimated rentable area of the Premises is the rentable area specified in the Basic Terms. Landlord shall determine the actual rentable area of the Premises in accordance with BOMA Standards. If Landlord or Tenant determines, in accordance with BOMA Standards, that the rentable area of the Premises, after Substantial Completion, differs from the rentable area specified in the Basic Terms, Landlord and Tenant will amend this Lease accordingly; provided, however, that any such amendment will operate prospectively only. Landlord and Tenant will not make any retroactive adjustments to Rent payments on account of any difference between the rentable area of the Premises specified in the Basic Terms and the rentable area of the Premises as may be determined after the date of this Lease.

1.1.1 The Initial Premises consist of the entire 7th, 8th and 9th floors of the Phase II Building, provided however Tenant can increase the Initial Premises to include space on the 5th floor of the Phase II Building pursuant to the following terms and conditions:

(a) Tenant must not be in default hereunder;

(b) Tenant must give Landlord notice of its election to expand the Initial Premises to include 5th floor space on or before September 1, 1999. Tenant shall have four alternatives with respect to expansion of the 5th floor space. Initially Tenant must elect to expand the Initial Premises by making a commitment to take either 25%, 50%, 75% or 100% of the 5th floor space on or before September 1, 1999.

(c) If Tenant does not provide notice pursuant to Subparagraph (b) immediately above, then Tenant shall have until January 1, 2000 to provide Landlord written notice of an election which will be limited to either 25% or 50% of the 5th floor space.

(d) If Tenant does not provide notice pursuant to Subparagraphs (b) or (c) immediately proceeding, then Tenant shall have until March 1, 2000 to provide notice of Tenant's election to expand the Initial Premises to include twenty five percent (25%) of the available space on the 5th floor.

Tenant can also increase the size of the Initial Premises by adding space on the 1st Floor

pursuant to Section 17.4 hereof.

The Parties will execute an amendment to this Lease reflecting any increase in the size of the Initial Premises and Rent and Tenant's Improvement Allowances and other amounts herein affected by changes in the rentable square footage of the Premises will be adjusted accordingly.

1.1.2 The "6th Floor" consists of the entire 6th floor of the Phase II Building.

1.1.3 The term "Premises" includes for all purposes herein the Initial Premises (consisting of floors 7, 8 and 9 of the Phase II Building and those portions of the 5th floor and the 1st Floor of the Phase II Building that Tenant elects to expand and occupy with respect to the Initial Premises) together with the 6th Floor and any other lease space added during the Term.

1.2 Term, Delivery and Commencement.

1.2.1 Commencement Date and Term.

The Initial Term of this Lease is as stated in the Basic Terms subject to the following:

(a) The Term for the Initial Premises is seventy six (76) months commencing on the Commencement Date for the Initial Premises which is scheduled to be September 1, 2000 subject to the terms of this Lease.

(b) That portion of the Initial Term which incorporates the 6th Floor as lease space shall be at least sixty four (64) months and shall commence on the earlier of (i) the first (1st) day of a calendar month between September 1, 2000 and September 1, 2001 provided that Tenant has given Landlord four (4) months (or six (6) months pursuant to Section 17.1.20) advance prior written notice of said date or (ii) September 1, 2001. If the 6th Floor becomes part of the Premises prior to September 1, 2001, Tenant's Share of Expenses Percentage and parking rent shall be increased on a pro rata basis from the 6th Floor Commencement Date to take into account the addition of the 6th Floor to the Premises, however, the Basic Rent attributable to the addition of the 6th Floor shall abate until September 1, 2001.

(c) The term "Commencement Date" has the meanings set forth in EXHIBIT "A" which vary depending upon the context in which the term "Commencement Date" is used in this Lease. On any Commencement Date referred to in this Lease, the portion of the Premises referenced to said Commencement Date shall be Substantially Completed as of said Commencement Date.

(d) The Term, as to the entire Premises, expires on the last day of the last calendar month of the Term.

1.2.2 Tender of Possession.

Landlord will use commercially reasonable efforts to tender possession of the Premises to Tenant on or before the Delivery Date, subject to Force Majeure and Tenant Delay. If Landlord constructs Tenant's Improvements pursuant to Section 17.1 hereof, then the Delivery Date for the Initial Premises is anticipated to be September 1, 2000 and the Delivery Date for the 6th Floor Premises is anticipated to be September 1, 2001 subject to Tenant's rights to advance the 6th Floor Commencement Date pursuant to Section 1.2.1 above. If Tenant elects to construct the Tenant's Improvements in the Premises pursuant to Section 17.1.16 of this Lease, then the Delivery Date for the Initial Premises is anticipated to be May 1, 2000 and the Delivery Date for the 6th Floor Premises is anticipated to be May 1, 2001, subject to the Tenant's right to advance the 6th Floor Commencement Date pursuant to Section 1.2.1 above and in which event the Delivery Date for 6th Floor Premises shall be four months prior to the advanced 6th Floor Commencement Date.

1.2.3 Commencement Date Memorandum.

Within a reasonable time after the Commencement Date for the Initial Premises, the parties shall complete and execute a Commencement Date Memorandum which will be in the form of EXHIBIT "D" attached hereto. Upon the addition of the 6th Floor as part of the Premises, the parties shall complete and execute a revised Commencement Date Memorandum reflecting the addition of the 6th Floor. If Tenant does not timely execute and deliver to Landlord the Commencement Date Memorandum, Landlord and any prospective purchaser or encumbrancer may conclusively rely on the information contained in the Commencement Date Memorandum Landlord executed and delivered to Tenant.

1.2.4 Early Occupancy and Access by Tenant.

(a) If Landlord constructs the Landlord Improvements and Tenant Improvements pursuant to the provisions of Section 17.1 hereof,

(i) if Substantial Completion occurs earlier than a relevant Commencement Date, Tenant can request that it have the right to occupy the relevant portion of the Premises (i.e. the Initial Premises or the 6th Floor) prior to the relevant Commencement Date and Landlord shall grant such right to early occupancy. In connection with such earlier occupancy, Tenant shall not interfere with the construction of Tenant Improvements by the Landlord and Tenant shall comply with and observe all of the terms and conditions of this Lease other than

the obligation to pay Basic Rent.

(ii) Tenant may request and receive access to the Initial Premises or the 6th Floor which shall be provided thirty (30) days prior to Substantial Completion of the Initial Premises or 6th Floor for the purpose of Tenant's installation of its furniture, fixtures and equipment in the Premises. Tenant shall not interfere with the construction of Tenant Improvements by Landlord and Tenant shall comply with and observe all of the terms and conditions of this Lease other than Tenant's obligation to pay Basic Rent and Tenant's Share of Expenses.

(b) If Tenant elects to construct Tenant's Improvements pursuant to Section 17.1 hereof and if Tenant completes Tenant's Improvements prior to the relevant Commencement Date as evidenced by a Certificate of Occupancy for the Premises (either Initial Premises or 6th Floor), then, upon

Tenant's request, Landlord will allow Tenant to occupy such space prior to the relevant Commencement Date during which early occupancy period Tenant must comply with and observe all terms and conditions of this Lease (other than Tenant's obligation to pay Basic Rent).

1.2.5 Renewal Term.

Tenant may, subject to the provisions of this Section 1.2.7, extend the initial Term for one (1) period (the "Renewal Term") of five (5) years on the following terms and conditions:

(a) This Lease must be in full force and effect and Tenant must not be in default in its performance of any of its obligations under this Lease;

(b) If Tenant desires to exercise its right to the Renewal Term, Tenant must notify Landlord no later than twelve (12) months prior to the expiration of the initial Term.

(c) Tenant shall occupy the Premises during the Renewal Term on the same terms, covenants and conditions described in this Lease, except that the annual Basic Rent for the Renewal Term (the "Renewal Rent") will be an amount equal to the prevailing market basic rent rate for the Premises on the date the Renewal Term commences in relation to comparable (in quality, location and size) premises in the I-394 Office Corridor area (that is the area extending one mile north and south from Interstate 394 between Highway 100 on the east and Highway 101 on the West) of tenants possessing such premises during renewal terms. In determining the prevailing market base rent, the criteria for the same to be used by the parties or any appraisers retained pursuant to this Section 1.2.7 shall include current market leasing incentives to be offered to Tenant in the form of Landlord concessions for rent abatements, tenant's improvement allowances and other economic and marketing incentives (collectively "Tenant Incentives") typically

being offered at the time for purposes of retaining existing tenants to comparable lease space. Landlord will initially determine the prevailing market basic rent rate and Tenant Incentives and will notify Tenant of its determination within thirty (30) days after Tenant properly exercises its Renewal Term option under this Section 1.2.7. Tenant shall advise Landlord within ten (10) Business Days after receipt of Landlord's determinations as to whether or not Landlord's determinations are acceptable. If Tenant disputes Landlord's proposed renewal rent and Tenant Incentives determinations, Landlord and Tenant will, within ten (10) Business Days, mutually appoint an appraiser that has at least five (5) years full-time commercial appraisal experience and is a member of the American Institute of Real Estate Appraisers. If Landlord and Tenant are unable to mutually agree upon such an appraiser within said ten (10) day period, Landlord and Tenant will each, within five (5) Business Days after the expiration of said ten (10) day period, appoint an appraiser meeting the foregoing qualifications and the two appointed appraisers, within five (5) Business Days, appoint a third appraiser meeting the foregoing qualifications. Landlord and Tenant each must, within ten (10) Business Days after the third (3rd) appraiser is appointed, submit to the third (3rd) appraiser their determinations of the prevailing market basic rent rate, Tenant Incentives and such information in support of such determination as the appraiser deems necessary. Each party may submit such other information in support of its determination as it deems relevant. The appraiser will then determine with reference to the standards this Section describes, within forty five (45) days after the appraiser's appointment as described in this Section, whether Landlord's or Tenant's determinations of the prevailing market basic rent rate and Tenant Incentives is most reasonable and the determinations selected by the appraiser shall prevail for the Renewal Term. If a party fails to timely submit its determinations to the appraiser, the determination of the other party is deemed to be the

prevailing market Basic Rent rate and Tenant Incentives for the Renewal Term. The parties will equally share any costs and fees charged by the appraiser(s). The parties will separately pay their own counsel, experts and other representatives.

1.3 Effect of Occupancy.

Subject to the Warranty Terms, Tenant's occupancy of the Premises conclusively establishes that Landlord completed the Improvements as required by this Lease in a manner satisfactory to Tenant. The Warranty Terms provide Tenant with its sole and exclusive remedies for Landlord's incomplete or defective construction of the Improvements. Tenant's failure to strictly comply with the Warranty Terms with respect to any item included as part of the Improvements constitutes Tenant's waiver and release of any and all rights, benefits, claims or warranties available to Tenant under this Lease, at law or in equity in connection with each such item.

ARTICLE 2
RENTAL AND OTHER PAYMENTS

2.1 Basic Rent.

2.1.1 Basic Rent for the Premises.

The parties acknowledge that Basic Rent and Tenant's Share of Expenses will abate for the first four (4) full months of the Term for the Initial Premises. Tenant will pay Basic Rent in monthly installments as well as Additional Rent to Landlord commencing four (4) months after the Commencement Date for the Initial Premises and continuing on the first (1st) day of each and every calendar month after said Commencement Date during the Term. If the Commencement Date is other than the first (1st) day of the month, Tenant will pay Rent to Landlord for the partial month remaining following the period of rent abatement based on the same terms and conditions set forth herein. Tenant will make all Basic Rent payments to Property Manager at the address specified in the Basic Terms or at such other place or in such other manner as Landlord may from time to time designate in writing. Tenant will make all Basic Rent payments without Landlord's previous demand, invoice or notice for payment.

2.1.2 Parking Rent.

Tenant will pay parking rent to Landlord attributable to the Parking Premises which will constitute additional Basic Rent and which shall be paid together with and in addition to Tenant's payment of Basic Rent attributable to the Premises in the manner described in Section 2.1.1. For the Initial Term, the parking rent attributable to the Parking Premises shall be equal to One Hundred and No/100 Dollars ($100) per month for each stall based on a ratio of one stall per 5,567 rentable square feet of the Premises. During the Renewal Term the parking rent attributable to the Parking Premises shall be equal to the then fair "market rent" for each stall subject to this Lease based on the ratio as set forth herein. If the parties cannot agree upon the amount of the parking rent attributable to the Parking Premises, then the parties shall resort to the appraisal procedures set forth in Section 1.2.7(c).

2.2 Additional Rent.

Article 3 of this Lease requires Tenant to pay certain Additional Rent pursuant to estimates Landlord delivers to Tenant. Tenant will make all payments of estimated Additional

Rent in accordance with Sections 3.3 and 3.4 and without Landlord's previous demand, invoice or notice for payment. Tenant will pay all other Additional Rent described in this Lease that is not estimated under Sections 3.3 and 3.4 within ten (10) days after receiving Landlord's invoice for such Additional Rent. Tenant will make all Additional Rent payments to the same location and, except as described in the previous sentence, in the same manner as Tenant's Basic Rent payments.

2.3 Delinquent Rental Payments.

If Tenant does not pay any installment of Basic Rent or any Additional Rent within five (5) Business Days after the date the payment is due, Tenant will pay Landlord an additional amount equal to the interest on the delinquent payment calculated at the Maximum Rate from the date when the payment is due through the date the payment is made. Landlord's right to such compensation for the delinquency is in addition to all of Landlord's rights and remedies under this Lease, at law or in equity.

2.4 Independent Obligations.

Notwithstanding any contrary term or provision of this Lease, Tenant's covenant and obligation to pay Rent is independent from any of Landlord's covenants, obligations, warranties or representations in this Lease. Tenant will pay Rent without any right of offset or deduction.

ARTICLE 3
PROPERTY TAXES AND OPERATING EXPENSES

3.1 Payment of Expenses.

Tenant will pay, as Additional Rent, Tenant's Share of Expenses due and payable during any calendar year of the Term in the manner this Article 3 describes. Landlord will prorate Tenant's Share of Expenses due and payable during the calendar year in which the Lease commences or terminates as of the Commencement Date for the Initial Premises and the 6th Floor or termination date, as applicable, on a per diem basis based on the number of days of the Term within such calendar year.

3.2 Estimation of Tenant's Share of Expenses.

Within thirty (30) days prior to each calendar year end, Landlord will deliver to Tenant a written estimate of the following for each successive calendar year of the Term: (a) Property Taxes, (b) Operating Expenses, (c) Expenses, (d) Tenant's Share of Expenses and (e) the annual and monthly Additional Rent attributable to Tenant's Share of Expenses.

3.3 Payment of Estimated Tenant's Share of Expenses.

Tenant will pay the amount Landlord estimates as Tenant's Share of Expenses under Section 3.2 for each calendar year of the Term in equal monthly installments, in advance, on the first (1st) day of each month during such calendar year. If Landlord has not delivered the estimates to Tenant by the first day of January of the applicable calendar year, Tenant will continue paying Tenant's Share of Expenses based on Landlord's estimates for the previous calendar year.

3.4 Re-Estimation of Expenses.

Landlord may re-estimate Expenses one time only during each calendar year during the Term. In such event, Landlord will re-estimate the monthly Additional Rent attributable to Tenant's Share of Expenses to an amount sufficient for Tenant to pay the re-estimated monthly amount over the balance of the calendar

year. Landlord will notify Tenant of the re-estimate and Tenant will pay the re-estimated amount in the manner provided in the last sentence of Section 3.3.

3.5 Confirmation of Tenant's Share of Expenses.

Within ninety (90) days after the end of each calendar year within the Term, Landlord will determine the actual amount of Expenses and Tenant's Share of Expenses for the expired calendar year and deliver to Tenant a written statement of the amount. If Tenant paid less than the amount specified in the statement, Tenant will pay the difference to Landlord as Additional Rent in the manner described in Section 2.2. If Tenant paid more than the amount specified in the statement, Landlord will, at Landlord's option, either (a) refund the excess amount to Tenant, or (b) credit the excess amount against Tenant's next due monthly installment or installments of estimated Additional Rent. If Landlord is delayed in delivering such statement to Tenant, such delay does not constitute Landlord's waiver of Landlord's rights under this Section.

3.6 Tenant Inspection and Audit Rights.

Provided that Tenant (or its assignee) is not in default in the performance of its obligations under the Lease, then if Tenant disputes Landlord's determination of the actual amount of Expenses or Tenant's Share of Expenses for any calendar year and Tenant delivers to Landlord written notice of the dispute within thirty (30) days after Landlord's delivery of the statement of such amount under Section 3.5, Tenant or its assignee (but not a subtenant) may, at its sole cost and expense, upon prior written notice and during regular Business Hours at a time and place reasonably acceptable to Landlord (which may be the location where Landlord or Property Manager maintains the applicable records), cause a certified public accountant to audit Landlord's records relating to the disputed amounts. If the audit shows that the amount Landlord charged Tenant for Tenant's Share of Expenses was greater than the amount this Article 3 required Tenant to pay, Landlord will refund the excess amount to Tenant, together with interest on the excess amount at the Maximum Rate (computed from the date of overpayment by Tenant

of each respective Expense item) within ten (10) days after Landlord receives a copy of the audit report. If the audit shows that the amount Landlord charged Tenant for Tenant's Share of Expenses was less than the amount this Article 3 required Tenant to pay, Tenant will pay to Landlord, as Additional Rent, the difference between the amount Tenant paid and the amount determined in the audit. Pending resolution of any audit under this Section, Tenant will continue to pay to Landlord the estimated amounts of Tenant's Share of Expenses in accordance with Sections 3.2 and 3.3. Tenant must keep all information it obtains in any audit strictly confidential and may only use such information for the limited purpose this Section describes and for Tenant's own account.

3.7 Annual Amendment to Tenant's Share of Expenses Percentage. [Intentionally Deleted]

3.8 Personal Property Taxes.

Tenant will pay, prior to delinquency, all taxes charged against Tenant's trade fixtures and other personal property. Tenant will use all reasonable efforts to have such trade fixtures and other personal property taxed separately from the Property. If any of Tenant's trade fixtures and other personal property are taxed with the Property, Tenant will pay the taxes attributable to Tenant's trade fixtures and other personal property to Landlord as Additional Rent.

3.9 Landlord's Right to Contest Property Taxes.

Landlord may, but is not obligated to, contest the amount or validity, in whole or in part, of any Property Taxes. Landlord's contest will be at Landlord's sole cost and expense except that if Property Taxes are reduced (or if a proposed increase is avoided or reduced) because of Landlord's contest, Landlord may include in its computation of Property Taxes the costs and expenses

Landlord incurred in connection with contesting the Property Taxes, including reasonable attorneys fees, up to the amount of any Property Tax reduction Landlord realized from the contest or Property Tax increase avoided or reduced in connection with the contest, as the case may be.

3.10 Adjustment for Variable Operating Expenses.

Notwithstanding any contrary language in this Article 3, if one hundred percent (100%) or more of the rentable area of the Building is not occupied at all times during any calendar year pursuant to leases under which the terms have commenced for such calendar year, Landlord will reasonably and equitably adjust its computation of Operating Expenses for that calendar year to obligate Tenant to pay all components of Operating Expenses that vary based on occupancy in an amount equal to the amount Tenant would have paid for such components of Operating Expenses had one hundred percent (100%) of the rentable area of the Building been occupied at all times during such calendar year pursuant to leases under which the terms have commenced for such calendar year. Landlord will also equitably adjust Operating Expenses to account for any

Operating Expense any tenant of the Building pays directly to a service provider.

ARTICLE 4
USE

4.1 Permitted Use.

Tenant will not use the Premises for any purpose other than general office purposes. Tenant will not use the Property or knowingly permit the Premises to be used in violation of any Laws or in any manner that would (a) violate any certificate of occupancy affecting the Property; (b) occupy the Premises in a manner not to exceed Building system capacity and Building parking capacity; (c) make void or voidable any insurance now or after the Effective Date in force with respect to the Property; (d) cause injury or damage to the Property or to the person or property of any other tenant on the Property; (e) cause substantial diminution in the value or usefulness of all or any part of the Property (reasonable wear and tear excepted); or (f) constitute a public or private nuisance or waste.

4.2 Acceptance of Premises. - [Intentionally Deleted]

4.3 Increased Insurance.

Tenant will not do on the Property or permit to be done on the Premises anything that will (a) increase the premium of any insurance policy Landlord carries covering the Premises or the Property; (b) cause a cancellation of or be in conflict with any such insurance policy; (c) result in any insurance company's refusal to issue or continue any such insurance in amounts satisfactory to Landlord; or (d) subject Landlord to any liability or responsibility for injury to any person or property by reason of Tenant's operations in the Premises, the Parking Premises or use of the Property. Tenant will, at Tenant's sole cost and expense, comply with all rules, orders, regulations and requirements of insurers and of the American Insurance Association or any other organization performing a similar function. Tenant will reimburse Landlord, as Additional Rent, for any additional premium charges for such policy or policies resulting from Tenant's failure to comply with the provisions of this Section.

4.4 Laws/Building Rules.

This Lease is subject and subordinate to all Laws. A copy of the current

Building Rules is attached to this Lease as EXHIBIT "E." Landlord may amend the Building Rules from time

to time in Landlord's discretion which shall be reasonably exercised.

4.5 Common Area.

Landlord grants Tenant the non-exclusive right, together with all other occupants of the Building and their agents, employees and invitees, to use the Common Area during the Term, subject to all Laws. Landlord may, at Landlord's sole and exclusive discretion, make changes to the Common Area. Landlord's rights regarding the Common Area include, but are not limited to, the right to (a) restrain unauthorized persons from using the Common Area; (b) place permanent or temporary kiosks, displays, carts or stands in the Common Area and to lease the same to tenants; (c) temporarily close any portion of the Common Area (i) for repairs, improvements or Alterations, (ii) to discourage unauthorized use, (iii) to prevent dedication or prescriptive rights, or (iv) for any other reason Landlord deems sufficient in Landlord's judgment; (d) change the shape and size of the Common Area; (e) add, eliminate or change the location of any improvements located in the Common Area and construct buildings or other structures in the Common Area; and (f) impose and revise Building Rules concerning use of the Common Area, including any parking facilities comprising a portion of the Common Area.

4.6 Signs.

4.6.1 Landlord will provide to Tenant (a) one building standard tenant identification sign adjacent to the entry door of the Premises and (b) one standard building directory listing in the Phase II Building. The signs will conform to Landlord's sign criteria. Tenant will maintain the signs in good condition and repair during the Term at Tenant's sole cost and expense. Tenant will not install or permit to be installed in the Premises any other sign, decoration or advertising material of any kind that is visible from the exterior of the Premises. Landlord may immediately remove, at Tenant's sole cost and expense, any sign, decoration or advertising material that violates this Section.

4.6.2 Prior to the commencement of the Initial Term, Landlord, at the request of Tenant, will place a sign upon the Phase II Building subject to the following terms and conditions:

(a) The cost of the sign and the installation of the sign shall be Tenant costs but the same are considered covered by the Tenant's Improvement Allowances as described in Section 17.1 hereof. Tenant shall maintain the sign at its expense.

(b) Landlord shall obtain, at Tenant's cost, all necessary governmental and quasi-governmental approvals required for necessary sign approvals and any deviations or conditions which are proposed or imposed by any applicable authorities must first receive the prior consent and approval of Tenant.

(c) The sign must be in Tenant's name and shall be placed on either the top

right or the top left facade of the Phase II Building with sign letters not exceeding a maximum of sixty (60) inches in height. The parties acknowledge that the depiction and sketch of the sign which is specifically approved by Landlord is attached hereto and designated as EXHIBIT "G".

(d) Tenant must lease and occupy at least three (3) full floors of the Phase II Building or Landlord can require that Tenant remove the

sign as described in this Section 4.6.2 from the exterior of the Phase II Building at Tenant's sole cost and expense.

(e) At the expiration or termination of the Term, Tenant will be responsible for removing said sign and any and all costs necessary in connection with such removal and any damages caused to the Phase II Building in connection with such removal.

(f) No assignee or subtenant of Tenant, which occupies the Premises, shall have a right to place a sign on the Building until after receiving the prior approval of the Landlord which shall not be unreasonably withheld.

ARTICLE 5
HAZARDOUS MATERIALS

5.1 Compliance with Hazardous Materials Laws.

Tenant will not cause any Hazardous Material to be brought upon, kept or used on the Property in a manner or for a purpose prohibited by or that could result in liability under any Hazardous Materials Law. Tenant, at its sole cost and expense, will comply with all Hazardous Materials Laws and prudent industry practice relating to the presence, treatment, storage, transportation, disposal, release or management of Hazardous Materials in, on, under or about the Property required for Tenant's use of the Premises and will notify Landlord of any and all Hazardous Materials Tenant brings upon, keeps or uses on the Property (other than small quantities of office cleaning or other office supplies as are customarily used by a tenant in the ordinary course in a general office facility). On or before the expiration or earlier termination of this Lease, Tenant, at its sole cost and expense, will completely remove from the Property (regardless whether any Hazardous Materials Law requires removal), in compliance with all Hazardous Materials Laws, all Hazardous Materials Tenant causes to be present in, on, under or about the Property. Tenant will not take any remedial action in response to the presence of any Hazardous Materials in on, under or about the Property, nor enter into any settlement agreement, consent decree or other compromise with respect to any Claims relating to or in any way connected with Hazardous Materials in, on, under or about the Property, without first notifying Landlord of Tenant's intention to do so and affording Landlord reasonable opportunity to investigate, appear, intervene and otherwise assert and protect Landlord's interest in the Property.

5.2 Notice of Actions.

Tenant will notify Landlord of any of the following actions affecting Landlord, Tenant or the Property that result from or in any way relate to Tenant's use of the Property immediately after receiving notice of the same: (a) any enforcement, clean-up, removal or other governmental or regulatory action instituted, completed or threatened under any Hazardous Materials Law; (b) any Claim made or threatened by any person relating to damage, contribution, liability, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Material; and (c) any reports made by any person, including Tenant, to any environmental agency relating to any Hazardous Material, including any complaints, Notices, warnings or asserted violations. Tenant will also deliver to Landlord, as promptly as possible and in any event within five (5) Business Days after Tenant first receives or sends the same, copies of all Claims, complaints, Notices, warnings or asserted violations relating in any way to the Premises, the Parking Premises or Tenant's use of the Premises or the Parking Premises. Upon Landlord's written request, Tenant will promptly deliver to Landlord documentation acceptable to Landlord reflecting the legal and proper disposal of all Hazardous Materials removed or to be removed from the Premises. All such documentation will list Tenant or its agent as a responsible party and will not attribute responsibility for any such Hazardous Materials to Landlord or Property Manager.

5.3 Disclosure and Warning Obligations.

Tenant acknowledges and agrees that all reporting and warning obligations required under Hazardous Materials Laws resulting from or in any way relating to Tenant's use of the Premises or Property are Tenant's sole responsibility, regardless whether the Hazardous Materials Laws permit or require Landlord to report or warn.

5.4 Indemnification.

Tenant will indemnify, defend (with counsel reasonably acceptable to Landlord), protect and hold harmless the Landlord Parties from and against any and all Claims whatsoever arising or resulting, in whole or in part, directly or indirectly, from the presence, treatment, storage, transportation, disposal, release or management of Hazardous Materials in, on, under, upon or from the Property (including water tables and atmosphere) resulting from or in any way related to Tenant's use of the Premises or Property. Tenant's obligations under this Section include, without limitation and whether foreseeable or unforeseeable, (a) the costs of any required or necessary repair, clean-up, detoxification or decontamination of the Property; (b) the costs of implementing any closure, remediation or other required action in connection therewith as stated above; (c) the value of any loss of use and any diminution in value of the Property; and (d) consultants' fees, experts' fees and response costs. The obligations of Tenant under this Section survive the expiration or earlier termination of this Lease.

ARTICLE 6
SERVICES

6.1 Landlord's Obligations.

Landlord will provide the following services, the costs of which are Operating Expenses:

6.1.1 Janitorial Service.

Janitorial service in the Premises, five (5) nights per week, including cleaning, trash removal, vacuuming, maintaining towels, tissue and other restroom supplies and such other work as is customarily performed in connection with nightly janitorial services in office complexes similar in construction, location, use and occupancy to the Property. Landlord will also provide periodic interior and exterior window washing and cleaning and waxing of uncarpeted floors in accordance with Landlord's schedule for the Building, a copy of which is designated as EXHIBIT "H" and is attached hereto.

6.1.2 Electrical Energy.

Electrical energy to the Premises for lighting and for operating office machines for general office use. Electrical energy will be sufficient for Tenant to operate personal computers and other equipment of similar low electrical consumption, but will not be sufficient for lighting in excess of two (2) watts per square foot installed or for electrical convenience outlets in excess of four (4) watts per square foot installed. Tenant will not use any equipment requiring electrical energy in excess of the above standards without receiving Landlord's prior written consent, which consent Landlord will not unreasonably withhold but may condition on Tenant paying all costs of installing the equipment and facilities necessary to furnish such excess energy and an amount equal to the average cost per unit of electricity for the Building applied to the excess use as reasonably determined either by an engineer selected by Landlord or by submeter. Landlord will replace all lighting bulbs, tubes, ballasts and

starters within the Premises at Tenant's sole cost and expense unless the costs of such replacement are included in Operating Expenses. If such costs are not included in Operating Expenses, Tenant will pay such costs as Additional Rent.

6.1.3 Heating, Ventilation and Air Conditioning.

During Business Hours, heating, ventilation and air conditioning to the Premises sufficient to maintain comfortable temperatures in a range between 68(Degree) to 75(Degree) fahrenheit "dry bulb" in the Premises. During other times, Landlord will provide heat and air conditioning upon Tenant's reasonable advance notice (not less than 24 hours). Tenant will pay Landlord, as Additional Rent, for such extended service on an hourly basis at the prevailing rates Landlord reasonably establishes. If extended service is not a continuation of the service Landlord furnished during Business Hours, Landlord may require Tenant to pay for a minimum of three hours of such service. Landlord will provide air conditioning

to the Premises based on standard lighting and general office use only.

6.1.4 Water.

Hot and cold water from standard building outlets for lavatory, restroom and drinking purposes and for Tenant's equipment and appliances including, but not limited to, dishwashers, ice makers and coffee machines.

6.1.5 Passenger Elevator Service.

Passenger elevator service to be used by Tenant in common with other tenants. Landlord may restrict Tenant's use of elevators for freight purposes to the freight elevator and to hours Landlord reasonably determines. Landlord may limit the number of elevators in operation at times other than Business Hours.

6.1.6 Common Area.

Maintenance of the Common Area in good order, condition and repair, subject to all other terms and conditions of this Lease relating to the Common Area.

6.2 Tenant's Obligations.

Tenant is solely responsible for paying directly to the applicable utility companies, prior to delinquency, all separately metered or separately charged utilities, if any, to the Premises or to Tenant. Such separately metered or charged amounts are not Operating Expenses. Except as provided in Sections 6.1 and 17.1, Tenant will also obtain and pay for all other utilities and services Tenant requires with respect to the Premises (including, but not limited to, hook-up and connection charges).

6.3 Other Provisions Relating to Services.

No interruption in, or temporary stoppage of, any of the services this Section 6 describes is deemed an eviction or disturbance of Tenant's use and possession of the Premises, nor does any interruption or stoppage relieve Tenant from any obligation this Lease describes, will render Landlord liable for damages provided, however, if any such interruption or stoppage continues for a period of seven (7) days then Tenant's obligation to pay Basic Rent and Tenant's Share of Expenses hereunder shall abate until the services in questions are restored. Landlord has the exclusive right and discretion to select the provider of any utility or service to the Property and to determine whether the Premises or any other portion of the Property may or will be separately metered or separately supplied. Subject to the Additional Rent for extended service and other

charges available to Landlord pursuant to Section 6.1.3, in the event Landlord contracts to purchase utilities services, the same shall be provided to the Building and the Premises at Landlord's cost for such services with no increase or profit margin charged to Tenant. Landlord reserves the right, from time to time, to make reasonable and non-discriminatory modifications to the above standards for utilities and services.

6.4 Tenant Devices.

Tenant will not, without Landlord's prior written consent, use any apparatus or device in or about the Premises that causes substantial noise or vibration. Tenant will not connect any apparatus or device to electrical current or water except through the electrical and water outlets Landlord installs in the Premises.

ARTICLE 7
MAINTENANCE AND REPAIR

7.1 Landlord's Obligations.

Except as otherwise provided in this Lease, Landlord will repair and maintain the following in good order, condition and repair: (a) the foundations, exterior walls and roof of the Building; and (b) the electrical, mechanical, plumbing, heating and air conditioning systems, facilities and components located in the Building and used in common by all tenants of the Building. Landlord will also maintain and repair windows, doors, plate glass and the exterior surfaces of walls that are adjacent to Common Area. Landlord's repair and maintenance costs under this Section 7.1 are Operating Expenses. Neither Basic Rent nor Additional Rent will be reduced, nor will Landlord be liable, for loss or injury to or interference with Tenant's property, profits or business arising from or in connection with Landlord's performance of its obligations under this Section. Notwithstanding the foregoing preceding sentence in the event Landlord does not perform its obligations hereunder for a period of seven (7) days after Landlord is put on notice of a particular repair or maintenance item by Tenant, then to the extent that such condition or maintenance item results in Tenant not being able to utilize the Premises in a reasonable manner for Tenant's business purposes, then Basic Rent and Tenant's Share of Expenses shall abate until the particular repair or maintenance item is performed by Landlord.

7.2 Tenant's Obligations.

7.2.1 Maintenance of Premises.

Except as otherwise specifically provided in this Lease, Landlord is not required to furnish any services or facilities, or to make any repairs or Alterations, in, about or to the Premises or the Property. Except as specifically described in

Section 7.1, Tenant assumes the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Premises. Except as specifically described in Section 7.1, Tenant, at Tenant's sole cost and expense, will keep and maintain the Premises (including, but not limited to, all non-structural interior portions, systems and equipment; interior surfaces of exterior walls; interior moldings, partitions and ceilings; and interior electrical, lighting and plumbing fixtures) in good order, condition and repair, reasonable wear and tear and damage from insured casualties excepted. Tenant will keep the Premises in a neat and sanitary condition and will not commit any nuisance or waste in, on or about the Premises or the Property. If Tenant damages or

injures the Common Area or any part of the Property other than the Premises, Landlord will repair the damage and Tenant will pay Landlord for all uninsured costs and expenses of Landlord in connection with the repair as Additional Rent. Tenant is solely responsible for and will, to the fullest extent allowable under the Laws, indemnify, protect and defend Landlord against (with counsel reasonably acceptable to Landlord) and hold Landlord harmless from, the cost of repairing, and any Claims resulting from, any penetrations or perforations of the roof or exterior walls of the Building Tenant causes. Tenant will maintain the Premises in a first-class and fully operative condition. Tenant's repairs will be at least equal in quality and workmanship to the original work and Tenant will make the repairs in accordance with all Laws.

7.2.2 Alterations Required by Laws.

If any governmental authority requires any Alteration to the Building or the Premises as a result of Tenant's particular use of the Premises or as a result of any Alteration to the Premises made by or on behalf of Tenant or if Tenant's particular use of the Premises subjects Landlord or the Property to any obligation under any Laws, Tenant will pay the cost of all such Alterations or the cost of compliance, as the case may be. If any such Alterations are Structural Alterations, Landlord will make the Structural Alterations after Tenant deposits with Landlord an amount sufficient to pay the cost of the Structural Alterations (including, without limitation, reasonable overhead and administrative costs). If the Alterations are not Structural Alterations, Tenant will make the Alterations at Tenant's sole cost and expense in accordance with Article 8.

ARTICLE 8
CHANGES AND ALTERATIONS

8.1 Landlord Approval.

Tenant will not make any Structural Alterations. Tenant will not make any Alterations in excess of a cost of Five Thousand and No/100 Dollars ($5,000) without the Landlord's prior written consent, which consent shall not be unreasonably withheld. Along with any request for Landlord's consent, Tenant will deliver to Landlord plans and specifications for the Alterations and names and addresses of all prospective contractors for the Alterations and Landlord shall respond to Tenant's consent request within five (5) Business Days after receipt of the same. If Landlord approves the proposed Alterations, Tenant will, before delivering or accepting delivery

of any materials to be used in connection with the Alterations, deliver to Landlord for Landlord's reasonable approval copies of all contracts, proof of insurance required by Section 8.2, copies of any contractor safety programs, copies of all necessary permits and licenses and such other information relating to the Alterations as Landlord reasonably requests. Tenant will not commence the Alterations before delivery of the foregoing. Tenant will construct all approved Alterations or cause all approved Alterations to be constructed (a) promptly by a contractor Landlord approves in writing in Landlord's reasonable discretion, (b) in a good and workmanlike manner, (c) in compliance with all Laws, (d) in accordance with all orders, rules and regulations of the Board of Fire Underwriters having jurisdiction over the Premises and any other body exercising similar functions, and (e) in full compliance with all of Landlord's rules and regulations applicable to third party contractors, subcontractors and suppliers performing work at the Property.

8.2 Tenant's Responsibility for Cost and Insurance.

Tenant will pay the cost and expense of all Alterations, including, without limitation, a reasonable charge for Landlord's review, inspection and engineering time, and for any painting, restoring or repairing of the Premises

or the Building the Alterations occasion. Prior to commencing the Alterations, Tenant will deliver the following to Landlord in form and amount reasonably satisfactory to Landlord: (a) demolition (if applicable) and payment and performance bonds, (b) builder's "all risk" insurance in an amount reasonable for the scope and nature of the project, (c) public liability insurance insuring against construction related risks and (d) copies of all applicable contracts and of all necessary permits and licenses. The insurance policies described in clauses (b) and (c) of this Section must name Landlord, Landlord's lender (if any) and Property Manager as additional insureds.

8.3 Construction Obligations and Ownership.

Landlord may inspect construction of the Alterations. Immediately after completing the Alterations, Tenant will furnish Landlord with contractor affidavits, full and final lien waivers and receipted bills covering all labor and materials expended and used in connection with the Alterations. Tenant will remove any Alterations Tenant constructs in violation of this Article 8 within ten (10) Business Days after Landlord's written request and in any event prior to the expiration or earlier termination of this Lease.

8.4 Liens.

Tenant will keep the Property free from any mechanics', materialmens', designers' or other liens arising out of any work performed, materials furnished or obligations incurred by or for Tenant or any person or entity claiming by, through or under Tenant. Tenant will notify Landlord in writing thirty (30) days prior to commencing any Alterations in order to provide

Landlord the opportunity to record and post notices of non-responsibility or such other protective notices available to Landlord under the Laws. If any such liens are filed and Tenant, within fifteen (15) days after such filing, does not release the same of record or provide Landlord with a bond or other surety satisfactory to Landlord protecting Landlord and the Property against such liens, Landlord may, without waiving its rights and remedies based upon such breach by Tenant and without releasing Tenant from any obligation under this Lease, cause such liens to be released by any means Landlord deems proper, including, but not limited to, paying the claim giving rise to the lien or posting security to cause the discharge of the lien. In such event, Tenant will reimburse Landlord, as Additional Rent, for all amounts Landlord pays (including, without limitation, reasonable attorneys' fees and costs).

8.5 Indemnification.

To the fullest extent allowable under the Laws, Tenant will indemnify, protect, defend (with counsel reasonably acceptable to Landlord) and hold harmless the Landlord Parties and the Property from and against any Claims in any manner relating to or arising out of any Alterations or any other work performed, materials furnished or obligations incurred by or for Tenant or any person or entity claiming by, through or under Tenant.

ARTICLE 9
RIGHTS RESERVED BY LANDLORD

9.1 Landlord's Entry.

Landlord and its authorized representatives may at all reasonable times and upon reasonable notice to Tenant enter the Premises to: (a) inspect the Premises; (b) show the Premises to prospective purchasers, mortgagees and tenants; (c) post notices of non-responsibility or other protective notices available under the Laws; or (d) exercise and perform Landlord's rights and obligations under this Lease. Landlord may in the event of any emergency enter the Premises without notice to Tenant. Landlord's entry into the Premises is not to be construed as a forcible or unlawful entry into, or detainer of, the

Premises or as an eviction of Tenant from all or any part of the Premises.

9.2 Control of Property.

Landlord reserves all rights respecting the Property and Premises not specifically granted to Tenant under this Lease, including, without limitation, the right to: (a) change the name or street address of the Building; (b) designate and approve all types of signs, window coverings, internal lighting and other aspects of the Premises and its contents that may be visible from the exterior of the Premises; (c) grant any party the exclusive right to conduct any business or render any service in the Building, provided such exclusive right to conduct any business or render any service in the Building does not prohibit Tenant from any permitted use for which Tenant is then using the Premises; (d) prohibit Tenant's installation of vending or dispensing machines of any

kind in or about the Premises other than those Tenant installs in the Premises solely for use by Tenant's employees; (e) close the Building after Business Hours, except that Tenant and its employees and invitees may access the Premises at other times in accordance with such rules and regulations as Landlord may prescribe from time to time for security purposes; (f) install, operate and maintain security systems that monitor, by closed circuit television or otherwise, all persons entering or leaving the Building; (g) install and maintain pipes, ducts, conduits, wires and structural elements in the Premises that serve other parts or other tenants of the Building provided that the same are hidden from view and do not unreasonably alter the aesthetic appearance of the Premises; and (h) retain and receive master keys or pass keys to the Premises and all doors in the Premises. Notwithstanding the foregoing, or the provision of any security-related services by Landlord, Landlord is not responsible for the security of persons or property on the Property and Landlord is not and will not be liable in any way whatsoever for any breach of security not solely and directly caused by the negligence or willful misconduct of Landlord, its agents or employees.

9.3 Lock Box. - [Intentionally Deleted]

9.4 Space Planning Substitution As To Expansion Space.

As to any Expansion Space under Section 17.5 hereof, upon not less than 45 days prior written notice to Tenant, Landlord may relocate Tenant to other space of comparable size (and comparable quality improvements) within the Building if and only if (i) the size of the Expansion Space is fifteen thousand (15,000) feet or less and (ii) the Expansion Space is not contiguous to other portions of the Premises. If Tenant occupies any portion of the 5th Floor and if all Premises space on the 4th Floor is equal to fifteen thousand (15,000) feet or less, then the 4th Floor Space shall be considered "non-contiguous". Landlord will move or pay for moving Tenant's personal property and equipment to the new space and will reimburse Tenant for reasonable, documented out-of-pocket costs Tenant incurs (not exceeding two months' Basic Rent) in connection with the relocation. Prior to or concurrently with the relocation, Landlord will prepare, and the parties will execute, an amendment to this Lease to evidence the relocation and make any necessary changes to the Basic Terms resulting from the relocation.

ARTICLE 10
INSURANCE

10.1 Tenant's Insurance Obligations.

Tenant will at all times during the Term and during any early occupancy period, at Tenant's sole cost and expense, maintain the insurance this Section 10.1 describes.

10.1.1 Liability Insurance.

Commercial general liability insurance on a "Manuscript" form (providing coverage at least as broad as the current ISO form) with respect to the Premises and

Tenant's activities in the Premises and upon and about the Property, on an "occurrence" basis, with minimum limits of One Million and No/100 Dollars ($1,000,000) each occurrence and Three Million and No/100 Dollars ($3,000,000) general aggregate. Such insurance must include specific coverage provisions or endorsements (a) for broad form contractual liability insurance insuring Tenant's obligations pertaining to bodily injury or property damage under this Lease; (b) naming Landlord and Property Manager as additional insureds by an "Additional Insured -Managers or Lessors of Premises" endorsement, if available, (or equivalent coverage or endorsement); (c) waiving the insurer's subrogation rights against all Landlord Parties; (d) providing Landlord with at least thirty (30) days prior notice of modification, cancellation, non-renewal or expiration; and (e) expressly stating that Tenant's insurance coverage for the Premises will be provided on a primary and non-contributory basis. If Tenant provides such liability insurance under a blanket policy, the insurance must be made specifically applicable to the Premises in this Lease on a "per location" basis.

10.1.2 Property Insurance.

At Tenant's option, property insurance providing coverage on a "Manuscript" form at least as broad as the current ISO Special Form ("all-risks") policy in an amount not less than the full insurable replacement cost of all of Tenant's trade fixtures and other personal property within the Premises and including business income insurance covering at least nine (9) months loss of income from Tenant's business in the Premises. If Tenant provides such property insurance under a blanket policy, the insurance must include "agreed amount, no coinsurance" provisions.

10.1.3 Other Insurance.

Such other insurance as may be required by any Laws from time to time or may reasonably be required by Landlord from time to time.

10.1.4 Miscellaneous Insurance Provisions.

All of Tenant's insurance will be written by companies rated at least "Best A VII" or otherwise reasonably satisfactory to Landlord. Tenant will deliver a certificate of insurance to Landlord, (a) on or before the Commencement Date (and prior to any earlier occupancy date by Tenant), (b) not later than ten (10) days prior to the expiration of any current policy or certificate, and (c) at such other times as Landlord may reasonably request. If Landlord allows Tenant to provide evidence of insurance by certificate, Tenant will deliver an ACORD Form 27 certificate. Tenant's insurance must permit releases of liability as provided in Section 10.1.5 and must provide for waiver of subrogation.

10.1.5 Tenant's Waiver and Release of Claims and Subrogation.

To the extent not prohibited by the Laws, Tenant, on behalf of Tenant and its insurers, waives, releases and discharges the Landlord Parties from all Claims arising out of damage to or destruction of the Premises, Parking Premises, Property or Tenant's trade fixtures, other personal property or business, and any loss of use or business interruption, occasioned by any fire or other casualty or occurrence whatsoever (whether similar or dissimilar), regardless whether any such

Claim results from the negligence or fault of any Landlord Party or otherwise, and Tenant will look only to Tenant's insurance coverage (regardless whether Tenant maintains any such coverage or whether such coverage is obtainable) in the event of any such Claim. Tenant's trade fixtures, other personal property and all other property in Tenant's care, custody or control, is located at the Property at Tenant's sole risk. Landlord is not liable for any damage to such property or for any theft, misappropriation or loss of such property. Tenant is solely responsible for providing such insurance as may be required to protect Tenant, its employees and invitees against any injury, loss, or damage to persons or property occurring in the Premises, Parking Premises or at the Property, including, without limitation, any loss of business or profits from any casualty or other occurrence at the Premises.

10.1.6 No Limitation.

Landlord's establishment of minimum insurance requirements is not a representation by Landlord that such limits are sufficient and does not limit Tenant's liability under this Lease in any manner.

10.2 Landlord's Insurance Obligations.

Landlord will (except for the optional coverages and endorsements Section 10.2.1 describes) at all times during the Term maintain the insurance this Section 10.2 describes. All premiums and other costs and expenses Landlord incurs in connection with maintaining such insurance are Operating Expenses.

10.2.1 Property Insurance.

Property insurance on the Building in an amount not less than the full insurable replacement cost of the Building (excluding foundation, grading and excavation costs) insuring against loss or damage by fire and such other risks as are customarily covered with respect to buildings and improvements similar in construction, general location, use, occupancy and design to the Building, including, but not limited to, windstorm, hail, explosion, vandalism, riot and civil commotion. Landlord may, at its option, obtain such additional coverages or endorsements as Landlord deems appropriate or necessary, including, without limitation, business income and rents insurance, earthquake insurance,

flood insurance, and other coverages. Landlord may maintain such insurance in whole or in part under blanket policies. Such insurance will not cover or be applicable to any property of Tenant within the Premises or otherwise located at the Property.

10.2.2 Liability Insurance.

Commercial general liability insurance against Claims for bodily injury, personal injury, and property damage occurring at the Property in such amounts as Landlord deems necessary or appropriate.

10.2.3 Landlord's Waiver and Release of Claims and Subrogation.

To the extent not expressly prohibited by the Laws, Landlord, on behalf of Landlord and its insurers, waives, releases and discharges Tenant from all claims or demands whatsoever arising out of damage to or destruction of the Property, or loss of use of the Property, occasioned by fire or other casualty, regardless whether any such claim or demand results from the negligence or fault of Tenant, or otherwise, and Landlord will look only to Landlord's insurance coverage (regardless whether Landlord maintains any such coverage) in the event of any such claim. Notwithstanding the foregoing, Tenant will continue paying Rent without any right of abatement to the extent Landlord does not receive rent interruption insurance proceeds, if Tenant's negligence or fault causes or contributes to any damage to the Premises or the Property. Landlord's

policy or policies of property insurance will permit releases of liability and will provide for waiver of subrogation as provided in this Section.

10.3 Tenant's Indemnification of Landlord.

In addition to Tenant's other indemnification obligations in this Lease and except as specifically set forth in Section 10.1, Tenant will, to the fullest extent allowable under the Laws, indemnify, protect, defend (with counsel reasonably acceptable to Landlord) and hold harmless the Landlord Parties from and against all Claims arising from (a) any breach or default by Tenant in the performance of any of Tenant's covenants or agreements in this Lease, (b) any act, omission, negligence or misconduct of Tenant which cause any accident, injury, occurrence or damage in, about or to the Premises or Parking Premises and, to the extent caused in whole or in part by Tenant, the Property.

10.4 Tenant's Waiver.

In addition to the other waivers of Tenant described in this Lease and to the extent not expressly prohibited by the Laws, Landlord and the other Landlord Parties are not liable for, and Tenant waives, any and all Claims against Landlord and the other Landlord Parties for any damage to Tenant's trade fixtures, other personal property or business, and any loss of use or business interruption, resulting directly or indirectly from (a) any existing or future condition,

defect, matter or thing in the Premises, Parking Premises or on the Property, (b) any equipment or appurtenances becoming out of repair, (b) any occurrence, act or omission of any Landlord Party, any other tenant or occupant of the Building or any other person. This Section applies especially, but not exclusively, to damage caused by the flooding of basements or other subsurface areas and by refrigerators, sprinkling devices, air conditioning apparatus, water, snow, frost, steam, excessive heat or cold, falling plaster, broken glass, sewage, gas, odors, noise or the bursting or leaking of pipes or plumbing fixtures. The waiver this Section describes applies regardless whether any such damage results from an act of God, an act or omission of other tenants or occupants of the Property or an act or omission of any other person.

10.5 Tenant's Failure to Insure.

Notwithstanding any contrary language in this Lease and any notice and cure rights this Lease provides Tenant, if Tenant fails to provide Landlord with evidence of insurance as required under Section 10.1.4, Landlord may confirm that Tenant is not maintaining the insurance Section 10.1 requires Tenant to maintain and Landlord may obtain, but is not obligated to, after ten (10) days prior written notice to cure to Tenant and following a failure to so cure by Tenant, such insurance for Landlord's benefit. In such event, Tenant will pay to Landlord, as Additional Rent, all costs and expenses Landlord incurs obtaining such insurance. Landlord's exercise of its rights under this Section does not relieve Tenant from any default under this Lease.

ARTICLE 11
DAMAGE OR DESTRUCTION

11.1 Tenantable Within One Hundred Twenty (120) Days.

Except as provided in Section 11.3, if fire or other casualty renders the whole or any material part of the Premises untenantable and Landlord expects (in Landlord's reasonable discretion) to make the Premises tenantable within one hundred twenty (120) days after the date of the casualty, then Landlord will notify Tenant that Landlord will repair and restore the Building and the Premises to as near their condition prior to the casualty as is reasonably possible within the one hundred twenty (120) day period (subject to delays caused by Tenant Delays or Force Majeure). Landlord will provide the notice

within thirty (30) days after the date of the casualty. In such case, this Lease remains in full force and effect, but, except as provided in Section 10.2.3, Basic Rent and Tenant's Share of Expenses for the period during which the Premises are untenantable abates pro rata (based upon the rentable area of the untenantable portion of the Premises as compared with the rentable area of the entire Premises).

11.2 Not Tenantable Within One Hundred Twenty (120) Days.

If fire or other casualty renders the whole or any material part of the Premises untenantable and Landlord does not expect (in Landlord's reasonable discretion) to make the Premises tenantable within one hundred twenty (120) days after the date of the casualty, then

Landlord will so notify Tenant within thirty (30) days after the date of the casualty and may, in such notice, terminate this Lease effective on the date thirty (30) days after the date of Landlord's notice. If Landlord does not terminate this Lease as provided in this Section, Tenant may terminate this Lease by notifying Landlord within thirty (30) days after the date of Landlord's notice, which termination will be effective thirty (30) days after the date of Tenant's notice.

11.3 Building Substantially Damaged.

If the Building is damaged or destroyed by fire or other casualty (regardless whether the Premises is affected) and the damage reduces the value of the improvements on the Property by more than fifty percent (50%) (as Landlord reasonably determines value before and after the casualty), regardless whether Landlord expects that it could make the Building tenantable within one hundred twenty (120) days after the date of the casualty, then Landlord or Tenant may elect by notice to the other party within thirty (30) days after the casualty to terminate this Lease effective on the date thirty (30) days after the Delivery Date of the notice of termination.

11.4 Insufficient Proceeds.

Notwithstanding any contrary language in this Article 11, if this Article 11 obligates Landlord to repair damage to the Premises or building caused by fire or other casualty and Landlord does not receive sufficient insurance proceeds (including the amount of any policy deductible) to make the repair, or if Landlord's lender does not allow Landlord to use sufficient proceeds to make the repair, then Landlord may, at Landlord's option, by notifying Tenant within thirty (30) days after the casualty, terminate this Lease effective on the date thirty (30) days after the date of Landlord's notice.

11.5 Landlord's Repair Obligations.

If this Lease is not terminated under Sections 11.1 through 11.4 following a fire or other casualty, then Landlord will repair and restore the Premises and the Building to as near their condition prior to the fire or other casualty as is reasonably possible with all commercially reasonable diligence and speed (subject to delays caused by Tenant Delay or Force Majeure) and, except as provided in Section 10.2.3, Basic Rent and Tenant's Share of Expenses for the period during which the Premises are untenantable will abate pro rata (based upon the rentable area of the untenantable portion of the Premises as compared with the rentable area of the entire Premises). In no event is Landlord obligated to repair or restore any Alterations or Tenant's Improvements that are not covered by Landlord's insurance, any special equipment or improvements installed by Tenant, any personal property, or any other property of Tenant. Landlord will, if necessary, equitably adjust Tenant's Share of Expenses Percentage, subject to Section 3.7, to account for any reduction in the rentable area of the Premises or Building resulting from the casualty.

11.6 Rent Apportionment.

If either Landlord or Tenant terminates this Lease under this Article 11, Landlord will apportion Basic Rent and Tenant's Share of Expenses on a per diem basis and Tenant will pay the Basic Rent and Tenant's Share of Expenses to (a) the date of the fire or other casualty if the event renders the Premises completely untenantable or (b) if the event does not render the Premises completely untenantable, the effective date of such termination (provided that if a portion of the Premises is rendered untenantable, but the remaining portion is tenantable, then, except as provided in Section 10.2.3, Tenant's obligation to pay Basic Rent and Tenant's Share of Expenses abates pro rata [based upon the rentable square footage of the untenantable portion of the Premises divided by the rentable area of the entire Premises] from the date of the casualty and Tenant will pay the unabated portion of the Basic Rent to the date of such termination).

11.7 Exclusive Casualty Remedy.

The provisions of this Article 11 are Tenant's sole and exclusive rights and remedies in the event of a casualty. To the extent permitted by the Laws, Tenant waives the benefits of any Law that provides Tenant any abatement or termination rights (by virtue of a casualty) not specifically described in this Article 11.

11.8 Parking Garage.

If the parking garage in which the Parking Premises is situated is substantially destroyed by fire or other casualty, Tenant may, by notifying Landlord within thirty (30) days after the date of the casualty, terminate this Lease with respect to the Parking Premises only on a date effective sixty (60) days after the date of the casualty, unless Landlord notifies Tenant within sixty (60) days after the date of the casualty that Landlord will repair the parking garage. If Tenant elects to terminate this Lease with respect to the Parking Premises only and Landlord does not elect to repair the parking garage, Tenant will pay Basic Rent attributable to the Parking Premises to the date of the casualty. If Landlord elects to repair the parking garage, Tenant's obligation to pay Basic Rent attributable to the Parking Premises abates day for day from the date of the casualty to the date Landlord notifies Tenant that Tenant may use the Parking Premises.

ARTICLE 12
EMINENT DOMAIN

12.1 Termination of Lease.

In the event of a Taking of all or any material part of the Premises that renders any remaining Premises unsuitable for Tenant's intended purposes (as reasonably determined by Tenant), Tenant will so notify Landlord within thirty (30) days after the Taking and this Lease will terminate as of the date the Condemning Authority takes possession of the portion of the

Premises taken. Tenant will pay Rent to the date of termination. If a Condemning Authority takes all or any material part of the Building or if a taking reduces the value of the Property by fifty percent (50%) or more (as reasonably determined by Landlord), then Landlord may, at Landlord's option, by notifying Tenant within thirty (30) days after the date the Condemning Authority takes possession of the portion of the Property taken, terminate this Lease effective on the date thirty (30) days after the date of Landlord's notice.

12.2 Landlord's Repair Obligations.

If this Lease does not terminate with respect to the entire Premises under

Section 12.1 and the Taking includes a portion of the Premises, this Lease automatically terminates as to the portion of the Premises taken as of the date the Condemning Authority takes possession of the portion taken and Landlord will, at its sole cost and expense, restore the remaining portion of the Premises to a complete architectural unit with all commercially reasonable diligence and speed and will reduce the Basic Rent for the period after the date the Condemning Authority takes possession of the portion of the Premises taken to a sum equal to the product of the Basic Rent provided for in this Lease multiplied by a fraction, the numerator of which is the rentable area of the Premises after the Taking and after Landlord restores the Premises to a complete architectural unit, and the denominator of which is the rentable area of the Premises prior to the Taking. Landlord will also equitably adjust Tenant's Share of Expenses Percentage for the same period, subject to Section 3.6, to account for the reduction in the rentable area of the Premises or the Building resulting from the Taking. Tenant's obligation to pay Basic Rent and Tenant's Share of Expenses will abate on a proportionate basis with respect to that portion of the Premises remaining after the Taking that Tenant is unable to use during Landlord's restoration for the period of time that Tenant is unable to use such portion of the Premises.

12.3 Tenant's Participation.

Landlord is entitled to receive and keep all damages, awards or payments resulting from or paid on account of the Taking. Accordingly, Tenant waives and assigns to Landlord any interest of Tenant in any such damages, awards or payments. Tenant may prove in any condemnation proceedings and may receive any separate award for damages to or condemnation of Tenant's movable trade fixtures and equipment and for moving expenses; provided however, that Tenant has no right to receive any award for its interest in this Lease or for loss of leasehold.

12.4 Exclusive Taking Remedy.

The provisions of this Article 12 are Tenant's sole and exclusive rights and remedies in the event of a Taking. To the extent permitted by the Laws, Tenant waives the benefits of any Law that provides Tenant any abatement or termination rights (by virtue of a Taking) not specifically described in this Article 12.

12.5 Parking Garage.

If there is a Taking of all or a substantial part of the parking garage in which the Parking Premises are located, this Lease will terminate with respect to the Parking Premises only as of the date the Condemning Authority takes possession of the portion of the parking garage so taken. Tenant will pay Basic Rent attributable to the Parking Premises to the date of termination.

ARTICLE 13
TRANSFERS

13.1 Restriction on Transfers.

13.1.1 General Prohibition.

Except as set forth in Section 13.1.2, Tenant will not cause or suffer a Transfer without obtaining Landlord's prior written consent, which consent Landlord will not unreasonably withhold or delay. Tenant will, in connection with requesting Landlord's consent, provide Landlord with a copy of any and all documents and information regarding the proposed Transfer and the proposed transferee as Landlord reasonably requests. No Transfer, including, without limitation, a Transfer under Section 13.1.2, releases Tenant from any liability or obligation under this Lease and Tenant remains liable to Landlord after such a Transfer as a principal and not as a

surety. If Landlord consents to any Transfer, Tenant will pay to Landlord, as Additional Rent, fifty percent (50%) of any amount Tenant receives on account of the Transfer in excess of the amounts this Lease otherwise requires Tenant to pay. Any attempted Transfer in violation of this Lease is null and void and constitutes a breach of this Lease.

13.1.2 Transfers to Affiliates.

Tenant may, without Landlord's consent (provided that Tenant is not in default in the performance of its obligations under this Lease), cause a Transfer to an Affiliate if Tenant (a) notifies Landlord at least thirty (30) days prior to such Transfer; (b) delivers to Landlord, at the time of Tenant's notice, current financial statements of Tenant and the proposed transferee that are reasonably acceptable to Landlord; and (c) the transferee assumes and agrees in a writing reasonably acceptable to Landlord to perform Tenant's obligations under this Lease and to observe all terms and conditions of this Lease. Landlord's right described in Section 13.1.1 to share in any profit Tenant receives from a Transfer permitted under this Section 13.1.2 does not apply to any Transfer this Section 13.1.2 permits.

13.2 Costs.

Tenant will pay to Landlord, as Additional Rent, all reasonable costs and expenses Landlord incurs in connection with the Transfer, including, without limitation, reasonable

attorneys' fees and costs, regardless whether Landlord consents to the Transfer.

ARTICLE 14
DEFAULTS; REMEDIES

14.1 Events of Default.

The occurrence of any of the following constitutes an "Event of Default" by Tenant under this Lease:

14.1.1 Failure to Pay Rent.

Tenant fails to pay Basic Rent, any monthly installment of Tenant's Share of Expenses or any other Additional Rent amount as and when due and such failure continues for five (5) days after Landlord notifies Tenant.

14.1.2 Failure to Perform.

Tenant fails to perform any of Tenant's nonmonetary obligations under this Lease and the failure continues for a period of thirty (30) days after Landlord notifies Tenant of Tenant's failure; provided that if Tenant cannot reasonably cure its failure within a thirty (30) day period, Tenant's failure is not an Event of Default if Tenant commences to cure its failure within the thirty (30) days period and thereafter diligently pursues the cure and effects the cure within a period of time that does not exceed sixty (60) days after the expiration of the thirty (30) days period.

14.1.3 Misrepresentation.

The existence of any material misrepresentation or omission in any financial statements, correspondence or other information provided to Landlord by or on behalf of Tenant in connection with (a) Tenant's negotiation or execution of this Lease; (b) Landlord's evaluation of Tenant as a prospective tenant at the Property; (c) any proposed or attempted Transfer; or (d) any consent or approval Tenant requests under this Lease.

14.1.4 Other Defaults.

(a) Tenant makes a general assignment or general arrangement for the benefit of creditors; (b) a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by Tenant; (c) a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed against Tenant and is not dismissed within thirty

(30) days; (d) a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease and possession is not restored to Tenant within thirty (30) days; or (e) substantially all of Tenant's assets located at the Premises or Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure not discharged within thirty (30) days. If a court of competent jurisdiction determines that any act described in this Section does not constitute an Event of Default, and the court appoints a trustee to take possession of the Premises (or if Tenant remains a debtor in possession of the Premises) and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord is entitled to receive, as Additional Rent, the amount by which the Rent (or any other consideration) paid in connection with the Transfer exceeds the Rent otherwise payable by Tenant under this Lease.

14.1.5 Notice Requirements.

The Notices required by this Section 14.1 are intended to satisfy any and all notice requirements imposed by the Laws and are not in addition to any such requirements.

14.2 Remedies.

Upon the occurrence of any Event of Default, Landlord may at any time and from time to time, and without preventing Landlord from exercising any other right or remedy, exercise any of the following remedies:

14.2.1 Termination of Tenant's Possession/Re-entry and Reletting Right.

Terminate Tenant's right to possess the Premises by any lawful means with or without terminating this Lease, in which event Tenant will immediately surrender possession of the Premises to Landlord. In such event, this Lease continues in full force and effect (except for Tenant's right to possess the Premises) and Tenant continues to be obligated for and must pay all Rent as and when due under this Lease. Unless Landlord specifically states that it is terminating this Lease, Landlord's termination of Tenant's right to possess the Premises is not to be construed as an election by Landlord to terminate this Lease or Tenant's obligations and liabilities under this Lease. If Landlord terminates Tenant's right to possess the Premises, Landlord may, but is not obligated to, re-enter the Premises and remove all persons and property from the Premises. Landlord may store any property Landlord removes from the Premises in a public warehouse or elsewhere at the cost and for the account of Tenant. Upon such re-entry, Landlord shall make reasonable efforts to mitigate its damages by attempting to relet all or any part of the Premises to a third party or parties for Tenant's account. Tenant is immediately liable to Landlord for all Re-entry Costs. Landlord may relet the Premises for a period shorter or longer than the remaining Term. If Landlord relets all or any part of the Premises,

Tenant will continue to pay Rent when due under this Lease and Landlord will refund to Tenant the Net Rent Landlord actually receives from the reletting up to a maximum amount equal to the Rent Tenant paid that came

due after Landlord's releting. If the Net Rent Landlord actually receives from releting exceeds such Rent, Landlord will apply the excess sum first to (i) future Rent due under this Lease and then to (ii) reimburse Tenant "other indebtedness" and Re-Entry Costs initially deducted by Landlord from the rentals received from releting the Premises. Landlord may retain any surplus Net Rent remaining at the expiration of the Term.

14.2.2 Termination of Lease.

Terminate this Lease effective on the date Landlord notifies Tenant of the termination. Upon termination, Tenant will immediately surrender possession of the Premises to Landlord. If Landlord terminates this Lease, Landlord may recover from Tenant and Tenant will pay to Landlord on demand all damages Landlord incurs by reason of Tenant's default, including, without limitation, (a) all Rent due and payable under this Lease as of the effective date of the termination; (b) any amount necessary to compensate Landlord for any detriment proximately caused Landlord by Tenant's failure to perform its obligations under this Lease, including, but not limited to, any Re-entry Costs, and (c) an amount equal to the difference between the present worth, as of the effective date of the termination, of the Rent for the balance of the Term remaining after the effective date of the termination (assuming no termination) and the present worth, as of the effective date of the termination, of a fair market Rent for the Premises for the same period. For purposes of this Section, Landlord will compute present worth by utilizing a discount rate of nine percent (9%) per annum.

14.2.3 Self Help.

Perform the obligation on Tenant's behalf without waiving Landlord's rights under this Lease, at law or in equity and without releasing Tenant from any obligation under this Lease. Tenant will pay to Landlord, as Additional Rent, all sums Landlord pays and obligations Landlord incurs on Tenant's behalf.

14.2.4 Termination of Lease Respecting Parking Premises.

Terminate this Lease with respect to the Parking Premises only and all of Tenant's rights and obligations under this Lease with respect to the Parking Premises only, effective on the date Landlord notifies Tenant of the termination. Upon such termination, Tenant will immediately surrender possession of the Parking Premises to Landlord together with all keys or access cards to the parking garage in which the Parking Premises is situated.

14.3 Costs.

Tenant will reimburse and compensate Landlord on demand and as Additional Rent for any actual loss Landlord incurs in connection with, resulting from or related to any breach or default of Tenant under this Lease, which constitutes an Event of Default, and whether or not suit is commenced or judgment is entered. Such loss includes all reasonable legal fees, costs and expenses (including paralegal fees and other professional fees and expenses) Landlord incurs investigating, negotiating, settling or enforcing any of Landlord's rights or remedies or otherwise protecting Landlord's interests under this Lease as a result of an Event of Default. Tenant will also indemnify, defend (with counsel reasonably acceptable to Landlord), protect and hold harmless the Landlord Parties from and against all Claims Landlord or any of the other Landlord Parties incurs if Landlord or any of the other Landlord Parties becomes or is made a party to any claim or action (a) initiated by third parties asserting or defending claims vis-a-vis Tenant or Tenant's assignees or subtenants; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; or (b) otherwise arising out of or resulting from any act or omission of Tenant or such other person. In addition to the foregoing, Landlord is entitled to reimbursement of all of Landlord's fees, expenses and damages, including, but not limited to, reasonable attorneys' fees

and paralegal and other professional fees and expenses, Landlord incurs in connection with protecting its interests in any bankruptcy or insolvency proceeding involving Tenant or the Premises, including, without limitation, any proceeding under any chapter of the Bankruptcy Code; by exercising and advocating rights under Section 365 of the Bankruptcy Code; by proposing a plan of reorganization and objecting to competing plans; and by filing motions for relief from stay. Such fees and expenses are payable on demand, or, in any event, upon assumption or rejection of this Lease in bankruptcy.

14.4 No Waiver.

No failure by Landlord to insist upon Tenant's performance of any of the terms of this Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance by Landlord of full or partial Rent from Tenant or any third party during the continuance of any such breach, constitutes Landlord's waiver of any such breach or of any breach or default by Tenant in Tenant's performance of its obligations under this Lease. None of the terms of this Lease to be kept, observed or performed by Tenant, and no breach thereof, are waived, altered or modified except by a written instrument executed by Landlord. No waiver of any default of Tenant in the performance of its obligations under this Lease may be implied from any omission by Landlord to take any action on account of such default. One or more waivers by Landlord is not to be construed as a waiver of a subsequent breach of the same covenant, term or condition. No statement on a payment check from Tenant or in a letter accompanying a payment check is binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of any such statement.

14.5 Waiver and Release by Tenant.

Tenant waives and releases all Claims Tenant may have resulting from Landlord's re-

entry and taking possession of the Premises or the Parking Premises by any lawful means and removing and storing Tenant's property as permitted under this Lease and, to the fullest extent allowable under the Laws, will indemnify, defend (with counsel reasonably acceptable to Landlord), protect and hold harmless the Landlord Parties from and against any and all Claims occasioned thereby. No such reentry is to be considered or construed as a forcible entry by Landlord.

14.6 Landlord's Default.

If Landlord defaults in the performance of any of its obligations under this Lease, Tenant will notify Landlord of the default and Landlord will have 30 days after receiving such notice to cure the default. If Landlord is not reasonably able to cure the default within a 30 day period, Landlord will have an additional reasonable period of time to cure the default as long as Landlord commences the cure within the 30 day period and thereafter diligently pursues the cure. If Landlord fails to cure the default within such time periods, Tenant will provide a second notice of the default to Landlord and if Landlord fails to cure such default within 15 days after receiving such second notice, then Tenant may exercise or pursue such rights or remedies as are available to Tenant under the Laws; provided, however, that in no event is Landlord liable for consequential, special or punitive damages, including, without limitation, lost profits.

ARTICLE 15
CREDITORS; ESTOPPEL CERTIFICATES

15.1 Subordination and Nondisturbance.

This Lease, all rights of Tenant in this Lease, and all interest or estate

of Tenant in the Property, is subject and subordinate to the lien of any Mortgage. Tenant will, on Landlord's demand, execute and deliver to Landlord or to any other person Landlord designates any instruments, releases or other documents reasonably required to subject and subordinate this Lease to the lien of any Mortgage. The foregoing subordination to any existing or future Mortgage provided for in this Section is expressly conditioned upon the mortgagee's written agreement that if mortgagee or any person (i.e., mortgagee or such other person being hereinafter sometimes called "Successor Landlord") acquires title to the Property and Premises pursuant to the exercise of any remedy provided for in any mortgage or any related security document or by reason of the acceptance of a deed in lieu of foreclosure or otherwise, the Lease shall continue in full force and effect as a direct lease between Tenant and Successor Landlord and Successor Landlord shall covenant and agree for so long as Tenant shall not be in default under the provisions of the Lease for a period beyond the time allowed therein to cure a default, Tenant's leasehold interest under the Lease shall not terminated or disturbed nor shall Tenant's rights and obligations under the Lease be disturbed by any steps or proceedings taken by Successor Landlord in the exercise of any of its rights under any mortgage or related security documents. Successor Landlord shall not be liable for any default under the terms of this Lease

on behalf of Landlord or any predecessor in interest of Successor Landlord. The lien of any existing or future Mortgage will not cover Tenant's moveable trade fixtures or other personal property of Tenant located in or on the Premises or the Parking Premises.

15.2 Attornment.

If any ground lessor, the holder of any Mortgage at a foreclosure sale or any other transferee acquires Landlord's interest in this Lease, the Premises or the Property, Tenant will attorn to the transferee of or successor to Landlord's interest in this Lease, the Premises or the Property (as the case may be) and recognize such transferee or successor as landlord under this Lease. Tenant waives the protection of any statute or rule of law that gives or purports to give Tenant any right to terminate this Lease or surrender possession of the Premises or the Parking Premises upon the transfer of Landlord's interest.

15.3 Mortgagee Protection Clause.

Tenant will give the holder of any Mortgage, by registered mail, a copy of any notice of default Tenant serves on Landlord, provided that Landlord or the holder of the Mortgage previously notified Tenant (by way of notice of assignment of rents and leases or otherwise) of the address of such holder. Tenant further agrees that if Landlord fails to cure such default within the time provided for in this Lease, then Tenant will provide written notice of such failure to such holder and such holder will have an additional thirty (30) days within which to cure the default. If the default cannot be cured within the additional thirty (30) day period, then the holder will have such additional time as may be necessary to effect the cure if, within the thirty (30) day period, the holder has commenced and is diligently pursuing the cure (including without limitation commencing foreclosure proceedings if necessary to effect the cure).

15.4 Estoppel Certificates.

15.4.1 Contents.

Upon Landlord's written request, Tenant will execute, acknowledge and deliver to Landlord a written statement in form satisfactory to Landlord certifying: (a) that this Lease is unmodified and in full force and effect (or, if there have been any modifications, that the Lease is in full force and effect, as modified, and stating the modifications); (b) that this Lease has not been canceled or terminated; (c) the last date of payment of Rent and the time period covered by such payment; (d) whether there are then existing any breaches or defaults by Landlord under this

Lease known to Tenant, and, if so, specifying the same; (e) specifying any existing setoffs or defenses in favor of Tenant against the enforcement of this Lease (or of any guaranties); and (f) such other factual statements as Landlord, any lender, prospective lender, investor or purchaser may request. Tenant will deliver the statement to Landlord within ten (10) Business Days after Landlord's request. Landlord may give any such statement by Tenant to any lender, prospective lender,

investor or purchaser of all or any part of the Property and any such party may conclusively rely upon such statement as true and correct.

15.4.2 Failure to Deliver.

If Tenant does not timely deliver the statement referenced in Section 15.4.1 to Landlord, Tenant irrevocably constitutes and appoints Landlord as Tenant's attorney-in-fact to execute and deliver the statement to any third party. Further, if Tenant so fails to timely deliver the statement, Landlord and any lender, prospective lender, investor or purchaser may conclusively presume and rely (i) that the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (ii) that this Lease has not been canceled or terminated except as otherwise represented by Landlord; (iii) that not more than one month's Rent has been paid in advance; and (iv) that Landlord is not in default in the performance of any of its obligations under this Lease. In such event, Tenant is estopped from denying the truth of such facts.

ARTICLE 16
TERMINATION OF LEASE

16.1 Surrender of Premises.

Tenant will surrender the Premises and the Parking Premises to Landlord at the expiration or earlier termination of this Lease in good order, condition and repair, reasonable wear and tear, permitted Alterations and damage by insured casualty or condemnation excepted, and will surrender all keys to the Premises to Property Manager or to Landlord at the place then fixed for Tenant's payment of Basic Rent. Tenant will also inform Landlord of all combinations on locks, safes and vaults, if any, in the Premises or on the Property. Tenant will at such time remove all of its personal property, equipment and trade fixtures from the Premises. All Alterations and Improvements placed by Tenant on the Premises shall remain and be the property of the Landlord unless Tenant is required to remove the same pursuant to a previous written agreement entered into between Landlord and Tenant prior to the installation or construction of the Alterations and Improvements. Tenant will promptly repair any damage to the Premises caused by such removal. Any and all such property not removed by Tenant, at Landlord's option, becomes Landlord's exclusive property and Landlord may dispose of such property at Tenant's sole cost and expense without further notice to or demand upon Tenant. If Tenant does not surrender the Premises in accordance with this Section, Tenant will indemnify, defend (with counsel reasonably acceptable to Landlord) protect and hold harmless Landlord from and against any Claim resulting from Tenant's delay in so surrendering the Premises and the Parking Premises, including, without limitation, any Claim made by any succeeding occupant founded on such delay. All property of Tenant not removed on or before the last day of the Term is deemed abandoned. Tenant appoints Landlord as Tenant's agent to remove, at Tenant's sole cost and expense, all of Tenant's property from the Premises upon termination of this Lease and to cause its transportation and storage for Tenant's benefit, all at the sole cost and risk of Tenant, and

Landlord will not be liable for damage, theft, misappropriation or loss thereof or in any manner in respect thereto.

16.2 Holding Over.

If Tenant possesses the Premises after the Term expires or is otherwise terminated without executing a new lease but with Landlord's written consent, Tenant is deemed to be occupying the Premises as a tenant from month-to-month, subject to all provisions, conditions and obligations of this Lease applicable to a month-to-month tenancy, except that (a) Basic Rent will equal the greater of Basic Rent payable by Tenant in the last Lease Year of the Term or Landlord's then current Basic Rent for the Premises according to Landlord's rental rate schedule for prospective tenants, and (b) either Landlord or Tenant may terminate the month-to-month tenancy at any time upon thirty (30) days prior written notice to the other party. If Tenant possesses the Premises after the Term expires or is otherwise terminated without executing a new lease and without Landlord's written consent, Tenant is deemed to be occupying the Premises without claim of right (but subject to all terms and conditions of this Lease) and, in addition to Tenant's liability for failing to surrender possession of the Premises as provided in Section 16.1, Tenant will pay Landlord a charge for each day of occupancy after expiration of the Term in an amount equal to one hundred fifty percent (150%) of Tenant's then-existing Rent.

ARTICLE 17
ADDITIONAL PROVISIONS

17.1 Initial Improvements.

17.1.1 Landlord's Improvements.

Landlord will provide, at no cost to Tenant, the Landlord's Improvements. Landlord will either stockpile or install, as applicable, Landlord's Improvements.

17.1.2 Tenant's Improvements.

Landlord will construct, at Tenant's sole cost and expense, all Tenant's Improvements. Landlord will design the Tenant's Improvements as described in this Section 17.1.2 unless Tenant elects to construct the Premises pursuant to Section 17.1.16 hereof. Tenant will pay all of Landlord's direct and indirect costs of designing and installing the Tenant's Improvements, plus Landlord's overhead and profit. Such costs of Landlord include, without limitation, space planning costs, construction document preparation costs, design costs, construction drawing costs, construction costs and all

costs Landlord incurs obtaining permits for the Tenant's Improvements. Every cost, expense, design fee and any other cost or reimbursable item to be paid for by Tenant as provided for in this Article 17 must be approved or disputed in advance and in writing by Tenant within five (5) Business Days after request for approval by Landlord. All costs and expenses and reimbursables hereunder shall be set forth in written budgets or contracts executed by both parties which shall be incorporated into and made a part of the space plans or Final Plans as the case may be.

17.1.3 Base Improvement Allowance.

Landlord will credit an amount, not to exceed the Base Improvement Allowance, against Tenant's obligation to pay Landlord's direct and indirect costs of designing and installing the Tenant's Improvements. Tenant acknowledges that the Base Improvement Allowance as to the Initial Premises is Seventeen and 10/100 Dollars ($17.10) per rentable square foot of the Initial Premises and that the Base Improvement Allowance for the 6th

Floor is Seventeen and 10/100 Dollars ($17.10) per rentable square foot of space. Landlord is not obligated to pay or incur any costs that exceed the Base Improvement Allowance. To the extent that the Base Improvement Allowance (up to an amount not to exceed Two and No/100 Dollars ($2.00) per rentable square foot of the Premises) is not used in connection with the direct and indirect costs of designing and installing the Tenant's Improvements, Tenant will receive a credit against the payments of Basic Rent that Tenant is required to pay under this Lease until such unused portion of the Base Improvement Allowance is exhausted. Tenant may utilize such credit in connection with both the Initial Premises or the 6th Floor. Tenant will pay the excess of the cost of Tenant's Improvements not covered by the Base Improvement Allowance to Landlord in cash within thirty (30) days of the relevant Commencement Date as Additional Rent. Tenant will also pay, as Additional Rent, all of Landlord's costs (including lost rent) resulting from Tenant Delays. If Landlord reasonably estimates that the cost of the Tenant's Improvements will exceed the Base Improvement Allowance, Landlord may require Tenant to deposit an amount equal to the amount by which the cost of the Tenant's Improvements exceeds the Base Improvement Allowance. Said money shall be deposited pursuant to an escrow arrangement agreed to between the parties.

17.1.4 Cash Improvement Allowance.

The Landlord shall pay Tenant, on the date of Tenant's initial occupancy of the Phase II Building, a Cash Improvement Allowance based upon the amount of Three and No/100 Dollars ($3.00) per rentable square foot of the Initial Premises which monies Tenant shall utilize for additional Tenant costs.

17.1.5 Project Manager/Site Superintendent.

If Landlord constructs the Tenant Improvements then Landlord's general

contractor shall be Opus Northwest Construction Corporation ("Opus Northwest"). In the event Tenant constructs the Tenant Improvements, Landlord shall be entitled to utilize a project manager or site superintendent to monitor the progress of construction and whose fees will be based on an hourly rate agreed to between the parties. These fees will be borne by Tenant and shall constitute a direct cost of the Tenant Improvements.

17.1.6 Space Plan.

On or before December 31, 1999, Tenant will provide Landlord with a space plan for the Tenant's Improvements. The space plan must (a) be compatible with the base building and the mechanical components of the base building (as reasonably determined by Landlord); (b) be adequate, in Landlord's reasonable discretion, for Landlord to prepare working drawings for the Tenant's Improvements; (c) show, in reasonable detail, the design and appearance of the finishing materials Landlord will use in connection with installing Tenant's Improvements; and (d) contain such other detail or description as may be necessary for Landlord to adequately outline the scope of Tenant's Improvements. If Tenant provides Landlord with the space plan after December 31, 1999, then such delay is a Tenant Delay and the Delivery Date is automatically extended day for day for each day of delay after December 31, 1999. Landlord will confer Tenant within five (5) Business Days after receipt of the space plan regarding any revisions that Landlord deems reasonably necessary to the space plan. The parties shall exercise their best efforts to finalize the space plan in a timely fashion.

17.1.7 Working Drawings and Specifications.

Within thirty (30) days after receipt of Tenant's space plan, Landlord will provide Tenant with proposed Final Plans. Within ten (10) Business

Days after receipt from Landlord of proposed Final Plans, Tenant will approve, disapprove or make suggested revisions to Landlord with regard to the Final Plans. If Tenant disapproves or makes suggested revisions to the Final Plans, Landlord will revise the Final Plans and submit copies to the Tenant for approval within ten (10) Business Days after Landlord's receipt of Tenant's initial response to Landlord's proposed plans. Tenant acknowledges, however, that if Tenant has not approved the Final Plans on or before February 29, 2000, then such delay, unless attributable to Landlord, is a Tenant Delay and the Delivery Date is automatically extended day for day for each day of delay after February 29, 2000. The parties shall exercise their best efforts to finalize the Final Plans on or before February 29, 2000. Agreed upon Final Plans shall be sealed and submitted for permit and construction bids. Notwithstanding the foregoing, final plans for the 6th Floor, at Tenant's sole cost and expense, may be revised up to six (6) months prior to the 6th Floor Commencement Date.

17.1.8 Changes to Final Plans.

Tenant will notify Landlord of any desired revisions to the Final Plans Tenant approved. If Landlord approves the revisions, Landlord will revise the Final Plans accordingly and will notify Tenant of the additional cost of Tenant's Improvements and the anticipated delay in completing the Tenant's Improvements caused by such revisions. Tenant will approve or disapprove the increased cost and delay within three Business Days after Landlord notifies Tenant of the additional cost and delay. If Tenant fails to notify Landlord of its approval or disapproval of the additional cost and delay within the three Business Day period, Tenant is deemed to have disapproved the additional cost or delay. If Tenant disapproves the additional cost or delay, Tenant is deemed to have withdrawn its proposed revisions to the Final Plans.

17.1.9 Substantial Completion.

Landlord will use commercially reasonable efforts to achieve Substantial Completion of Tenant's Improvements on or before the applicable Commencement Date.

17.1.10 Late Delivery Due to Landlord's Delay; Liquidated Damages.

If Landlord is unable to tender possession of the Initial Premises by the Delivery Date (September 1, 2000) due to Landlord's Delay, then the Commencement Date for the Initial Premises will be reestablished when the Initial Premises are Substantially Complete and possession is tendered to Tenant. Landlord and Tenant recognize that time is of the essence of this Agreement and that Tenant will suffer financial loss if the Landlord's work is not completed within the time specified. They also recognize the delays, expenses and difficulties involved in proving the actual loss suffered by Tenant if the Landlord's work for the Initial Premises is not completed on time. Accordingly, instead of requiring any such proof, Landlord and Tenant agree that as liquidated damages ("Liquidated Damages") for delay, caused by Landlord's Delay, (but not as a penalty) Landlord shall compensate Tenant pursuant to (a) and (b) below on a per diem basis if the Improvements are not Substantially Complete and if occupancy of the Initial Premises has not been tendered to Tenant by the Delivery Date for the Initial Premises i.e. September 1, 2000.

(a) For the period commencing September 1, 2000 through November 30, 2000, Landlord shall pay Tenant Liquidated Damages based upon a per diem amount equal to Four Thousand Three Hundred Thirty Three and No/100 Dollars ($4,333.00) until the Initial Premises are Substantially Complete and possession has been tendered to Tenant.

(b) For the period commencing December 1, 2000 through December 31, 2000, Landlord shall pay Tenant Liquidated Damages based upon a per diem amount

equal to Six Thousand Five Hundred and No/100 Dollars ($6,500.00) until the Initial Premises are Substantially Complete and possession as been tendered to Tenant.

17.1.11 Late Delivery Force Majeure; Liquidated Damages

If Landlord is unable to tender possession of the Initial Premises by the Delivery Date (September 1, 2000) due to Force Majeure, the Commencement Date for the Initial Premises will be reestablished when the Initial Premises are Substantially Complete and possession is tendered to Tenant. If tender of possession of the Initial Premises in form Substantially Complete has not been made by November 30, 2000, then for the period commencing December 1, 2000 through March 31, 2001 Landlord shall pay Tenant Liquidated Damages based upon a per diem amount of Three Thousand Two Hundred Fifty and No/100 Dollars ($3,250) for delay attributable to Force Majeure (but not Tenant's Delay) until the Initial Premises are Substantially Complete and possession has been tendered to Tenant.

17.1.12 Late Delivery Termination.

In the event the Initial Premises are not Substantially Complete by December 31, 2000 due to Landlord's Delay, then Tenant may terminate this Lease and be entitled to Liquidated Damages accruing through December 31, 2000. In the event the Initial Premises are not Substantially Complete by March 31, 2001 due to Force Majeure, then Tenant may terminate this Lease and be entitled to Liquidated Damages accruing through March 31, 2001. In the event either of the foregoing termination dates are extended by the agreement of the parties, then if Tenant thereafter terminates, it will receive Liquidated Damages through the date of actual termination. In the event Tenant terminates this Lease as herein provided, the parties shall be under no further obligation to each other.

17.1.13 Late Delivery of 6th Floor.

If Landlord is unable to complete the 6th Floor Improvements and tender possession of the 6th Floor on the Commencement Date for reasons other than Tenant Delays, then the Commencement Date will be reestablished when the 6th Floor Improvements are Substantially Complete and possession is tendered to Tenant.

17.1.14 Punch List.

Within twenty (20) Business Days after Substantial Completion, Tenant will provide Landlord with a Punch List. Landlord will complete (or repair, as the case may be) the items Tenant lists on the Punch List with commercially reasonable diligence and speed, subject to delays caused by Tenant Delays and Force Majeure. If Tenant does not provide Landlord with a Punch List, Tenant is deemed to have accepted the Premises as

delivered, subject to Section 17.1.15.

17.1.15 Construction Warranty.

To the extent Landlord constructs the Tenant Improvements, Landlord warrants to Tenant that the Tenant Improvements and related materials, equipment and installation shall be free from defects in workmanship and shall conform to the plans and specifications, which warranty shall run for a period of one (1) year after the applicable Commencement Date for leased space finished by Landlord and Landlord will repair, correct or replace as necessary any defective item occasioned by a breach of this warranty if

notified by Tenant of the defective item within the foregoing one (1) year period. Costs of correcting such items including additional testing and inspections shall be at Landlord's expense.

17.1.16 Tenant Decision to Install Tenant's Improvements.

Tenant, by notice to Landlord no later than February 1, 2000, may elect to cause Tenant's Improvements for both the Initial Premises and the 6th Floor (but not one or the other) to be installed by a general contractor chosen by Tenant reasonably acceptable to Landlord and with whom Tenant shall contract with directly. If Tenant makes such a decision, Tenant must construct the Tenant's Improvements pursuant to the general terms and conditions of this Section 17.1 and the Lease will be amended to redefine the obligations and roles of the parties concerning the construction of the Tenant's Improvements and to describe the terms and conditions of Landlord paying the Base Improvement Allowance, which will, generally speaking, be paid by Landlord (from an escrow account upon terms to be agreed upon between the parties) upon receipt of invoices or receipts or other adequate documentation for Tenant's Improvements installed in the Premises by Tenant through its general contractor; delivery by Tenant to Landlord of contractor's affidavits and full and final lien waivers and receipted bills covering all labor and materials expended and used and Landlord's inspection and approval of all Tenant's Improvements constructed by Tenant within thirty (30) days of receipt of such request. If Tenant elects to install Tenant's Improvements hereunder, then the Landlord's obligation with respect to the Initial Premises shall be to tender possession of the Initial Premises to Tenant with the Landlord Improvements Substantially Completed on or before the Delivery Date i.e. May 1, 2000.

17.1.17 Late Delivery Landlord's Improvements for Initial Premises; Liquidated Damages.

If, as of the scheduled Delivery Date (May 1, 2000) the Landlord's Improvements are not Substantially Completed due to Landlord's Delay then the Commencement Date (September 1, 2000) shall be adjourned by the number of days transpiring from and after May 1, 2000 through the date of Substantial Completion of the Landlord's Improvements

and tender of possession of the Initial Premises to Tenant. Landlord shall pay Tenant the following Liquidated Damages:

(a) Prior to the Commencement Date for the period commencing September 1, 2000 through November 30, 2000 Landlord shall pay Tenant Liquidated Damages based upon a per diem amount equal to Four Thousand Three Hundred Thirty Three and No/100 Dollars ($4,333).

(b) Prior to the Commencement Date for the period commencing December 1, 2000 and through the Commencement Date, Landlord shall pay Tenant Liquidated Damages based upon a per diem amount equal to Six Thousand Five Hundred and No/100 Dollars ($6,500).

17.1.18 Late Delivery Landlord's Improvements for Initial Premises; Force Majeure.

If Landlord is unable to tender possession of the Initial Premises by the scheduled Delivery Date (May 1, 2000) due to Force Majeure the Commencement Date for the Initial Premises shall be reestablished pursuant to Section 17.1.17 above. In the event of Force Majeure, Landlord's liability for Liquidated Damages shall be limited to fifty percent (50%) of the per diem amounts designated for the time periods set forth in Section 17.1.17(a)(b) above and shall be determined by the actual number of days transpiring from and after August 1, 2000 through the date that Landlord tenders possession of the Initial Premises with the Landlord Improvements Substantially Complete.

17.1.19 Late Delivery Termination Provision.

In the event the Landlord does not tender possession of the Initial Premises with the Landlord Improvements Substantially Completed by September 1, 2000 due to Landlord's Delay, then Tenant may terminate this Lease and be entitled to Liquidated Damages accruing through September 1, 2000. In the event that Landlord does not tender possession of the Initial Premises with the Landlord's Improvements Substantially Completed by December 1, 2000 due to Force Majeure, then Tenant may terminate this Lease and be entitled to Liquidated Damages accruing through December 1, 2000. In the event either the foregoing termination dates are extended by the agreement of the parties, then if Tenant thereafter terminates, it will receive Liquidated Damages through the date of actual termination. In the event Tenant terminates this Lease as herein provided, the parties shall be under no further obligation to each other.

17.1.20 Tenant Installation of Tenant Improvements; Force Majeure.

Subject to the provisions of Section 11 relating to damage or destruction, if Tenant is unable to complete Tenant Improvements by the Commencement Date for the Initial Premises due to Force Majeure, the Commencement Date will be reestablished when the Tenant Improvements are Substantially Completed. If the Commencement Date is not reestablished within three (3) months from the date of Force Majeure, then, until the Commencement Date or until seven (7) months after the date of Force Majeure, whichever date occurs first, Tenant shall commence to pay liquidated damages equal to fifty percent (50%) of what would be the Basic Rent and Tenant's Share of Expenses for the space being developed. If not reestablished on or before seven (7) months after the date of Force Majeure, the Commencement Date (whether or not the Tenant Improvements are Substantially Complete), except for reason of Landlord Delay, shall be reestablished on the next calendar day following seven (7) months after the date of Force Majeure.

17.1.21 Landlord Improvements to 6th Floor; Late Delivery Force Majeure.

If Tenant elects to construct the Tenant Improvements, Tenant can advance the Commencement Date for the 6th Floor pursuant to Section 1.2.1(b) except that Tenant must provide Landlord with six (6) months advance prior written notice of the Commencement Date instead of the four (4) months notice required if Landlord completes the Tenant Improvements. If Tenant does advance the Commencement Date according to this Section 17.1.21, then the Delivery Date of May 1, 2001 shall be advanced and shall be that date which is three (3) months prior to the advanced Commencement Date for the 6th Floor. Tenant shall be entitled to commence its work on Tenant Improvements one (1) month prior to the advanced Delivery Date so long as the performance of Tenant's Improvements does not interfere with the time and completion of the Landlord's Improvements by Landlord. If Landlord is unable to complete the Landlord Improvements due the 6th Floor by the applicable Delivery Date, then the Commencement Date shall be adjourned and shall be rescheduled to be that date which is three (3) months after Landlord does tender possession of the 6th Floor with the Landlord Improvements Substantially Completed. If Force Majeure occurs during the three (3) month period after Landlord tenders possession of the 6th Floor with Landlord Improvements Substantially Completed, then the Commencement Date shall be adjourned for the number of days equal to Force Majeure.

17.1.22 Landlord Improvement Bid.

Nothing set forth hereinabove shall preclude Landlord from bidding at any time to perform the Tenant's Improvements in lieu of Tenant performing the same, however, Tenant's decision to utilize Landlord as a general contractor to perform the Tenant's Improvements shall be a decision

exercised by Tenant in its sole and absolute discretion.

17.1.23 Additional Allowance.

In addition to the Base Improvement Allowance and the Cash Improvement Allowance, Landlord will, at the election of Tenant, reimburse Tenant in an amount up to Three and No/100 Dollars ($3.00) per rentable square foot of the Premises for amounts, over and above the Base Improvement Allowance and Cash Improvement Allowance, that Tenant spends for additional Tenant's Improvements, exterior Phase II Building signage, networking costs and design and relocation costs ("Additional Allowance"). At such time as Tenant occupies the Premises pursuant to the terms of this Lease, and presents invoices, receipts and other adequate documentation concerning costs for these items, indicating that such costs have been paid, Landlord shall within thirty (30) days after receipt of such documentation will pay to Tenant the Additional Allowance as described herein. To the extent that the total amount of the Additional Allowance is not used for the costs described hereunder, Tenant will receive no credit against Basic Rent. In addition, if Tenant receives any of the Additional Allowance, the total amount of the Additional Allowance received, will be added to the Basic Rent together with ten percent (10%) interest per annum on such Additional Allowance received and such amount amortized over the initial Term of the Lease, and this Lease shall be amended by the Parties to reflect such change.

17.2 Two Building Development.

17.2.1 Acknowledgment by Tenant.

Tenant acknowledges that (a) Landlord is in the process of constructing a Phase I Building and will construct the Phase II Building on the Property; and (b) the Land is not platted or otherwise subdivided to accomplish Landlord's development of the Phase II Building but Landlord will accomplish such replatting prior to the Commencement Date.

17.2.2 Platting of Land.

When Landlord plats or otherwise subdivides the Land, then any and all Operating Expenses and Property Taxes relating to any lot other than the lot or lots on which the Premises are situated are not deemed to be Operating Expenses and Property Taxes under this Lease and the definition of "Land" will be deemed to consist only of the lot or lots on which the Premises are situated. Tenant will, at Landlord's request, execute an amendment to this Lease to memorialize the revised definition of "Land." Subject to the provisions of Section 17.2.3, if the Premises are situated on separate lots, then a separate Tenant's Share of Expenses Percentage and Tenant's Share of Expenses shall be determined for each lot.

17.2.3 Effect of Two Buildings.

Landlord will equitably apportion between the Phase I Building and the Phase II Building all Operating Expenses and Property Taxes relating to Common Areas and amenities, outlots and easements which serve both the Phase I Building and the Phase II Building.

17.3 Parking Matters.

17.3.1 Parking Premises.

(a) Provisions Relating to the Parking Premises:

(i) Only vehicles designated by Tenant to Landlord by make,

model and license plate number may park in the parking stalls comprising the Parking Premises. Tenant may change its designations at any time by notifying Landlord.

(ii) Tenant's right to use the Parking Premises is a self-service right. Tenant has no right to any additional services with respect to the Parking Premises. Landlord may make available to Tenant additional services with respect to the Parking Premises at an additional charge. Tenant will comply with all reasonable rules and regulations of Landlord relating to the Parking Premises.

(iii) Neither Landlord and Tenant's relationship as described in this Lease nor Tenant's parking of vehicles under this Lease constitutes a bailment or the relationship of bailor and bailee.

17.3.2 Surface Parking Ratio.

In addition to Tenant's rights and obligations in connection with the Parking Premises as described herein, Landlord will make available on the Property, outdoor surface parking and ramp parking to Tenant at a ratio of four stalls per 1,000 rentable square feet of the Premises as determined from time to time. Such parking stalls are not exclusive to Tenant and will not be designated as parking for Tenant's and Tenant's employees and invitees. If Landlord, in good faith, reasonably believes that Tenant is using more than its pro rata share of parking stalls on a regular basis, Landlord shall so notify Tenant and provide to Tenant any documentation supporting Landlord's position. Tenant shall within ten (10) days of receiving such notice and documentation, provide to Landlord the following information in writing:

(i) the total number of employees currently occupying the Premises;

(ii) number of employees per shift, if applicable;

(iii) the names of Tenant employees who are parking vehicles in the outdoor parking area, together with the vehicle make and license number of such vehicle, and state the number of days per week that said person parks the vehicle in the outdoor parking areas;

(iv) any other information reasonably relevant to determination hereunder.

If the information supplied to Landlord by Tenant indicates that more than its pro rata share of parking stalls are being used on a regular basis, Tenant shall immediately take necessary measures to limit the use to its pro rata share. If the information provided by Tenant reasonably indicates that Tenant is using its pro rata share of stalls or less, no further action will be required by either party. If the information supplied by Tenant to Landlord is inconclusive, Landlord shall have the right, but not the obligation, to hire independent third party consultants to conduct additional investigations and if such additional investigations or surveys reasonably establish that Tenant is violating this Paragraph 17.3 then Tenant shall take all reasonable steps to terminate such violation and pay Landlord's reasonable costs of such additional investigation to Landlord upon receipt of this statement therefore.

17.4 First Floor Option.

In addition to Tenant's rights as described under Section 1.1.1, Tenant shall have the right to add to the Initial Premises approximately 1,200 rentable square feet of office space on the west end of the 1/st/ floor of the Phase II Building for a travel agency and/or the right to add to the Initial Premises an additional 2,000 square feet of space on the west end of the 1/st/ floor of the

Phase II Building for the sole purpose of a data center operation. The exact location of the foregoing space options shall be agreed to between the parties. Tenant's rights pursuant to this provision are subject to the following terms and conditions:

17.4.1 Tenant shall not be in default hereunder.

17.4.2 Tenant must give Landlord notice as to either or both increases by no later than September 1, 1999. Once added to the Initial Premises, such space shall be treated in all respects as part of the Premises hereunder.

17.4.3 Upon such notice, the Parties will execute an amendment to the Lease reflecting an increase in the size of the Initial Premises, Rent and Tenant's Improvement Allowances and other amounts herein affected by the square footage of the Premises which will be adjusted accordingly.

17.5 Option for Additional Space.

Landlord grants Tenant the right to add additional space to the Premises which space will become subject to the terms of this Lease ("Additional Space") pursuant to the following terms and conditions:

17.5.1 Tenant must not be in default under this Lease.

17.5.2 Such Additional Space must be at least approximately five thousand (5,000) rentable square feet in size and it can be located in either the Phase I Building or the Phase II Building with the size and location of such Additional Space being reasonably agreed to between the parties.

17.5.3 Tenant will have no right to deliver the Additional Space Notice as described below as to any space that is at such time of the notice is subject to a lease.

17.5.4 The Additional Space Commencement Date shall be the first (1st) day of any month on or before the commencement of the fortieth (40/th/) month of the Initial Term and Tenant shall provide Landlord with a written notice of its intention to add the Additional Space and Tenant's proposed Additional Space Commencement Date (the "Additional Space Notice") by no later than the first (1st) day of the month four (4) months prior to the Additional Space Commencement Date. When such Additional Space Notice has been delivered, the Additional Space shall become subject to the terms of this Lease and become part of the Premises as of the Additional Space Commencement Date and the parties shall execute an amendment to this Lease which amendment shall contain all required information concerning the Additional Space as set forth herein.

17.5.5 The Annual Basic Rent for the Additional Space shall be Fifteen and 95/100 Dollars ($15.95) per rental square foot for such Additional Space and the Tenant's Share of Expenses Percentage will be changed to reflect the addition of the Additional Space to the Premises and the Additional Rent shall be changed to reflect the change in the Tenant's Expense Share and such Additional Space shall be treated, in all respects, as the Premises in connection with the Tenant's requirement to pay Additional Rent.

17.5.6 All initial improvements to the Additional Space other than Landlord's Improvements shall be referred to herein as "Expansion Improvements." The construction of the Expansion Improvements in the Additional Space shall be governed by the same terms and provisions of Section 17.1 which govern the construction of the Tenant's Improvements in the Premises.

17.5.7 In connection with such Additional Space, Tenant will

receive an improvement allowance ("Expansion Allowance") in an amount equal to $0.24 per rentable square foot in the Additional Space for unimproved space or $0.12 per rental square foot in the Additional Space for previously improved space, multiplied by the

remaining number of months in the initial Term as of the Additional Space Commencement Date. An amount not to exceed ten percent (10%) of the Expansion Allowance may be utilized by Tenant as a credit against Base Rent or for payment of "soft costs." The remainder of the Expansion Allowance shall be applied towards actual "hard" construction costs to the extent that such "hard" costs are incurred. The Expansion Allowance will otherwise be payable pursuant to the terms and conditions set forth in Section 17.1.21, which Expansion Allowance must be used only for the construction of Expansion Improvements and Tenant shall only receive credit or payment with respect to the Expansion Allowance with respect to actual construction costs incurred.

17.5.8 If Tenant is to construct Expansion Improvements, Landlord will exercise commercially reasonable efforts, subject to Force Majeure, to deliver the Additional Space to Tenant at least ninety (90) days prior to the Additional Space Commencement Date for Tenant to perform Expansion Improvement work in the Additional Space. The Additional Space Commencement Date will not be extended for any reason except Landlord's failure to deliver the space at least ninety (90) days prior to the Additional Space Commencement Date or Force Majeure. If either such Landlord's Delay or Force Majeure occur, then the Additional Space Commencement Date shall be delayed for the number of days equal to such Landlord Delay or Force Majeure.

17.6 Right of First Offer On 5th Floor Space.

Landlord grants Tenant the first right to add space on the 5th floor of the Phase II Building that is not part of the Initial Premises pursuant to Section 1.1.1 hereof, which 5th Floor Space shall become subject to the terms of this Lease ("First Right Space") pursuant to the following terms and conditions:

17.6.1 Tenant must not be in default, under this Lease.

17.6.2 If Landlord receives an offer in writing from a third party, in which such third party offers to lease any of the First Right Space and Landlord would be willing to rent such space under the terms and conditions as offered by such third party, then Landlord shall give written notice to Tenant of such intent which notice shall include a copy of the third party lease offer for the First Right Space ("Landlord Notice") and the Landlord Notice shall constitute an offer to Tenant to lease the space to Tenant pursuant to the terms and conditions of this Section 17.6. Within seven (7) Business Days of the receipt of Landlord Notice, Tenant must accept or reject the offer by delivering a notice to Landlord ("Tenant Notice"). If in the Tenant Notice, Tenant rejects the offer as to the First Right Space involved, Landlord will have the right to negotiate with the third party as to said space. If Tenant accepts the offer then the Parties will proceed pursuant to the terms and conditions of this Section.

17.6.3 Tenant's right under this Section shall remain in full force and effect during the entire Initial Term, provided however Landlord will have no obligation to give the Landlord notice if the First Right Commencement Date as described in Section 17.6.2 would be after the expiration of the fortieth (40th) month of the Initial Term.

17.6.4 If Tenant accepts the offer, the First Right Space Commencement Date, designated by Tenant in its acceptance, shall be the first (1st) day of any month on or before the expiration of the fortieth

(40th) month of the initial Term. The First Right Space shall become subject to the terms of this Lease and become part of the Premises as of the First Right Space Commencement Date and the parties shall execute an amendment to this Lease which amendment shall contain all required information concerning the First Right Space as set forth herein.

17.6.5 The Annual Basic Rent for the First Right Space shall be Fifteen and 95/100 Dollars ($15.95) a square foot for such First Right Space and the Tenant's Share of Expenses Percentage will be changed to reflect the addition of the First Right Space to the Premises and the Additional Rent shall be changed to reflect the change in the Tenant's Expense Share and such First Right Space shall be treated, in all respects, as the Premises in connection with the Tenant's requirement to pay Additional Rent.

17.6.6 All initial improvements to the First Right Space other than Landlord's Improvements shall be referred to herein as "Expansion Improvements." The construction of the Expansion Improvements in the First Right Space shall be governed by the same terms and provisions of Section 17.1 which govern the construction of the Tenant's Improvements in the Premises.

17.6.7 In connection with such First Right Space, Tenant shall receive an improvement allowance ("Expansion Allowance") in an amount equal to $0.24 per rentable square foot in the First Right Space for previously unimproved space or $0.12 per rental square foot in the First Right Space for improved space, multiplied by the remaining number of months in the initial Term as of the First Right Space Commencement Date. An amount not to exceed ten percent (10%) of the Expansion Allowance may be utilized by Tenant as a credit against Base Rent or for payment of "soft costs." The remainder of the Expansion Allowance shall be applied towards actual "hard" construction costs to the extent that such "hard" costs are incurred. The Expansion Allowance will otherwise be payable pursuant to the terms and conditions set forth in Section 17.1.21 which Expansion Allowance shall be payable to Tenant pursuant to the same terms and conditions, set forth in Section 17.1.22 hereof which Allowance shall only be paid or credited to the extent of actual construction costs incurred.

17.6.8 Landlord will exercise commercially reasonable efforts, subject to Force Majeure and Tenant Delay, to deliver the First Right Space to Tenant at least ninety (90) days prior to the First Right Space Commencement Date for Tenant to perform Expansion

Improvement work in the First Right Space. The First Right Space Commencement Date shall not be extended for any reason except Landlord's failure to deliver the space at least ninety (90) days prior to the First Right Space Commencement Date (unless caused by Tenant Delay or Force Majeure). If such Landlord's Delay or Force Majeure occur, then the First Right Space Commencement Date shall be delayed for the number of days equal to such Landlord Delay or Force Majeure.

17.7 Antenna(e) Installation.

In the event Tenant desires to install satellite communication equipment, a microwave antenna, or other related communication equipment ("Communication Equipment") inside of the Premises or on the rooftop of the Building, Tenant shall submit its plans and specifications therefor to Landlord by which shall set forth the dimensions, size, weight and operating performance of the Communication Equipment. Such plans and specifications shall be subject to Landlord's approval, which shall not be unreasonably withheld, conditioned or delayed. If Landlord approves of any such Communication Equipment, Tenant shall be permitted to install same if, and only if, Tenant is thereafter able to obtain all necessary governmental permits and approvals therefor and to the extent that Landlord's participation in this process is necessary Landlord shall, at no cost to Landlord, cooperate with Tenant for the obtaining of such

permits and approvals. If such Communication Equipment is to be located on the rooftop of the Building, then the location of same shall be designated by Landlord and such location shall be one where the equipment shall work effectively for its installed purposes. Tenant's installation and use of such Communication Equipment shall be governed by the remaining provisions of this Section. Tenant shall install such Communication Equipment at Tenant's sole cost and expense and subject to the terms of all restrictive covenants recorded in connection with the Building and all applicable Laws, ordinances and regulations. Landlord shall not be responsible or liable to Tenant for any loss or damage that may occur to the Communication Equipment, whether occasioned by or through the acts or omissions of Landlord or its agents or employees or other persons in or present at the Property, and Tenant agrees to look solely to its own insurance for recovery for such loss or damage. Tenant shall maintain the area in which the Communication Equipment is located in good condition and shall be responsible for non-casualty repairs required to the Building made necessary by the acts, omissions or negligence of Tenant, its agents or employees, in connection with the installation, operation or removal of the Communication Equipment. At the conclusion of the term of this Lease or the earlier termination thereof, Tenant shall remove the Communication Equipment, shall make all non-casualty repairs necessary to the Building as a result of said removal and shall surrender the area in which the Communication Equipment was located to Landlord in substantially the same order and condition as originally delivered to Tenant, ordinary wear and use and damage by casualty excepted. Tenant's installation, operation and removal of the Communication Equipment shall not interfere with the safety or operation of the Building and shall not violate in any respect any provision or requirement of any bond or guaranty covering the roof or any other portion of the Building. Tenant warrants that the Communication Equipment will in no way interfere with any communications, electronic or other equipment now or hereafter located in or on the Building,

including the operation of radio, television, or AM or FM broadcasting and two-way radio and microwave transmission in and around the Building. In the event such interference occurs and Tenant does not discontinue such interference within ten (10) days after it receives written notice from Landlord, Landlord may terminate Tenant's rights under this Section, in which event Tenant shall immediately discontinue the use of the Communication Equipment and remove same as provided herein.

ARTICLE 18
MISCELLANEOUS PROVISIONS

18.1 Notices.

All Notices must be in writing and must be sent by personal delivery, United States registered or certified mail (postage prepaid) or by an independent overnight courier service, addressed to the addresses specified in the Basic Terms or at such other place as either party may designate to the other party by written notice given in accordance with this Section. Notices given by mail are deemed delivered within three (3) Business Days after the party sending the Notice deposits the Notice with the United States Post Office. Notices delivered by courier are deemed delivered on the next Business Day after the day the party delivering the Notice timely deposits the Notice with the courier for overnight (next day) delivery.

18.2 Transfer of Landlord's Interest.

If Landlord transfers any interest in the Premises, the transferor is automatically relieved of all obligations on the part of Landlord accruing under this Lease from and after the date of the transfer, provided that the transferor will deliver to the transferee any funds the transferor holds in which Tenant has an interest (such as a security deposit). Landlord's covenants and obligations in this Lease bind each successive Landlord only during and with respect to its respective period of ownership. However, notwithstanding any such

transfer, the transferor remains entitled to the benefits of Tenant's indemnity and insurance obligations (and similar obligations) under this Lease with respect to matters arising or accruing during the transferor's period of ownership.

18.3 Successors.

The covenants and agreements contained in this Lease bind and inure to the benefit of Landlord, its successors and assigns, bind Tenant and its successors and assigns and inure to the benefit of Tenant and its permitted successors and assigns.

18.4 Captions and Interpretation.

The captions of the articles and Sections of this Lease are to assist the parties in reading this Lease and are not a part of the terms or provisions of this Lease. Whenever required by the context of this Lease, the singular includes the plural and the plural includes the singular.

18.5 Relationship of Parties.

This Lease does not create the relationship of principal and agent, or of partnership, joint venture, or of any association or relationship between Landlord and Tenant other than that of Landlord and Tenant.

18.6 Entire Agreement; Amendment.

All Exhibits, addenda and schedules attached to this Lease are incorporated into this Lease as though fully set forth in this Lease and together with this Lease contain the entire agreement between the parties with respect to the improvement and leasing of the Premises and the Parking Premises. All preliminary and contemporaneous negotiations, including, without limitation, any letters of intent or other proposals and any drafts and related correspondence, are merged into and superseded by this Lease. No subsequent alteration, amendment, change or addition to this Lease (other than to the Building Rules) is binding on Landlord or Tenant unless it is in writing and signed by the party to be charged with performance.

18.7 Severability.

If any covenant, condition, provision, term or agreement of this Lease is, to any extent, held invalid or unenforceable, the remaining portion thereof and all other covenants, conditions, provisions, terms and agreements of this Lease, will not be affected by such holding, and will remain valid and in force to the fullest extent permitted by law.

18.8 Landlord's Limited Liability; Exception for Liquidated Damages.

Tenant will to look solely to Landlord's interest in the Property for recovering any judgment from Landlord or any other Landlord Party. Tenant agrees that neither Landlord nor any other Landlord Party will be personally liable for any personal judgment or deficiency decree or judgment against it.

The limitations in the preceding paragraph do not apply to the Liquidated Damages which may become available to Tenant pursuant to Article 17 of this Lease.

18.9 Survival.

All of the obligations of each party under this Lease (together with interest on payment obligations at the Maximum Rate) accruing prior to expiration or other termination of this Lease survive the expiration or other termination of this Lease.

18.10 Attorneys' Fees.

If either Landlord or Tenant commences any litigation or judicial action to determine or enforce any of the provisions of this Lease, the prevailing party in any such litigation or judicial action is entitled to recover all of its costs and expenses (including, but not limited to, reasonable attorneys' fees, costs and expenditures) from the nonprevailing party.

18.11 Brokers.

Landlord and Tenant each represents and warrants to the other that it has not had any dealings with any realtors, brokers, finders or agents in connection with this Lease (except as may be specifically set forth in the Basic Terms) and agrees to indemnify, defend and hold the other harmless from and against the failure to pay any realtors, brokers, finders or agents (other than the brokers specified in the Basic Terms) and from any cost, expense or liability for any compensation, commission or changes claimed by any realtors, brokers, finders or agents (other than the brokers specified in the Basic Terms) claiming by, through or on behalf of it with respect to this Lease or the negotiation of this Lease. Landlord will pay the brokers named in the Basic Terms in accordance with the applicable listing agreement for the Property or other written agreement.

18.12 Governing Law.

This Lease is governed by, and must be interpreted under, the internal laws of the State. Any suit arising from or relating to this Lease must be brought in the County; Landlord and Tenant waive the right to bring suit elsewhere.

18.13 Time is of the Essence.

Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

18.14 Joint and Several Liability.

All parties signing this Lease as Tenant and any Guarantor(s) of this Lease are jointly and severally liable for performing all of Tenant's obligations under this Lease.

18.15 Tenant's Waiver.

Any claim Tenant may have against Landlord for default in performance of any of Landlord's obligations under this Lease is deemed waived unless Tenant notifies Landlord of the default within one hundred eighty (180) days after Tenant knew or should have known of the default.

18.16 Tenant Organization Documents; Authority.

If Tenant is an entity, Tenant will, within ten (10) days after Landlord's written request, deliver to Landlord (a) Certificate(s) of Good Standing from the state of formation of Tenant and, if different, the State, confirming that Tenant is in good standing under the Laws governing formation and qualification to transact business in such state(s); and (b) a copy of Tenant's publicly filed organizational documents and any amendments or modifications thereof, certified as true and correct by an appropriate official of Tenant. Tenant and each individual signing this Lease on behalf of Tenant represents and warrants that they are duly authorized to sign on behalf of and to bind Tenant and that this Lease is a duly authorized obligation of Tenant.

18.17 Provisions are Covenants and Conditions.

All provisions of this Lease, whether covenants or conditions, are deemed both covenants and conditions.

18.18 Force Majeure.

Except as otherwise provided in Section 17 with respect to Improvements to the Initial Premises, if either party is delayed or prevented from performing any act required in this Lease (excluding, however, the payment of money, if due) by reason of Force Majeure, said party's performance of such act is excused for the period of the delay and the period of the performance of any such act will be extended for a period equivalent to the period of such delay.

18.19 Management.

Property Manager is authorized to manage the Property. Landlord appointed Property Manager to act as Landlord's agent for leasing, managing and operating the Property. The Property Manager then serving is authorized to accept service of process and to receive and give Notices and demands on Landlord's behalf.

18.20 Financial Statements.

Tenant will, prior to Tenant's execution of this Lease and within ten (10) days after Landlord's request at any time during the Term, deliver to Landlord complete, accurate and up-to-date financial statements with respect to Tenant, which financial statements must be (a) prepared according to generally accepted accounting principles consistently applied, and (b) certified by an independent certified public accountant or by Tenant's chief financial officer that the same are a true, complete and correct statement of Tenant's financial condition as of the date of such financial statements.

18.21 Quiet Enjoyment.

Landlord covenants that Tenant will quietly hold, occupy and enjoy the Premises during the Term subject to the terms and conditions of this Lease if Tenant pays all Rent as and when due and keeps, observes and fully satisfies all other covenants, obligations and agreements of Tenant under this Lease.

18.22 Memorandum of Lease.

Contemporaneously with the execution of this Lease the parties shall execute a Memorandum of Lease disclosing the existence of this Lease and describing the Initial Premises, the 6th Floor, the 1st Floor Option, the Option for Additional Space, the Right of First Option to the 5th Floor Space. Said Memorandum of Lease shall be recorded in the appropriate land records office to disclose, for public record, existence of this Lease and the foregoing relevant terms. Upon termination of this Lease the parties shall execute a document evidencing the termination of this Lease which document shall be in suitable form for filing in the office of the Registrar of Title.

18.23 Nondisclosure of Lease Terms.

Except with respect to the contents of the Memorandum of Lease to be executed by the parties and recorded, the terms and conditions of this Lease constitute proprietary information of Landlord that Tenant will keep confidential. Tenant's disclosure of the terms and conditions of this Lease could adversely affect Landlord's ability to negotiate other leases and impair Landlord's relationship with other tenants. Accordingly, Tenant will not, without Landlord's consent (which consent Landlord may grant or withhold in its sole discretion), directly or indirectly disclose the terms and conditions of this Lease to any other tenant or prospective tenant of the Building or to any other person or entity other than Tenant's employees and agents who have a legitimate need to know such information (and who will also keep the same in confidence).

18.24 Construction of Lease and Terms.

The terms and provisions of this Lease represent the results of negotiations between Landlord and Tenant, each of which are sophisticated

parties and each of which has been represented or been given the opportunity to be represented by counsel of its own choosing, and neither of which has acted under any duress or compulsion, whether legal, economic or otherwise. Consequently, the terms and provisions of this Lease must be interpreted and construed in accordance with their usual and customary meanings, and Landlord and Tenant each waive the application of any rule of law that ambiguous or conflicting terms or provisions contained in this Lease are to be interpreted or construed against the party who prepared the executed Lease or any earlier draft of the same. Landlord's submission of this instrument to Tenant for examination or signature by Tenant does not constitute a reservation of or an option to lease and is not effective as a lease or otherwise until Landlord and Tenant both execute and

deliver this Lease. The parties agree that, regardless of which party provided the initial form of this Lease, drafted or modified one or more provisions of this Lease, or compiled, printed or copied this Lease, this Lease is to be construed solely as an offer from Tenant to lease the Premises, executed by Tenant and provided to Landlord for acceptance on the terms set forth in this Lease, which acceptance and the existence of a binding agreement between Tenant and Landlord may then be evidenced only by Landlord's execution of this Lease.

18.25 Year 2000 Compliance.

For purposes of this Section, the term "Millennium Compliant" means with respect to any property or entity, that all software, hardware, equipment, goods or systems material to the physical operations, business operations or financial reporting of the entity (collectively, "Systems") will properly perform date sensitive functions before, during and after January 1, 2000. Landlord represents to Tenant that Landlord developed and is implementing a plan to determine whether Landlord's Systems are Millennium Compliant. Landlord will continue implementing such plan from and after the date of this Agreement.

Landlord and Tenant caused this Lease to be executed and delivered by their duly authorized representative to be effective as of the Effective Date.

LANDLORD:

Dated: March 29, 1999

OPUS NORTHWEST, L.L.C., a

Delaware limited liability company

By: /s/ James B. Heller

Name: James B. Heller

Title: V.P. GEN MGR

TENANT:

METRIS DIRECT, INC., a

_____

By: /s/ Ronald Zebeck

Name: Ronald Zebeck

Title: President & C.E.O

EXHIBIT "A"

DEFINITIONS

"Additional Rent" means any charge, fee or expense (other than Basic Rent) payable by Tenant under this Lease, however denoted.

"Affiliate" means any person or corporation that, directly or indirectly, controls, is controlled by or is under common control with Tenant. For purposes of this definition, "control" means possessing the power to direct or cause the direction of the management and policies of the entity by the ownership of a majority of the voting securities of the entity.

"Alteration" means any change, alteration, addition or improvement to the Premises or Property after completion of the Improvements.

"Bankruptcy Code" means the United States Bankruptcy Code as the same now exists and as the same may be amended, including any and all rules and regulations issued pursuant to or in connection with the United States Bankruptcy Code now in force or in effect after the Effective Date.

"Base Improvement Allowance" means the amount (per rentable square foot of the Premises) specified in the Basic Terms for the cost of designing and installing Tenant's Improvements. "Basic Rent" means the basic rent amounts specified in the Basic Terms.

"Basic Terms" means the terms of this Lease identified as the "Basic Terms" before Article 1 of the Lease.

"BOMA Standards" means the "Standard Method for Measuring Floor Area in Office Buildings" approved June 7, 1996 by the American National Standards Institute, Inc. and the Building Owners and Managers Association International (ANSI/BOMA Z65.1-1996).

"Building" means that office building that will exist on the Land referred to as the Phase II Building.

"Building Rules" means those certain rules attached to this Lease as EXHIBIT "E", as Landlord may amend the same from time to time.

"Business Days" means any day other than Saturday, Sunday or a legal holiday in the State.

"Business Hours" means Monday through Friday from 7:00 a.m. to 6:00 p.m. and on Saturdays from 8:00 a.m. to 1:00 p.m., excluding holidays.

"City" means the City of Minnetonka, Minnesota.

"Claims" means all claims, actions, demands, liabilities, damages, costs, penalties, forfeitures, losses or expenses, including, without limitation, reasonable attorneys' fees and the costs and expenses of enforcing any indemnification, defense or hold harmless obligation under the Lease.

"Commencement Date" means the following: (a) the commencement date for the Initial Premises consisting of floors 7, 8 and 9 of the Phase II Building and additional space added thereto prior to Occupancy of the Initial Premises shall be September 1, 2000 unless extended pursuant to Sections 17.1.9, 17.1.10, 17.1.16 or 17.1.17, (b) the commencement date for the 6th Floor shall be September 1, 2001 or the earlier date established pursuant to Section 1.2.1(b) or Section 17.1.19 of the Lease or the extended date established pursuant to

Section 17.1.9 or Section 17.1.19, (c) the commencement date for the Additional Space shall be established pursuant to Section 17.5 of the Lease shall be established pursuant to Section 17.5.4 of the Lease, (d) the commencement date for the 5th Floor Space shall be established pursuant to Section 17.6 of the Lease.

"Commencement Date Memorandum" means the form of memorandum attached to the Lease as EXHIBIT "D".

"Common Area" means the parking area, driveways, lobby areas, and other areas of the Property Landlord may designate from time to time as common area available to all tenants.

"Condemning Authority" means any person or entity with a statutory or other power of eminent domain. "Effective Date" means the date Landlord executes this Lease.

"Event of Default" means the occurrence of any of the events specified in Section 14.1 of the Lease and Section 14.6 of the Lease.

"Expenses" means the total amount of Property Taxes and Operating Expenses due and payable with respect to the Property during any calendar year of the Term.

"Final Plans" means the final working drawings and specifications prepared by Landlord and approved by Tenant for the Tenant's Improvements after receiving Tenant's space plan for the Tenant's Improvements.

"Floor Plan" means the Floor Plan attached to the Lease as EXHIBIT "C".

"Force Majeure" means acts of God; casualty; strikes; lockouts; labor troubles; inability to procure materials; governmental laws or regulations; orders or directives of any legislative, administrative, or judicial body or any governmental department; inability to obtain any

governmental licenses, permissions or authorities (despite commercially reasonable pursuit of such licenses, permissions or authorities); and other similar or dissimilar causes beyond Landlord's or Tenant's reasonable control.

"Hazardous Materials" means any of the following, in any amount: (a) any petroleum or petroleum product, asbestos in any form, urea formaldehyde and polychorinated biphenyls; (b) any radioactive substance; (c) any toxic, infectious, reactive, corrosive, ignitable or flammable chemical or chemical compound; and (d) any chemicals, materials or substances, whether solid, liquid or gas, defined as or included in the definitions of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "solid waste," or words of similar import in any federal, state or local statute, law, ordinance or regulation now existing or existing on or after the Effective Date as the same may be interpreted by government offices and agencies.

"Hazardous Materials Laws" means any federal, state or local statutes, laws, ordinances or regulations now existing or existing after the Effective Date that control, classify, regulate, list or define Hazardous Materials.

"Improvements" means, collectively, the Landlord's Improvements and the Tenant's Improvements.

"Land" means that certain parcel of Land legally described on the attached EXHIBIT "B".

"Landlord" means only the owner or owners of the Property at the time in question.

"Landlord Delays" means any delays caused or contributed by Landlord including, without limitation, with respect to Tenant's Improvements, Landlord's failure to

reasonably approve a space plan timely submitted for Tenant's Improvements, Landlord's failure to reasonably and timely approve Final Plans and any delays caused by any revisions Landlord proposes to the Final Plans.

"Landlord Parties" means Landlord and Landlord's officers, directors, partners, shareholders, members, employees and Property Manager.

"Landlord's Improvements" means the base building improvements to the Premises described on the attached EXHIBIT "F".

"Laws" means any law, regulation, rule, order, statute or ordinance of any governmental or private entity in effect on or after the Effective Date and applicable to the Property or the use or occupancy of the Property, including, without limitation, Hazardous Materials Laws, Building Rules and Permitted Encumbrances.

"Lease" means this Office Lease Agreement, as the same may be amended or modified after the

Effective Date.

"Lease Year" means each consecutive 12 month period during the Term, commencing on the Commencement Date, except that if the Commencement Date is not the first (1st) day of a calendar month, then the first Lease Year is a period beginning on the Commencement Date and ending on the last day of the calendar month in which the Commencement Date occurs plus the following 12 consecutive calendar months.

"Maximum Rate" means interest at a rate equal to the lesser of ten percent (10%) per annum and the maximum interest rate permitted by law.

"Mortgage" means any mortgage, deed of trust, security interest or other security document of like nature that at any time may encumber all or any part of the Property and any replacements, renewals, amendments, modifications, extensions or refinancings thereof, and each advance (including future advances) made under any such instrument.

"Net Rent" means all rental Landlord actually receives from any reletting of all or any part of the Premises, less any indebtedness from Tenant to Landlord other than Rent (which indebtedness is paid first to Landlord) and less the Re-entry Costs (which costs are paid second to Landlord).

"Notices" means all notices, demands or requests that may be or are required to be given, demanded or requested by either party to the other as provided in the Lease.

"Operating Expenses" means all expenses Landlord incurs in connection with maintaining, repairing and operating the Property, as determined by Landlord's accountant in accordance with generally accepted accounting principles consistently followed, including, but not limited to, the following: insurance premiums and deductible amounts under any insurance policy; maintenance and repair costs; steam, electricity, water, sewer, gas and other utility charges; fuel; lighting; window washing; janitorial services; trash and rubbish removal; property association fees and dues and all payments under any Permitted Encumbrance (except Mortgages) affecting the Property; wages payable to persons at the level of manager and below whose duties are connected with maintaining and operating the Property (but only for the portion of such persons' time allocable to the Property), together with all payroll taxes, unemployment insurance, vacation allowances and disability, pension, profit sharing, hospitalization, retirement and other so-called "fringe benefits" paid in connection with such persons (allocated in a manner consistent with such persons' wages); amounts paid to contractors or subcontractors for work or services performed in connection with maintaining and operating the Property; all costs of uniforms, supplies and materials used in connection with maintaining, repairing and operating the Property; any expense imposed upon

Landlord, its contractors or subcontractors pursuant to law or pursuant to any collective bargaining agreement covering such employees; all services, supplies, repairs, replacements or other expenses for maintaining and operating the Property; costs of complying with Laws; reasonable management fees and the costs (including rental) of maintaining a building or management office in the Building; and such other expenses as may ordinarily be incurred in

connection with maintaining and operating an office complex similar to the Property. The term "Operating Expenses" also includes expenses Landlord incurs in connection with public sidewalks adjacent to the Property, any pedestrian walkway system (either above or below ground) and any other public facility to which Landlord or the Property is from time to time subject in connection with operating the Property. The term "Operating Expenses" does not include the cost of any capital improvement to the Property other than replacements required for normal maintenance and repair; the cost of repairs, restoration or other work occasioned by fire, windstorm or other insured casualty other than the amount of any deductible under any insurance policy (regardless whether the deductible is payable by Landlord in connection with a capital expenditure); expenses Landlord incurs in connection with leasing or procuring tenants or renovating space for new or existing tenants; legal expenses incident to Landlord's enforcement of any lease; interest or principal payments on any mortgage or other indebtedness of Landlord; or allowance or expense for depreciation or amortization. Notwithstanding the foregoing, if Landlord installs equipment in, or makes improvements or alterations to, the Property to reduce energy, maintenance or other costs, or to comply with any Laws, Landlord may include in Operating Expenses reasonable charges for interest paid on the investment and reasonable charges for depreciation of the investment so as to amortize the investment over the reasonable life of the equipment, improvement or alteration on a straight line basis.

"Parking Premises" means the number of parking stalls subject to this Lease located in the parking garage that serves the Building calculated at any given time by dividing the rentable area of the Premises by 5,400, as the same may be designated by Landlord, with Tenant's reasonable approval, at or prior to the Commencement Date.

"Permitted Encumbrances" means all Mortgages, liens, easements, declarations, encumbrances, covenants, conditions, reservations, restrictions and other matters now or after the Effective Date affecting title to the Property.

"Phase I Building" means that certain building consisting of approximately two hundred sixty five thousand (265,000) rentable square feet currently under construction on the Land.

"Phase II Building" means that certain building consisting of approximately three hundred thousand (300,000) rentable square feet which will be constructed on the Land.

"Premises" means the Initial Premises (consisting of floors 7, 8 and 9 of the Phase II Building and those portion of the 5th floor and 1st floor of the Phase II Building that Tenant elects to expand and occupy with respect to the Initial Premises) together with the 6th Floor and any other lease space added during the Term.

"Property" means, collectively, the Land and all Improvements on the Land.

"Property Manager" means Opus Northwest Management, L.L.C. or any other agent Landlord appoints to manage the Property.

"Property Taxes" means any general real property tax, improvement tax, assessment, special assessment, reassessment, commercial rental tax, tax, in lieu tax, levy, charge or similar imposition imposed by any authority having the

direct or indirect power to tax, including but not limited to, (a) any city, county, state or federal entity, (b) any school, agricultural, lighting, drainage or other improvement or special assessment district, (c) any governmental agency, or (d) any private entity having the authority to assess the Property under any of the Permitted Encumbrances. The term "Property Taxes" includes all charges or burdens of every kind and nature Landlord incurs in connection with using, occupying, owning, operating, leasing or possessing the Property, without particularizing by any known name and whether any of the foregoing are general, special, ordinary, extraordinary, foreseen or unforeseen; any tax or charge for fire protection, street lighting, streets, sidewalks, road maintenance, refuse, sewer, water or other services provided to the Property. The term "Property Taxes" does not include Landlord's state or federal income, franchise, estate or inheritance taxes. If Landlord is entitled to pay, and elects to pay, any of the above listed assessments or charges in installments over a period of two or more calendar years, then only such installments of the assessments or charges (including interest thereon) as are actually paid in a calendar year will be included within the term "Property Taxes" for such calendar year.

"Punch List" means a list of items not completed by Landlord in connection with Tenant's Improvements or Tenant's Improvements items in need of repair or replacement.

"Re-entry Costs" means all commercially reasonable costs and expenses Landlord incurs re-entering or reletting all or any part of the Premises, including, without limitation, all costs and expenses Landlord incurs (a) maintaining or preserving the Premises after an Event of Default; (b) recovering possession of the Premises, recovering persons and property from the Premises and storing such property (including court costs and reasonable attorneys' fees); (c) reletting the Premises; and (d) real estate commissions, advertising expenses and similar expenses paid or payable in connection with reletting all or any part of the Premises. "Re-entry Costs" also includes the value of free rent and other concessions Landlord gives in connection with re-entering or reletting all or any part of the Premises which are commercially reasonably and represent conventional lease incentives at the time of reletting.

"Rent" means, collectively, Basic Rent and Additional Rent.

"State" means the State of Minnesota.

"Structural Alterations" means any Alterations involving the structural, mechanical, electrical, fire/life safety or heating, ventilating and air conditioning systems of the Building.

"Substantial Completion", "Substantially Completed" or "Substantially Complete" is the stage in the progress of the Landlord's work, be it for Landlord's Improvements or Tenant's Improvement as the case may be, when the work or designated portions thereof is sufficiently

complete in accordance with the Final Plans so that the Tenant can occupy or utilize the Premises for its intended use.

"Taking" means the exercise by a Condemning Authority of its power of eminent domain on all or any part of the Property, either by accepting a deed in lieu of condemnation or by any other manner.

"Tenant" means the tenant identified in the Lease and such tenant's permitted successors and assigns. In any provision relating to the conduct, acts or omissions of "Tenant," the term "Tenant" includes the tenant identified in the Lease and such tenant's agents, employees, contractors, invitees, successors, assigns and others using the Premises, the Parking Premises or on the Property with Tenant's expressed or implied permission.

"Tenant Delays" means any delays caused or contributed to by Tenant, including, without limitation, with respect to Tenant's Improvements, Tenant's failure to

submit a space plan for Tenant's Improvements, Tenant's failure to timely approve the Final Plans and any delays caused by any revisions Tenant proposes to the Final Plans.

"Tenant's Improvements" means all initial improvements to the Premises (other than Landlord's Improvements) to be designed and installed by Landlord, or Tenant as the case may be, and paid for by Tenant.

"Tenant's Share of Expenses" means the product obtained by multiplying the amount of Expenses for the period in question by the Tenant's Share of Expenses Percentage.

"Tenant's Share of Expenses Percentage" means the percentage determined by multiplying a fraction, the numerator of which is the rentable square feet in the Premises and the denominator of which is the rentable square feet in the Phase II Building and multiplying the resulting fraction by 100. If Premises are also situated in the Phase I Building, a separate Tenant's Share of Expenses Percentage shall be determined in the same manner for the Phase I Building.

"Term" means the initial term of this Lease specified in the Basic Terms and, if applicable, any Renewal Term then in effect.

"Transfer" means Tenant's assignment, mortgage, pledge, transfer, sublease or other encumbering or disposal (voluntarily, by operation of law or otherwise) of this Lease or the Premises or the Parking Premises or any interest in this Lease or the Premises or the Parking Premises.

"Warranty Terms" means, collectively, the Punch List and Construction Warranty provisions of Section 17.1.15 of this Lease and the Year 2000 Compliance Warranty set forth in Section 18.25 of this Lease.

EXHIBIT "B"

LEGAL DESCRIPTION OF THE LAND

The Land is at the northeast corner of the intersection of the northern I-394 frontage road and County Road 73, Landlord and Tenant will amend this Lease to attach the legal description of the Land on or before the Commencement Date.

EXHIBIT 10.76

FOURTH AMENDMENT TO LEASE AGREEMENT

FOR THE METRIS MINNETONKA BUILDING

Briggs and Morgan

FOURTH AMENDMENT TO
MULTI-TENANT OFFICE LEASE AGREEMENT
BETWEEN OPUS NORTHWEST, L.L.C., AS LANDLORD,
AND METRIS DIRECT, INC., AS TENANT, DATED MARCH 29, 1999
AS AMENDED BY A FIRST AMENDMENT DATED AS OF
JULY 12, 1999, AS AMENDED BY A SECOND AMENDMENT
DATED DECEMBER 17, 1999, AS AMENDED BY A
THIRD AMENDMENT DATED AS OF APRIL 7, 2000

This Agreement dated as of June 21, 2000

WHEREAS, Opus Northwest, L.L.C., a Delaware limited liability company ("Landlord"), and Metris Direct, Inc., a Delaware corporation ("Tenant") are parties to that certain lease for space in Crescent Ridge Corporate Center-Phase II, dated March 29, 1999, which lease was amended by a First Amendment to Multi-Tenant Office Lease Agreement dated as of July 12, 1999 ("First Amendment"), and further amended by a Second Amendment to Multi-Tenant Office Lease Agreement dated as of December 17, 1999 ("Second Amendment"), and further amended by a Third Amendment to Multi-Tenant Office Lease Agreement dated as of April 7, 2000 ("Third Amendment"), with the Lease, with the Lease, the First Amendment, Second Amendment and Third Amendment (hereinafter referred to as "Lease");

WHEREAS, the terms used in this Agreement ("Fourth Amendment") shall have the meanings as defined terms in the Lease unless stated herein to the contrary;

WHEREAS, Landlord and Tenant wish to amend the Lease to accomplish the following:

(a) Change the length of the Initial Term;

(b) Change the per stall rate in the Parking Premises as of January 1, 2007;

(c) Change the annual fee per square foot in the storage space as of January 1, 2007;

(d) Change certain provisions relating to the Renewal Term;

(e) Change the annual Basic Rent Schedule;

(f) Change the Allowances for Tenant Improvements;

(g) Eliminate the Additional Allowance; and

(h) Eliminate Sections 16.1.1, 16.1.2 and 16.1.3 (all as set forth in the Third Amendment) from the Lease.

(i) Eliminate Section 17.5 from the Lease.

(j) Establish a ceiling on the amount of the Management Fee which is included in the definition of "Operating Costs".

THE PARTIES AGREE AS FOLLOWS:

1. Section 2 of the Basic Terms is amended to read as follows:

2. Initial Term: 11 years, 4 months for a total of 136 months (See Section 1.2);

Section 1.2.1(a) of the Lease is amended to state that the term for the Initial Premises is 136 months; and

Section 1.2.1(b) of the Lease is amended to state that the Initial Term which incorporates the 6th floor space is now also 136 months.

2. Section 2 of the Basic Terms has changed to indicate that the Renewal Option is set forth at Section 1.2.5.

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Section 1.2.5 Renewal Term is amended as follows:

(b) If Tenant desires to exercise its right to the Renewal Term Tenant must notify Landlord no later than eighteen (18) months prior to the
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expiration of the initial term.

(c) Is amended by eliminating the last sentence of such subsection.

3. Section 4 of the Basic Terms of the Lease is amended as follows:

ANNUAL BASIC RENT FOR INITIAL TERM

	Rate per Rentable Square Foot in the Premises (300,633 Rentable Square Feet)				
Month	Initial Premises (138,264 RSF)	6th Floor (34,654 RSF)	Additional Space (127,715 RSF)	Annually	Monthly
1-4	$ 0.00	$ 0.00	$16.50	$2,107,297.50	$175,608.13
5-12	$16.50	$ 0.00	$16.50	$4,388,653.50	$365,721.13
13-76	$16.50	$16.50	$16.50	$4,960,444.50	$413,370.38
77-112	$18.55	$18.55	$18.55	$5,576,742.15	$464,728.51
113-124	$20.55	$20.55	$20.55	$6,178,008.15	$514,834.01
125-136	$21.55	$21.55	$21.55	$6,478,641.15	$539,886.76

4. Section 15 of the Basic Terms is amended by adding the following sentence:

Effective as of January 1, 2007 the annual fee per square foot of storage space shall be $13.50.

5. Section 16 of the Basic Terms of the Lease is amended by adding the following sentence:

Effective as of January 1, 2007, the Parking Rent is $135.00 per month per stall in the Parking Premises during the Initial Term.

Section 2.1.2 of the Lease is amended by adding to the second sentence the following:

; provided, however, effective as of January 1, 2007 Parking Rent attributable to the Parking Premises shall be equal to $135.00 per month for each of the 56 stalls that constitute the "Parking Premises".

6. Section 17 of the Basic Terms of the Lease is amended to delete the

Additional Allowance as described at Section 17.1.23 of the Lease and Section 17.1.23 of the Lease relating to the Additional Allowance is deleted and Tenant will have no further right to such Additional Allowance.

7. The Lease is amended by changing Section 17.1.2.d.(ii) Special Construction Provisions of the Lease as now set forth in the Third Amendment:

as follows:

Base Improvement Allowance for the Initial Premises as per Section 17.1.3 is changed to $28.75 per Rentable Square Feet of the Initial Premises multiplied by 138,264 Rentable Square feet in the Initial Premises which now equals $3,975,090.00 plus the Lighting Allowance of $174,000.00 equals:	$4,149,790.00
Cash improvement allowance remains unchanged and it equals:	$ 414,792.00
Sixth Floor Base Improvements Allowance - as set forth in Section 17.1.3 - is changed to $28.75 multiplied by 34,654 Rentable Square Feet on the Sixth Floor equals:	$ 996,302.50
Expansion Allowance for the Additional Space as set forth in Section 5(d) of the Second Amendment - is changed to $29.89 per Rentable Square Feet in the Additional Space multiplied by 127,715 Rentable Square Feet equals:	$3,817,401.35
Revised Total Allowances	$9,378,285.85

8. The Lease is amended by eliminating Sections 16.1.1, 16.1.2 and 16.1.3 (all as set forth in the Third Amendment) from the Lease and Tenant will not have the restoration obligations as set forth in such subsections. Section 16.1.4 (as set forth in the Third Amendment) remains in full force and effect.

9. The Lease is amended by eliminating in its entirety Section 17.5 of the Lease relating to an Option for Additional Space. Tenant shall have no further rights under this Lease to add Additional Space as to either the Phase I Building or the Phase II Building.

10. The Lease is amended to change the definition of "Operating Expenses" in Exhibit A of the Lease by inserting after the words "reasonable management fees and other costs (including rental) of maintaining a building management office in the Building" the following:

(which amount shall not exceed, on an annual basis, 1.75% of the annual total Rent from the Phase II Building, that Landlord has right to receive under all leases, storage license agreements, parking license agreement or similar occupancy agreement relating to the Phase II Building, including the Lease)

11. Unless specifically amended by the terms hereof, all of the terms and conditions of the Lease remain in full force and effect.

DATED: 7-7-00

OPUS NORTHWEST, L.L.C.

By /s/ John [ILLEGIBLE]

Its President

DATED: June 21, 2000

METRIS DIRECT, INC.

By /s/ Ronald Zebeck

Its President & CEO

EXHIBIT 10.77

GUARANTY OF LEASE FOR THE METRIS MINNETONKA BUILDING

GUARANTY

This Guaranty is made by Metris Companies, Inc., a Delaware corporation (individually and collectively, "Guarantor") to and for the benefit of Opus Northwest, L.L.C., a Delaware limited liability company, its successors and assigns ("Landlord"), with respect to that Lease Agreement dated March 29, 1999, as amended from time to time (the "Lease") between Landlord and METRIS DIRECT, INC., a Delaware corporation ("Tenant") for the premises located in the Phase II Building of Crescent Ridge, Minnetonka, Minnesota (the "Premises"). Landlord is unwilling to enter into the Lease unless Guarantor executes and delivers this Guaranty and Guarantor is willing, as the parent company of Tenant and a direct recipient of the benefits of the Lease, to enter into this Guaranty in order to induce Landlord to enter into the Lease.

Therefore, in consideration of Landlord entering into the lease, Guarantor agrees as follows:

1. Guarantor jointly and severally, unconditionally, absolutely and irrevocably guarantees and promises (a) to pay to landlord, or order, any and all amounts, including, without limitation, Rent, as defined in the Lease, late charges, default interest, damages and all other amounts, costs, fees, expenses and charges of any kind or type whatsoever, which are payable by Tenant (or its successor and assigns) under the Lease, and (b) the truthfulness and accuracy of all representations, warranties and certifications of Tenant, the satisfaction of all conditions by Tenant and the full and timely performance, and observance of all obligations to be performed, and observed by Tenant (or its successors and assigns), under or pursuant to the Lease (the "Obligations").

2. The obligation of each Guarantor is primary, joint and several and independent of the obligation of any and every other Guarantor or of Tenant, and a separate action or actions may be brought and executed against any one or more Guarantor, whether or not such action is brought against Tenant or any other Guarantor and whether or not Tenant or any other Guarantor be jointed in such action or actions. This Guaranty is entered into by each of the individuals included to the term "Guarantor" on behalf of his or her community, if any, and as a community obligation as well as individually and as the individual obligation of each and may be enforced against the community property and separate property of each. This Guaranty shall apply to the parties hereto and their successors and assigns according to the context hereof and without regard to the number or gender of words or expressions used herein.

3. This is an absolute and unconditional guaranty of payment and performance and not of collection and Guarantor unconditionally (a) waives any requirement that Landlord first make demand upon, or seek to enforce or exhaust remedies against, Tenant or any other person or entity (including any other Guarantor) or any of the collateral or property of Tenant or such other person or entity before demanding payment from, or seeking to enforce this Guaranty against, Guarantor;

(b) waives and agrees not to assert any and all rights, benefits and defenses which might otherwise be available under the provisions of Minnesota laws, statutes or rules which might operate, contrary to Guarantor's agreements in this Guaranty, to limit Guarantor's liability under, or the enforcement of, this Guaranty; (c) covenants that this Guaranty will not be discharged until all of the Obligations are fully satisfied; (d) agrees that this Guaranty shall remain in full effect without regard to, and shall not be affected or impaired by, any invalidity, irregularity or unenforceability in whole or in part of the Lease,

or any limitation of the liability of Tenant or Guarantor thereunder, or any limitation on the method or terms of payment thereunder which may now or hereafter be caused or imposed in any manner whatsoever; and (e) waives notice of acceptance of this Guaranty, notice of defaults under the Lease, presentment, protest, demand and diligence.

4. This Guaranty is a continuing guaranty, and the obligations, undertakings and conditions to be performed or observed by Guarantor under this Guaranty shall not be affected or impaired by reason of the happening from time to time of the following with respect to the Lease, all without notice to, or the further consent of, Guarantor, and Guarantor hereby waives any and all defenses arising by reason of, (a) the waiver by Landlord of the observance or performance by Tenant, Guarantor or any one or more of them of any of the obligations, undertakings, conditions or other provisions contained in the Lease, except to the extent of such waiver; (b) the extension, in whole or in part, of the time for payment of any amount owing or payable under the lease; (c) the modification or amendment (whether material or otherwise) of any of the obligations of Tenant under, or any other provisions of the Lease, except to the extent of such modification or amendment; (d) the taking or the omission of any of the actions referred to in the Lease (including, without limitation, the giving of any consent referred to therein); (e) any failure, omission, delay or lack on the part of Landlord to enforce, assert or exercise any provision of the Lease, including any right, power or remedy conferred on Landlord in the Lease or any action on the part of Landlord granting indulgence or extension in any form; (f) the assignment to or assumption by any third party of any or all of the rights or obligations of Tenant under the Lease; (g) the release or discharge of Tenant from the performance or observance of or the impairment, limitation or modification of any obligation, undertaking or condition to be performed by Tenant under the Lease by operation of law, including any rejection or disaffirmance of the Lease in any bankruptcy or similar proceedings; (h) the receipt and acceptance by Landlord or any other person or entity of notes, checks or other instruments for the payment of money and extensions and renewals thereof; (i) any action, inaction or election of remedies by Landlord which results in any impairment or destruction of any subrogation rights of Guarantor, or any rights of Guarantor to proceed against any other person or entity for reimbursement, (j) any setoff, defense, counterclaim, abatement, recoupment, reduction, change in law or any other event or circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor, indemnitor or surety under the laws of the State of Minnesota or any other jurisdiction; (k) the termination or renewal of any of the Obligations or any other provision thereof, and (l) any merger, reorganization, structure change, ownership change or change in the name or any other change of Tenant or Guarantor.

5. Guarantor represents and warrants to Landlord that: (a) Neither the execution nor delivery of this Guaranty nor fulfillment of nor compliance with the terms and provisions hereof will

conflict with, or result in a breach of the terms or conditions of, or constitute a default under, or result in the creation of any lien, charge or encumbrance upon any property or assets of Guarantor under any agreement or instrument to which Guarantor is now a party or by which Guarantor may be bound, which conflict, breach, default, lien, charge or encumbrance could result in a material adverse change in the financial condition of Guarantor; (b) No further consents, approvals or authorizations are required for the execution and delivery of this Guaranty by Guarantor or for Guarantor's compliance with the terms and provisions of this Guaranty; (c) This Guaranty is the legal, valid and binding agreement of Guarantor and is enforceable against Guarantor in accordance with its terms; (d) Guarantor has the full power, authority, capacity and legal right to execute and deliver this Guaranty, and, to the extent Guarantor is a corporation or partnership, the parties executing this Guaranty on behalf of Guarantor are fully authorized and directed to execute the same to bind Guarantor; (e) Guarantor is not a "foreign corporation," "foreign partnership," "foreign trust," or "foreign estate," as those terms are defined in the U.S. Internal Revenue Code and the regulations promulgated thereunder;

(f) During the term of this Guaranty, Guarantor will not transfer or dispose of any material part of its assets except in the ordinary course of business for full and fair consideration and reasonably equivalent value; and (g) the Lease is conclusively presumed signed in reliance on this Guaranty and the assumption by Guarantor of its obligations under this Guaranty results in direct financial benefit to Guarantor.

6. This Guaranty shall commence upon execution and delivery of the Lease and shall continue in full force and effect until all of the Obligations are duly, finally and permanently paid, performed and discharged and are not subject to any right of extension by Tenant. The Obligations shall not be considered fully paid, performed and discharged unless and until all payments by Tenant to Landlord are no longer subject to any right on the part of any person whomsoever, including but not limited to Tenant, Tenant as a debtor-in-possession and/or any trustee in bankruptcy, to disgorge such payments or seek to recoup the amount of such payments or any part thereof. The foregoing shall include, by way of example and not by way of limitation, all rights to recover preferences voidable under Title 11 of the United States Bankruptcy Code, 11 U.S.C. Sec. 101 et seq., as amended (the "Code"). In the event that any such payments by Tenant to Landlord are disgorged after the making thereof, in whole or in part, or settled without litigation, to the extent of such disgorgement or settlement, Guarantor shall be liable for the full amount Landlord is required to repay plus interest, late charges, attorney's fees and any and all expenses paid or incurred by Landlord in connection therewith.

7. Guarantor hereby unconditionally and irrevocably waives (a) any right to participate in any security now or hereafter held by Landlord or in any claim or remedy of Landlord or any other person against Tenant with respect to obligations guaranteed hereby, (b) any statute of limitations affecting Guarantor's liability hereunder, (c) all principles and provisions of law which conflict with the terms of this Guaranty,(d) diligence, presentment, demand for performance, notice of nonperformance, notice of intent to accelerate and acceleration, notice of protest, notice of dishonor, notice of execution of the Lease, notice of extension, renewal, alteration or amendment, notice of acceptance of this Guaranty and all other notices whatsoever, and (e) any right to prove or make any claim which competes with any proof or claim made by Landlord in the event of Tenant's bankruptcy

or insolvency, until Landlord's claim has been fully satisfied. In the event that Guarantor shall have any claims against Tenant, any indebtedness of Tenant now or hereafter held by Guarantor is hereby subordinated to the indebtedness of Tenant to Landlord. Any such indebtedness of Tenant to Guarantor, if Landlord so requests, shall be collected, enforced and received by Guarantor as trustee for Landlord and be paid over to Landlord on account of the obligations guaranteed hereby, but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty.

8. It is not necessary for Landlord to inquire into the powers of Tenant or its officers, directors, partners or agents acting or purporting to act on its behalf, and Guarantor shall be liable for the obligations of Tenant in accordance with their terms notwithstanding any lack of authorization or defect in execution or delivery by Tenant.

9. In addition to the amounts guaranteed under this Guaranty, Guarantor agrees to pay (i) all of Landlord's attorneys' fees and other costs and expenses which may be incurred by Landlord in the enforcement of this Guaranty and which may be incurred by Landlord as a consequence of any default by Tenant under the Lease, and (ii) interest (including postpetition interest to the extent a petition is filed by or against Tenant under the Code) at the lower of 12% interest to the extent a petition is filed by or against Tenant under the Code) at the lower of 12% interest to the extent a petition is filed by or against Tenant under the Code) at the lower of 12% interest per annum or the highest rate permitted by applicable law on any Obligations not paid when due.

10. Guarantor hereby agrees to defend, indemnify and hold harmless

Landlord from any loss, cause of action, claim, cost, expense or fee, including but not limited to attorneys' fees, suffered or occasioned by the failure of Tenant to satisfy its obligations under the Lease. The obligations of Guarantor under this paragraph shall be independent, primary, joint and several obligations of Guarantor. The agreement to indemnify, protect, defend and hold harmless Landlord contained in this paragraph shall be enforceable notwithstanding the invalidity or unenforceability of the Lease or the invalidity or unenforceability of any other paragraph contained in this Guaranty.

11. All moneys available to Landlord for application in payment or reduction of the liabilities of Tenant under the Lease may be applied by Landlord to the payment or reduction of such liabilities of Tenant, in such manner, in such amounts and at such time or times as Landlord may elect.

12. This Guaranty shall be governed by the laws of the State of Minnesota, without giving effect to conflict of laws principles. Guarantor unconditionally and irrevocably consents and agrees that any legal action brought under this Guaranty may be brought in any state court of the State of Minnesota or any federal district court in Minnesota.

13. All of Landlord's rights and remedies under the Lease and this Guaranty are intended to be distinct, separate and cumulative and no such right and remedy is intended to be in exclusion of or a waiver of any of the others.

14. This Guaranty is solely for the benefit of Landlord, its successors and assigns, and is not intended to nor shall be deemed to be for the benefit of any third party, including, without limitation, Tenant.

15. The terms "Landlord" and "Tenant" as used herein shall be deemed to include each party's respective successors and assigns. The assignment by Landlord of the lease, and/or the avails and proceeds thereof, made either with or without notice to Guarantor, shall in no manner release Guarantor from any liability as Guarantor hereunder Landlord's consent to any assignment(s) by Tenant, unless otherwise agreed, made either with or without notice to Guarantor, shall in no manner release Guarantor from any liability as Guarantor hereunder. Landlord's consent to a release of Guarantor in connection with an approved assignment or sublease shall not be unreasonably withheld.

16. If any provision of this Guaranty is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect.

DATED as of June 9, 1999.

Metris Companies, Inc.

By: /s/ Ronald Zebeck

Name: Ronald Zebeck

Title: President & CEO

EXHIBIT 23.2

CONSENT OF ARTHUR ANDERSEN LLP

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made a part of this registration statement.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
February 8, 2001

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-l 1 of Wells Real Estate Investment Trust, Inc. or any additional Registration Statement filed pursuant to Rule 462 and to cause the same to be filed with the Securities and Exchange Commission hereby granting to said attorneys-in-fact and each of them full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things that said attorneys-in-fact or either of them may do or cause to be done by virtue of these presents.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Power of Attorney has been signed below, effective as of August 18, 2000, by the following persons and in the capacities indicated below.

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