As filed with the Securities and Exchange Commission on December 17, 2003

Registration No. 333-85848

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 6
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)

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

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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 July 26, 2002, Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 15, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, Supplement No. 8 dated June 15, 2003, Supplement No. 9 dated August 27, 2003, Supplement No. 10 dated September 15, 2003, Supplement No. 11 dated September 25, 2003, Supplement No. 12 dated October 20, 2003, and Supplement No. 13 dated December 11, 2003. Supplement No. 1 includes descriptions of acquisitions of buildings in San Antonio, Texas; Houston, Texas; Duncan, South Carolina; and Suwanee, Georgia, updated unaudited financial statements and certain other revisions to the prospectus. Supplement No. 2 includes descriptions of acquisitions of buildings in Irving, Texas; and Austin, Texas, description of a lease of a build-to-suit office building in Chandler, Arizona, declaration of fourth quarter dividends and certain other revisions to the prospectus. Supplement No. 3 includes descriptions of acquisitions of buildings in Holtsville, New York; Parsippany, New Jersey; Indianapolis, Indiana; Colorado Springs, Colorado; Des Moines, Iowa; Plano, Texas; and Westlake, Texas, description of a build-to-suit office building in Chandler, Arizona, audited financial statements relating to acquisitions of buildings in Austin, Texas; Holtsville, New York; and Parsippany, New Jersey, and certain other revisions to the prospectus. Supplement No. 4 includes descriptions of acquisitions of buildings in Washington, D.C.; Glen Allen, Virginia; and Nashville, Tennessee, audited financial statements relating to acquisitions of buildings in Washington, D.C.; and Nashville, Tennessee, updated unaudited financial statements, declaration of first quarter dividends for 2003 and certain other revisions to the prospectus. Supplement No. 5 includes descriptions of acquisitions of buildings in Fishers, Indiana; Glendale, California; and Mayfield Heights, Ohio, description of the second transaction under the Section 1031 Exchange Program, audited financial statements relating to the acquisition of the building in Glendale, California, updated unaudited financial statements, and certain other revisions to the prospectus. Supplement No. 6 includes descriptions of acquisition of a building in Detroit, Michigan, declaration of second quarter dividends for 2003, updated financial statements and prior performance tables, revisions to the "ERISA Considerations – Annual Valuations" section and certain other revisions to the prospectus. Supplement No. 7 includes descriptions of acquisitions of buildings in Englewood Cliffs, New Jersey; Minneapolis, Minnesota; Chicago, Illinois; and Auburn Hills, Michigan, updated status reports on three build-to-suit properties; description of a new unsecured line of credit, audited financial statements relating to the acquisition of the buildings in Minneapolis, Minnesota and Chicago, Illinois, updated unaudited financial statements of the Wells REIT for the first quarter of 2003, and certain other revisions to the prospectus. Supplement No. 8 includes description of a notice received from the NASD relating to an enforcement action and declaration of third quarter dividends for 2003. Supplement No. 9 includes descriptions of acquisitions of buildings in Reston, Virginia; Atlanta, Georgia; Rockville, Maryland; and Bridgewater, New Jersey, updated financial statements, revisions to the "Management – Executive Officers and Directors" section, revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, revisions to the "Plan of Distribution – Underwriting Compensation and Terms" section, a description of the Settlement of the NASD enforcement action and certain other revisions to the prospectus. Supplement No. 10 includes descriptions of acquisitions of buildings in Pasadena, California; Brea, California; and Lyndhurst, New Jersey and certain other revisions to the prospectus. Supplement No. 11 describes the status of our Share Redemption Program, the formation of Wells Real Estate Investment Trust II, Inc., revisions to the "Conflicts of Interest" section, revisions to the "Management – The Advisor" section, revisions to the "Management – Affiliated Companies – Dealer Manager" section and certain other revisions to the prospectus. Supplement No. 12 includes descriptions of a legal proceeding involving the Wells REIT, status of our Share Redemption Program, acquisitions of buildings in Irvine, California; Hoffman Estates, Illinois; and Beaverton, Oregon, sale of a building in Fountain Valley, California, revisions to the "Management – Executive Officers and Directors" section, revisions to the "Management – The Advisor" section, audited financial statements relating to the acquisition of the building in Hoffman Estates, Illinois, and certain other revisions to the prospectus. Supplement No. 13 includes descriptions of an acquisition of a partnership interest in an entity which owns a building in Chicago, Illinois; acquisition of all of the outstanding common stock of a real estate investment trust, which owns interests in three buildings in the Washington, DC area; acquisition of all of the membership interest in a limited liability company which owns a building in Arlington, Virginia; updated unaudited financial statements of the Wells REIT for the first quarter of 2003; and certain other revisions to the prospectus.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

Up to 300,000,000 shares offered to the public

Wells Real Estate Investment Trust, Inc. (Wells REIT) is a real estate investment trust. We invest in commercial real estate properties primarily consisting of high grade office and industrial buildings leased to large corporate tenants. As of July 1, 2002, we owned interests in 53 real estate properties located in 19 states.

We are offering and selling to the public up to 300,000,000 shares for $10 per share and up to 30,000,000 shares to be issued pursuant to our dividend reinvestment plan at a purchase price of $10 per share. We are registering an additional 6,600,000 shares for issuance at $12 per share to participating broker-dealers upon their exercise of warrants.

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

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

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

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

The Offering:

- The shares will be offered on a best efforts basis to investors at $10 per share.
- We will pay selling commissions to broker-dealers of 7% and a dealer manager fee of 2.5% out of the offering proceeds raised.
- We will invest approximately 84% of the offering proceeds raised in real estate properties, and the balance will be used to pay fees and expenses.
- This offering will terminate on or before July 25, 2004.

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

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

WELLS INVESTMENT SECURITIES, INC.

July 26, 2002

TABLE OF CONTENTS

Questions and Answers About this Offering 1
Prospectus Summary 10
Risk Factors 17
  Investment Risks 17
  Real Estate Risks 22
  Section 1031 Exchange Program Risks 25
  Federal Income Tax Risks 27
  Retirement Plan Risks 28
Suitability Standards 28
Estimated Use of Proceeds 30
Management 31
  General 31
  Committees of the Board of Directors 33
  Executive Officers and Directors 34
  Compensation of Directors 38
  Independent Director Stock Option Plan 38
  Independent Director Warrant Plan 40
  2000 Employee Stock Option Plan 40
  Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents 41
  The Advisor 43
  The Advisory Agreement 44
  Shareholdings 46
  Affiliated Companies 47
  Management Decisions 49
Management Compensation 49
Stock Ownership 53
Conflicts of Interest 54
  Interests in Other Real Estate Programs 54
  Other Activities of Wells Capital and its Affiliates 55
  Competition 55
  Affiliated Dealer Manager 56
  Affiliated Property Manager 56
  Lack of Separate Representation 56
  Joint Ventures with Affiliates of Wells Capital 56
  Receipt of Fees and Other Compensation by Wells Capital and its Affiliates 56
  Certain Conflict Resolution Procedures 57
Investment Objectives and Criteria 58
  General 58
  Acquisition and Investment Policies 59
  Development and Construction of Properties 61
  Terms of Leases and Tenant Creditworthiness 61
  Joint Venture Investments 62
  Section 1031 Exchange Program 63
  Borrowing Policies 64
  Disposition Policies 65
  Investment Limitations 65
  Change in Investment Objectives and Limitations 67

Description of Real Estate Investments 67
General 67
Joint Ventures with Affiliates 71
Description of Properties 74
Property Management Fees 99
Real Estate Loans 99
Selected Financial Data 101
Management's Discussion and Analysis of Financial Condition and Results of Operations 101
General 101
Liquidity and Capital Resources 102
Cash Flows From Operating Activities 102
Cash Flow From Investing Activities 103
Cash Flows From Financing Activities 103
Results of Operations 103
Property Operations 104
Funds From Operations 105
Inflation 106
Critical Accounting Policies 106
Straight-Lined Rental Revenues 107
Operating Cost Reimbursements 107
Real Estate 107
Deferred Project Costs 107
Deferred Offering Costs 107
Prior Performance Summary 108
Publicly Offered Unspecified Real Estate Programs 109
Federal Income Tax Considerations 117
General 117
Requirements for Qualification as a REIT 119
Failure to Qualify as a REIT 124
Sale-Leaseback Transactions 124
Taxation of U.S. Stockholders 124
Treatment of Tax-Exempt Stockholders 126
Special Tax Considerations for Non-U.S. Stockholders 127
Statement of Stock Ownership 129
State and Local Taxation 129
Tax Aspects of Our Operating Partnership 129
ERISA Considerations 132
Plan Asset Considerations 134
Other Prohibited Transactions 135
Annual Valuation 136
Description of Shares 137
Common Stock 137
Preferred Stock 137
Meetings and Special Voting Requirements 137
Restriction on Ownership of Shares 138
Dividends 139
Dividend Reinvestment Plan 140
Share Redemption Program 141
Restrictions on Roll-Up Transactions 142
Business Combinations 143
Control Share Acquisitions 143

Table of Contents

The Operating Partnership Agreement 143
General 143
Capital Contributions 144
Operations 144
Exchange Rights 145
Transferability of Interests 145
Plan of Distribution 146
General 146
Underwriting Compensation and Terms 146
Subscription Procedures 150
Supplemental Sales Material 151
Legal Opinions 152
Experts 152
Changes in Principal Accountant 152
Audited Financial Statements 152
Unaudited Financial Statements 153
Additional Information 153
Glossary 153
Financial Statements 154
Prior Performance Tables 210
Subscription Agreement Exhibit A
Amended and Restated Dividend Reinvestment Plan Exhibit B

QUESTIONS AND ANSWERS ABOUT THIS OFFERING

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

Q: What is a REIT?

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

- combines the capital of many investors to acquire or provide financing for real estate properties;
- pays dividends to investors of at least 90% of its taxable income;
- avoids the "double taxation" treatment of income that would normally result from investments in a corporation because a REIT is not generally subject to federal corporate income taxes on its net income, provided certain income tax requirements are satisfied; and
- allows individual investors to invest in a large-scale diversified real estate portfolio through the purchase of interests, typically shares, in the REIT.

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

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

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

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

Q: Who is Wells Capital?

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

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

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

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

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

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

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

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

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

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

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

Q: Why do you acquire properties in joint ventures?

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

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

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

Q: What are the terms of your leases?

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

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

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

Q: What is an “UPREIT”?

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

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

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

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

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

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

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

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

Q: May I reinvest my dividends in shares of the Wells REIT?

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

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

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

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

A: We will use your investment proceeds to purchase high-grade commercial office and industrial buildings. We intend to invest a minimum of 84% of the proceeds from this offering to acquire real estate properties, and the remaining proceeds will be used to pay fees and expenses of this offering and acquisition-related expenses. The payment of these fees and expenses will not reduce your invested capital. Your initial invested capital amount will remain $10 per share, and your dividend yield will be based on your $10 per share investment.

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

We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares of common stock in our initial public offering, which commenced on January 30, 1998 and was terminated on December 19, 1999. Of the $132,181,919 raised in the initial offering, we invested a total of $111,032,812 in real estate properties. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,920 shares of common stock in our second public offering, which commenced on December 20, 1999 and was terminated on December 19, 2000. Of the $175,229,193 raised in the second offering, we invested a total of $147,192,522 in real estate properties. As of June 30, 2002, we had received approximately $1,148,480,414 in gross offering proceeds from the sale of 114,895,413 shares of common stock in our third offering, which commenced on December 20, 2000. Of this additional $1,148,480,414 raised in the third offering, we have invested $627,067,589 in real estate properties and, as of June 30, 2002, we have $344,269,118 available for investment in properties.

Q: What kind of offering is this?

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

Q: How does a "best efforts" offering work?

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

Q: How long will this offering last?

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

Q: Who can buy shares?

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

Q: Is there any minimum investment required?

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

Q: How do I subscribe for shares?

A: If you choose to purchase shares in this offering, you will need to fill out a Subscription Agreement, like the one contained in this prospectus as Exhibit A, for a specific number of shares and pay for the shares at the time you subscribe.

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

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

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

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

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

A: Our management team has extensive previous experience investing in and managing commercial real estate. Below is a short description of the background of each of our directors. See the "Management—Executive Officers and Directors" section on page 34 of this prospectus for a more detailed description of the background and experience of each of our directors.

- Leo F. Wells, III—President of the Wells REIT and founder of Wells Real Estate Funds and has been involved in real estate sales, management and brokerage services for over 30 years
- Douglas P. Williams—Executive Vice President, Secretary and Treasurer of the Wells REIT and former accounting executive at OneSource, Inc., a supplier of janitorial and landscape services
- John L. Bell—Former owner and Chairman of Bell-Mann, Inc., the largest flooring contractor in the Southeast
- Michael R. Buchanan—Former Managing Director of the Real Estate Banking Group of Bank of America
- Richard W. Carpenter—Former President and Chairman of the Board of Southmark Properties, an Atlanta-based REIT investing in commercial properties
- Bud Carter—Former broadcast news director and anchorman and current Senior Vice President for The Executive Committee, an organization established to aid corporate presidents and CEOs
- William H. Keogler, Jr.—Founder and former executive officer and director of Keogler, Morgan & Company, Inc., a full service brokerage firm
- Donald S. Moss—Former executive officer of Avon Products, Inc.
- Walter W. Sessoms—Former executive officer of BellSouth Telecommunications, Inc.
- Neil H. Strickland—Founder of Strickland General Agency, Inc., a property and casualty general insurance agency concentrating on commercial customers

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

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

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

Q: When will I get my detailed tax information?

A: Your Form 1099 tax information will be placed in the mail by January 31 of each year.

Q: Who can help answer my questions?

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

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

PROSPECTUS SUMMARY

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

Wells Real Estate Investment Trust, Inc.

Wells Real Estate Investment Trust, Inc. is a REIT that owns net leased commercial real estate properties. As of July 1, 2002, we owned interests in 53 commercial real estate properties located in 19 states. Our office is located at 6200 The Corners Parkway, Suite 250, Atlanta, Georgia 30092. Our telephone number outside the State of Georgia is 800-557-4830 (770-243-8282 in Georgia). We refer to Wells Real Estate Investment Trust, Inc. as the Wells REIT in this prospectus.

Our Advisor

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

Our Management

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

Our REIT Status

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

Summary Risk Factors

Following are the most significant risks relating to your investment:

- There is no public trading market for the shares, and we cannot assure you that one will ever develop. Until the shares are publicly traded, you will have a difficult time trying to sell your shares.
- You must rely on Wells Capital, our advisor, for the day-to-day management of our business and the selection of our real estate properties.

- To ensure that we continue to qualify as a REIT, our articles of incorporation prohibit any stockholder from owning more than 9.8% of our outstanding shares.
- We may not remain qualified as a REIT for federal income tax purposes, which would subject us to the payment of tax on our income at corporate rates and reduce the amount of funds available for payment of dividends to our stockholders.
- You will not have preemptive rights as a stockholder, so any shares we issue in the future may dilute your interest in the Wells REIT.
- We will pay significant fees to Wells Capital and its affiliates.
- Real estate investments are subject to cyclical trends that are out of our control.
- You will not have an opportunity to evaluate all of the properties that will be in our portfolio prior to investing.
- Loans we obtain will be secured by some of our properties, which will put those properties at risk of forfeiture if we are unable to pay our debts.
- Our investment in vacant land to be developed may create risks relating to the builder’s ability to control construction costs, failure to perform or failure to build in conformity with plans, specifications and timetables.
- The vote of stockholders owning at least a majority of our shares will bind all of the stockholders as to certain matters such as the election of our directors and amendment of our articles of incorporation.
- If we do not obtain listing of the shares on a national exchange by January 30, 2008, our articles of incorporation provide that we must begin to sell all of our properties and distribute the net proceeds to our stockholders.
- Our advisor will face various conflicts of interest resulting from its activities with affiliated entities.

Before you invest in the Wells REIT, you should see the complete discussion of the “Risk Factors” beginning on page 17 of this prospectus.

Description of Real Estate Investments

Please refer to the “Description of Real Estate Investments” section of this prospectus for a description of the real estate properties we have purchased to date and the various real estate loans we have outstanding. Wells Capital is currently evaluating additional potential property acquisitions. As we acquire new properties, we will provide supplements to this prospectus to describe these properties.

Estimated Use of Proceeds of Offering

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

Investment Objectives

Our investment objectives are:

- to maximize cash dividends paid to you;
- to preserve, protect and return your capital contribution;
- to realize growth in the value of our properties upon our ultimate sale of such properties; and
- to provide you with liquidity of your investment by listing the shares on a national exchange or, if we do not obtain listing of the shares by January 30, 2008, by selling our properties and distributing the cash to you.

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

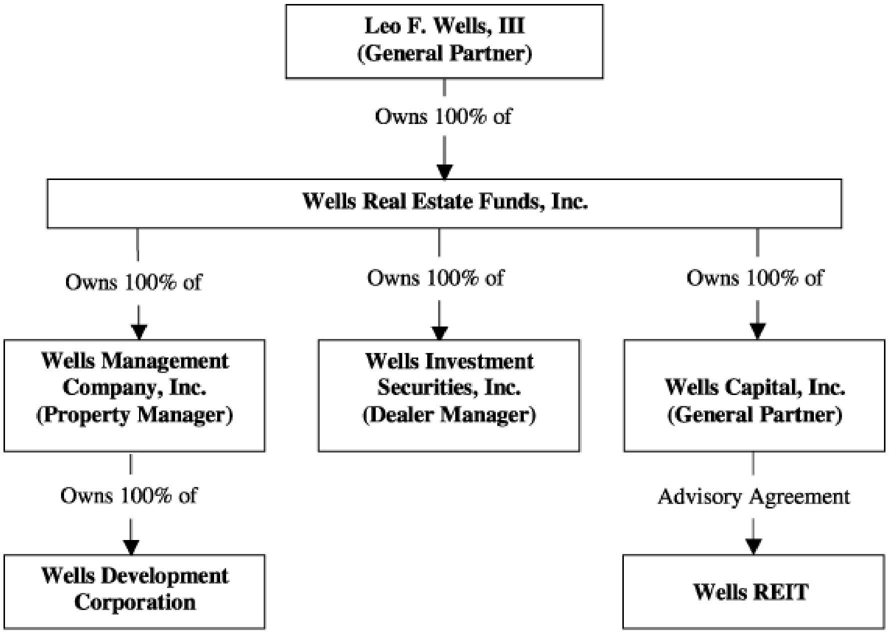
Conflicts of Interest

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

- Wells Capital will have to allocate its time between the Wells REIT and other real estate programs and activities in which it is involved;
- Wells Capital must determine which properties the Wells REIT or another Wells program or joint venture should acquire and which Wells program or other entity should enter into a joint venture with the Wells REIT for the acquisition and operation of specific properties;
- Wells Capital may compete with other Wells programs for the same tenants in negotiating leases or in selling similar properties at the same time; and
- Wells Capital and its affiliates will receive fees in connection with transactions involving the purchase, management and sale of our properties regardless of the quality of the property acquired or the services provided to us.

See the "Conflicts of Interest" section of this prospectus on page 54 for a detailed discussion of the various conflicts of interest relating to your investment, as well as the procedures that we have established to resolve a number of these potential conflicts.

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


Leo F. Wells, III
(General Partner)
Owns 100% of
Wells Real Estate Funds, Inc.
Owns 100% of
Owns 100% of
Owns 100% of
Wells Management Company, Inc. (Property Manager)
Wells Investment Securities, Inc. (Dealer Manager)
Wells Capital, Inc. (General Partner)
Owns 100% of
Advisory Agreement
Wells Development Corporation
Wells REIT

Prior Offering Summary

Wells Capital and its affiliates have previously sponsored 14 publicly offered real estate limited partnerships and the Wells REIT on an unspecified property or "blind pool" basis. As of June 30, 2002, they have raised approximately $1,795,000,000 from approximately 65,000 investors in these 15 public real estate programs. The "Prior Performance Summary" on page 108 of this prospectus contains a discussion of the Wells programs sponsored to date. Certain statistical data relating to the Wells programs with investment objectives similar to ours is also provided in the "Prior Performance Tables" included at the end of this prospectus.

The Offering

We are offering up to 300,000,000 shares to the public at $10 per share and up to 30,000,000 shares pursuant to our dividend reinvestment plan at $10 per share. We reserve the right in the future to reallocate additional dividend reinvestment shares out of the shares we are offering to the public, if necessary. We are also offering up to 6,600,000 shares to broker-dealers pursuant to warrants whereby participating broker-dealers will have the right to purchase one share for every 50 shares they sell in this offering. The exercise price for shares purchased pursuant to the warrants is $12 per share.

Terms of the Offering

We will begin selling shares in this offering upon the effective date of this prospectus, and this offering will terminate on or before July 25, 2004. However, we may terminate this offering at any time prior to such termination date. We will hold your investment proceeds in our account until we withdraw funds for the acquisition of real estate properties or the payment of fees and expenses. We generally admit stockholders to the Wells REIT on a daily basis.

Compensation to Wells Capital

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

Type of Compensation	Form of Compensation	Estimated $$ Amount for Maximum Offering (330,000,000 shares)
	Offering Stage	
Selling Commissions	7.0% of gross offering proceeds	$231,000,000
Dealer Manager Fee	2.5% of gross offering proceeds	$82,500,000
Organization and Offering Expenses	3.0% of gross offering proceeds	$49,500,000 (estimated)
	Acquisition and Development Stage	
Acquisition and Advisory Fees	3.0% of gross offering proceeds	$99,000,000
Acquisition Expenses	0.5% of gross offering proceeds	$16,500,000
	Operational Stage	
Property Management	4.5% of gross revenues	N/A
Initial Lease-Up Fee for Newly Constructed Property	Competitive fee for geographic location of property based on a survey of brokers and agents (customarily equal to the first month's rent)	N/A
Real Estate Commissions	3.0% of contract price for properties sold after investors receive a return of capital plus an 8.0% return on capital	N/A
Subordinated Participation In Net Sale Proceeds (Payable only if the Wells REIT is not listed on an exchange)	10.0% of remaining amounts of net sale proceeds after return of capital plus payment to investors of an 8.0% cumulative non-compounded return on the capital contributed by investors	N/A
Subordinated Incentive Listing Fee (Payable only if the Wells REIT is listed on an exchange)	10.0% of the amount by which the adjusted market value of the Wells REIT exceeds the aggregate capital contributions contributed by investors	N/A

There are many additional conditions and restrictions on the amount of compensation Wells Capital and its affiliates may receive. There are also some smaller items of compensation and expense reimbursements that Wells Capital may receive. For a more detailed explanation of these fees and expenses payable to Wells Capital and its affiliates, please see the "Management Compensation" section of this prospectus on page 49.

Dividend Policy

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

Listing

Our articles of incorporation allow us to list our shares on a national securities exchange on or before January 30, 2008. In the event we do not obtain listing prior to that date, our articles of incorporation require us to begin selling our properties and liquidating our assets.

Dividend Reinvestment Plan

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

Share Redemption Program

We may use proceeds received from the sale of shares pursuant to our dividend reinvestment plan to redeem your shares. After you have held your shares for a minimum of one year, our share redemption program provides an opportunity for you to redeem your shares, subject to certain restrictions and limitations, for the lesser of $10 per share or the price you actually paid for your shares. Our board of directors reserves the right to amend or terminate the share redemption program at any time. Our board of directors has delegated to our officers the right to (1) waive the one-year holding period in the event of the death or bankruptcy of a stockholder or other exigent circumstances, or (2) reject any request for redemption at any time and for any reason. You will have no right to request redemption of your shares should our shares become listed on a national exchange. (See "Description of Shares—Share Redemption Program.")

Wells Operating Partnership, L.P.

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

ERISA Considerations

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

Description of Shares

General

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

Stockholder Voting Rights and Limitations

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

Restriction on Share Ownership

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

For a more complete description of the shares, including restrictions on the ownership of shares, please see the “Description of Shares” section of this prospectus on page 137.

RISK FACTORS

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

Investment Risks

Marketability Risk

There is no public trading market for your shares.

There is no current public market for the shares and, therefore, it will be difficult for you to sell your shares promptly. In addition, the price received for any shares sold is likely to be less than the proportionate value of the real estate we own. Therefore, you should purchase the shares only as a long-term investment. See "Description of Shares—Share Redemption Program" for a description of our share redemption program.

Management Risks

You must rely on Wells Capital for selection of properties.

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

We depend on key personnel.

Our success depends to a significant degree upon the continued contributions of certain key personnel, including Leo F. Wells, III, Douglas P. Williams, M. Scott Meadows, David H. Steinwedell, and John G. Oliver, each of whom would be difficult to replace. None of our key personnel are currently subject to employment agreements, nor do we maintain any key person life insurance on our key personnel. If any of our key personnel were to cease employment with us, our operating results could suffer. We also believe that our future success depends, in large part, upon our ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting and retaining such skilled personnel.

Conflicts of Interest Risks

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

Wells Capital, our advisor, and its affiliates are general partners and sponsors of other real estate programs having investment objectives and legal and financial obligations similar to the Wells REIT. Because Wells Capital and its affiliates have interests in other real estate programs and also engage in other business activities, they may have conflicts of interest in allocating their time between our business and these other activities. During times of intense activity in other programs and ventures, they may devote less time and resources to our business than is necessary or appropriate. (See "Conflicts of Interest.") If Wells Capital, for any reason, is not able to provide investment opportunities to us consistent with our investment objectives in a timely manner, we may have lower returns on our investments.

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

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

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

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

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

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

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

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

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

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

Agreements and transactions between the parties with respect to joint ventures between the Wells REIT and other Wells programs will not have the benefit of arm's length negotiation of the type normally conducted between unrelated co-venturers. Under these joint venture agreements, none of the co-venturers may have the power to control the venture, and an impasse could be reached regarding matters pertaining to the joint venture, which might have a negative impact on the joint venture and decrease potential returns to you. In the event that a co-venturer has a right of first refusal to buy out the other co-venturer, it may be unable to finance such buy-out at that time. It may also be difficult for us to sell our interest in any such joint venture or partnership or as a co-tenant in property. In addition, to the extent that our co-venturer, partner or co-tenant is an affiliate of Wells Capital, certain conflicts of interest will exist. (See "Conflicts of Interest—Joint Ventures with Affiliates of Wells Capital.")

General Investment Risks

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

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

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

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

- any person who beneficially owns 10% or more of the voting power of our outstanding shares;
- any of our affiliates who, at any time within the two year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our outstanding shares (interested stockholder); or
- an affiliate of an interested stockholder.

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

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

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

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

Even though our share redemption program provides you with the opportunity to redeem your shares for $10 per share (or the price you paid for the shares, if lower than $10) after you have held them for a period of one year, you should be fully aware that our share redemption program contains certain restrictions and limitations. Shares will be redeemed on a first-come, first-served basis and will be limited to the lesser of (1) during any calendar year, three percent (3%) of the weighted average number of shares outstanding during the prior calendar year, or (2) the proceeds we receive from the sale of shares under our dividend reinvestment plan such that in no event shall the aggregate amount of redemptions under our share redemption program exceed aggregate proceeds received from the sale of shares pursuant to our dividend reinvestment plan. Our board of directors reserves the right to amend or terminate the share redemption program at any time. In addition, the board of directors has delegated authority to our officers to reject any request for redemption for any reason at any time. Therefore, in making a decision to purchase shares of the Wells REIT, you should not assume that you will be able to sell any of your shares back to us pursuant to our share redemption program. (See "Description of Shares—Share Redemption Program.")

We established the offering price on an arbitrary basis.

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

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

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

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

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

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

The availability and timing of cash dividends is uncertain.

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

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

Substantially all of the gross proceeds of the offering will be used for investment in properties and for payment of various fees and expenses. (See "Estimated Use of Proceeds.") In addition, we do not anticipate that we will maintain any permanent working capital reserves. Accordingly, in the event that we develop a need for additional capital in the future for the improvement of our properties or for any other reason, we have not identified any sources for such funding, and we cannot assure you that such sources of funding will be available to us for potential capital needs in the future.

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

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

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

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

Real Estate Risks

General Real Estate Risks

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

We will be subject to risks generally incident to the ownership of real estate, including:

- changes in general economic or local conditions;
- changes in supply of or demand for similar or competing properties in an area;
- changes in interest rates and availability of permanent mortgage funds which may render the sale of a property difficult or unattractive;
- changes in tax, real estate, environmental and zoning laws; and
- periods of high interest rates and tight money supply.

For these and other reasons, we cannot assure you that we will be profitable or that we will realize growth in the value of our real estate properties.

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

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

We are dependent on tenants for our revenue.

Most of our properties are occupied by a single tenant and, therefore, the success of our investments are materially dependent on the financial stability of our tenants. Lease payment defaults by tenants would most likely cause us to reduce the amount of distributions to stockholders. A default of a tenant on its lease payments to us would cause us to lose the revenue from the property and cause us to have to find one or more additional tenants. If there are a substantial number of tenants that are in default at any one time, we could have difficulty making mortgage payments that could result in foreclosures of properties subject to a mortgage. In the event of a default, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-letting our property. If a lease is terminated, we cannot assure you that we will be able to lease the property for the rent previously received or sell the property without incurring a loss.

We rely on certain tenants.

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

We may not have funding for future tenant improvements.

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

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

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

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

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

Competition for investments may increase costs and reduce returns.

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

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

Delays we encounter in the selection, acquisition and development of properties could adversely affect your returns. Where we acquire properties prior to the start of construction or during the early stages of construction, it will typically take several months to complete construction and rent available space. Therefore, you could suffer delays in the distribution of cash dividends attributable to those particular properties. In addition, if we are unable to invest our offering proceeds in income producing real properties in a timely manner, we may not be able to continue to pay the dividend rates we are currently paying to our stockholders.

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

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

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

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

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

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

Financing Risks

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

We generally secure the loans we obtain to fund property acquisitions with first priority mortgages on some of our properties. If we are unable to make our debt payments as required, a lender could foreclose on the property or properties securing its debt. This could cause us to lose part or all of our investment which in turn could cause a reduction in the value of the shares and the dividends payable to our stockholders. (See "Description of Real Estate Investments —Real Estate Loans.")

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

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

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

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

Section 1031 Exchange Program Risks

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

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

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

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

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

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

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

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

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

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

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

Federal Income Tax Risks

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

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

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

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

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

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

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

Legislative or regulatory action could adversely affect investors.

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

Retirement Plan Risks

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

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

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

For a more complete discussion of the foregoing issues and other risks associated with an investment in shares by retirement plans, please see the "ERISA Considerations" section of this prospectus on page 132.

SUITABILITY STANDARDS

The shares we are offering are suitable only as a long-term investment for persons of adequate financial means. Initially, we do not expect to have a public market for the shares, which means that you may have difficulty selling your shares. You should not buy these shares if you need to sell them immediately or will need to sell them quickly in the future. In consideration of these factors, we have established suitability standards for initial stockholders and subsequent transferees. These suitability standards require that a purchaser of shares have either:

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

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

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

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

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

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

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

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

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

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

ESTIMATED USE OF PROCEEDS

The following tables set forth information about how we intend to use the proceeds raised in this offering assuming that we sell 165,000,000 shares and 330,000,000 shares, respectively, pursuant to this offering. Many of the figures set forth below represent management's best estimate since they cannot be precisely calculated at this time. We expect that at least 84.0% of the money you invest will be used to buy real estate, while the remaining up to 16.0% will be used for working capital and to pay expenses and fees, including the payment of fees to Wells Capital, our advisor, and Wells Investment Securities, our Dealer Manager.

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

(Footnotes to "Estimated Use of Proceeds")

1. Assumes that an aggregate of $1,650,000,000 will be raised in this offering for purposes of illustrating the percentage of estimated organization and offering expenses at two different sales levels. See Note 4 below.
2. Assumes the maximum offering is sold which includes 300,000,000 shares offered to the public at $10 per share and 30,000,000 shares offered pursuant to our dividend reinvestment plan at $10 per share. Excludes 6,600,000 shares to be issued upon exercise of the soliciting dealer warrants.
3. Includes *selling commissions* equal to 7.0% of aggregate gross offering proceeds which commissions may be reduced under certain circumstances and a *dealer manager fee* equal to 2.5% of aggregate gross offering proceeds, both of which are payable to the Dealer Manager, an affiliate of our advisor. The Dealer Manager, in its sole discretion, may reallow selling commissions of up to 7.0% of gross offering proceeds to other broker-dealers participating in this offering (Participating Dealers) attributable to the amount of shares sold by them. In addition, the Dealer Manager may reallow a portion of its dealer manager fee to Participating Dealers in the aggregate amount of up to 1.5% of gross offering proceeds to be paid to such Participating Dealers as marketing fees, or to reimburse representatives of such Participating Dealers the costs and expenses of attending our educational conferences and seminars. The amount of selling commissions may often be reduced under certain circumstances for volume discounts. See the "Plan of Distribution" section of this prospectus for a description of such provisions.
4. *Organization and offering expenses* consist of reimbursement of actual legal, accounting, printing and other accountable offering expenses, other than selling commissions and the dealer manager fee, including amounts to reimburse Wells Capital, our advisor, for all marketing related costs and expenses, including, but not limited to, salaries and direct expenses of our advisor's employees while engaged in registering and marketing the shares and other marketing and organization costs, technology costs and expenses attributable to the offering, costs and expenses of conducting our

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

5. Until required in connection with the acquisition and development of properties, substantially all of the net proceeds of the offering and, thereafter, the working capital reserves of the Wells REIT, may be invested in short-term, highly-liquid investments including government obligations, bank certificates of deposit, short-term debt obligations and interest-bearing accounts or other authorized investments as determined by our board of directors.
6. *Acquisition and advisory fees* are defined generally as fees and commissions paid by any party to any person in connection with the purchase, development or construction of properties. We will pay Wells Capital, as our advisor, acquisition and advisory fees up to a maximum amount of 3.0% of gross offering proceeds in connection with the acquisition of the real estate properties. Acquisition and advisory fees do not include acquisition expenses.
7. *Acquisition expenses* include legal fees and expenses, travel expenses, costs of appraisals, nonrefundable option payments on property not acquired, accounting fees and expenses, title insurance premiums and other closing costs and miscellaneous expenses relating to the selection, acquisition and development of real estate properties. We will pay Wells Capital, our advisor, acquisition expenses up to a maximum of 0.5% of gross offering proceeds as reimbursement for the payment of such expenses.
8. Because the vast majority of leases for the properties acquired by the Wells REIT will provide for tenant reimbursement of operating expenses, we do not anticipate that a permanent reserve for maintenance and repairs of real estate properties will be established. However, to the extent that we have insufficient funds for such purposes, we may apply an amount of up to 1.0% of gross offering proceeds for maintenance and repairs of real estate properties. We also may, but are not required to, establish reserves from gross offering proceeds, out of cash flow generated by operating properties or out of nonliquidating net sale proceeds, defined generally to mean the net cash proceeds received by the Wells REIT from any sale or exchange of properties.
9. Includes amounts anticipated to be invested in properties net of fees and expenses. We estimate that at least 84.0% of the proceeds received from the sale of shares will be used to acquire properties.

MANAGEMENT

General

We operate under the direction of our board of directors, the members of which are accountable to us and our stockholders as fiduciaries. The board is responsible for the management and control of our affairs. The board has retained Wells Capital to manage our day-to-day affairs and the acquisition and disposition of our investments, subject to the board’s supervision. Our articles of incorporation were reviewed and ratified by our board of directors, including the independent directors, at their initial meeting. This ratification by our board of directors was required by the NASAA Guidelines.

Our articles of incorporation and bylaws provide that the number of directors of the Wells REIT may be established by a majority of the entire board of directors but may not be fewer than three nor more than 15. We currently have a total of ten directors. Our articles of incorporation also provide that a majority of the directors must be independent directors. An "independent director" is a person who is not an officer or employee of the Wells REIT, Wells Capital or their affiliates and has not otherwise been affiliated with such entities for the previous two years. Of the ten current directors, eight of our directors are considered independent directors.

Proposed transactions are often discussed before being brought to a final board vote. During these discussions, independent directors often offer ideas for ways in which deals can be changed to make them acceptable and these suggestions are taken into consideration when structuring transactions. Each director will serve until the next annual meeting of stockholders or until his successor has been duly elected and qualified. Although the number of directors may be increased or decreased, a decrease shall not have the effect of shortening the term of any incumbent director.

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

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

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

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

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

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

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

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

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

Committees of the Board of Directors

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

Audit Committee

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

Compensation Committee

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

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

Advisory Committees

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

Executive Officers and Directors

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

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

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

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

Mr. Wells was a real estate salesman and property manager from 1970 to 1973 for Roy D. Warren & Company, an Atlanta-based real estate company, and he was associated from 1973 to 1976 with Sax Gaskin Real Estate Company, during which time he became a Life Member of the Atlanta Board of Realtors Million Dollar Club. From 1980 to February 1985 he served as Vice President of Hill-Johnson, Inc., a Georgia corporation engaged in the construction business. Mr. Wells holds a Bachelor of Business Administration degree in economics from the University of Georgia. Mr. Wells is a member of the International Association for Financial Planning (IAFP) and a registered NASD principal.

Mr. Wells has over 30 years of experience in real estate sales, management and brokerage services. In addition to being the President and a director of the Wells REIT, he is currently a co-general partner in a total of 27 real estate limited partnerships formed for the purpose of acquiring, developing and operating office buildings and other commercial properties. As of June 30, 2002, these 27 real estate limited partnerships represented investments totaling approximately $347,154,000 from approximately 28,000 investors.

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

- Wells Investment Securities, Inc., our Dealer Manager;
- Wells Real Estate Funds, Inc.; and
- Wells Advisors, Inc. (See "Conflicts of Interest.")

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

Mr. Williams is a member of the American Institute of Certified Public Accountants and the Georgia Society of Certified Public Accountants and is licensed with the NASD as a financial and operations principal. Mr. Williams received a Bachelor of Arts degree from Dartmouth College and a Masters of Business Administration degree from the Amos Tuck School of Graduate Business Administration at Dartmouth College.

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

Mr. Bell currently serves on the Board of Directors of Electronic Commerce Systems, Inc. and the Cullasaja Club of Highlands, North Carolina. Mr. Bell is also extensively involved in buying and selling real estate both individually and in partnership with others. Mr. Bell graduated from Florida State University majoring in accounting and marketing.

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

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

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

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

Mr. Carpenter previously served as Vice Chairman of the board of directors of both First Liberty Financial Corp. and Liberty Savings Bank, F.S.B. and Chairman of the Audit Committee of First Liberty Financial Corp. He has been a member of The National Association of Real Estate Investment Trusts and formerly served as President and Chairman of the Board of Southmark Properties, an Atlanta-based REIT which invested in commercial properties. Mr. Carpenter is a past Chairman of the American Bankers Association Housing and Real Estate Finance Division Executive Committee. Mr. Carpenter holds a Bachelor of Science degree from Florida State University, where he was named the outstanding alumnus of the School of Business in 1973.

Bud Carter was an award-winning broadcast news director and anchorman for several radio and television stations in the Midwest for over 20 years. From 1975 to 1980, Mr. Carter served as General Manager of WTAZ-FM, a radio station in Peoria, Illinois and served as editor and publisher of The Peoria Press, a weekly business and political journal in Peoria, Illinois. From 1981 until 1989, Mr. Carter was also an owner and General Manager of Transitions, Inc., a corporate outplacement company in Atlanta, Georgia.

Mr. Carter currently serves as Senior Vice President for The Executive Committee, an international organization established to aid presidents and CEOs to share ideas on ways to improve the management and profitability of their respective companies. The Executive Committee operates in numerous large cities throughout the United States, Canada, Australia, France, Italy, Malaysia, Brazil, the United Kingdom and Japan. The Executive Committee has more than 7,000 presidents and CEOs who are members. In addition, Mr. Carter was the first Chairman of the organization recruited in Atlanta and still serves as Chairman of the first two groups formed in Atlanta, each comprised of 16 noncompeting CEOs and presidents. Mr. Carter serves on the board of directors of Creative Storage Systems, Inc., DiversiTech Coporation and Wavebase9. He is a graduate of the University of Missouri where he earned degrees in journalism and social psychology.

William H. Keogler, Jr. was employed by Brooke Bond Foods, Inc. as a Sales Manager from June 1965 to September 1968. From July 1968 to December 1974, Mr. Keogler was employed by Kidder Peabody & Company, Inc. and Dupont, Glore, Forgan as a corporate bond salesman responsible for managing the industrial corporate bond desk and the utility bond area. From December 1974 to July 1982, Mr. Keogler was employed by Robinson-Humphrey, Inc. as the Director of Fixed Income Trading Departments responsible for all municipal bond trading and municipal research, corporate and government bond trading, unit trusts and SBA/FHA loans, as well as the oversight of the publishing of the Robinson-Humphrey Southeast Unit Trust, a quarterly newsletter. Mr. Keogler was elected to the Board of Directors of Robinson-Humphrey, Inc. in 1982. From July 1982 to October 1984, Mr. Keogler was Executive Vice President, Chief Operating Officer, Chairman of the Executive Investment Committee and member of the board of directors and Chairman of the MFA Advisory Board for the Financial Service

Corporation. He was responsible for the creation of a full service trading department specializing in general securities with emphasis on municipal bonds and municipal trusts. Under his leadership, Financial Service Corporation grew to over 1,000 registered representatives and over 650 branch offices. In March 1985, Mr. Keogler founded Keogler, Morgan & Company, Inc., a full service brokerage firm, and Keogler Investment Advisory, Inc., in which he served as Chairman of the Board, President and Chief Executive Officer. In January 1997, both companies were sold to SunAmerica, Inc., a publicly traded New York Stock Exchange company. Mr. Keogler continued to serve as President and Chief Executive Officer of these companies until his retirement in January 1998.

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

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

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

Walter W. Sessoms was employed by Southern Bell and its successor company, BellSouth, from 1956 until his retirement in June 1997. While at BellSouth, Mr. Sessoms served in a number of key positions, including Vice President-Residence for the State of Georgia from June 1979 to July 1981, Vice President-Transitional Planning Officer from July 1981 to February 1982, Vice President-Georgia from February 1982 to June 1989, Senior Vice President-Regulatory and External Affairs from June 1989 to November 1991, and Group President-Services from December 1991 until his retirement on June 30, 1997.

Mr. Sessoms currently serves as a director of the Georgia Chamber of Commerce for which he is a past Chairman of the Board, the Atlanta Civic Enterprises and the Salvation Army’s Board of Visitors of the Southeast Region. Mr. Sessoms is also a past executive advisory council member for the University of Georgia College of Business Administration and past member of the executive committee of the Atlanta Chamber of Commerce. Mr. Sessoms is a graduate of Wofford College where he earned a degree in economics and business administration, and is currently a member of the Wofford College Board of Trustees. He is a member of the Governor’s Education Reform Commission. In addition, Mr. Sessoms is a member of the Board of Trustees of the Southern Center for International Studies and is currently President of the Atlanta Rotary Club.

Neil H. Strickland was employed by Loyalty Group Insurance (which subsequently merged with America Fore Loyalty Group and is now known as The Continental Group) as an automobile insurance underwriter. From 1957 to 1961, Mr. Strickland served as Assistant Supervisor of the Casualty Large Lines Retrospective Rating Department. From 1961 to 1964, Mr. Strickland served as Branch Manager of Wolverine Insurance Company, a full service property and casualty service company, where he had full responsibility for underwriting of insurance and office administration in the State of Georgia. In 1964, Mr. Strickland and a non-active partner started Superior Insurance Service, Inc., a property and casualty wholesale general insurance agency. Mr. Strickland served as President and was responsible for the underwriting and all other operations of the agency. In 1967, Mr. Strickland sold his interest in

Superior Insurance Service, Inc. and started Strickland General Agency, Inc., a property and casualty general insurance agency concentrating on commercial customers. Mr. Strickland is currently the Senior Operation Executive of Strickland General Agency, Inc. and devotes most of his time to long-term planning, policy development and senior administration.

Mr. Strickland is a past President of the Norcross Kiwanis Club and served as both Vice President and President of the Georgia Surplus Lines Association. He also served as President and a director of the National Association of Professional Surplus Lines Offices. Mr. Strickland currently serves as a director of First Capital Bank, a community bank located in the State of Georgia. Mr. Strickland attended Georgia State University where he majored in business administration. He received his L.L.B. degree from Atlanta Law School.

Compensation of Directors

We pay each of our independent directors $3,000 per regularly scheduled quarterly board meeting attended, $1,000 per regularly scheduled advisory committee meeting attended and $250 per special board meeting attended whether held in person or by telephone conference. In addition, we have reserved 100,000 shares of common stock for future issuance upon the exercise of stock options granted to the independent directors pursuant to our Independent Director Stock Option Plan and 500,000 shares for future issuance upon the exercise of warrants to be granted to the independent directors pursuant to our Independent Director Warrant Plan. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors. If a director also is an officer of the Wells REIT, we do not pay separate compensation for services rendered as a director.

Independent Director Stock Option Plan

Our Independent Director Stock Option Plan (Director Option Plan) was approved by our stockholders at the annual stockholders meeting held June 16, 1999. We issued non-qualified stock options to purchase 2,500 shares (Initial Options) to each independent director pursuant to our Director Option Plan. In addition, we issued options to purchase 1,000 shares to each independent director then in office in connection with the 2000, 2001 and 2002 annual meeting of stockholders and will continue to issue options to purchase 1,000 shares (Subsequent Options) to each independent director then in office on the date of each annual stockholders' meeting. The Initial Options and the Subsequent Options are collectively referred to as the "Director Options." Director Options may not be granted at any time when the grant, along with grants to other independent directors, would exceed 10% of our issued and outstanding shares. As of the date of this prospectus, each independent director (except for Michael R. Buchanan, who was recently appointed as an independent director and will be awarded 2,500 Initial Options) had been granted options to purchase a total of 5,500 shares under the Director Option Plan, of which 3,000 of those options were exercisable.

The exercise price for the Initial Options is $12.00 per share. The exercise price for the Subsequent Options is the greater of (1) $12.00 per share or (2) the fair market value of the shares on the date they are granted. Fair market value is defined generally to mean:

- the average closing price for the five consecutive trading days ending on such date if the shares are traded on a national exchange;
- the average of the high bid and low asked prices if the shares are quoted on NASDAQ;
- the average of the last 10 sales made pursuant to a public offering if there is a current public offering and no market maker for the shares;

- the average of the last 10 purchases (or fewer if less than 10 purchases) under our share redemption program if there is no current public offering; or
- the price per share under the dividend reinvestment plan if there are no purchases under the share redemption program.

One-fifth of the Initial Options were exercisable beginning on the date we granted them, one-fifth of the Initial Options became exercisable beginning in July 2000, one-fifth of the Initial Options became exercisable beginning in July 2001, one fifth of the Initial Options became exercisable beginning in July 2002 and the remaining one-fifth of the Initial Options will become exercisable beginning in July 2003. The Subsequent Options granted in connection with the 2000 annual stockholders' meeting became exercisable in June 2002. The remaining Subsequent Options granted under the Director Option Plan will become exercisable on the second anniversary of the date we grant them.

A total of 100,000 shares have been authorized and reserved for issuance under the Director Option Plan. If the number of outstanding shares is changed into a different number or kind of shares or securities through a reorganization or merger in which the Wells REIT is the surviving entity, or through a combination, recapitalization or otherwise, an appropriate adjustment will be made in the number and kind of shares that may be issued pursuant to exercise of the Director Options. A corresponding adjustment to the exercise price of the Director Options granted prior to any change will also be made. Any such adjustment, however, will not change the total payment, if any, applicable to the portion of the Director Options not exercised, but will change only the exercise price for each share.

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

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

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

- for the assumption by the successor corporation of the Director Options granted or the replacement of the Director Options with options covering the stock of the successor corporation, or a parent or subsidiary of such corporation, with appropriate adjustments as to the number and kind of shares and exercise prices;
- for the continuance of the Director Option Plan and the Director Options by such successor corporation under the original terms; or
- for the payment in cash or shares of common stock in lieu of and in complete satisfaction of such options.

Independent Director Warrant Plan

Our Independent Director Warrant Plan (Director Warrant Plan) was approved by our stockholders at the annual stockholders meeting held June 28, 2000. Our Director Warrant Plan provides for the issuance of warrants to purchase shares of our common stock (Warrants) to independent directors based on the number of shares of common stock that they purchase. The purpose of the Director Warrant Plan is to encourage our independent directors to purchase shares of our common stock. Beginning on the effective date of the Director Warrant Plan and continuing until the earlier to occur of (1) the termination of the Director Warrant Plan by action of the board of directors or otherwise, or (2) 5:00 p.m. EST on the date of listing of our shares on a national securities exchange, each independent director will receive one Warrant for every 25 shares of common stock he purchases. The exercise price of the Warrants will be $12.00 per share.

A total of 500,000 Warrants have been authorized and reserved for issuance under the Director Warrant Plan, each of which will be redeemable for one share of our common stock. Upon our dissolution or liquidation, or upon a reorganization, merger or consolidation, where we are not the surviving corporation, or upon our sale of all or substantially all of our properties, the Director Warrant Plan shall terminate, and any outstanding Warrants shall terminate and be forfeited; provided, however, that holders of Warrants may exercise any Warrants that are otherwise exercisable immediately prior to the effective date of the dissolution, liquidation, consolidation or merger. Notwithstanding the above, our board of directors may provide in writing in connection with any such transaction for any or all of the following alternatives: (1) for the assumption by the successor corporation of the Warrants theretofore granted or the substitution by such corporation for such Warrants of awards covering the stock of the successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; (2) for the continuance of the Director Warrant Plan by such successor corporation in which event the Director Warrant Plan and the Warrants shall continue in the manner and under the terms so provided; or (3) for the payment in cash or shares in lieu of and in complete satisfaction of such Warrants.

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

Employee Stock Option Plan

Our 2000 Employee Stock Option Plan (Employee Option Plan) was approved by our stockholders at the annual stockholders meeting held June 28, 2000. Our Employee Option Plan is designed to enable Wells Capital and Wells Management to obtain or retain the services of employees considered essential to our long range success and the success of Wells Capital and Wells Management by offering such employees an opportunity to participate in the growth of the Wells REIT through ownership of our common stock.

Our Employee Option Plan provides for the formation of a Compensation Committee consisting of two or more of our independent directors. (See "Committees of the Board of Directors.") The Compensation Committee shall conduct the general administration of the Employee Option Plan. The

Compensation Committee is authorized to grant “non-qualified” stock options (Employee Options) to selected employees of Wells Capital and Wells Management based upon the recommendation of Wells Capital and subject to the absolute discretion of the Compensation Committee and applicable limitations of the Employee Option Plan. The exercise price for the Employee Options shall be the greater of (1) $11.00 per share, or (2) the fair market value of the shares on the date the option is granted. A total of 750,000 shares have been authorized and reserved for issuance under our Employee Option Plan. To date, we have not issued any stock options under our Employee Option Plan.

The Compensation Committee shall set the term of the Employee Options in its discretion, although no Employee Option shall have a term greater than five years from the later of (1) the date our shares become listed on a national securities exchange, or (2) the date the Employee Option is granted. The employee receiving Employee Options shall agree to remain in employment with his employer for a period of one year after the Employee Option is granted. The Compensation Committee shall set the period during which the right to exercise an option vests in the holder of the option. No Employee Option issued may be exercised, however, if such exercise would jeopardize our status as a REIT under the Internal Revenue Code. In addition, no option may be sold, pledged, assigned or transferred by an employee in any manner other than by will or the laws of descent or distribution.

In the event that the Compensation Committee determines that any dividend or other distribution, recapitalization, stock split, reorganization, merger, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of our assets, or other similar corporate transaction or event, affects the shares such that an adjustment is determined by the Compensation Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Employee Option Plan or with respect to an Employee Option, then the Compensation Committee shall, in such manner as it may deem equitable, adjust the number and kind of shares or the exercise price with respect to any option.

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

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

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

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

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

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

- our directors, Wells Capital or its affiliates have determined, in good faith, that the course of conduct which caused the loss or liability was in our best interests;
- our directors, Wells Capital or its affiliates were acting on our behalf or performing services for us;
- in the case of affiliated directors, Wells Capital or its affiliates, the liability or loss was not the result of negligence or misconduct by the party seeking indemnification;
- in the case of independent directors, the liability or loss was not the result of gross negligence or willful misconduct by the party seeking indemnification; and
- the indemnification or agreement to hold harmless is recoverable only out of our net assets and not from the stockholders.

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

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

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

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

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

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

The Advisor

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

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

Name	Age	Positions
Leo F. Wells, III	58	President, Treasurer and sole director
Douglas P. Williams	51	Senior Vice President and Assistant Secretary
Stephen G. Franklin	54	Senior Vice President
Kim R. Comer	48	Vice President
Claire C. Janssen	39	Vice President
David H. Steinwedell	42	Vice President

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

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

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

Kim R. Comer is a Vice President of Wells Capital. He is primarily responsible for developing, implementing and monitoring initiatives to further the strategic objectives of Wells Capital. He rejoined Wells Capital as National Vice President of Marketing in April 1997 after working for Wells Capital in similar capacities from January 1992 through September 1995. In prior positions with Wells Capital, he served as both Vice President and Director of Customer Care Services and Vice President of Marketing for the southeast and northeast regions. Mr. Comer has over 10 years experience in the securities industry and is a registered representative and financial principal with the NASD. Additionally, he has substantial financial experience including experience as controller and chief financial officer of two regional broker-dealers. In 1976, Mr. Comer graduated with honors from Georgia State University with a BBA degree in accounting.

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

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

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

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

The Advisory Agreement

Many of the services to be performed by Wells Capital in managing our day-to-day activities are summarized below. This summary is provided to illustrate the material functions which Wells Capital will perform for us as our advisor, and it is not intended to include all of the services which may be provided to us by Wells Capital or by third parties. Under the terms of the advisory agreement, Wells Capital undertakes to use its best efforts to present to us investment opportunities consistent with our investment policies and objectives as adopted by our board of directors. In its performance of this undertaking, Wells Capital, either directly or indirectly by engaging an affiliate, shall, subject to the authority of the board:

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

The term of the current advisory agreement ends on January 30, 2003 and may be renewed for an unlimited number of successive one-year periods. Additionally, the advisory agreement may be terminated:

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

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

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

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

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

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

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

- organization and offering expenses in an amount up to 3.0% of gross offering proceeds, which include actual legal, accounting, printing and expenses attributable to preparing the SEC registration statement, qualification of the shares for sale in the states and filing fees incurred by Wells Capital, as well as reimbursements for marketing, salaries and direct expenses of its employees while engaged in registering and marketing the shares and other marketing and organization costs, other than selling commissions and the dealer manager fee;

- the annual cost of goods and materials used by us and obtained from entities not affiliated with Wells Capital, including brokerage fees paid in connection with the purchase and sale of securities;
- administrative services including personnel costs, provided, however, that no reimbursement shall be made for costs of personnel to the extent that personnel are used in transactions for which Wells Capital receives a separate fee; and
- acquisition expenses, which are defined to include expenses related to the selection and acquisition of properties.

Wells Capital must reimburse us at least annually for amounts paid to Wells Capital in any year to the extent that such payments cause our operating expenses to exceed the greater of (1) 2% of our average invested assets, which consists of the average book value of our real estate properties, both equity interests in and loans secured by real estate, before reserves for depreciation or bad debts or other similar non-cash reserves, or (2) 25% of our net income, which is defined as our total revenues less total operating expenses for any given period. Operating expenses includes all expenses paid or incurred by the Wells REIT as determined by generally accepted accounting principles, such as (1) real estate operating costs, net of reimbursements, (2) management and leasing fees, (3) general and administrative expenses, and (4) legal and accounting expenses, but excludes (A) expenses of raising capital such as organizational and offering expenses, (B) interest payments, (C) taxes, (D) non-cash expenditures such as depreciation, amortization and bad debt reserves, and (E) amounts payable out of capital contributions which are not treated as operating expenses under generally accepted accounting principles such as the acquisition and advisory fees payable to Wells Capital. To the extent that operating expenses payable or reimbursable by us exceed this limit and the independent directors determine that the excess expenses were justified based on unusual and nonrecurring factors which they deem sufficient, Wells Capital may be reimbursed in future years for the full amount of the excess expenses, or any portion thereof, but only to the extent the reimbursement would not cause our operating expenses to exceed the limitation in any year. Within 60 days after the end of any of our fiscal quarters for which total operating expenses for the 12 months then ended exceed the limitation, there shall be sent to the stockholders a written disclosure, together with an explanation of the factors the independent directors considered in arriving at the conclusion that the excess expenses were justified.

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

Shareholdings

Wells Capital currently owns 20,000 limited partnership units of Wells OP, our operating partnership, for which it contributed $200,000 and which constitutes 100% of the limited partner units outstanding at this time. Wells Capital may not sell any of these units during the period it serves as our advisor. Any resale of shares that Wells Capital or its affiliates may acquire in the future will be subject to the provisions of Rule 144 promulgated under the Securities Act of 1933, which rule limits the number of shares that may be sold at any one time and the manner of such resale. Although Wells Capital and its affiliates are not prohibited from acquiring shares of the Wells REIT, Wells Capital currently has no options or warrants to acquire any shares and has no current plans to acquire shares. Wells Capital has agreed to abstain from voting any shares it acquires in any vote for the election of directors or any vote regarding the approval or termination of any contract with Wells Capital or any of its affiliates.

Affiliated Companies

Property Manager

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

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

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

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

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

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

Wells Management is engaged in the business of real estate management. It was organized and commenced active operations in 1983 to lease and manage real estate projects that Wells Capital and its affiliates operate or in which they own an interest. As of June 30, 2002, Wells Management was managing in excess of 8,800,000 square feet of office and industrial buildings and shopping centers. We will pay Wells Management property management and leasing fees not exceeding the lesser of: (A) 4.5% of gross revenues, or (B) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Wells REIT, calculated on an annual basis. For purposes of this calculation, net asset value shall be defined as the excess of (1) the aggregate of the fair market value of all properties owned by the Wells REIT (excluding vacant properties), over (2) the aggregate outstanding debt of the Wells REIT (excluding debts having maturities of one year or less). In addition, we may pay Wells Management a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area (customarily equal to the first month's rent). Wells Management will also retain third-party property managers or subcontract manager services to third-party property managers as it deems appropriate for certain of our properties.

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

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

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

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

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

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

Dealer Manager

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

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

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

IRA Custodian

Wells Advisors, Inc. (Wells Advisors) was organized in 1991 for the purpose of acting as a non-bank custodian for IRAs investing in the securities of Wells real estate programs. Wells Advisors currently charges no fees for such services. Wells Advisors was approved by the Internal Revenue Service to act as a qualified non-bank custodian for IRAs on March 20, 1992. In circumstances where Wells Advisors acts as an IRA custodian, the authority of Wells Advisors is limited to holding limited partnership units or REIT shares on behalf of the beneficiary of the IRA and making distributions or reinvestments in such units or shares solely at the direction of the beneficiary of the IRA. Well Advisors is not authorized to vote any of such units or shares held in any IRA except in accordance with the written instructions of the beneficiary of the IRA. Mr. Wells is the President and sole director and owns 50% of the common stock and all of the preferred stock of Wells Advisors. As of June 30, 2002, Wells Advisors was acting as the IRA custodian for in excess of $373,442,000 in Wells real estate program investments.

Management Decisions

The primary responsibility for the management decisions of Wells Capital and its affiliates, including the selection of investment properties to be recommended to our board of directors, the negotiation for these investments, and the property management and leasing of these investment properties, will reside in Leo F. Wells, III, Douglas P. Williams, M. Scott Meadows, David H. Steinwedell and John G. Oliver. Wells Capital seeks to invest in commercial properties that satisfy our investment objectives, typically office and industrial buildings located in densely populated metropolitan markets in which the major tenant is a company with a net worth of in excess of $100,000,000. Our board of directors must approve all acquisitions of real estate properties.

MANAGEMENT COMPENSATION

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

Form of Compensation and Entity Receiving	Determination of Amount	Estimated Maximum Dollar Amount(1)
	Organizational and Offering Stage	
Selling Commissions —Wells Investment Securities	Up to 7.0% of gross offering proceeds before reallowance of commissions earned by participating broker-dealers. Wells Investment Securities, our Dealer Manager, intends to reallow 100% of commissions earned for those transactions that involve participating broker-dealers.	$ 231,000,000
Dealer Manager Fee —Wells Investment Securities	Up to 2.5% of gross offering proceeds before reallowance to participating broker-dealers. Wells Investment Securities, in its sole discretion, may reallow a portion of its dealer manager fee of up to 1.5% of the gross offering proceeds to be paid to such participating broker-dealers.	$ 82,500,000

Form of Compensation and Entity Receiving	Determination of Amount	Estimated Maximum Dollar Amount(1)
Reimbursement of Organization and Offering Expenses—Wells Capital or its Affiliates(2)	Up to 3.0% of gross offering proceeds. All organization and offering expenses (excluding selling commissions and the dealer manager fee) will be advanced by Wells Capital or its affiliates and reimbursed by the Wells REIT up to 3.0% of aggregate gross offering proceeds. We currently estimate that approximately $49,500,000 of organization and offering costs will be incurred if the maximum offering of 330,000,000 shares is sold.	$ 49,500,000 (estimated)
	Acquisition and Development Stage	
Acquisition and Advisory Fees—Wells Capital or its Affiliates(3)	Up to 3.0% of gross offering proceeds for the review and evaluation of potential real property acquisitions.	$ 99,000,000
Reimbursement of Acquisition Expenses—Wells Capital or its Affiliates(3)	Up to 0.5% of gross offering proceeds for reimbursement of expenses related to real property acquisitions, such as legal fees, travel expenses, property appraisals, title insurance premium expenses and other closing costs.	$ 16,500,000
	Operational Stage	
Property Management and Leasing Fees—Wells Management	For the management and leasing of our properties, we will pay Wells Management, our Property Manager, property management and leasing fees of up to 4.5% of gross revenues; provided, however, that aggregate property management and leasing fees payable to Wells Management may not exceed the lesser of: (A) 4.5% of gross revenues; or (B) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Wells REIT, calculated on an annual basis. For purposes of this calculation, net asset value shall be defined as the excess of (1) the aggregate of the fair market value of all properties owned by the Wells REIT (excluding vacant properties), over (2) the aggregate outstanding debt of the Wells REIT (excluding debts having maturities of one year or less). In addition, we may pay Wells Management a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area (customarily equal to the first month's rent).	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.

Form of Compensation and Entity Receiving	Determination of Amount	Estimated Maximum Dollar Amount(1)
Real Estate Commissions— Wells Capital or its Affiliates	In connection with the sale of properties, an amount not exceeding the lesser of: (A) 50% of the reasonable, customary and competitive real estate brokerage commissions customarily paid for the sale of a comparable property in light of the size, type and location of the property; or (B) 3.0% of the contract price of each property sold, subordinated to distributions to investors from sale proceeds of an amount which, together with prior distributions to the investors, will equal (1) 100% of their capital contributions, plus (2) an 8.0% annual cumulative, noncompounded return on their net capital contributions; provided however, in no event will the amounts paid under (A) or (B) exceed an amount equal to 6.0% of the contract sales price when combined with real estate commissions paid to unaffiliated third parties.	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.
Subordinated Participation in Net Sale Proceeds— Wells Capital(4)	After investors have received a return of their net capital contributions and an 8.0% per year cumulative, noncompounded return, then Wells Capital is entitled to receive 10.0% of remaining net sale proceeds.	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.
Subordinated Incentive Listing Fee— Wells Capital(5)(6)	Upon listing, a fee equal to 10.0% of the amount by which (1) the market value of the outstanding stock of the Wells REIT plus distributions paid by the Wells REIT prior to listing, exceeds (2) the sum of the total amount of capital raised from investors and the amount of cash flow necessary to generate an 8.0% per year cumulative, noncompounded return to investors.	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.

The Wells REIT may not reimburse any entity for operating expenses in excess of the greater of 2% of our average invested assets or 25% of our net income for the year.

(Footnotes to "Management Compensation")

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

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

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

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

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

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

- the size of the advisory fee in relation to the size, composition and profitability of our portfolio;
- the success of Wells Capital in generating opportunities that meet our investment objectives;
- the rates charged to other REITs and to investors other than REITs by advisors performing similar services;
- additional revenues realized by Wells Capital through their relationship with us;
- the quality and extent of service and advice furnished by Wells Capital;
- the performance of our investment portfolio, including income, conservation or appreciation of capital, frequency of problem investments and competence in dealing with distress situations; and
- the quality of our portfolio in relationship to the investments generated by Wells Capital for the account of other clients.

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

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

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

In addition, Wells Capital and its affiliates will be reimbursed only for the actual cost of goods, services and materials used for or by the Wells REIT. Wells Capital may be reimbursed for the administrative services necessary to the prudent operation of the Wells REIT provided that the reimbursement shall not be for services for which it is entitled to compensation by way of a separate fee.

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

STOCK OWNERSHIP

The following table shows, as of June 30, 2002, the amount of our common stock beneficially owned (unless otherwise indicated) by (1) any person who is known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock, (2) our directors, (3) our executive officers, and (4) all of our directors and executive officers as a group.

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

* Less than 1% of the outstanding common stock.

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

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

CONFLICTS OF INTEREST

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

The independent directors have an obligation to function on our behalf in all situations in which a conflict of interest may arise and have a statutory obligation to act in the best interest of the stockholders. (See "Management—Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents.") These conflicts include, but are not limited to, the following:

Interests in Other Real Estate Programs

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

Wells Capital and its affiliates are currently sponsoring a real estate program known as Wells Real Estate Fund XIII, L.P. (Wells Fund XIII). The registration statement of Wells Fund XIII was declared effective by the Securities and Exchange Commission (SEC) on March 29, 2001 for the offer and sale to the public of up to 4,500,000 units of limited partnership interest at a price of $10.00 per unit.

As described in the "Prior Performance Summary," Wells Capital and its affiliates have sponsored the following 14 public real estate programs with substantially identical investment objectives as those of the Wells REIT:

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

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

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

Other Activities of Wells Capital and its Affiliates

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

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

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

We may purchase or lease a property from Wells Capital or its affiliates upon a finding by a majority of our board of directors, including a majority of the independent directors, not otherwise interested in the transaction, that such transaction is competitive and commercially reasonable to the Wells REIT and at a price no greater than the cost of the property; provided, however, if the price is in excess of the cost of such property, that substantial justification for such excess exists and such excess is reasonable and the acquisition is disclosed. In no event may the Wells REIT:

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

Competition

Conflicts of interest will exist to the extent that we may acquire properties in the same geographic areas where other Wells programs own properties. In such a case, a conflict could arise in the leasing of properties in the event that the Wells REIT and another Wells program were to compete for the same tenants in negotiating leases, or a conflict could arise in connection with the resale of properties in the event that the Wells REIT and another Wells program were to attempt to sell similar properties at the same time. (See “Risk Factors—Investment Risks”). Conflicts of interest may also exist at such time as the Wells REIT or our affiliates managing property on our behalf seek to employ developers, contractors or building managers as well as under other circumstances. Wells Capital will seek to reduce conflicts relating to the employment of developers, contractors or building managers by making prospective employees aware of all such properties seeking to employ such persons. In addition, Wells Capital will seek to reduce conflicts which may arise with respect to properties available for sale or rent by making prospective purchasers or tenants aware of all such properties. However, these conflicts cannot be fully avoided in that Wells Capital may establish differing compensation arrangements for employees at different properties or differing terms for resales or leasing of the various properties.

Affiliated Dealer Manager

Since Wells Investment Securities, our Dealer Manager, is an affiliate of Wells Capital, we will not have the benefit of an independent due diligence review and investigation of the type normally performed by an unaffiliated, independent underwriter in connection with the offering of securities. (See "Plan of Distribution.")

Affiliated Property Manager

Since we anticipate that properties we acquire will be managed and leased by Wells Management, our Property Manager, we will not have the benefit of independent property management. (See "Management—Affiliated Companies.")

Lack of Separate Representation

Holland & Knight LLP is counsel to the Wells REIT, Wells Capital, Wells Investment Securities and their affiliates in connection with this offering and may in the future act as counsel to the Wells REIT, Wells Capital, Wells Investment Securities and their various affiliates. There is a possibility that in the future the interests of the various parties may become adverse. In the event that a dispute were to arise between the Wells REIT and Wells Capital, Wells Investment Securities or any of their affiliates, separate counsel for such matters will be retained as and when appropriate.

Joint Ventures with Affiliates of Wells Capital

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

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

A transaction involving the purchase and sale of properties may result in the receipt of commissions, fees and other compensation by Wells Capital and its affiliates, including acquisition and advisory fees, the dealer manager fee, property management and leasing fees, real estate brokerage commissions, and participation in nonliquidating net sale proceeds. However, the fees and compensation payable to Wells Capital and its affiliates relating to the sale of properties are subordinated to the return to the stockholders of their capital contributions plus cumulative returns on such capital. Subject to oversight by our board of directors, Wells Capital has considerable discretion with respect to all decisions relating to the terms and timing of all transactions. Therefore, Wells Capital may have conflicts of interest concerning certain actions taken on our behalf, particularly due to the fact that such fees will generally be payable to Wells Capital and its affiliates regardless of the quality of the properties acquired or the services provided to the Wells REIT. (See “Management Compensation.”)

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

Certain Conflict Resolution Procedures

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

- Except as otherwise described in this prospectus, we will not accept goods or services from Wells Capital or its affiliates unless a majority of our directors, including a majority of the independent directors, not otherwise interested in the transactions, approve such transactions as fair and reasonable to the Wells REIT and on terms and conditions not less favorable to the Wells REIT than those available from unaffiliated third parties.
- We will not purchase or lease properties in which Wells Capital or its affiliates has an interest without a determination by a majority of our directors, including a majority of the independent directors, not otherwise interested in such transaction, that such transaction is competitive and commercially reasonable to the Wells REIT and at a price to the Wells REIT no greater than the cost of the property to Wells Capital or its affiliates, unless there is substantial justification for any amount that exceeds such cost and such excess amount is determined to be reasonable. In no event will we acquire any such property at an amount in excess of its appraised value. We will not sell or lease properties to Wells Capital or its affiliates or to our directors unless a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction, determine the transaction is fair and reasonable to the Wells REIT.
- We will not make any loans to Wells Capital or its affiliates or to our directors. In addition, Wells Capital and its affiliates will not make loans to us or to joint ventures in which we are a joint venture partner for the purpose of acquiring properties. Any loans made to us by Wells Capital or its affiliates or our directors for other purposes must be approved by a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction, as fair, competitive and commercially reasonable, and no less favorable to the Wells REIT than comparable loans between unaffiliated parties. Wells Capital and its affiliates shall be entitled to reimbursement, at cost, for actual expenses incurred by them on behalf of the Wells REIT or joint ventures in which we are a joint venture partner, subject to the limitation on reimbursement of operating expenses to the extent that they exceed the greater of 2% of our average invested assets or 25% of our net income, as described in the “Management—The Advisory Agreement” section of this prospectus.

- In the event that an investment opportunity becomes available which is suitable, under all of the factors considered by Wells Capital, for the Wells REIT and one or more other public or private entities affiliated with Wells Capital and its affiliates, then the entity which has had the longest period of time elapse since it was offered an investment opportunity will first be offered such investment opportunity. In determining whether or not an investment opportunity is suitable for more than one program, Wells Capital, subject to approval by our board of directors, shall examine, among others, the following factors:
  - the cash requirements of each program;
  - the effect of the acquisition both on diversification of each program's investments by type of commercial property and geographic area, and on diversification of the tenants of its properties;
  - the policy of each program relating to leverage of properties;
  - the anticipated cash flow of each program;
  - the income tax effects of the purchase of each program;
  - the size of the investment; and
  - the amount of funds available to each program and the length of time such funds have been available for investment.

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

INVESTMENT OBJECTIVES AND CRITERIA

General

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

- to maximize cash dividends paid to you;
- to preserve, protect and return your capital contributions;
- to realize growth in the value of our properties upon our ultimate sale of such properties; and
- to provide you with liquidity of your investment by listing the shares on a national exchange or, if we do not obtain listing of the shares by January 30, 2008, our articles of incorporation require us to begin the process of selling our properties and distributing the net proceeds from such sales to you.

We cannot assure you that we will attain these objectives or that our capital will not decrease. We may not change our investment objectives, except upon approval of stockholders holding a majority of our outstanding shares. (See “Description of Shares.”)

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

Acquisition and Investment Policies

We will seek to invest substantially all of the offering proceeds available for investment after the payment of fees and expenses in the acquisition of high-grade commercial office and industrial buildings located in densely populated metropolitan markets, which are newly constructed, under construction, or which have been previously constructed and have operating histories. We are not limited to such investments, however. We may invest in other real estate investments, including, but not limited to, warehouse and distribution facilities, shopping centers, business and industrial parks, manufacturing facilities and other types of real estate properties. To date, we have invested primarily in office and industrial buildings located in densely populated suburban markets. (See “Description of Real Estate Investments” and “Prior Performance Summary.”) We will primarily attempt to acquire commercial properties that are less than five years old, the space in which has been leased or preleased to one or more large corporate tenants who satisfy our standards of creditworthiness. (See “Terms of Leases and Tenant Creditworthiness.”)

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

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

We anticipate purchasing land for the purpose of developing the types of commercial buildings described above. We will not invest more than 10% of the net offering proceeds available for investment in properties in unimproved or non-income producing properties. A property: (1) not acquired for the purpose of producing rental or other operating income, or (2) with no development or construction in process or planned in good faith to commence within one year will be considered unimproved property for purposes of this limitation.

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

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

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

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

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

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

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

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

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

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

- changes in general economic or local conditions;
- changes in supply of or demand for similar or competing properties in an area;
- changes in interest rates and availability of permanent mortgage funds which may render the sale of a property difficult or unattractive;
- changes in tax, real estate, environmental and zoning laws;
- periods of high interest rates and tight money supply which may make the sale of properties more difficult;
- tenant turnover; and
- general overbuilding or excess supply in the market area.

Development and Construction of Properties

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

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

Terms of Leases and Tenant Creditworthiness

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

Wells Capital has developed specific standards for determining the creditworthiness of potential tenants of our properties. While authorized to enter into leases with any type of tenant, we anticipate that a majority of our tenants will be large corporations or other entities which have a net worth in excess of

$100,000,000 or whose lease obligations are guaranteed by another corporation or entity with a net worth in excess of $100,000,000. As of June 30, 2002, approximately 95% of the aggregate gross rental income of the Wells REIT was derived from tenants which are corporations, each of which at the time of lease execution had a net worth of at least $100,000,000 or whose lease obligations were guaranteed by another corporation having a net worth of at least $100,000,000.

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

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

Joint Venture Investments

We have entered into joint ventures in the past, and are likely to enter into joint ventures in the future, with affiliated entities for the acquisition, development or improvement of properties for the purpose of diversifying our portfolio of assets. (See “Description of Real Estate Investments—Joint Ventures with Affiliates.”) In this connection, we will likely enter into joint ventures with Wells Fund XIII or other Wells programs. We may also enter into joint ventures, partnerships, co-tenancies and other co-ownership arrangements or participations with real estate developers, owners and other affiliated third-parties for the purpose of developing, owning and operating real properties. (See “Conflicts of Interest.”) In determining whether to invest in a particular joint venture, Wells Capital will evaluate the real property that such joint venture owns or is being formed to own under the same criteria described elsewhere in this prospectus for the selection of real estate property investments of the Wells REIT. (See generally “Investment Objectives and Criteria.”)

At such time as Wells Capital enters into a joint venture with another Wells program for the acquisition or development of a specific property, this prospectus will be supplemented to disclose the terms of such investment transaction. We may only enter into joint ventures with other Wells programs for the acquisition of properties if:

- a majority of our directors, including a majority of the independent directors, approve the transaction as being fair and reasonable to the Wells REIT;
- the investment by the Wells REIT and such affiliate are on substantially the same terms and conditions; and
- we will have a right of first refusal to buy if such co-venturer elects to sell its interest in the property held by the joint venture.

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

Section 1031 Exchange Program

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

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

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

As set forth above, pursuant to the terms of these contractual arrangements, Wells OP may be obligated to purchase co-tenancy interests in certain properties offered to 1031 Participants to the extent co-tenancy interests remain unsold at the end of the offering. All purchasers of co-tenancy interests, including Wells OP in the event that it is required to purchase co-tenancy interests, will be required to execute a tenants in common agreement with the other purchasers of co-tenancy interests in that particular property and a property management agreement providing for the property management and leasing of the property by Wells Management and the payment of property management and leasing fees to Wells Management equal to 4.5% of gross revenues. Accordingly, in the event that Wells OP is required to purchase co-tenancy interests pursuant to one or more of these contractual arrangements, we will be subject to various risks associated with co-tenancy arrangements which are not otherwise present in real estate investments such as the risk that the interests of the 1031 Participants will become adverse to our interests. (See "Risk Factors—Section 1031 Exchange Program.")

Borrowing Policies

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

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

There is no limitation on the amount we may invest in any single improved property or on the amount we can borrow for the purchase of any property. The NASAA Guidelines only limit our borrowing to 75% of the value of all properties unless any excess borrowing is approved by a majority of the independent directors and is disclosed to stockholders in our next quarterly report. However, under our articles of incorporation, we have a self-imposed limitation on borrowing which precludes us from borrowing in the aggregate in excess of 50% of the value of all of our properties. As of June 30, 2002, we had an aggregate debt leverage ratio of 1.76% of the value of our properties.

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

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

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

Disposition Policies

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

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

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

If our shares are not listed for trading on a national securities exchange or included for quotation on NASDAQ by January 30, 2008, our articles of incorporation require us to begin the process of selling our properties and distributing the net sale proceeds to you in liquidation of the Wells REIT. In making the decision to apply for listing of our shares, our directors will try to determine whether listing our shares or liquidating our assets will result in greater value for the stockholders. We cannot determine at this time the circumstances, if any, under which our directors will agree to list our shares. Even if our shares are not listed or included for quotation, we are under no obligation to actually sell our portfolio within this time period since the precise timing will depend on real estate and financial markets, economic conditions of the areas in which the properties are located and federal income tax effects on stockholders which may be applicable in the future. Furthermore, we cannot assure you that we will be able to liquidate our assets, and it should be noted that we will continue in existence until all properties are sold and our other assets are liquidated. In addition, we may consider other business strategies such as reorganizations or mergers with other entities if our board of directors determines such strategies would be in the best interests of our stockholders. Any change in the investment objectives set forth in our articles of incorporation would require the vote of stockholders holding a majority of our outstanding shares.

Investment Limitations

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

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

- invest in equity securities unless a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction, approve such investment as being fair, competitive and commercially reasonable;
- invest in commodities or commodity futures contracts, except for futures contracts when used solely for the purpose of hedging in connection with our ordinary business of investing in real estate assets and mortgages;
- invest in real estate contracts of sale, otherwise known as land sale contracts, unless the contract is in recordable form and is appropriately recorded in the chain of title;
- make or invest in mortgage loans except in connection with a sale or other disposition of a property;
- make or invest in mortgage loans unless an appraisal is obtained concerning the underlying property except for those mortgage loans insured or guaranteed by a government or government agency. Mortgage debt on any property shall not exceed such property's appraised value. In cases where our board of directors determines, and in all cases in which the transaction is with any of our directors or Wells Capital and its affiliates, such appraisal shall be obtained from an independent appraiser. We will maintain such appraisal in our records for at least five years and it will be available for your inspection and duplication. We will also obtain a mortgagee's or owner's title insurance policy as to the priority of the mortgage;
- make or invest in mortgage loans, including construction loans, on any one property if the aggregate amount of all mortgage loans on such property would exceed an amount equal to 85% of the appraised value of such property as determined by appraisal unless substantial justification exists for exceeding such limit because of the presence of other underwriting criteria;
- make or invest in mortgage loans that are subordinate to any mortgage or equity interest of any of our directors, Wells Capital or its affiliates;
- invest in junior debt secured by a mortgage on real property which is subordinate to the lien or other senior debt except where the amount of such junior debt plus any senior debt exceeds 90% of the appraised value of such property, if after giving effect thereto, the value of all such mortgage loans of the Wells REIT would not then exceed 25% of our net assets, which shall mean our total assets less our total liabilities;
- engage in any short sale or borrow on an unsecured basis, if the borrowing will result in asset coverage of less than 300%. "Asset coverage," for the purpose of this clause, means the ratio which the value of our total assets, less all liabilities and indebtedness for unsecured borrowings, bears to the aggregate amount of all of our unsecured borrowings;
- make investments in unimproved property or indebtedness secured by a deed of trust or mortgage loans on unimproved property in excess of 10% of our total assets;
- issue equity securities on a deferred payment basis or other similar arrangement;
- issue debt securities in the absence of adequate cash flow to cover debt service;
- issue equity securities which are non-voting or assessable;

- issue “redeemable securities,” as defined in Section 2(a)(32) of the Investment Company Act of 1940, except pursuant to our share redemption program;
- grant warrants or options to purchase shares to Wells Capital or its affiliates or to officers or directors affiliated with Wells Capital except on the same terms as the options or warrants are sold to the general public and the amount of the options or warrants does not exceed an amount equal to 10% of the outstanding shares on the date of grant of the warrants and options;
- engage in trading, as compared with investment activities, or engage in the business of underwriting or the agency distribution of securities issued by other persons;
- invest more than 5% of the value of our assets in the securities of any one issuer if the investment would cause us to fail to qualify as a REIT;
- invest in securities representing more than 10% of the outstanding voting securities of any one issuer if the investment would cause us to fail to qualify as a REIT; or
- lend money to our directors or to Wells Capital or its affiliates.

Wells Capital will continually review our investment activity to attempt to ensure that we do not come within the application of the Investment Company Act of 1940. Among other things, Wells Capital will attempt to monitor the proportion of our portfolio that is placed in various investments so that we do not come within the definition of an “investment company” under the Act. If at any time the character of our investments could cause us to be deemed an investment company for purposes of the Investment Company Act of 1940, we will take the necessary action to attempt to ensure that we are not deemed to be an “investment company.”

Change in Investment Objectives and Limitations

Our articles of incorporation require that the independent directors review our investment policies at least annually to determine that the policies we are following are in the best interests of our stockholders. Each determination and the basis therefore is required to be set forth in our minutes. The methods of implementing our investment policies also may vary as new investment techniques are developed. The methods of implementing our investment objectives and policies, except as otherwise provided in the organizational documents, may be altered by a majority of our directors, including a majority of the independent directors, without the approval of the stockholders. Our investment objectives themselves, however, may only be amended by a vote of the stockholders holding a majority of our outstanding shares.

DESCRIPTION OF REAL ESTATE INVESTMENTS

General

As of July 1, 2002, we had purchased interests in 53 real estate properties located in 19 states, most of which are leased to tenants on an economically triple-net basis. As of July 1, 2002, all of these properties were 100% leased to tenants. The cost of each of the properties will be depreciated for tax purposes over a 40-year period on a straight-line basis. We believe all of the properties are adequately covered by insurance and are suitable for their intended purposes. The following table provides certain additional information about these properties.

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

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

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

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

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

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

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

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

Geographic Diversification Table

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

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

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

Lease Expiration Table

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

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

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

Joint Ventures with Affiliates

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

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

The Wells Fund XIII—REIT Joint Venture

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

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

The Wells Fund XII-REIT Joint Venture

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

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 29,950,668	55.0%
Wells Fund XII	$ 24,613,401	45.0%

The Wells Fund XI-Fund XII-REIT Joint Venture

Wells OP entered into a joint venture partnership with Wells Fund XI and Wells Fund XII known as The Wells Fund XI-Fund XII-REIT Joint Venture (XI-XII-REIT Joint Venture). The XI-XII-REIT Joint Venture was originally formed on May 1, 1999 between Wells OP and Wells Fund XI. On June 21, 1999, Wells Fund XII was admitted to the XI-XII-REIT Joint Venture as a joint venture partner. The investment objectives of Wells Fund XI and Wells Fund XII are substantially identical to our investment objectives. As of December 31, 2001, the joint venture partners of the XI-XII-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 17,641,211	56.8%
Wells Fund XI	$ 8,131,351	26.1%
Wells Fund XII	$ 5,300,000	17.1%

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

Wells OP entered into a joint venture partnership with Wells Fund IX, Wells Fund X and Wells Fund XI, known as The Fund IX, Fund X, Fund XI and REIT Joint Venture (IX-X-XI-REIT Joint Venture). The IX-X-XI-REIT Joint Venture was originally formed on March 20, 1997 between Wells Fund IX and Wells Fund X. On June 11, 1998, Wells OP and Wells Fund XI were admitted as joint venture partners to the IX-X-XI-REIT Joint Venture. The investment objectives of Wells Fund IX, Wells Fund X and Wells Fund XI are substantially identical to our investment objectives. As of December 31, 2001, the joint venture partners of the IX-X-XI-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 1,421,466	3.7%
Wells Fund IX	$ 14,982,435	39.1%
Wells Fund X	$ 18,501,185	48.4%
Wells Fund XI	$ 3,357,436	8.8%

The Fremont Joint Venture

Wells OP entered into a joint venture partnership known as Wells/Fremont Associates (Fremont Joint Venture) with Fund X and Fund XI Associates (X-XI Joint Venture), a joint venture between Wells Fund X and Wells Fund XI. The purpose of the Fremont Joint Venture is the acquisition, ownership, leasing, operation, sale and management of the Fairchild Building. As of December 31, 2001, the joint venture partners of the Fremont Joint Venture had made the following contributions and held the following equity percentage interests:

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

The Cort Joint Venture

Wells OP entered into a joint venture partnership with the X-XI Joint Venture known as Wells/Orange County Associates (Cort Joint Venture) for the purpose of the acquisition, ownership, leasing, operation, sale and management of the Cort Furniture Building. As of December 31, 2001, the joint venture partners of the Cort Joint Venture had made the following contributions and held the following equity percentage interests:

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

The Wells Fund VIII-Fund IX-REIT Joint Venture

Wells OP entered into a joint venture partnership with the Fund VIII-IX Joint Venture known as the Wells Fund VIII-Fund IX-REIT Joint Venture (VIII-IX-REIT Joint Venture) for the purpose of the ownership, leasing, operation, sale and management of the Quest Building. The investment objectives of Wells Fund VIII and Wells Fund IX are substantially identical to our investment objectives. As of December 31, 2001, the joint venture partners of the VIII-IX-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

Joint Venture Partner	Capital Contributions	Equity Interest
Wells OP	$ 1,282,111	15.8%
Wells Fund VIII	$ 3,608,109	46.1%
Wells Fund IX	$ 3,620,316	38.1%

General Provisions of Joint Venture Agreements

Wells OP is acting as the initial Administrative Venturer of each of the joint ventures described above and, as such, is responsible for establishing policies and operating procedures with respect to the business and affairs of each of these joint ventures. However, approval of the other joint venture partners will be required for any major decision or any action that materially affects these joint ventures or their real property investments.

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

Description of Properties

ISS Atlanta Buildings

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

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

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

MFS Phoenix Building

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

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

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

TRW Denver Building

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

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

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

Agilent Boston Building

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

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

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

Experian/TRW Buildings

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

The Experian/TRW Buildings are both leased to Experian Information Solutions, Inc. (Experian). Experian is an information services company that uses decision-making software and comprehensive databases of information on consumers, businesses, motor vehicles and property to provide companies with information about their customers. TRW, the original tenant on the Experian/TRW lease, assigned its interest in the Experian/TRW lease to Experian in 1996 but remains as an obligor of the Experian/TRW lease.

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

BellSouth Ft. Lauderdale Building

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

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

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

Agilent Atlanta Building

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

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

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

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

Travelers Express Denver Buildings

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

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

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

Dana Corporation Buildings

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

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

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

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

Novartis Atlanta Building

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

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

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

Transocean Houston Building

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

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

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

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

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

Arthur Andersen Building

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

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

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

Windy Point Buildings

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

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

Windy Point I building

The Windy Point I building is currently leased as follows:

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

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

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

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

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

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

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

Windy Point II building

Zurich American Insurance Company, Inc. (Zurich) leases the entire 300,034 rentable square feet of the Windy Point II building. The Zurich lease commenced in September 2001 and expires in August 2011. Zurich has the right to extend the initial 10-year term of its lease for two additional five-year periods at 95% of the then-current market rental rate. The current annual base rent payable under the Zurich lease is $5,091,577.

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

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

Convergys Building

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

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

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

ADIC Buildings

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

The ADIC Buildings are currently leased to Advanced Digital Information Corporation (ADIC), which lease does not include the Additional ADIC Land. ADIC is a Washington corporation whose shares are traded on NASDAQ having its corporate headquarters in Redmond, Washington and regional management centers in Englewood, Colorado; Böhmenkirch, Germany; and Paris, France. ADIC manufactures data storage systems and specialized storage management software and distributes these products through its relationships with original equipment manufacturers such as IBM, Sony, Fujitsu, Siemens and Hewlett-Packard. ADIC reported a net worth, as of January 31, 2002, of approximately $335 million.

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

Lucent Building

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

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

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

Ingram Micro Building

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

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

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

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

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

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

Nissan Property

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

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

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

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

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

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

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

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

IKON Buildings

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

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

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

State Street Building

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

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

The SSB Realty lease commenced in February 2001 and expires in March 2011. SSB has the right to extend the term of this lease for one additional five-year period at the then-current fair market rental rate. Pursuant to the SSB Realty lease, Wells OP is obligated to provide SSB Realty an allowance of up to approximately $2,112,000 for tenant, building and architectural improvements. The current annual base rent payable for the SSB Realty lease is $6,922,706.

AmeriCredit Building

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

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

The AmeriCredit lease commenced in June 2001 and expires in May 2011. AmeriCredit has the right to extend the AmeriCredit lease for two additional five-year periods of time. Each extension option must be exercised by giving written notice to the landlord at least 12 months prior to the expiration date of the then-current lease term. The monthly base rent payable for each extended term of the AmeriCredit lease will be equal to 95% of the then-current market rate. The AmeriCredit lease contains a termination option that may be exercised by AmeriCredit effective as of the end of the seventh lease year and requires AmeriCredit to pay the joint venture a termination payment estimated at approximately $1.9 million. AmeriCredit also has an expansion option for an additional 15,000 square feet of office space and 120 parking spaces. AmeriCredit may exercise this expansion option at any time during the first seven lease years. The current annual base rent payable under the AmeriCredit lease is $1,336,200.

Comdata Building

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

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

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

AT&T Oklahoma Buildings

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

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

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

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

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

Metris Minnesota Building

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

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

The Metris Minnesota Building is leased to Metris Direct, Inc. (Metris) as its corporate headquarters. Metris is a principal subsidiary of Metris Companies, Inc. (Metris Companies), a publicly traded company whose shares are listed on the NYSE (symbol MXT) which has guaranteed the Metris lease. Metris Companies is an information-based direct marketer of consumer credit products and fee-based services primarily to moderate income consumers. Metris Companies' consumer credit products are primarily unsecured credit cards issued by its subsidiary, Direct Merchants Credit Card Bank. Metris Companies reported a net worth, as of December 31, 2001, of approximately $1.14 billion.

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

Stone & Webster Building

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

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

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

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

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

Motorola Plainfield Building

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

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

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

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

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

Quest Building

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

The Quest Building is currently leased to Quest Software, Inc. (Quest). Quest, whose shares are publicly traded, is a corporation that provides software database management and disaster recovery services for its clients. Quest was established in April 1987 to develop and market software products to help insure uninterrupted, high performance access to enterprise and custom computing applications and databases. Quest reported a net worth, as of December 31, 2001, of approximately $441 million.

The Quest lease commenced in June 2000 and expires in January 2004. The annual base rent payable for the remaining portion of the initial lease term is $1,287,119. Quest has the right to extend the lease for two additional one-year periods of time at an annual base rent of $1,365,126.

Delphi Building

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

The Delphi Building is leased to Delphi Automotive Systems LLC (Delphi LLC). Delphi LLC is a wholly-owned subsidiary of Delphi Automotive Systems Corporation (Delphi), formerly the Automotive Components Group of General Motors, which was spun off from General Motors in May 1999. Delphi is the world’s largest automotive components supplier and sells its products to almost every major manufacturer of light vehicles in the world. Delphi reported a net worth, as of December 31, 2001, of approximately $2.22 billion.

The Delphi lease commenced in May 2000 and expires in April 2007. Delphi LLC has the right to extend the Delphi lease for two additional five-year periods of time at 95% of the then-current fair market rental rate. The current annual base rent payable for the Delphi lease is $1,955,524.

Avnet Building

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

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

The Avnet Building is leased to Avnet, Inc. (Avnet). Avnet is a Fortune 300 company and one of the world’s largest industrial distributors of electronic components and computer products, including microprocessors, semi-conductors and electromechanical devices, serving customers in 60 countries. Additionally, Avnet sells products of more than 100 of the world’s leading component manufacturers to customers around the world. Avnet reported a net worth, as of December 28, 2001, of approximately $1.77 billion.

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

Avnet has a right of first refusal to purchase the Avnet Building if Wells OP attempts to sell the Avnet Building. Avnet also has an expansion option. Wells OP has the option to undertake the expansion or allow Avnet to undertake the expansion at its own expense, subject to certain terms and conditions.

The Avnet ground lease commenced in April 1999 and expires in September 2083. Wells OP has the right to terminate the Avnet ground lease prior to the expiration of the 30th year. The current annual ground lease payment pursuant to the Avnet ground lease is $230,777.

Siemens Building

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

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

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

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

Motorola Tempe Building

Wells OP purchased the Motorola Tempe Building on March 29, 2000 for a purchase price of $16,000,000. The Motorola Tempe Building, which was built in 1998, is a two-story office building containing 133,225 rentable square feet in Tempe, Arizona. The Motorola Tempe Building is subject to a first priority mortgage in favor of SouthTrust securing a SouthTrust line of credit, which is more particularly described in the "Real Estate Loans" section of this prospectus.

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

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

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

ASML Building

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

The ASML Building is leased to ASM Lithography, Inc. (ASML). ASML is a wholly-owned subsidiary of ASM Lithography Holdings NV (ASML Holdings), a Dutch multi-national corporation that supplies lithography systems used for printing integrated circuit designs onto very thin disks of silicon, commonly referred to as wafers. These systems are supplied to integrated circuit manufacturers throughout the United States, Asia and Western Europe. ASML Holdings, a guarantor of the ASML lease, reported a net worth, as of December 31, 2001, of approximately $1.1 billion.

The ASML lease commenced in June 1998 and expires in June 2013. The current annual base rent payable under the ASML lease is $1,927,788. ASML has an expansion option which allows ASML the ability to expand the building into at least an additional 30,000 rentable square feet, to be constructed by Wells OP. If the expansion option exercised is for less than 30,000 square feet, Wells OP may reject the exercise at its sole discretion. In the event that ASML exercises its expansion option after the first five years of the initial lease term, such lease term will be extended to 10 years from the date of such expansion.

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

Dial Building

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

The Dial Building is leased to Dial Corporation (Dial). Dial currently has its headquarters in the Dial Building and is one of the leading consumer product manufacturers in the United States. Dial's brands include Dial soap, Purex detergents, Renuzit air fresheners, Armour canned meats, and a variety of other leading consumer products. Dial reported a net worth, as of December 31, 2001, of approximately $81.8 million.

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

Metris Tulsa Building

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

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

Cinemark Building

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

The entire 118,108 rentable square feet of the Cinemark Building is currently leased to two tenants. Cinemark USA, Inc. (Cinemark) occupies 65,521 rentable square feet (56%) of the Cinemark Building, and The Coca-Cola Company (Coca-Cola) occupies the remaining 52,587 (44%) rentable square feet of the Cinemark Building.

Cinemark, a privately owned company, is one of the largest motion picture exhibitors in North and South America. Cinemark currently operates in excess of 2,575 screens in 32 states within the United States and internationally in countries such as Argentina, Brazil, Canada, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Nicaragua, Mexico and Peru. Cinemark reported a net worth, as of December 31, 2001, of approximately $25.3 million.

The Cinemark lease commenced in December 1999 and expires in December 2009. Cinemark has the right to extend the Cinemark lease for one additional five-year period of time and a subsequent additional 10-year period of time. The monthly base rent payable for the second renewal term of the Cinemark lease shall be equal to 95% of the then-current market rate. Cinemark has a right of first refusal to lease any of the remaining rentable area of the Cinemark Building that subsequently becomes vacant. The current annual base rent payable for the Cinemark lease is $1,366,491.

Coca-Cola is the global soft-drink industry leader with world headquarters in Atlanta, Georgia. Coca-Cola manufactures and sells syrups, concentrates and beverage bases for Coca-Cola, the company's flagship brand, and over 160 other soft drink brands in nearly 200 countries around the world. Coca-Cola reported a net worth, as of December 31, 2001, of approximately $11.4 billion.

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

Gartner Building

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

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

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

Videojet Technologies Chicago Building

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

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

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

Johnson Matthey Building

The XI-XII-REIT Joint Venture purchased the Johnson Matthey Building on August 17, 1999 for a purchase price of $8,000,000. The Johnson Matthey Building, which was built in 1973 and refurbished in 1998, is a 130,000 square foot research and development, office and warehouse building located in Wayne, Pennsylvania.

The Johnson Matthey Building is currently leased to Johnson Matthey, Inc. (Johnson Matthey). Johnson Matthey is a wholly-owned subsidiary of Johnson Matthey, PLC of the United Kingdom, a world leader in advanced materials technology. Johnson Matthey, PLC, a company whose shares are publicly traded, is over 175 years old, has operations in 38 countries and employs 12,000 people. Johnson Matthey reported a net worth, as of September 30, 2001, of approximately $1.16 billion.

The Johnson Matthey lease commenced in July 1998 and expires in June 2007. Johnson Matthey has the right to extend the lease for two additional three-year periods of time at the then-current fair market rent. Johnson Matthey has a right of first refusal to purchase the Johnson Matthey Building in the event that the XI-XII-REIT Joint Venture desires to sell the building to an unrelated third-party. The current annual base rent payable under the Johnson Matthey lease is $854,748.

Alstom Power Richmond Building

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

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

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

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

Alstom Power has a one-time option to terminate the Alstom Power lease as to a portion of the premises containing between 24,500 and 25,500 rentable square feet as of the fifth anniversary of the rental commencement date and Alstom Power will be required to pay a termination fee equal to six times the sum of the next due installments of rent plus the unamortized portions of the base improvement allowance, additional allowance and broker commission, each being amortized in equal monthly installments of principal and interest over the initial term of the lease at an annual rate of 10%.

Sprint Building

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

The Sprint Building is leased to Sprint Communications Company L.P. (Sprint). Sprint is the nation’s third largest long distance phone company, which operates on an all-digital long distance telecommunications network using state-of-the-art fiber optic and electronic technology. Sprint reported a net worth, as of December 31, 2001, of approximately $12.6 billion.

The Sprint lease commenced in May 1997 and expires in May 2007, subject to Sprint's right to extend the lease for two additional five-year periods of time. The annual base rent payable under the Sprint lease is $1,102,404 for the remainder of the lease term. The monthly base rent payable for each extended term of the Sprint lease will be equal to 95% of the then-current market rental rate.

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

Sprint also has an expansion option for an additional 20,000 square feet of office space. If Sprint exercises an expansion option, the XI-XII-REIT Joint Venture will be required to construct the expansion improvements in accordance with the specific drawings and plans attached as an exhibit to the Sprint lease. The joint venture will be required to fund the expansion improvements and to fund to Sprint a tenant finish allowance of $10 per square foot for the expansion space.

EYBL CarTex Building

The XI-XII-REIT Joint Venture purchased the EYBL CarTex Building on May 18, 1999 for a purchase price of $5,085,000. The EYBL CarTex Building, which was built in 1989, is a manufacturing and office building consisting of a total of 169,510 square feet located in Fountain Inn, South Carolina.

The EYBL CarTex Building is leased to EYBL CarTex, Inc. (EYBL CarTex). EYBL CarTex produces automotive textiles for BMW, Mercedes, GM Bali, VW Mexico and Golf A4. EYBL CarTex is a wholly-owned subsidiary of EYBL International, AG, Krems/Austria. EYBL International is the world's largest producer of circular knit textile products and loop pile plushes for the automotive industry. EYBL International reported a net worth, as of September 30, 2001, of approximately $41.5 billion.

The EYBL CarTex lease commenced in March 1998 and expires in February 2008, subject to EYBL CarTex's right to extend the lease for two additional five-year periods of time. The monthly base rent payable for each extended term of the lease will be equal to the fair market rent. In addition, EYBL CarTex has an option to purchase the EYBL CarTex Building at the expiration of the initial lease term by giving notice to the landlord by March 1, 2007. The current annual base rent payable under the EYBL CarTex lease is $550,908.

Matsushita Building

Wells OP purchased an 8.8 acre tract of land on March 15, 1999, for a purchase price of $4,450,230. Wells OP completed construction of the Matsushita Building in 2000 at an aggregate cost of $18,431,206, including the cost of the land. The Matsushita Building is a two-story office building containing 144,906 rentable square feet located in Lake Forest, California.

The Matsushita Building is leased to Matsushita Avionics Systems Corporation (Matsushita Avionics). Matsushita Avionics is a wholly-owned subsidiary of Matsushita Electric Corporation of America (Matsushita Electric). Matsushita Electric, a guarantor of the Matsushita lease, is a wholly-owned subsidiary of Matsushita Electric Industrial Co., Ltd. (Matsushita Industrial), a Japanese company which is the world's largest consumer electronics manufacturer.

The Matsushita lease commenced in January 2000 and expires in January 2007. Matsushita Avionics has the option to extend the initial term of the Matsushita lease for two successive five-year periods at a rate of 95% of the stated rental rate. The monthly base rent during the option term shall be adjusted upward at the beginning of the 24th and 48th month of each option term by an amount equal to 6% of the monthly base rent payable immediately preceding such period. The current annual base rent payable for the Matsushita lease is $2,005,464.

AT&T Pennsylvania Building

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

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

The Pennsylvania Telephone lease commenced in November 1998 and expires in November 2008. Pennsylvania Telephone has the option to extend the initial term of the Pennsylvania Telephone lease for three additional five-year periods and one additional four year and 11-month period. The annual base rent for each extended term under the lease will be equal to 93% of the fair market rent. The fair market rent shall be multiplied by the fair market escalator (which represents the yearly rate of increases in the fair market rent for the entire renewal term), if any. The current annual base rent payable for the Pennsylvania Telephone lease is $1,442,116.

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

PwC Building

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

The PwC Building is leased to PricewaterhouseCoopers (PwC). PwC provides a full range of business advisory services to leading global, national and local companies and to public institutions.

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

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

In addition, the PwC lease contains an option to expand the premises to include an additional three or four-story building with an amount of square feet up to a total of 132,000 square feet which, if exercised by PwC, will require Wells OP to expend funds necessary to construct the expansion building. PwC may exercise its expansion option at any time prior to the expiration of the initial term of the PwC lease.

If PwC elects to exercise its expansion option, Wells OP will be required to expand the parking garage such that a sufficient number of parking spaces, at least equal to four parking spaces per 1,000 square feet of rentable area, is maintained. In the event that PwC elects to exercise its expansion option and Wells OP determines not to proceed with the construction of the expansion building as described above, or if Wells OP is otherwise required to construct the expansion building and fails to do so in a timely basis pursuant to the PwC lease, PwC may exercise its purchase option by giving Wells OP written notice of such exercise within 30 days after either such event. If PwC properly exercises its purchase option, PwC must simultaneously deliver a deposit in the amount of $50,000.

Cort Furniture Building

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

The Cort Furniture Building is leased to Cort Furniture Rental Corporation (Cort). Cort uses the Cort Furniture Building as its regional corporate headquarters with an attached clearance showroom and warehouse storage areas. Cort is a wholly-owned subsidiary of Cort Business Services Corporation, the largest and only national provider of high-quality office and residential rental furniture and related accessories. The obligations of Cort under the Cort Furniture lease are guaranteed by Cort Business Services Corporation.

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

Fairchild Building

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

The Fairchild Building is leased to Fairchild Technologies U.S.A., Inc. (Fairchild). Fairchild is a global leader in the design and manufacture of production equipment for semiconductor and compact disk manufacturing. Fairchild is a wholly-owned subsidiary of the Fairchild Corporation (Fairchild Corp), the largest aerospace fastener and fastening system manufacturer and one of the largest independent aerospace parts distributors in the world. The obligations of Fairchild under the Fairchild lease are guaranteed by Fairchild Corp. Fairchild Corp. reported a net worth, as of December 30, 2001, of approximately $403 million.

The Fairchild lease commenced in December 1997 and expires in November 2004, subject to Fairchild's right to extend the Fairchild lease for an additional five-year period. The base rent during the first year of the extended term of the Fairchild lease, if exercised by Fairchild, shall be 95% of the then-fair market rental value of the Fairchild Building subject to the annual 3% increase adjustments. The current annual base rent payable under the Fairchild lease is $920,144.

Avaya Building

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

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

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

Iomega Building

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

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

The Iomega lease commenced in August 1996 and expires in April 2009. On March 1, 2003 and July 1, 2006, the monthly base rent payable under the Iomega lease will be increased to reflect an amount equal to 100% of the increase in the Consumer Price Index during the preceding 40 months; provided however, that in no event shall the base rent be increased with respect to any one year by more than 6% or by less than 3% per year, compounded annually, on a cumulative basis from the beginning of the lease term. The current annual base rent payable under the Iomega lease is $659,868.

Interlocken Building

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

Ohmeda Building

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

The Ohmeda Building is leased to Ohmeda, Inc. (Ohmeda). Ohmeda is a medical supply firm based in Boulder, Colorado and is a worldwide leader in vascular access and hemodynamic monitoring for hospital patients. On April 13, 1998, Instrumentarium Corporation (Instrumentarium), a Finnish company, acquired the division of Ohmeda that occupies the Ohmeda Building. Instrumentarium, a guarantor on the Ohmeda lease, is an international health care company concentrating on selected fields of medical technology manufacturing, marketing and distribution. Instrumentarium reported a net worth, as of December 31, 2001, of approximately $480 million.

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

The Ohmeda lease contains an option to expand the premises by an amount of square feet up to a total of 200,000 square feet which, if exercised by Ohmeda, will require the IX-X-XI-REIT Joint Venture to expend funds necessary to acquire additional land, if necessary, and to construct the expansion space.

Alstom Power Knoxville Building

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

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

As security for Alstom Power's obligations under its lease, Alstom Power has provided to the IX-X-XI-REIT Joint Venture an irrevocable standby letter of credit in accordance with the terms and conditions set forth in the Alstom Power Knoxville lease. The letter of credit maintained by Alstom Power is required to be in the amount of $4,000,000 until the seventh anniversary of the rental commencement date (January 2005), at which time it will be reduced by $1,000,000 each year until the end of the lease term.

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

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

Property Management Fees

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

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

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

Real Estate Loans

SouthTrust Loans

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

The $32,393,000 SouthTrust Line of Credit

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

The $12,844,000 SouthTrust Line of Credit

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

The $19,003,000 SouthTrust Line of Credit

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

The $7,900,000 SouthTrust Line of Credit

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

BOA Line of Credit

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

BOA Construction Loan

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

SELECTED FINANCIAL DATA

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

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

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

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

General

Forward Looking Statements

This section and other sections in the prospectus contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of the financial condition of the Wells REIT, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this prospectus should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this prospectus, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow. (See generally "Risk Factors.")

REIT Qualification

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

Liquidity and Capital Resources

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

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

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

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

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

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

Cash Flows From Operating Activities

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

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

Cash Flows From Investing Activities

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

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

Cash Flows From Financing Activities

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

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

Results of Operations

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

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

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

Comparison of First Quarter 2002 and 2001

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

Property Operations

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

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

Funds From Operations

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

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

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

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

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

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases which would protect us from the impact of inflation. These provisions include reimbursement billings for common area maintenance charges (CAM), real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance.

Critical Accounting Policies

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

Straight-Lined Rental Revenues

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

Operating Cost Reimbursements

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

Real Estate

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

Deferred Project Costs

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

Deferred Offering Costs

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

PRIOR PERFORMANCE SUMMARY

The information presented in this section represents the historical experience of real estate programs managed by Wells Capital, our advisor, and its affiliates. Investors in the Wells REIT should not assume that they will experience returns, if any, comparable to those experienced by investors in such prior Wells real estate programs.

Of the 14 publicly offered real estate limited partnerships in which Leo F. Wells, III has served as a general partner, 13 of such limited partnerships have completed their respective offerings. These 13 limited partnerships and the year in which each of their offerings was completed are:

1. Wells Real Estate Fund I (1986),
2. Wells Real Estate Fund II (1988),
3. Wells Real Estate Fund II-OW (1988),
4. Wells Real Estate Fund III, L.P. (1990),
5. Wells Real Estate Fund IV, L.P. (1992),
6. Wells Real Estate Fund V, L.P. (1993),
7. Wells Real Estate Fund VI, L.P. (1994),
8. Wells Real Estate Fund VII, L.P. (1995),
9. Wells Real Estate Fund VIII, L.P. (1996),
10. Wells Real Estate Fund IX, L.P. (1996),
11. Wells Real Estate Fund X, L.P. (1997),
12. Wells Real Estate Fund XI, L.P. (1998), and
13. Wells Real Estate Fund XII, L.P. (2001).

In addition to the foregoing real estate limited partnerships, Wells Capital and its affiliates have sponsored three prior public offerings of shares of common stock of the Wells REIT. The initial public offering of the Wells REIT began on January 30, 1998 and was terminated on December 19, 1999. We received gross proceeds of approximately $132,181,919 from the sale of approximately 13,218,192 shares in our initial public offering. We commenced our second public offering of shares of common stock of the Wells REIT on December 20, 1999 and terminated the second offering on December 19, 2000. We received gross proceeds of approximately $175,229,193 from the sale of approximately 17,522,919 shares in our second public offering. We commenced our third public offering of shares of common stock of the Wells REIT on December 20, 2000. As of June 30, 2002, we had received gross proceeds of approximately $1,148,480,414 from the sale of approximately 114,848,041 shares in our third public offering. Accordingly, as of June 30, 2002, we had received aggregate gross offering proceeds of approximately $1,455,891,526 from the sale of approximately 145,589,153 shares in our three prior public offerings. After payment of $50,528,371 in acquisition and advisory fees and acquisition expenses, payment of $163,576,134 in selling commissions and organization and offering expenses, and common stock redemptions of $12,223,808 pursuant to our share redemption program, as of June 30, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,229,563,213, out of which $885,294,095 had been invested in real estate properties, and $344,269,118 remained available for investment in real estate properties.

Wells Capital and its affiliates are also currently sponsoring a public offering of 4,500,000 units on behalf of Wells Real Estate Fund XIII, L.P. (Wells Fund XIII), a public limited partnership. Wells Fund XIII began its offering on March 29, 2001 and, as of June 30, 2002, Wells Fund XIII had raised gross offering proceeds of $18,634,296 from 926 investors.

The Prior Performance Tables included in the back of this prospectus set forth information as of the dates indicated regarding certain of these Wells programs as to (1) experience in raising and investing funds (Table I); (2) compensation to sponsor (Table II); (3) annual operating results of prior programs (Table III); and (4) sales or disposals of properties (Table V).

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

Publicly Offered Unspecified Real Estate Programs

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

The investment objectives of each of the other Wells programs are substantially identical to the investment objectives of the Wells REIT. Substantially all of the proceeds of the offerings of Wells Fund I, Wells Fund II, Wells Fund II-OW, Wells Fund III, Wells Fund IV, Wells Fund V, Wells Fund VI, Wells Fund VII, Wells Fund VIII, Wells Fund IX, Wells Fund X, Wells Fund XI and Wells Fund XII available for investment in real properties have been invested in properties.

Because of the cyclical nature of the real estate market, decreases in net income of the public partnerships could occur at any time in the future when economic conditions decline. No assurance can be made that the Wells programs will ultimately be successful in meeting their investment objectives. (See "Risk Factors.")

The aggregate dollar amount of the acquisition and development costs of the properties purchased by the 14 publicly offered limited partnerships, as of December 31, 2001, was $275,358,446. Of this amount, approximately 90.2% was spent on acquiring or developing office buildings, and approximately 9.8% was spent on acquiring or developing shopping centers. Of this amount, approximately 22.6% was or will be spent on new properties, 57.1% on existing or used properties and 20.3% on construction properties. Following is a table showing a breakdown of the aggregate amount of the acquisition and development costs of the properties purchased by the Wells REIT, Wells Fund XIII and the 13 Wells programs listed above as of December 31, 2001:

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

Wells Fund I terminated its offering on September 5, 1986, and received gross proceeds of $35,321,000 representing subscriptions from 4,895 limited partners ($24,679,000 of the gross proceeds were attributable to sales of Class A Units, and $10,642,000 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund I have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund I owns interests in the following properties:

- a condominium interest in a three-story medical office building in Atlanta, Georgia;
- a commercial office building in Atlanta, Georgia;
- a shopping center in Knoxville, Tennessee; and
- a project consisting of seven office buildings and a shopping center in Tucker, Georgia.

The prospectus of Wells Fund I provided that the properties purchased by Wells Fund I would typically be held for a period of eight to 12 years, but that the general partners may exercise their discretion on as to whether and when to sell the properties owned by Wells Fund I and that the general partners were under no obligation to sell the properties at any particular time.

Wells Fund I has sold the following properties from its portfolio:

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

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

Wells Fund II and Wells Fund II-OW terminated their offerings on September 7, 1988, and received aggregate gross proceeds of $36,870,250 representing subscriptions from 4,659 limited partners ($28,829,000 of the gross proceeds were attributable to sales of Class A Units, and $8,041,250 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund II and Wells Fund II-OW have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund II and Wells Fund II-OW own all of their properties through a joint venture, which owns interests in the following properties:

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

The prospectus of Wells Fund II and Wells Fund II-OW provided that the properties purchased by Wells Fund II and Wells Fund II-OW would typically be held for a period of eight to 12 years, but that the general partners may exercise their discretion as to whether and when to sell the properties owned by Wells Fund II and Wells Fund II-OW and that the partnerships were under no obligation to sell their properties at any particular time.

Wells Fund II and Wells Fund II-OW sold the following property from its portfolio in 2001:

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

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

Wells Fund III terminated its offering on October 23, 1990, and received gross proceeds of $22,206,310 representing subscriptions from 2,700 limited partners ($19,661,770 of the gross proceeds were attributable to sales of Class A Units, and $2,544,540 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund III have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund III owns interests in the following properties:

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

The prospectus of Wells Fund III provided that the properties purchased by Wells Fund III would typically be held for a period of eight to 12 years, but that the general partners may exercise their discretion as to whether and when to sell the properties owned by Wells Fund III and that they were under no obligation to sell the properties at any particular time. The general partners of Wells Fund III have decided to begin the process of positioning the properties for sale over the next several years.

Wells Fund IV terminated its offering on February 29, 1992, and received gross proceeds of $13,614,655 representing subscriptions from 1,286 limited partners ($13,229,150 of the gross proceeds were attributable to sales of Class A Units, and $385,505 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund IV have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund IV owns interests in the following properties:

- a shopping center in Stockbridge, Georgia having Kroger as the anchor tenant;
- a four-story office building in Jacksonville, Florida leased to IBM and Customized Transportation Inc. (CTI);
- a two-story office building in Richmond, Virginia leased to Reciprocal Group; and
- two substantially identical two-story office buildings in Stockbridge, Georgia.

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

- a four-story office building in Jacksonville, Florida leased to IBM and CTI;
- two substantially identical two-story office buildings in Stockbridge, Georgia;

- a four-story office building in Hartford, Connecticut leased to Hartford Fire Insurance Company;
- restaurant properties in Stockbridge, Georgia leased to Apple Restaurants, Inc., Taco Mac, Dependable Ins and Tokyo Japanese Steak; and
- a three-story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel.

Wells Fund VI terminated its offering on April 4, 1994, and received gross proceeds of $25,000,000 representing subscriptions from 1,793 limited partners ($19,332,176 of the gross proceeds were attributable to sales of Class A Units, and $5,667,824 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund VI are entitled to change the status of their units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscription for units, as of December 31, 2001, $22,363,610 of units of Wells Fund VI were treated as Class A Units, and $2,636,390 of units were treated as Class B Units. Wells Fund VI owns interests in the following properties:

- a four-story office building in Hartford, Connecticut leased to Hartford Fire Insurance Company;
- restaurant properties in Stockbridge, Georgia leased to Apple Restaurants, Inc., Taco Mac, Dependable Insurance and Tokyo Japanese Steak;
- a restaurant and retail building in Stockbridge, Georgia;
- a shopping center in Stockbridge, Georgia;
- a three-story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel;
- a combined retail and office development in Roswell, Georgia;
- a four-story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.; and
- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant.

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

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

Wells Fund VII terminated its offering on January 5, 1995, and received gross proceeds of $24,180,174 representing subscriptions from 1,910 limited partners ($16,788,095 of the gross proceeds were attributable to sales of Class A Units, and $7,392,079 of the gross proceeds were attributable to sales of Class B Units). Limited partners in Wells Fund VII are entitled to change the status of their units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 2001, $20,670,201 of units in Wells Fund VII were treated as Class A Units, and $3,509,973 of units were treated as Class B Units. Wells Fund VII owns interests in the following properties:

- a three-story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel;
- a restaurant and retail building in Stockbridge, Georgia;
- a shopping center in Stockbridge, Georgia;
- a combined retail and office development in Roswell, Georgia;
- a two-story office building in Alachua County, Florida near Gainesville leased to CH2M Hill, Engineers, Planners, Economists, Scientists;
- a four-story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.;
- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant; and
- a retail development in Clayton County, Georgia.

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

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

Wells Fund VIII terminated its offering on January 4, 1996, and received gross proceeds of $32,042,689 representing subscriptions from 2,241 limited partners ($26,135,339 of the gross proceeds were attributable to sales of Class A Units, and $5,907,350 were attributable to sales of Class B Units). Limited partners in Wells Fund VIII are entitled to change the status of their units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units and certain repurchases made by Wells Fund VIII, as of December 31, 2001, $28,065,187 of units in Wells Fund VIII were treated as Class A Units, and $3,967,502 of units were treated as Class B Units. Wells Fund VIII owns interests in the following properties:

- a two-story office building in Alachua County, Florida near Gainsville leased to CH2M Hill, Engineers, Planners, Economists, Scientists;
- a four-story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.;
- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant;
- a retail development in Clayton County, Georgia;
- a four-story office building in Madison, Wisconsin leased to US Cellular, a subsidiary of Bellsouth Corporation;
- a one-story office building in Farmers Branch, Texas leased to TCI Valwood Limited Partnership I;
- a two-story office building in Orange County, California leased to Quest Software, Inc.; and
- a two-story office building in Boulder County, Colorado leased to Cirrus Logic, Inc.

Wells Fund IX terminated its offering on December 30, 1996, and received gross proceeds of $35,000,000 representing subscriptions from 2,098 limited partners ($29,359,310 of the gross proceeds were attributable to sales of Class A Units, and $5,640,690 were attributable to sales of Class B Units). After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 2001, $31,364,290 of units in Wells Fund IX were treated as Class A Units, and $3,635,710 of units were treated as Class B Units. Wells Fund IX owns interests in the following properties:

- a one-story office building in Farmers Branch, Texas leased to TCI Valwood Limited Partnership I;
- a four-story office building in Madison, Wisconsin leased to US Cellular, a subsidiary of Bellsouth Corporation;
- a two-story office building in Orange County, California leased to Quest Software, Inc.;
- a two-story office building in Boulder County, Colorado leased to Cirrus Logic, Inc.;
- a two-story office building in Boulder County, Colorado leased to Ohmeda, Inc.;
- a three-story office building in Knox County, Tennessee leased to Alstom Power, Inc.;
- a one-story office and warehouse building in Weber County, Utah leased to Iomega Corporation;
- a three-story office multi-tenant building in Boulder County, Colorado; and
- a one-story office building in Oklahoma City, Oklahoma leased to Avaya, Inc.

Certain financial information for Wells Fund IX is summarized below:

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

Wells Fund X terminated its offering on December 30, 1997, and received gross proceeds of $27,128,912 representing subscriptions from 1,812 limited partners ($21,160,992 of the gross proceeds were contributable to sales of Class A Units, and $5,967,920 were attributable to sales of Class B Units). After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 2001, $23,166,181 of units in Wells Fund X were treated as Class A Units and $3,962,731 of units were treated as Class B Units. Wells Fund X owns interests in the following properties:

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

- a one-story office and warehouse building in Orange County, California leased to Cort Furniture Rental Corporation; and
- a two-story office and manufacturing building in Alameda County, California leased to Fairchild Technologies U.S.A., Inc.

Certain financial information for Wells Fund X is summarized below:

	2001	2000	1999	1998	1997
Gross Revenues	$ 1,559,026	$ 1,557,518	$ 1,309,281	$ 1,204,597	$372,507
Net Income	$ 1,449,849	$ 1,476,180	$ 1,192,318	$ 1,050,329	$278,025

Wells Fund XI terminated its offering on December 30, 1998, and received gross proceeds of $16,532,802 representing subscriptions from 1,345 limited partners ($13,029,424 of the gross proceeds were attributable to sales of Class A Units and $3,503,378 were attributable to sales of Class B Units). After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 2001, $13,462,560 of units in Wells Fund XI were treated as Class A Units and $3,070,242 of units were treated as Class B Units. Wells Fund XI owns interests in the following properties:

- a three-story office building in Knox County, Tennessee leased to Alstom Power, Inc.;
- a one-story office building in Oklahoma City, Oklahoma leased to Avaya, Inc.;
- a two-story office building in Boulder County, Colorado leased to Ohmeda, Inc.;
- a three-story multi-tenant office building in Boulder County, Colorado;
- a one-story office and warehouse building in Weber County, Utah leased to Iomega Corporation;
- a one-story office and warehouse building in Orange County, California leased to Cort Furniture Rental Corporation;
- a two-story office and manufacturing building in Alameda County, California leased to Fairchild Technologies U.S.A., Inc.;
- a two-story manufacturing and office building in Greenville County, South Carolina leased to EYBL CarTex, Inc.;
- a three-story office building in Johnson County, Kansas leased to Sprint Communications Company L.P.;
- a two-story research and development office and warehouse building in Chester County, Pennsylvania leased to Johnson Matthey, Inc.; and
- a two-story office building in Fort Myers, Florida leased to Gartner Group, Inc.

Certain financial information for Wells Fund XI is summarized below:

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

Wells Fund XII terminated its offering on March 21, 2001, and received gross proceeds of $35,611,192 representing subscriptions from 1,333 limited partners ($26,888,609 of the gross proceeds were attributable to sales of cash preferred units and $8,722,583 were attributable to sales of tax preferred units). After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 2001, $27,786,067 of units in Wells Fund XII were treated as cash preferred units and $7,825,125 of units were treated as tax preferred units. Wells Fund XII owns interests in the following properties:

- a two-story manufacturing and office building in Greenville County, South Carolina leased to EYBL CarTex, Inc.;
- a three-story office building in Johnson County, Kansas leased to Sprint Communications Company L.P.;
- a two-story research and development office and warehouse building in Chester County, Pennsylvania leased to Johnson Matthey, Inc.;
- a two-story office building in Fort Myers, Florida leased to Gartner Group, Inc.;
- a three-story office building in Troy, Michigan leased to Siemens Automotive Corporation;
- a one-story office building and a connecting two-story office building in Oklahoma City, Oklahoma leased to AT&T Corp. and Jordan Associates, Inc.; and
- a three-story office building in Brentwood, Tennessee leased to Comdata Network, Inc.

Certain financial information for Wells Fund XII is summarized below:

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

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

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

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

The foregoing properties in which the above 14 limited partnerships have invested have all been acquired on an all cash basis.

Leo F. Wells, III and Wells Partners, L.P. are the general partners of Wells Fund IV, Wells Fund V, Wells Fund VI, Wells Fund VII, Wells Fund VIII, Wells Fund IX, Wells Fund X, Wells Fund XI and Wells Fund XII. Wells Capital, which is the general partner of Wells Partners, L.P., and Leo F. Wells, III are the general partners of Wells Fund I, Wells Fund II, Wells Fund II-OW, Wells Fund III and Wells Fund XIII.

Potential investors are encouraged to examine the Prior Performance Tables included in the back of the prospectus for more detailed information regarding the prior experience of Wells Capital and its affiliates. In addition, upon request, prospective investors may obtain from us without charge copies of offering materials and any reports prepared in connection with any of the Wells programs, including a copy of the most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. For a reasonable fee, we will also furnish upon request copies of the exhibits to any such Form 10-K. Any such request should be directed to our secretary. Additionally, Table VI contained in Part II of the registration statement, which is not part of this prospectus, gives certain additional information relating to properties acquired by the Wells programs. We will furnish, without charge, copies of such table upon request.

FEDERAL INCOME TAX CONSIDERATIONS

General

The following is a summary of material federal income tax considerations associated with an investment in the shares. This summary does not address all possible tax considerations that may be material to an investor and does not constitute tax advice. Moreover, this summary does not deal with all tax aspects that might be relevant to you, as a prospective stockholder, in light of your personal circumstances; nor does it deal with particular types of stockholders that are subject to special treatment under the Internal Revenue Code, such as insurance companies, tax-exempt organizations, financial institutions or broker-dealers, or foreign corporations or persons who are not citizens or residents of the United States (Non-U.S. stockholders). The Internal Revenue Code provisions governing the federal income tax treatment of REITs are highly technical and complex, and this summary is qualified in its entirety by the express language of applicable Internal Revenue Code provisions, Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof.

We urge you, as a prospective investor, to consult your own tax advisor regarding the specific tax consequences to you of a purchase of shares, ownership and sale of the shares and of our election to be taxed as a REIT, including the federal, state, local, foreign and other tax consequences of such purchase, ownership, sale and election.

Opinion of Counsel

Holland & Knight LLP (Holland & Knight) has acted as our counsel, has reviewed this summary and is of the opinion that it fairly summarizes the federal income tax considerations addressed that are material to stockholders. It is also the opinion of our counsel that it is more likely than not that we qualified to be taxed as a REIT under the Internal Revenue Code for our taxable year ended December 31, 2001, provided that we have operated and will continue to operate in accordance with various assumptions and the factual representations we made to counsel concerning our business, properties and operations. We must emphasize that all opinions issued by Holland & Knight are based on various assumptions and are conditioned upon the assumptions and representations we made concerning our business and properties. Moreover, our qualification for taxation as a REIT depends on our ability to meet the various qualification tests imposed under the Internal Revenue Code discussed below, the results of which will not be reviewed by Holland & Knight. Accordingly, we cannot assure you that the actual results of our operations for any one taxable year will satisfy these requirements. (See “Risk Factors—Failure to Qualify as a REIT.”)

The statements made in this section of the prospectus and in the opinion of Holland & Knight are based upon existing law and Treasury Regulations, as currently applicable, currently published administrative positions of the Internal Revenue Service and judicial decisions, all of which are subject to change, either prospectively or retroactively. We cannot assure you that any changes will not modify the conclusions expressed in our counsel’s opinion. Moreover, an opinion of counsel is not binding on the Internal Revenue Service and we cannot assure you that the Internal Revenue Service will not successfully challenge our status as a REIT.

Taxation of the Company

If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on that portion of our ordinary income or capital gain that we distribute currently to our stockholders, because the REIT provisions of the Internal Revenue Code generally allow a REIT to deduct distributions paid to its stockholders. This substantially eliminates the federal “double taxation” on earnings (taxation at both the corporate level and stockholder level) that usually results from an investment in a corporation.

Even if we qualify for taxation as a REIT, however, we will be subject to federal income taxation as follows:

- we will be taxed at regular corporate rates on our undistributed REIT taxable income, including undistributed net capital gains;
- under some circumstances, we will be subject to “alternative minimum tax”;
- if we have net income from the sale or other disposition of “foreclosure property” that is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on that income;
- if we have net income from prohibited transactions (which are, in general, sales or other dispositions of property other than foreclosure property held primarily for sale to customers in the ordinary course of business), the income will be subject to a 100% tax;
- if we fail to satisfy either of the 75% or 95% gross income tests (discussed below) but have nonetheless maintained our qualification as a REIT because certain conditions have been met, we will be subject to a 100% tax on an amount equal to the greater of the amount by which we fail the 75% or 95% test multiplied by a fraction calculated to reflect our profitability;
- if we fail to distribute during each year at least the sum of (1) 85% of our REIT ordinary income for the year, (2) 95% of our REIT capital gain net income for such year, and (3) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of the required distribution over the amounts actually distributed; and
- if we acquire any asset from a C corporation (i.e., a corporation generally subject to corporate-level tax) in a carryover-basis transaction and we subsequently recognize gain on the disposition of the asset during the 10-year period beginning on the date on which

we acquired the asset, then a portion of the gains may be subject to tax at the highest regular corporate rate, pursuant to guidelines issued by the Internal Revenue Service (Built-In-Gain Rules).

Requirements for Qualification as a REIT

We elected to be taxable as a REIT for our taxable year ended December 31, 1998. In order for us to qualify as a REIT, however, we had to meet and we must continue to meet the requirements discussed below relating to our organization, sources of income, nature of assets and distributions of income to our stockholders.

Organizational Requirements

In order to qualify for taxation as a REIT under the Internal Revenue Code, we must:

- be a domestic corporation;
- elect to be taxed as a REIT and satisfy relevant filing and other administrative requirements;
- be managed by one or more trustees or directors;
- have transferable shares;
- not be a financial institution or an insurance company;
- use a calendar year for federal income tax purposes;
- have at least 100 stockholders for at least 335 days of each taxable year of 12 months; and
- not be closely held.

As a Maryland corporation, we satisfy the first requirement, and we have filed an election to be taxed as a REIT with the IRS. In addition, we are managed by a board of directors, we have transferable shares, and we do not intend to operate as a financial institution or insurance company. We utilize the calendar year for federal income tax purposes, and we have more than 100 stockholders. We would be treated as closely held only if five or fewer individuals or certain tax-exempt entities own, directly or indirectly, more than 50% (by value) of our shares at any time during the last half of our taxable year. For purposes of the closely-held test, the Internal Revenue Code generally permits a look-through for pension funds and certain other tax-exempt entities to the beneficiaries of the entity to determine if the REIT is closely held. Five or fewer individuals or tax-exempt entities have never owned more than 50% of our outstanding shares during the last half of any taxable year.

We are authorized to refuse to transfer our shares to any person if the sale or transfer would jeopardize our ability to satisfy the REIT ownership requirements. There can be no assurance that a refusal to transfer will be effective. However, based on the foregoing, we should currently satisfy the organizational requirements, including the share ownership requirements. Notwithstanding compliance with the share ownership requirements outlined above, tax-exempt stockholders may be required to treat all or a portion of their distributions from us as “unrelated business taxable income” if tax-exempt stockholders, in the aggregate, exceed certain ownership thresholds set forth in the Internal Revenue Code. (See “Taxation of Tax-Exempt Stockholders.”)

Ownership of Interests in Partnerships and Qualified REIT Subsidiaries

In the case of a REIT that is a partner in a partnership, Treasury Regulations provide that the REIT is deemed to own its proportionate share, based on its interest in partnership capital, of the assets of the partnership and is deemed to have earned its allocable share of partnership income. Also, if a REIT owns a qualified REIT subsidiary, which is defined as a corporation wholly-owned by a REIT, the REIT will be deemed to own all of the subsidiary's assets and liabilities and it will be deemed to be entitled to treat the income of that subsidiary as its own. In addition, the character of the assets and gross income of the partnership or qualified REIT subsidiary shall retain the same character in the hands of the REIT for purposes of satisfying the gross income tests and asset tests set forth in the Internal Revenue Code.

Operational Requirements—Gross Income Tests

To maintain our qualification as a REIT, we must satisfy annually two gross income requirements.

- At least 75% of our gross income, excluding gross income from prohibited transactions, for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property. Gross income includes "rents from real property" and, in some circumstances, interest, but excludes gross income from dispositions of property held primarily for sale to customers in the ordinary course of a trade or business. Such dispositions are referred to as "prohibited transactions." This is the 75% Income Test.
- At least 95% of our gross income, excluding gross income from prohibited transactions, for each taxable year must be derived from the real property investments described above and from distributions, interest and gains from the sale or disposition of stock or securities or from any combination of the foregoing. This is the 95% Income Test.
- The rents we receive or that we are deemed to receive qualify as "rents from real property" for purposes of satisfying the gross income requirements for a REIT only if the following conditions are met:
  - the amount of rent received from a tenant generally must not be based in whole or in part on the income or profits of any person; however, an amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of gross receipts or sales;
  - rents received from a tenant will not qualify as "rents from real property" if an owner of 10% or more of the REIT directly or constructively owns 10% or more of the tenant (a "Related Party Tenant") or a subtenant of the tenant (in which case only rent attributable to the subtenant is disqualified);
  - if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as "rents from real property"; and

- the REIT must not operate or manage the property or furnish or render services to tenants, other than through an "independent contractor" who is adequately compensated and from whom the REIT does not derive any income. However, a REIT may provide services with respect to its properties, and the income derived therefrom will qualify as "rents from real property," if the services are "usually or customarily rendered" in connection with the rental of space only and are not otherwise considered "rendered to the occupant." Even if the services with respect to a property are impermissible tenant services, the income derived therefrom will qualify as "rents from real property" if such income does not exceed one percent of all amounts received or accrued with respect to that property.

Prior to the making of investments in properties, we may satisfy the 75% Income Test and the 95% Income Test by investing in liquid assets such as government securities or certificates of deposit, but earnings from those types of assets are qualifying income under the 75% Income Test only for one year from the receipt of proceeds. Accordingly, to the extent that offering proceeds have not been invested in properties prior to the expiration of this one year period, in order to satisfy the 75% Income Test, we may invest the offering proceeds in less liquid investments approved by our board of directors such as mortgage-backed securities or shares in other REITs. We intend to trace offering proceeds received for purposes of determining the one year period for "new capital investments." No rulings or regulations have been issued under the provisions of the Internal Revenue Code governing "new capital investments," however, so that there can be no assurance that the Internal Revenue Service will agree with this method of calculation.

Except for amounts received with respect to certain investments of cash reserves, we anticipate that substantially all of our gross income will be derived from sources that will allow us to satisfy the income tests described above; however, we can make no assurance in this regard.

Notwithstanding our failure to satisfy one or both of the 75% Income and the 95% Income Tests for any taxable year, we may still qualify as a REIT for that year if we are eligible for relief under specific provisions of the Internal Revenue Code. These relief provisions generally will be available if:

- our failure to meet these tests was due to reasonable cause and not due to willful neglect;
- we attach a schedule of our income sources to our federal income tax return; and
- any incorrect information on the schedule is not due to fraud with intent to evade tax.

It is not possible, however, to state whether, in all circumstances, we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally earn exceeds the limits on this income, the Internal Revenue Service could conclude that our failure to satisfy the tests was not due to reasonable cause. As discussed above in "Taxation of the Company," even if these relief provisions apply, a tax would be imposed with respect to the excess net income.

Operational Requirements—Asset Tests

At the close of each quarter of our taxable year, we also must satisfy the following three tests (Asset Tests) relating to the nature and diversification of our assets:

- First, at least 75% of the value of our total assets must be represented by real estate assets, cash, cash items and government securities. The term "real estate assets" includes real property, mortgages on real property, shares in other qualified REITs and a proportionate share of any real estate assets owned by a partnership in which we are a partner or of any qualified REIT subsidiary of ours;

- Second, no more than 25% of our total assets may be represented by securities other than those in the 75% asset class; and
- Third, of the investments included in the 25% asset class, the value of any one issuer's securities that we own may not exceed 5% of the value of our total assets. Additionally, we may not own more than 10% of any one issuer's outstanding voting securities, or securities having a value of more than 10% of the total value of the outstanding securities of any one issuer.

These tests must generally be met for any quarter in which we acquire securities. Further, if we meet the Asset Tests at the close of any quarter, we will not lose our REIT status for a failure to satisfy the Asset Tests at the end of a later quarter if such failure occurs solely because of changes in asset values. If our failure to satisfy the Asset Tests results from an acquisition of securities or other property during a quarter, we can cure the failure by disposing of a sufficient amount of nonqualifying assets within 30 days after the close of that quarter. We maintain, and will continue to maintain, adequate records of the value of our assets to ensure compliance with the Asset Tests and will take other action within 30 days after the close of any quarter as may be required to cure any noncompliance.

Operational Requirements—Annual Distribution Requirement

In order to be taxed as a REIT, we are required to make dividend distributions, other than capital gain distributions, to our stockholders each year in the amount of at least 90% of our REIT taxable income (computed without regard to the dividends paid deduction and our capital gain and subject to certain other potential adjustments).

While we must generally pay dividends in the taxable year to which they relate, we may also pay dividends in the following taxable year if (1) they are declared before we timely file our federal income tax return for the taxable year in question, and if (2) they are paid on or before the first regular dividend payment date after the declaration.

Even if we satisfy the foregoing dividend distribution requirement and, accordingly, continue to qualify as a REIT for tax purposes, we will still be subject to tax on the excess of our net capital gain and our REIT taxable income, as adjusted, over the amount of dividends distributed to stockholders.

In addition, if we fail to distribute during each calendar year at least the sum of:

- 85% of our ordinary income for that year;
- 95% of our capital gain net income other than the capital gain net income which we elect to retain and pay tax on for that year; and
- any undistributed taxable income from prior periods;

we will be subject to a 4% excise tax on the excess of the amount of such required distributions over amounts actually distributed during such year.

We intend to make timely distributions sufficient to satisfy this requirement; however, we may possibly experience timing differences between (1) the actual receipt of income and payment of deductible expenses, and (2) the inclusion of that income. We may also possibly be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale.

In such circumstances, we may have less cash than is necessary to meet our annual distribution requirement or to avoid income or excise taxation on certain undistributed income. We may find it necessary in such circumstances to arrange for financing or raise funds through the issuance of additional shares in order to meet our distribution requirements, or we may make taxable stock distributions to meet the distribution requirement.

If we fail to satisfy the distribution requirement for any taxable year by reason of a later adjustment to our taxable income made by the Internal Revenue Service, we may be able to pay “deficiency dividends” in a later year and include such distributions in our deductions for dividends paid for the earlier year. In such event, we may be able to avoid being taxed on amounts distributed as deficiency dividends, but we would be required in such circumstances to pay interest to the Internal Revenue Service based upon the amount of any deduction taken for deficiency dividends for the earlier year.

As noted above, we may also elect to retain, rather than distribute, our net long-term capital gains. The effect of such an election would be as follows:

- we would be required to pay the tax on these gains;
- stockholders, while required to include their proportionate share of the undistributed long-term capital gains in income, would receive a credit or refund for their share of the tax paid by the REIT; and
- the basis of a stockholder’s shares would be increased by the amount of our undistributed long-term capital gains (minus the amount of capital gains tax we pay) included in the stockholder’s long-term capital gains.

In computing our REIT taxable income, we will use the accrual method of accounting and depreciate depreciable property under the alternative depreciation system. We are required to file an annual federal income tax return, which, like other corporate returns, is subject to examination by the Internal Revenue Service. Because the tax law requires us to make many judgments regarding the proper treatment of a transaction or an item of income or deduction, it is possible that the Internal Revenue Service will challenge positions we take in computing our REIT taxable income and our distributions. Issues could arise, for example, with respect to the allocation of the purchase price of properties between depreciable or amortizable assets and nondepreciable or non-amortizable assets such as land and the current deductibility of fees paid to Wells Capital or its affiliates. Were the Internal Revenue Service to successfully challenge our characterization of a transaction or determination of our REIT taxable income, we could be found to have failed to satisfy a requirement for qualification as a REIT. If, as a result of a challenge, we are determined to have failed to satisfy the distribution requirements for a taxable year, we would be disqualified as a REIT, unless we were permitted to pay a deficiency distribution to our stockholders and pay interest thereon to the Internal Revenue Service, as provided by the Internal Revenue Code. A deficiency distribution cannot be used to satisfy the distribution requirement, however, if the failure to meet the requirement is not due to a later adjustment to our income by the Internal Revenue Service.

Operational Requirements—Recordkeeping

In order to continue to qualify as a REIT, we must maintain certain records as set forth in applicable Treasury Regulations. Further, we must request, on an annual basis, certain information designed to disclose the ownership of our outstanding shares. We intend to comply with such requirements.

Failure to Qualify as a REIT

If we fail to qualify as a REIT for any reason in a taxable year and applicable relief provisions do not apply, we will be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. We will not be able to deduct dividends paid to our stockholders in any year in which we fail to qualify as a REIT. We also will be disqualified for the four taxable years following the year during which qualification was lost unless we are entitled to relief under specific statutory provisions. (See "Risk Factors—Federal Income Tax Risks.")

Sale-Leaseback Transactions

Some of our investments may be in the form of sale-leaseback transactions. In most instances, depending on the economic terms of the transaction, we will be treated for federal income tax purposes as either the owner of the property or the holder of a debt secured by the property. We do not expect to request an opinion of counsel concerning the status of any leases of properties as true leases for federal income tax purposes.

The Internal Revenue Service may take the position that a specific sale-leaseback transaction, which we treat as a true lease, is not a true lease for federal income tax purposes but is, instead, a financing arrangement or loan. We may also structure some sale-leaseback transactions as loans. In this event, for purposes of the Asset Tests and the 75% Income Test, each such loan likely would be viewed as secured by real property to the extent of the fair market value of the underlying property. We expect that, for this purpose, the fair market value of the underlying property would be determined without taking into account our lease. If a sale-leaseback transaction were so recharacterized, we might fail to satisfy the Asset Tests or the Income Tests and, consequently, lose our REIT status effective with the year of recharacterization. Alternatively, the amount of our REIT taxable income could be recalculated which might also cause us to fail to meet the distribution requirement for a taxable year.

Taxation of U.S. Stockholders

Definition

In this section, the phrase "U.S. stockholder" means a holder of shares that for federal income tax purposes:

- is a citizen or resident of the United States;
- is a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof;
- is an estate or trust, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

For any taxable year for which we qualify for taxation as a REIT, amounts distributed to taxable U.S. stockholders will be taxed as described below.

Distributions Generally

Distributions to U.S. stockholders, other than capital gain distributions discussed below, will constitute dividends up to the amount of our current or accumulated earnings and profits and will be taxable to the stockholders as ordinary income. These distributions are not eligible for the dividends received deduction generally available to corporations. To the extent that we make a distribution in excess of our current or accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital, reducing the tax basis in each U.S. stockholder's shares, and the amount of each distribution in excess of a U.S. stockholder's tax basis in its shares will be taxable as gain realized from the sale of its shares. Distributions that we declare in October, November or December of any year payable to a stockholder of record on a specified date in any of these months will be treated as both paid by us and received by the stockholder on December 31 of the year, provided that we actually pay the distribution no later than January 31 of the following calendar year. U.S. stockholders may not include any of our losses on their own federal income tax returns.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution by us up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed above. Moreover, any "deficiency distribution" will be treated as an ordinary or capital gain distribution, as the case may be, regardless of our earnings and profits. As a result, stockholders may be required to treat as taxable some distributions that would otherwise result in a tax-free return of capital.

Capital Gain Distributions

Distributions to U.S. stockholders that we properly designate as capital gain distributions will be treated as long-term capital gains to the extent they do not exceed our actual net capital gain, for the taxable year without regard to the period for which the U.S. stockholder has held his stock.

Passive Activity Loss and Investment Interest Limitations

Our distributions and any gain you realize from a disposition of shares will not be treated as passive activity income, and stockholders may not be able to utilize any of their "passive losses" to offset this income on their personal tax returns. Our distributions (to the extent they do not constitute a return of capital) will generally be treated as investment income for purposes of the limitations on the deduction of investment interest. Net capital gain from a disposition of shares and capital gain distributions generally will be included in investment income for purposes of the investment interest deduction limitations only if, and to the extent, you so elect, in which case any such capital gains will be taxed as ordinary income.

Certain Dispositions of the Shares

In general, any gain or loss realized upon a taxable disposition of shares by a U.S. stockholder who is not a dealer in securities will be treated as long-term capital gain or loss if the shares have been held for more than 12 months and as short-term capital gain or loss if the shares have been held for 12 months or less. If, however, a U.S. stockholder has received any capital gains distributions with respect to his shares, any loss realized upon a taxable disposition of shares held for six months or less, to the extent of the capital gains distributions received with respect to his shares, will be treated as long-term capital loss. Also, the Internal Revenue Service is authorized to issue Treasury Regulations that would subject a portion of the capital gain a U.S. stockholder recognizes from selling his shares or from a capital gain distribution to a tax at a 25% rate, to the extent the capital gain is attributable to depreciation previously deducted.

Information Reporting Requirements and Backup Withholding for U.S. Stockholders

Under some circumstances, U.S. stockholders may be subject to backup withholding at a rate of 31% on payments made with respect to, or cash proceeds of a sale or exchange of, our shares. Backup withholding will apply only if the stockholder:

- fails to furnish his or her taxpayer identification number (which, for an individual, would be his or her Social Security Number);
- furnishes an incorrect tax identification number;
- is notified by the Internal Revenue Service that he or she has failed properly to report payments of interest and distributions or is otherwise subject to backup withholding; or
- under some circumstances, fails to certify, under penalties of perjury, that he or she has furnished a correct tax identification number and that (a) he or she has not been notified by the Internal Revenue Service that he or she is subject to backup withholding for failure to report interest and distribution payments or (b) he or she has been notified by the Internal Revenue Service that he or she is no longer subject to backup withholding.

Backup withholding will not apply with respect to payments made to some stockholders, such as corporations and tax-exempt organizations. Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to a payment to a U.S. stockholder will be allowed as a credit against the U.S. stockholder's U.S. federal income tax liability and may entitle the U.S. stockholder to a refund, provided that the required information is furnished to the Internal Revenue Service. U.S. stockholders should consult their own tax advisors regarding their qualifications for exemption from backup withholding and the procedure for obtaining an exemption.

Treatment of Tax-Exempt Stockholders

Tax-exempt entities such as employee pension benefit trusts, individual retirement accounts, charitable remainder trusts, etc. generally are exempt from federal income taxation. Such entities are subject to taxation, however, on any "unrelated business taxable income" (UBTI), as defined in the Internal Revenue Code. Our payment of dividends to a tax-exempt employee pension benefit trust or other domestic tax-exempt stockholder generally will not constitute UBTI to such stockholder unless such stockholder has borrowed to acquire or carry its shares.

In the event that we are deemed to be "predominately held" by qualified employee pension benefit trusts that each hold more than 10% (in value) of our shares, such trusts would be required to treat a percentage of the dividend distributions paid to them as UBTI. We would be deemed to be "predominately held" by such trusts if either (1) one employee pension benefit trust owns more than 25% in value of our shares, or (2) any group of such trusts, each owning more than 10% in value of our shares, holds in the aggregate more than 50% in value of our shares. If either of these ownership thresholds were ever exceeded, any qualified employee pension benefit trust holding more than 10% in value of our shares would be subject to tax on that portion of our dividend distributions made to it which is equal to the percentage of our income which would be UBTI if we, ourselves, were a qualified trust, rather than a REIT. We will attempt to monitor the concentration of ownership of employee pension benefit trusts in our shares, and we do not expect our shares to be deemed to be "predominately held" by qualified employee pension benefit trusts, as defined in the Internal Revenue Code, to the extent required to trigger the treatment of our income as UBTI to such trusts.

For social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans exempt from federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Internal Revenue Code, respectively, income from an investment in our shares will constitute UBTI unless the stockholder in question is able to deduct amounts "set aside" or placed in reserve for certain purposes so as to offset the UBTI generated. Any such organization that is a prospective investor in our shares should consult its own tax advisor concerning these "set aside" and reserve requirements.

Special Tax Considerations for Non-U.S. Stockholders

The rules governing U.S. income taxation of non-resident alien individuals, foreign corporations, foreign partnerships and foreign trusts and estates (collectively, Non-U.S. stockholders) are complex. The following discussion is intended only as a summary of these rules. Non-U.S. stockholders should consult with their own tax advisors to determine the impact of federal, state and local income tax laws on an investment in our shares, including any reporting requirements.

Income Effectively Connected With a U.S. Trade or Business

In general, Non-U.S. stockholders will be subject to regular U.S. federal income taxation with respect to their investment in our shares if the income derived therefrom is "effectively connected" with the Non-U.S. stockholder's conduct of a trade or business in the United States. A corporate Non-U.S. stockholder that receives income that is (or is treated as) effectively connected with a U.S. trade or business also may be subject to a branch profits tax under Section 884 of the Internal Revenue Code, which is payable in addition to the regular U.S. federal corporate income tax.

The following discussion will apply to Non-U.S. stockholders whose income derived from ownership of our shares is deemed to be not "effectively connected" with a U.S. trade or business.

Distributions Not Attributable to Gain From the Sale or Exchange of a United States Real Property Interest

A distribution to a Non-U.S. stockholder that is not attributable to gain realized by us from the sale or exchange of a United States real property interest and that we do not designate as a capital gain distribution will be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits. Generally, any ordinary income distribution will be subject to a U.S. federal income tax equal to 30% of the gross amount of the distribution unless this tax is reduced by the provisions of an applicable tax treaty. Any such distribution in excess of our earnings and profits will be treated first as a return of capital that will reduce each Non-U.S. stockholder's basis in its shares (but not below zero) and then as gain from the disposition of those shares, the tax treatment of which is described under the rules discussed below with respect to dispositions of shares.

Distributions Attributable to Gain From the Sale or Exchange of a United States Real Property Interest

Distributions to a Non-U.S. stockholder that are attributable to gain from the sale or exchange of a United States real property interest will be taxed to a Non-U.S. stockholder under Internal Revenue Code provisions enacted by the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA). Under FIRPTA, such distributions are taxed to a Non-U.S. stockholder as if the distributions were gains "effectively connected" with a U.S. trade or business. Accordingly, a Non-U.S. stockholder will be taxed at the normal capital gain rates applicable to a U.S. stockholder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals). Distributions subject to FIRPTA also may be subject to a 30% branch profits tax when made to a corporate Non-U.S. stockholder that is not entitled to a treaty exemption.

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

Although tax treaties may reduce our withholding obligations, based on current law, we will generally be required to withhold from distributions to Non-U.S. stockholders, and remit to the Internal Revenue Service:

- 35% of designated capital gain distributions or, if greater, 35% of the amount of any distributions that could be designated as capital gain distributions; and
- 30% of ordinary income distributions (*i.e.*, dividends paid out of our earnings and profits).

In addition, if we designate prior distributions as capital gain distributions, subsequent distributions, up to the amount of the prior distributions, will be treated as capital gain distributions for purposes of withholding. A distribution in excess of our earnings and profits will be subject to 30% withholding if at the time of the distribution it cannot be determined whether the distribution will be in an amount in excess of our current or accumulated earnings and profits. If the amount of tax we withhold with respect to a distribution to a Non-U.S. stockholder exceeds the stockholder's U.S. tax liability with respect to that distribution, the Non-U.S. stockholder may file a claim with the Internal Revenue Service for a refund of the excess.

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

A sale of our shares by a Non-U.S. stockholder will generally not be subject to U.S. federal income taxation unless our shares constitute a "United States real property interest" within the meaning of FIRPTA. Our shares will not constitute a United States real property interest if we are a "domestically controlled REIT." A "domestically controlled REIT" is a REIT that at all times during a specified testing period has less than 50% in value of its shares held directly or indirectly by Non-U.S. stockholders. We currently anticipate that we will be a domestically controlled REIT. Therefore, sales of our shares should not be subject to taxation under FIRPTA. However, we cannot assure you that we will continue to be a domestically controlled REIT. If we were not a domestically controlled REIT, whether a Non-U.S. stockholder's sale of our shares would be subject to tax under FIRPTA as a sale of a United States real property interest would depend on whether our shares were "regularly traded" on an established securities market and on the size of the selling stockholder's interest in us. Our shares currently are not "regularly traded" on an established securities market.

If the gain on the sale of shares were subject to taxation under FIRPTA, a Non-U.S. stockholder would be subject to the same treatment as a U.S. stockholder with respect to the gain, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals. In addition, distributions that are treated as gain from the disposition of shares and are subject to tax under FIRPTA also may be subject to a 30% branch profits tax when made to a corporate Non-U.S. stockholder that is not entitled to a treaty exemption. Under FIRPTA, the purchaser of our shares may be required to withhold 10% of the purchase price and remit this amount to the Internal Revenue Service.

Even if not subject to FIRPTA, capital gains will be taxable to a Non-U.S. stockholder if the Non-U.S. stockholder is a non-resident alien individual who is present in the United States for 183 days or more during the taxable year and some other conditions apply, in which case the non-resident alien individual will be subject to a 30% tax on his or her U.S. source capital gains.

Recently promulgated Treasury Regulations may alter the procedures for claiming the benefits of an income tax treaty. Our Non-U.S. stockholders should consult their tax advisors concerning the effect, if any, of these Treasury Regulations on an investment in our shares.

Information Reporting Requirements and Backup Withholding for Non-U.S. Stockholders

Additional issues may arise for information reporting and backup withholding for Non-U.S. stockholders. Non-U.S. stockholders should consult their tax advisors with regard to U.S. information reporting and backup withholding requirements under the Internal Revenue Code.

Statement of Stock Ownership

We are required to demand annual written statements from the record holders of designated percentages of our shares disclosing the actual owners of the shares. Any record stockholder who, upon our request, does not provide us with required information concerning actual ownership of the shares is required to include specified information relating to his or her shares in his or her federal income tax return. We also must maintain, within the Internal Revenue District in which we are required to file our federal income tax return, permanent records showing the information we have received about the actual ownership of shares and a list of those persons failing or refusing to comply with our demand.

State and Local Taxation

We and any operating subsidiaries we may form may be subject to state and local tax in states and localities in which we or they do business or own property. The tax treatment of the Wells REIT, Wells OP, any operating subsidiaries we may form and the holders of our shares in local jurisdictions may differ from the federal income tax treatment described above.

Tax Aspects of Our Operating Partnership

The following discussion summarizes certain federal income tax considerations applicable to our investment in Wells OP, our operating partnership. The discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

Classification as a Partnership

We will be entitled to include in our income a distributive share of Wells OP’s income and to deduct our distributive share of Wells OP’s losses only if Wells OP is classified for federal income tax purposes as a partnership, rather than as an association taxable as a corporation. Under applicable Treasury Regulations (Check-the-Box-Regulations), an unincorporated U.S. entity with at least two members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity fails to make an election, it generally will be treated as a partnership for federal income tax purposes. Wells OP intends to be classified as a partnership for federal income tax purposes and will not elect to be treated as an association taxable as a corporation under the Check-the-Box-Regulations.

Even though Wells OP will be treated as a partnership for federal income tax purposes, since it will not elect to be taxable as a corporation under the Check-the-Box Regulations, it could still be taxed as a corporation if it were deemed to be a "publicly traded partnership." A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or the substantial equivalent thereof); provided, that even if the foregoing requirements are met, a publicly traded partnership will not be treated as a corporation for federal income tax purposes if at least 90% of such partnership's gross income for a taxable year consists of "qualifying income" under Section 7704(d) of the Internal Revenue Code. Qualifying income generally includes any income that is qualifying income for purposes of the 95% Income Test applicable to REITs (90% Passive-Type Income Exception). (See "Requirements for Qualification as a REIT—Operational Requirements—Gross Income Tests.")

Under applicable Treasury Regulations (PTP Regulations), limited safe harbors from the definition of a publicly traded partnership are provided. Pursuant to one of those safe harbors (Private Placement Exclusion), interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (1) all interests in the partnership were issued in a transaction (or transactions) that was not required to be registered under the Securities Act of 1933, as amended, and (2) the partnership does not have more than 100 partners at any time during the partnership's taxable year. In determining the number of partners in a partnership, a person owning an interest in a flow-through entity (such as a partnership, grantor trust or S corporation) that owns an interest in the partnership is treated as a partner in such partnership only if (a) substantially all of the value of the owner's interest in the flow-through is attributable to the flow-through entity's interest (direct or indirect) in the partnership, and (b) a principal purpose of the use of the flow-through entity is to permit the partnership to satisfy the 100 partner limitation. Wells OP qualifies for the Private Placement Exclusion. Further, even if Wells OP were to be considered a publicly traded partnership under the PTP Regulations because it is deemed to have more than 100 partners, Wells OP should not be treated as a corporation because it should be eligible for the 90% Passive-Type Income Exception described above.

We have not requested, and do not intend to request, a ruling from the Internal Revenue Service that Wells OP will be classified as a partnership for federal income tax purposes. Holland & Knight is of the opinion, however, that based on certain factual assumptions and representations, Wells OP will more likely than not be treated for federal income tax purposes as a partnership and not as an association taxable as a corporation, or as a publicly traded partnership. Unlike a tax ruling, however, an opinion of counsel is not binding upon the Internal Revenue Service, and no assurance can be given that the Internal Revenue Service will not challenge the status of Wells OP as a partnership for federal income tax purposes. If such challenge were sustained by a court, Wells OP would be treated as a corporation for federal income tax purposes, as described below. In addition, the opinion of Holland & Knight is based on existing law, which is to a great extent the result of administrative and judicial interpretation. No assurance can be given that administrative or judicial changes would not modify the conclusions expressed in the opinion.

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

Income Taxation of the Operating Partnership and its Partners

Partners, Not a Partnership, Subject to Tax. A partnership is not a taxable entity for federal income tax purposes. As a partner in Wells OP, we will be required to take into account our allocable share of Wells OP's income, gains, losses, deductions, and credits for any taxable year of Wells OP ending within or with our taxable year, without regard to whether we have received or will receive any distribution from Wells OP.

Partnership Allocations. Although a partnership agreement generally determines the allocation of income and losses among partners, such allocations will be disregarded for tax purposes if they do not comply with the provisions of Section 704(b) of the Internal Revenue Code and the Treasury Regulations promulgated thereunder. If an allocation is not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Wells OP's allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Internal Revenue Code and the Treasury Regulations promulgated thereunder.

Tax Allocations With Respect to Contributed Properties. Pursuant to Section 704(c) of the Internal Revenue Code, income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for federal income tax purposes in a manner such that the contributor is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution. Under applicable Treasury Regulations, partnerships are required to use a "reasonable method" for allocating items subject to Section 704(c) of the Internal Revenue Code and several reasonable allocation methods are described therein.

Under the partnership agreement for Wells OP, depreciation or amortization deductions of Wells OP generally will be allocated among the partners in accordance with their respective interests in Wells OP, except to the extent that Wells OP is required under Section 704(c) to use a method for allocating depreciation deductions attributable to its properties that results in us receiving a disproportionately large share of such deductions. We may possibly be allocated (1) lower amounts of depreciation deductions for tax purposes with respect to contributed properties than would be allocated to us if each such property were to have a tax basis equal to its fair market value at the time of contribution, and (2) taxable gain in the event of a sale of such contributed properties in excess of the economic profit allocated to us as a result of such sale. These allocations may cause us to recognize taxable income in excess of cash proceeds received by us, which might adversely affect our ability to comply with the REIT distribution requirements, although we do not anticipate that this event will occur. The foregoing principles also will affect the calculation of our earnings and profits for purposes of determining which portion of our distributions is taxable as a dividend. The allocations described in this paragraph may result in a higher portion of our distributions being taxed as a dividend than would have occurred had we purchased such properties for cash.

Basis in Operating Partnership Interest. The adjusted tax basis of our partnership interest in Wells OP generally is equal to (1) the amount of cash and the basis of any other property contributed to Wells OP by us, (2) increased by (A) our allocable share of Wells OP's income and (B) our allocable share of the indebtedness of Wells OP, and (3) reduced, but not below zero, by (A) our allocable share of Wells OP's losses and (B) the amount of cash distributed to us, including constructive cash distributions resulting from a reduction in our share of the indebtedness of Wells OP.

If the allocation of our distributive share of Wells OP's losses would reduce the adjusted tax basis of our partnership interest in Wells OP below zero, the recognition of such losses will be deferred until such time as the recognition of such losses would not reduce our adjusted tax basis below zero. If a distribution from Wells OP or a reduction in our share of Wells OP's liabilities (which is treated as a constructive distribution for tax purposes) would reduce our adjusted tax basis below zero, any such distribution, including a constructive distribution, would cause us to recognize taxable income equal to the amount of such distribution in excess of our adjusted tax basis. The gain realized by us upon the receipt of any such distribution or constructive distribution would normally be characterized as capital gain, and if our partnership interest in Wells OP has been held for longer than the long-term capital gain holding period (currently one year), the distribution would constitute long-term capital gain.

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

Sale of the Operating Partnership's Property

Generally, any gain realized by Wells OP on the sale of property held for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Any gain recognized by Wells OP upon the disposition of a property will be allocated among the partners in accordance with their respective percentage interests in Wells OP.

Our share of any gain realized by Wells OP on the sale of any property held by Wells OP as inventory or other property held primarily for sale to customers in the ordinary course of Wells OP's trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income also may have an adverse effect upon our ability to satisfy the Income Tests for maintaining our REIT status. (See "Federal Income Tax Considerations—Requirements for Qualification as a REIT—Gross Income Tests" above.) We, however, do not presently intend to acquire or hold or allow Wells OP to acquire or hold any property that represents inventory or other property held primarily for sale to customers in the ordinary course of our or Wells OP's trade or business.

ERISA CONSIDERATIONS

The following is a summary of some non-tax considerations associated with an investment in our shares by a qualified employee pension benefit plan or an individual retirement account (IRA). This summary is based on provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the Internal Revenue Code, as amended through the date of this prospectus, and relevant regulations and opinions issued by the Department of Labor and the Internal Revenue Service. We cannot assure you that there will not be adverse tax decisions or legislative, regulatory or administrative changes which would significantly modify the statements expressed herein. Any such changes may or may not apply to transactions entered into prior to the date of their enactment.

Each fiduciary of an employee pension benefit plan subject to ERISA, such as a profit sharing, section 401(k) or pension plan, or of any other retirement plan or account subject to Section 4975 of the Internal Revenue Code, such as an IRA (Benefit Plans), seeking to invest plan assets in our shares must, taking into account the facts and circumstances of such Benefit Plan, consider, among other matters:

- whether the investment is consistent with the applicable provisions of ERISA and the Internal Revenue Code;
- whether, under the facts and circumstances appertaining to the Benefit Plan in question, the fiduciary's responsibility to the plan has been satisfied;
- whether the investment will produce UBTI to the Benefit Plan (see "Federal Income Tax Considerations—Treatment of Tax-Exempt Stockholders"); and
- the need to value the assets of the Benefit Plan annually.

Under ERISA, a plan fiduciary's responsibilities include the following duties:

- to act solely in the interest of plan participants and beneficiaries and for the exclusive purpose of providing benefits to them, as well as defraying reasonable expenses of plan administration;
- to invest plan assets prudently;
- to diversify the investments of the plan unless it is clearly prudent not to do so;
- to ensure sufficient liquidity for the plan; and
- to consider whether an investment would constitute or give rise to a prohibited transaction under ERISA or the Internal Revenue Code.

ERISA also requires that the assets of an employee benefit plan be held in trust and that the trustee, or a duly authorized named fiduciary or investment manager, have exclusive authority and discretion to manage and control the assets of the plan.

Prohibited Transactions

Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit specified transactions involving the assets of a Benefit Plan which are between the plan and any "party in interest" or "disqualified person" with respect to that Benefit Plan. These transactions are prohibited regardless of how beneficial they may be for the Benefit Plan. Prohibited transactions include the sale, exchange or leasing of property, and the lending of money or the extension of credit, between a Benefit Plan and a party in interest or disqualified person. The transfer to, or use by or for the benefit of, a party in interest, or disqualified person of any assets of a Benefit Plan is also prohibited. A fiduciary of a Benefit Plan also is prohibited from engaging in self-dealing, acting for a person who has an interest adverse to the plan or receiving any consideration for its own account from a party dealing with the plan in a transaction involving plan assets. Furthermore, Section 408 of the Internal Revenue Code states that assets of an IRA trust may not be commingled with other property except in a common trust fund or common investment fund.

Plan Asset Considerations

In order to determine whether an investment in our shares by Benefit Plans creates or gives rise to the potential for either prohibited transactions or a commingling of assets as referred to above, a fiduciary must consider whether an investment in our shares will cause our assets to be treated as assets of the investing Benefit Plans. Neither ERISA nor the Internal Revenue Code define the term "plan assets," however, U.S. Department of Labor Regulations provide guidelines as to whether, and under what circumstances, the underlying assets of an entity will be deemed to constitute assets of a Benefit Plan when the plan invests in that entity (Plan Assets Regulation). Under the Plan Assets Regulation, the assets of corporations, partnerships or other entities in which a Benefit Plan makes an equity investment will generally be deemed to be assets of the Benefit Plan unless the entity satisfies one of the exceptions to this general rule. As discussed below, we have received an opinion of counsel that, based on the Plan Assets Regulation, our underlying assets should not be deemed to be "plan assets" of Benefit Plans investing in shares, assuming the conditions set forth in the opinion are satisfied, based upon the fact that at least one of the specific exemptions set forth in the Plan Assets Regulation is satisfied, as determined under the criteria set forth below.

Specifically, the Plan Assets Regulation provides that the underlying assets of REITs will not be treated as assets of a Benefit Plan investing therein if the interest the Benefit Plan acquires is a "publicly-offered security." A publicly-offered security must be:

- sold as part of a public offering registered under the Securities Act of 1933, as amended, and be part of a class of securities registered under the Securities Exchange Act of 1934, as amended, within a specified time period;
- part of a class of securities that is owned by 100 or more persons who are independent of the issuer and one another; and
- "freely transferable."

Our shares are being sold as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act, and are part of a class registered under the Securities Exchange Act. In addition, we have well in excess of 100 independent stockholders. Thus, both the first and second criterion of the publicly-offered security exception will be satisfied.

Whether a security is "freely transferable" depends upon the particular facts and circumstances. For example, our shares are subject to certain restrictions on transferability intended to ensure that we continue to qualify for federal income tax treatment as a REIT. The regulation provides, however, that where the minimum investment in a public offering of securities is $10,000 or less, the presence of a restriction on transferability intended to prohibit transfers which would result in a termination or reclassification of the entity for state or federal tax purposes will not ordinarily affect a determination that such securities are "freely transferable." The minimum investment in our shares is less than $10,000; thus, the restrictions imposed in order to maintain our status as a REIT should not cause the shares to be deemed not "freely transferable. "

In the event that our underlying assets were treated by the Department of Labor as the assets of investing Benefit Plans, our management would be treated as fiduciaries with respect to each Benefit Plan stockholder, and an investment in our shares might constitute an ineffective delegation of fiduciary responsibility to Wells Capital, our advisor, and expose the fiduciary of the Benefit Plan to co-fiduciary liability under ERISA for any breach by Wells Capital of the fiduciary duties mandated under ERISA.

Further, if our assets are deemed to be "plan assets," an investment by an IRA in our shares might be deemed to result in an impermissible commingling of IRA assets with other property.

If Wells Capital, our advisor, or its affiliates were treated as fiduciaries with respect to Benefit Plan stockholders, the prohibited transaction restrictions of ERISA and the Internal Revenue Code would apply to any transaction involving our assets. These restrictions could, for example, require that we avoid transactions with entities that are affiliated with us or our affiliates or restructure our activities in order to obtain an administrative exemption from the prohibited transaction restrictions. Alternatively, we might have to provide Benefit Plan stockholders with the opportunity to sell their shares to us or we might dissolve or terminate.

If a prohibited transaction were to occur, the Internal Revenue Code imposes an excise tax equal to 15% of the amount involved and authorizes the IRS to impose an additional 100% excise tax if the prohibited transaction is not "corrected" in a timely manner. These taxes would be imposed on any disqualified person who participates in the prohibited transaction. In addition, Wells Capital and possibly other fiduciaries of Benefit Plan stockholders subject to ERISA who permitted the prohibited transaction to occur or who otherwise breached their fiduciary responsibilities, or a non-fiduciary participating in a prohibited transaction, could be required to restore to the Benefit Plan any profits they realized as a result of the transaction or breach, and make good to the Benefit Plan any losses incurred by the Benefit Plan as a result of the transaction or breach. With respect to an IRA that invests in our shares, the occurrence of a prohibited transaction involving the individual who established the IRA, or his or her beneficiary, would cause the IRA to lose its tax-exempt status under Section 408(e)(2) of the Internal Revenue Code.

We have obtained an opinion from Holland & Knight that it is more likely than not that our shares will be deemed to constitute "publicly-offered securities" and, accordingly, that it is more likely than not that our underlying assets should not be considered "plan assets" under the Plan Assets Regulation, assuming the offering takes place as described in this prospectus. If our underlying assets were not deemed to be "plan assets," the problems discussed in the immediately preceding three paragraphs are not expected to arise.

Other Prohibited Transactions

Regardless of whether the shares qualify for the "publicly-offered security" exception of the Plan Assets Regulation, a prohibited transaction could occur if the Wells REIT, Wells Capital, any selected dealer or any of their affiliates is a fiduciary (within the meaning of Section 3(21) of ERISA) with respect to any Benefit Plan purchasing the shares. Accordingly, unless an administrative or statutory exemption applies, shares should not be purchased by a Benefit Plan with respect to which any of the above persons is a fiduciary. A person is a fiduciary with respect to a Benefit Plan under Section 3(21) of ERISA if, among other things, the person has discretionary authority or control with respect to "plan assets" or provides investment advice for a fee with respect to "plan assets." Under a regulation issued by the Department of Labor, a person shall be deemed to be providing investment advice if that person renders advice as to the advisability of investing in our shares and that person regularly provides investment advice to the Benefit Plan pursuant to a mutual agreement or understanding (written or otherwise) (1) that the advice will serve as the primary basis for investment decisions, and (2) that the advice will be individualized for the Benefit Plan based on its particular needs.

Annual Valuation

A fiduciary of an employee benefit plan subject to ERISA is required to determine annually the fair market value of each asset of the plan as of the end of the plan's fiscal year and to file a report reflecting that value with the Department of Labor. When the fair market value of any particular asset is not available, the fiduciary is required to make a good faith determination of that asset's fair market value assuming an orderly liquidation at the time the determination is made. In addition, a trustee or custodian of an IRA must provide an IRA participant with a statement of the value of the IRA each year. In discharging its obligation to value assets of a plan, a fiduciary subject to ERISA must act consistently with the relevant provisions of the plan and the general fiduciary standards of ERISA.

Unless and until our shares are listed on a national securities exchange or are included for quotation on NASDAQ, it is not expected that a public market for the shares will develop. To date, neither the Internal Revenue Service nor the Department of Labor has promulgated regulations specifying how a plan fiduciary should determine the fair market value of the shares, namely when the fair market value of the shares is not determined in the marketplace. Therefore, to assist fiduciaries in fulfilling their valuation and annual reporting responsibilities with respect to ownership of shares, we intend to have our advisor prepare annual reports of the estimated value of our shares. The methodology to be utilized for determining such estimated share values will be for our advisor to estimate the amount a stockholder would receive if our properties were sold at their estimated fair market values at the end of the fiscal year and the proceeds therefrom (without reduction for selling expenses) were distributed to the stockholders in liquidation. Due to the expense involved in obtaining annual appraisals for all of our properties, we do not currently anticipate that actual appraisals will be obtained; however, in connection with the advisor's estimated valuations, the advisor will obtain a third party opinion that its estimates of value are reasonable. We will provide our reports to plan fiduciaries and IRA trustees and custodians who identify themselves to us and request this information.

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

- that the estimated values we obtain could or will actually be realized by us or by our stockholders upon liquidation (in part because estimated values do not necessarily indicate the price at which assets could be sold and because no attempt will be made to estimate the expenses of selling any of our assets);
- that our stockholders could realize these values if they were to attempt to sell their shares; or
- that the estimated values, or the method used to establish values, would comply with the ERISA or IRA requirements described above.

DESCRIPTION OF SHARES

The following description of the shares is not complete but is a summary of portions of our articles of incorporation and is qualified in its entirety by reference to our articles of incorporation.

Under our articles of incorporation, we have authority to issue a total of 1,000,000,000 shares of capital stock. Of the total shares authorized, 750,000,000 shares are designated as common stock with a par value of $0.01 per share, 100,000,000 shares are designated as preferred stock and 150,000,000 shares are designated as shares-in-trust, which would be issued only in the event we have purchases in excess of the ownership limits described below. In addition, our board of directors may amend our articles of incorporation to increase or decrease the amount of our authorized shares.

As of June 30, 2002, approximately 144,366,772 shares of our common stock were issued and outstanding, and no shares of preferred stock or shares-in-trust were issued and outstanding.

Common Stock

The holders of common stock are entitled to one vote per share on all matters voted on by stockholders, including election of our directors. Our articles of incorporation do not provide for cumulative voting in the election of our directors. Therefore, the holders of a majority of the outstanding common shares can elect our entire board of directors. Subject to any preferential rights of any outstanding series of preferred stock, the holders of common stock are entitled to such dividends as may be declared from time to time by our board of directors out of legally available funds and, upon liquidation, are entitled to receive all assets available for distribution to our stockholders. All shares issued in the offering will be fully paid and non-assessable shares of common stock. Holders of shares of common stock will not have preemptive rights, which means that you will not have an automatic option to purchase any new shares that we issue.

We will not issue certificates for our shares. Shares will be held in “uncertificated” form which will eliminate the physical handling and safekeeping responsibilities inherent in owning transferable stock certificates and eliminate the need to return a duly executed stock certificate to effect a transfer. Wells Capital, our advisor, acts as our registrar and as the transfer agent for our shares. Transfers can be effected simply by mailing to Wells Capital a transfer and assignment form, which we will provide to you at no charge.

Preferred Stock

Our articles of incorporation authorize our board of directors to designate and issue one or more classes or series of preferred stock without stockholder approval. Our board of directors may determine the relative rights, preferences and privileges of each class or series of preferred stock so issued, which may be more beneficial than the rights, preferences and privileges attributable to the common stock. The issuance of preferred stock could have the effect of delaying or preventing a change in control of the Wells REIT. Our board of directors has no present plans to issue preferred stock, but may do so at any time in the future without stockholder approval.

Meetings and Special Voting Requirements

An annual meeting of the stockholders will be held each year, at least 30 days after delivery of our annual report. Special meetings of stockholders may be called only upon the request of a majority of our directors, a majority of the independent directors, the chairman, the president or upon the written request of stockholders holding at least 10% of the shares. The presence of a majority of the outstanding shares either in person or by proxy shall constitute a quorum. Generally, the affirmative vote of a majority of all votes entitled to be cast is necessary to take stockholder action authorized by our articles of incorporation, except that a majority of the votes represented in person or by proxy at a meeting at which a quorum is present is sufficient to elect a director.

Under Maryland Corporation Law and our articles of incorporation, stockholders are entitled to vote at a duly held meeting at which a quorum is present on (1) amendments to our articles of incorporation, (2) a liquidation or dissolution of the Wells REIT, (3) a reorganization of the Wells REIT, (4) a merger, consolidation or sale or other disposition of substantially all of our assets, and (5) a termination of our status as a REIT. The vote of stockholders holding a majority of our outstanding shares is required to approve any such action, and no such action can be taken by our board of directors without such majority vote of our stockholders. Accordingly, any provision in our articles of incorporation, including our investment objectives, can be amended by the vote of stockholders holding a majority of our outstanding shares. Stockholders voting against any merger or sale of assets are permitted under Maryland Corporation Law to petition a court for the appraisal and payment of the fair value of their shares. In an appraisal proceeding, the court appoints appraisers who attempt to determine the fair value of the stock as of the date of the stockholder vote on the merger or sale of assets. After considering the appraisers' report, the court makes the final determination of the fair value to be paid to the dissenting stockholder and decides whether to award interest from the date of the merger or sale of assets and costs of the proceeding to the dissenting stockholders.

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

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

In addition to the foregoing, stockholders have rights under Rule 14a-7 under the Securities Exchange Act, which provides that, upon the request of investors and the payment of the expenses of the distribution, we are required to distribute specific materials to stockholders in the context of the solicitation of proxies for voting on matters presented to stockholders or, at our option, provide requesting stockholders with a copy of the list of stockholders so that the requesting stockholders may make the distribution of proxies themselves.

Restriction on Ownership of Shares

In order for us to qualify as a REIT, not more than 50% of our outstanding shares may be owned by any five or fewer individuals, including some tax-exempt entities. In addition, the outstanding shares must be owned by 100 or more persons independent of us and each other during at least 335 days of a 12-month taxable year or during a proportionate part of a shorter taxable year. We may prohibit certain acquisitions and transfers of shares so as to ensure our continued qualification as a REIT under the Internal Revenue Code. However, we cannot assure you that this prohibition will be effective.

In order to assist us in preserving our status as a REIT, our articles of incorporation contain a limitation on ownership that prohibits any person or group of persons from acquiring, directly or indirectly, beneficial ownership of more than 9.8% of our outstanding shares. Our articles of incorporation provide that any transfer of shares that would violate our share ownership limitations is null and void and the intended transferee will acquire no rights in such shares, unless the transfer is approved by our board of directors based upon receipt of information that such transfer would not violate the provisions of the Internal Revenue Code for qualification as a REIT.

Shares in excess of the ownership limit which are attempted to be transferred will be designated as "shares-in-trust" and will be transferred automatically to a trust effective on the day before the reported transfer of such shares. The record holder of the shares that are designated as shares-in-trust will be required to submit such number of shares to the Wells REIT in the name of the trustee of the trust. We will designate a trustee of the share trust that will not be affiliated with us. We will also name one or more charitable organizations as a beneficiary of the share trust. Shares-in-trust will remain issued and outstanding shares and will be entitled to the same rights and privileges as all other shares of the same class or series. The trustee will receive all dividends and distributions on the shares-in-trust and will hold such dividends or distributions in trust for the benefit of the beneficiary. The trustee will vote all shares-in-trust during the period they are held in trust.

At our direction, the trustee will transfer the shares-in-trust to a person whose ownership will not violate the ownership limits. The transfer shall be made within 20 days of our receipt of notice that shares have been transferred to the trust. During this 20-day period, we will have the option of redeeming such shares. Upon any such transfer or redemption, the purported transferee or holder shall receive a per share price equal to the lesser of (1) the price per share in the transaction that created such shares-in-trust, or (2) the market price per share on the date of the transfer or redemption.

Any person who (1) acquires shares in violation of the foregoing restriction or who owns shares that were transferred to any such trust is required to give immediate written notice to the Wells REIT of such event, or (2) transfers or receives shares subject to such limitations is required to give the Wells REIT 15 days written notice prior to such transaction. In both cases, such persons shall provide to the Wells REIT such other information as we may request in order to determine the effect, if any, of such transfer on our status as a REIT.

The foregoing restrictions will continue to apply until (1) our board of directors determines it is no longer in our best interest to continue to qualify as a REIT, and (2) there is an affirmative vote of the majority of shares entitled to vote on such matter at a regular or special meeting of our stockholders.

The ownership limit does not apply to an offeror which, in accordance with applicable federal and state securities laws, makes a cash tender offer, where at least 85% of the outstanding shares are duly tendered and accepted pursuant to the cash tender offer. The ownership limit also does not apply to the underwriter in a public offering of shares or to a person or persons so exempted from the ownership limit by our board of directors based upon appropriate assurances that our qualification as a REIT is not jeopardized.

Any person who owns 5% or more of the outstanding shares during any taxable year will be asked to deliver a statement or affidavit setting forth the number of shares beneficially owned, directly or indirectly.

Dividends

Dividends will be paid on a quarterly basis regardless of the frequency with which such dividends are declared. Dividends will be paid to investors who are stockholders as of the record dates selected by our board of directors. We currently calculate our quarterly dividends based upon daily record and dividend declaration dates so our investors will be entitled to be paid dividends immediately upon their purchase of shares. We then make quarterly dividend payments following the end of each calendar quarter.

We are required to make distributions sufficient to satisfy the requirements for qualification as a REIT for tax purposes. Generally, income distributed as dividends will not be taxable to us under the Internal Revenue Code if we distribute at least 90% of our taxable income. (See "Federal Income Tax Considerations—Requirements for Qualification as a REIT.")

Dividends will be declared at the discretion of our board of directors, in accordance with our earnings, cash flow and general financial condition. Our board's discretion will be directed, in substantial part, by its obligation to cause us to comply with the REIT requirements. Because we may receive income from interest or rents at various times during our fiscal year, dividends may not reflect our income earned in that particular distribution period but may be made in anticipation of cash flow which we expect to receive during a later quarter and may be made in advance of actual receipt of funds in an attempt to make dividends relatively uniform. We may borrow money, issue securities or sell assets in order to make dividend distributions.

We are not prohibited from distributing our own securities in lieu of making cash dividends to stockholders, provided that the securities so distributed to stockholders are readily marketable. Stockholders who receive marketable securities in lieu of cash dividends may incur transaction expenses in liquidating the securities.

Dividend Reinvestment Plan

We currently have a dividend reinvestment plan available that allows you to have your dividends otherwise distributable to you invested in additional shares of the Wells REIT.

You may purchase shares under our dividend reinvestment plan for $10 per share until all of the shares registered as part of this offering have been sold. After this time, we may purchase shares either through purchases on the open market, if a market then exists, or through an additional issuance of shares. In any case, the price per share will be equal to the then-prevailing market price, which shall equal the price on the securities exchange or over-the-counter market on which such shares are listed at the date of purchase if such shares are then listed. A copy of our Amended and Restated Dividend Reinvestment Plan as currently in effect is included as Exhibit B to this prospectus.

You may elect to participate in the dividend reinvestment plan by completing the Subscription Agreement, the enrollment form or by other written notice to the plan administrator. Participation in the plan will begin with the next distribution made after receipt of your written notice. We may terminate the dividend reinvestment plan for any reason at any time upon 10 days' prior written notice to participants. Your participation in the plan will also be terminated to the extent that a reinvestment of your dividends in our shares would cause the percentage ownership limitation contained in our articles of incorporation to be exceeded. In addition, you may terminate your participation in the dividend reinvestment plan at any time by providing us with written notice.

If you elect to participate in the dividend reinvestment plan and are subject to federal income taxation, you will incur a tax liability for dividends allocated to you even though you have elected not to receive the dividends in cash but rather to have the dividends withheld and reinvested pursuant to the dividend reinvestment plan. Specifically, you will be treated as if you have received the dividend from us in cash and then applied such dividend to the purchase of additional shares. You will be taxed on the amount of such dividend as ordinary income to the extent such dividend is from current or accumulated earnings and profits, unless we have designated all or a portion of the dividend as a capital gain dividend.

Share Redemption Program

Prior to the time that our shares are listed on a national securities exchange, stockholders of the Wells REIT who have held their shares for at least one year may receive the benefit of limited interim liquidity by presenting for redemption all or any portion of their shares to us at any time in accordance with the procedures outlined herein. At that time, we may, subject to the conditions and limitations described below, redeem the shares presented for redemption for cash to the extent that we have sufficient funds available to us to fund such redemption.

If you have held your shares for the required one-year period, you may redeem your shares for a purchase price equal to the lesser of (1) $10 per share, or (2) the purchase price per share that you actually paid for your shares of the Wells REIT. In the event that you are redeeming all of your shares, shares purchased pursuant to our dividend reinvestment plan may be excluded from the foregoing one-year holding period requirement, in the discretion of our board of directors. In addition, for purposes of the one-year holding period, limited partners of Wells OP who exchange their limited partnership units for shares in the Wells REIT shall be deemed to have owned their shares as of the date they were issued their limited partnership units in Wells OP. Our board of directors reserves the right in its sole discretion at any time and from time to time to (1) change the purchase price for redemptions, or (2) otherwise amend the terms of our share redemption program. In addition, our board of directors has delegated to our officers the right to (1) waive the one-year holding period in the event of the death or bankruptcy of a stockholder or other exigent circumstances, or (2) reject any request for redemption at any time and for any reason.

Redemption of shares, when requested, will be made quarterly on a first-come, first-served basis. Subject to funds being available, we will limit the number of shares redeemed pursuant to our share redemption program as follows: (1) during any calendar year, we will not redeem in excess of 3.0% of the weighted average number of shares outstanding during the prior calendar year; and (2) funding for the redemption of shares will come exclusively from the proceeds we receive from the sale of shares under our dividend reinvestment plan such that in no event shall the aggregate amount of redemptions under our share redemption program exceed aggregate proceeds received from the sale of shares pursuant to our dividend reinvestment plan. The board of directors, in its sole discretion, may choose to terminate the share redemption program or to reduce the number of shares purchased under the share redemption program if it determines the funds otherwise available to fund our share redemption program are needed for other purposes. (See “Risk Factors—Investment Risks.”)

We cannot guarantee that the funds set aside for our share redemption program will be sufficient to accommodate all requests made in any year. If we do not have such funds available, at the time when redemption is requested, you can (1) withdraw your request for redemption, or (2) ask that we honor your request at such time, if any, when sufficient funds become available. Such pending requests will be honored on a first-come, first-served basis.

Our share redemption program is only intended to provide interim liquidity for stockholders until a secondary market develops for the shares. No such market presently exists, and we cannot assure you that any market for your shares will ever develop.

The shares we redeem under our share redemption program will be cancelled, and will be held as treasury stock. We will not resell such shares to the public unless they are first registered with the

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

Restrictions on Roll-Up Transactions

In connection with any proposed transaction considered a “Roll-up Transaction” involving the Wells REIT and the issuance of securities of an entity (a Roll-up Entity) that would be created or would survive after the successful completion of the Roll-up Transaction, an appraisal of all properties shall be obtained from a competent independent appraiser. The properties shall be appraised on a consistent basis, and the appraisal shall be based on the evaluation of all relevant information and shall indicate the value of the properties as of a date immediately prior to the announcement of the proposed Roll-up Transaction. The appraisal shall assume an orderly liquidation of properties over a 12-month period. The terms of the engagement of the independent appraiser shall clearly state that the engagement is for our benefit and the stockholders. A summary of the appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to stockholders in connection with any proposed Roll-up Transaction.

A “Roll-up Transaction” is a transaction involving the acquisition, merger, conversion or consolidation, directly or indirectly, of the Wells REIT and the issuance of securities of a Roll-up Entity. This term does not include:

- a transaction involving our securities that have been for at least 12 months listed on a national securities exchange or included for quotation on NASDAQ; or
- a transaction involving the conversion to corporate, trust, or association form of only the Wells REIT if, as a consequence of the transaction, there will be no significant adverse change in any of the following: stockholder voting rights; the term of our existence; compensation to Wells Capital; or our investment objectives.

In connection with a proposed Roll-up Transaction, the person sponsoring the Roll-up Transaction must offer to stockholders who vote “no” on the proposal the choice of:

(1) accepting the securities of a Roll-up Entity offered in the proposed Roll-up Transaction; or

(2) one of the following:

(A) remaining as stockholders of the Wells REIT and preserving their interests therein on the same terms and conditions as existed previously, or

(B) receiving cash in an amount equal to the stockholder’s pro rata share of the appraised value of our net assets.

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

- that would result in the stockholders having democracy rights in a Roll-up Entity that are less than those provided in our bylaws and described elsewhere in this prospectus, including rights with respect to the election and removal of directors, annual reports, annual and special meetings, amendment of our articles of incorporation, and dissolution of the Wells REIT;
- that includes provisions that would operate to materially impede or frustrate the accumulation of shares by any purchaser of the securities of the Roll-up Entity, except to the minimum extent necessary to preserve the tax status of the Roll-up Entity, or which

would limit the ability of an investor to exercise the voting rights of its securities of the Roll-up Entity on the basis of the number of shares held by that investor;

- in which investor's rights to access of records of the Roll-up Entity will be less than those provided in the section of this prospectus entitled "Description of Shares—Meetings and Special Voting Requirements;" or
- in which any of the costs of the Roll-up Transaction would be borne by us if the Roll-up Transaction is not approved by the stockholders.

Business Combinations

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

Control Share Acquisitions

Maryland Corporation Law provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, or by officers or directors who are employees of the corporation are not entitled to vote on the matter. As permitted by Maryland Corporation Law, we have provided in our articles of incorporation that the control share provisions of Maryland Corporation Law will not apply to transactions involving the Wells REIT.

THE OPERATING PARTNERSHIP AGREEMENT

General

Wells Operating Partnership, L.P. (Wells OP) was formed in January 1998 to acquire, own and operate properties on our behalf. It is considered to be an Umbrella Partnership Real Estate Investment Trust (UPREIT), which is a structure generally utilized to provide for the acquisition of real property from owners who desire to defer taxable gain otherwise required to be recognized by them upon the disposition of their properties. Such owners may also desire to achieve diversity in their investment and other benefits afforded to stockholders in a REIT. For purposes of satisfying the Asset and Income Tests for qualification as a REIT for tax purposes, the REIT's proportionate share of the assets and income of an UPREIT, such as Wells OP, will be deemed to be assets and income of the REIT.

The property owner's goals are accomplished because a property owner may contribute property to an UPREIT in exchange for limited partnership units on a tax-deferred basis. Further, Wells OP is structured to make distributions with respect to limited partnership units which will be equivalent to the dividend distributions made to stockholders of the Wells REIT. Finally, a limited partner in Wells OP may later exchange his limited partnership units in Wells OP for shares of the Wells REIT (in a taxable transaction) and, if our shares are then listed, achieve liquidity for his investment.

Substantially all of our assets are held by Wells OP, and we intend to make future acquisitions of real properties using the UPREIT structure. The Wells REIT is the sole general partner of Wells OP and, as of June 30, 2002, owned an approximately 99.72% equity percentage interest in Wells OP. Wells Capital, our advisor, contributed $200,000 to Wells OP and is currently the only limited partner owning the other approximately 0.28% equity percentage interest in Wells OP. As the sole general partner of Wells OP, we have the exclusive power to manage and conduct the business of Wells OP.

The following is a summary of certain provisions of the partnership agreement of Wells OP. This summary is not complete and is qualified by the specific language in the partnership agreement. You should refer to the partnership agreement, itself, which we have filed as an exhibit to the registration statement, for more detail.

Capital Contributions

As we accept subscriptions for shares, we will transfer substantially all of the net proceeds of the offering to Wells OP as a capital contribution; however, we will be deemed to have made capital contributions in the amount of the gross offering proceeds received from investors. Wells OP will be deemed to have simultaneously paid the selling commissions and other costs associated with the offering. If Wells OP requires additional funds at any time in excess of capital contributions made by us and Wells Capital or from borrowing, we may borrow funds from a financial institution or other lender and lend such funds to Wells OP on the same terms and conditions as are applicable to our borrowing of such funds. In addition, we are authorized to cause Wells OP to issue partnership interests for less than fair market value if we conclude in good faith that such issuance is in the best interest of Wells OP and the Wells REIT.

Operations

The partnership agreement of Wells OP provides that Wells OP is to be operated in a manner that will (1) enable the Wells REIT to satisfy the requirements for being classified as a REIT for tax purposes, (2) avoid any federal income or excise tax liability, and (3) ensure that Wells OP will not be classified as a “publicly traded partnership” for purposes of Section 7704 of the Internal Revenue Code, which classification could result in Wells OP being taxed as a corporation, rather than as a partnership. (See “Federal Income Tax Considerations—Tax Aspects of Our Operating Partnership—Classification as a Partnership.”)

The partnership agreement provides that Wells OP will distribute cash flow from operations to the limited partners of Wells OP in accordance with their relative percentage interests on at least a quarterly basis in amounts determined by the Wells REIT as general partner such that a holder of one unit of limited partnership interest in Wells OP will receive the same amount of annual cash flow distributions from Wells OP as the amount of annual dividends paid to the holder of one of our shares. Remaining cash from operations will be distributed to the Wells REIT as the general partner to enable us to make dividend distributions to our stockholders.

Similarly, the partnership agreement of Wells OP provides that taxable income is allocated to the limited partners of Wells OP in accordance with their relative percentage interests such that a holder of one unit of limited partnership interest in Wells OP will be allocated taxable income for each taxable year in an amount equal to the amount of taxable income to be recognized by a holder of one of our shares, subject to compliance with the provisions of Sections 704(b) and 704(c) of the Internal Revenue Code and corresponding Treasury Regulations. Losses, if any, will generally be allocated among the partners in accordance with their respective percentage interests in Wells OP.

Upon the liquidation of Wells OP, after payment of debts and obligations, any remaining assets of Wells OP will be distributed to partners with positive capital accounts in accordance with their respective positive capital account balances. If the Wells REIT were to have a negative balance in its capital account following a liquidation, it would be obligated to contribute cash to Wells OP equal to such negative balance for distribution to other partners, if any, having positive balances in their capital accounts.

In addition to the administrative and operating costs and expenses incurred by Wells OP in acquiring and operating real properties, Wells OP will pay all administrative costs and expenses of the Wells REIT and such expenses will be treated as expenses of Wells OP. Such expenses will include:

- all expenses relating to the formation and continuity of existence of the Wells REIT;
- all expenses relating to the public offering and registration of securities by the Wells REIT;
- all expenses associated with the preparation and filing of any periodic reports by the Wells REIT under federal, state or local laws or regulations;
- all expenses associated with compliance by the Wells REIT with applicable laws, rules and regulations; and
- all other operating or administrative costs of the Wells REIT incurred in the ordinary course of its business on behalf of Wells OP.

Exchange Rights

The limited partners of Wells OP, including Wells Capital, have the right to cause Wells OP to redeem their limited partnership units for cash equal to the value of an equivalent number of our shares, or, at our option, we may purchase their limited partnership units by issuing one share of the Wells REIT for each limited partnership unit redeemed. These exchange rights may not be exercised, however, if and to the extent that the delivery of shares upon such exercise would (1) result in any person owning shares in excess of our ownership limits, (2) result in shares being owned by fewer than 100 persons, (3) result in the Wells REIT being “closely held” within the meaning of Section 856(h) of the Internal Revenue Code, (4) cause the Wells REIT to own 10% or more of the ownership interests in a tenant within the meaning of Section 856(d)(2)(B) of the Internal Revenue Code, or (5) cause the acquisition of shares by a redeemed limited partner to be “integrated” with any other distribution of our shares for purposes of complying with the Securities Act of 1933.

Subject to the foregoing, limited partners may exercise their exchange rights at any time after one year following the date of issuance of their limited partnership units; provided, however, that a limited partner may not deliver more than two exchange notices each calendar year and may not exercise an exchange right for less than 1,000 limited partnership units, unless such limited partner holds less than 1,000 units, in which case, he must exercise his exchange right for all of his units.

Transferability of Interests

The Wells REIT may not (1) voluntarily withdraw as the general partner of Wells OP, (2) engage in any merger, consolidation or other business combination, or (3) transfer its general partnership interest in Wells OP (except to a wholly-owned subsidiary), unless the transaction in which such withdrawal, business combination or transfer occurs results in the limited partners receiving or having the right to receive an amount of cash, securities or other property equal in value to the amount they would have received if they had exercised their exchange rights immediately prior to such transaction or unless, in the case of a merger or other business combination, the successor entity contributes substantially all of its assets to Wells OP in return for an interest in Wells OP and agrees to assume all obligations of the general partner of Wells OP. The Wells REIT may also enter into a business combination or we may transfer our general partnership interest upon the receipt of the consent of a majority-in-interest of the limited partners of Wells OP, other than Wells Capital. With certain exceptions, the limited partners may not transfer their interests in Wells OP, in whole or in part, without the written consent of the Wells REIT as the general partner. In addition, Wells Capital may not transfer its interest in Wells OP as long as it is acting as the advisor to the Wells REIT, except pursuant to the exercise of its right to exchange limited partnership units for Wells REIT shares, in which case similar restrictions on transfer will apply to the REIT shares received by Wells Capital.

PLAN OF DISTRIBUTION

General

We are offering a maximum of 300,000,000 shares to the public through Wells Investment Securities, our Dealer Manager, a registered broker-dealer affiliated with Wells Capital, our advisor. (See “Conflicts of Interest.”) The shares are being offered at a price of $10.00 per share on a “best efforts” basis, which means generally that the Dealer Manager will be required to use only its best efforts to sell the shares and it has no firm commitment or obligation to purchase any of the shares. We are also offering 30,000,000 shares for sale pursuant to our dividend reinvestment plan at a price of $10.00 per share. We reserve the right in the future to reallocate additional shares to our dividend reinvestment plan out of our public offering shares. An additional 6,600,000 shares are reserved for issuance upon exercise of soliciting dealer warrants, which are granted to participating broker-dealers based upon the number of shares they sell. Therefore, a total of 336,600,000 shares are being registered in this offering.

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

Underwriting Compensation and Terms

Except as provided below, the Dealer Manager will receive selling commissions of 7.0% of the gross offering proceeds. The Dealer Manager will also receive 2.5% of the gross offering proceeds in the form of a dealer manager fee as compensation for acting as the Dealer Manager and for expenses incurred in connection with marketing our shares and paying the employment costs of the Dealer Manager’s wholesalers. Out of its dealer manager fee, the Dealer Manager may pay salaries and commissions to its wholesalers in the aggregate amount of up to 1.0% of gross offering proceeds. We will not pay referral or similar fees to any accountants, attorneys or other persons in connection with the distribution of the shares. Stockholders who elect to participate in the dividend reinvestment plan will be charged selling commissions and dealer manager fees on shares purchased pursuant to the dividend reinvestment plan on the same basis as stockholders purchasing shares other than pursuant to the dividend reinvestment plan.

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

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

We will also award to the Dealer Manager one soliciting dealer warrant for every 50 shares sold to the public or issued to stockholders pursuant to our dividend reinvestment plan during the offering period, except for sales of shares made net of commissions, as described below, in which case no warrants will be issued. The Dealer Manager intends to reallow these warrants to Participating Dealers by awarding one soliciting dealer warrant for every 50 shares sold during the offering period, unless such issuance of soliciting dealer warrants is prohibited by either federal or state securities laws. The holder of a soliciting dealer warrant will be entitled to purchase one share from the Wells REIT at a price of $12 per share during the period beginning on the first anniversary of the effective date of this offering and ending five years after the effective date of this offering. Participating Dealers are restricted from transferring, assigning, pledging or hypothecating the soliciting dealer warrants (except to certain officers or partners of such Participating Dealers in accordance with applicable NASD Rules) for a period of one year following the effective date of this offering. The shares issuable upon exercise of the soliciting dealer warrants are being registered as part of this offering. For the life of the soliciting dealer warrants, Participating Dealers are given the opportunity to profit from a rise in the market price for the common stock without assuming the risk of ownership, with a resulting dilution in the interest of other stockholders upon exercise of such warrants. In addition, holders of the soliciting dealer warrants would be expected to exercise such warrants at a time when we could obtain needed capital by offering new securities on terms more favorable than those provided by the soliciting dealer warrants. Exercise of the soliciting dealer warrants is governed by the terms and conditions detailed in this prospectus and in the Warrant Purchase Agreement, which is an exhibit to the registration statement.

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

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

The Participating Dealers are not obligated to obtain any subscriptions on our behalf, and we cannot assure you that any shares will be sold.

Our executive officers and directors, as well as officers and employees of Wells Capital or other affiliates, may purchase shares in this offering at a discount. The purchase price for such shares shall be $8.90 per share reflecting the fact that the acquisition and advisory fees relating to such shares will be reduced by $0.15 per share (from $0.30 per share to $0.15 per share), and that selling commissions in the amount of $0.70 per share and dealer manager fees in the amount of $0.25 per share will not be payable in connection with such sales. The net offering proceeds we receive will not be affected by such sales of shares at a discount. Wells Capital and its affiliates shall be expected to hold their shares purchased as stockholders for investment and not with a view towards distribution. In addition, shares purchased by Wells Capital or its affiliates shall not be entitled to vote on any matter presented to the stockholders for a vote.

We may sell shares to retirement plans of Participating Dealers, to Participating Dealers in their individual capacities, to IRAs and qualified plans of their registered representatives or to any one of their registered representatives in their individual capacities for 93% of the public offering price in consideration of the services rendered by such broker-dealers and registered representatives in the offering. The net proceeds to the Wells REIT from such sales made net of commissions will be identical to net proceeds we receive from other sales of shares.

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

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

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

Because all investors will be paid the same dividends per share as other investors, an investor qualifying for a volume discount will receive a higher percentage return on his investment than investors who do not qualify for such discount.

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

For the purposes of such volume discounts, the term "purchaser" includes:

- an individual, his or her spouse and their children under the age of 21 who purchase the units for his, her or their own accounts;
- a corporation, partnership, association, joint-stock company, trust fund or any organized group of persons, whether incorporated or not;
- an employees' trust, pension, profit sharing or other employee benefit plan qualified under Section 401(a) of the Internal Revenue Code; and
- all commingled trust funds maintained by a given bank.

Notwithstanding the above, in connection with volume sales made to investors in the Wells REIT, investors may request in writing to aggregate subscriptions, including subscriptions to public real estate programs previously sponsored by our advisor or its affiliates, as part of a combined order for purposes of determining the number of shares purchased, provided that any aggregate group of subscriptions must be received from the same Participating Dealer, including the Dealer Manager. Any such reduction in selling commission will be prorated among the separate subscribers. An investor may reduce the amount of his purchase price to the net amount shown in the foregoing table, if applicable. As set forth above, all requests to aggregate subscriptions as a single "purchaser" or other application of the foregoing volume discount provisions must be made in writing, and except as provided in this paragraph, separate subscriptions will not be cumulated, combined or aggregated.

California residents should be aware that volume discounts will not be available in connection with the sale of shares made to California residents to the extent such discounts do not comply with the provisions of Rule 260.140.51 adopted pursuant to the California Corporate Securities Law of 1968. Pursuant to this Rule, volume discounts can be made available to California residents only in accordance with the following conditions:

- there can be no variance in the net proceeds to the Wells REIT from the sale of the shares to different purchasers of the same offering;
- all purchasers of the shares must be informed of the availability of quantity discounts;
- the same volume discounts must be allowed to all purchasers of shares which are part of the offering;
- the minimum amount of shares as to which volume discounts are allowed cannot be less than $10,000;
- the variance in the price of the shares must result solely from a different range of commissions, and all discounts allowed must be based on a uniform scale of commissions; and
- no discounts are allowed to any group of purchasers.

Accordingly, volume discounts for California residents will be available in accordance with the foregoing table of uniform discount levels based on dollar volume of shares purchased, but no discounts are allowed to any group of purchasers, and no subscriptions may be aggregated as part of a combined order for purposes of determining the number of shares purchased.

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

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

In addition, subscribers for shares may agree with their Participating Dealers and the Dealer Manager to have selling commissions due with respect to the purchase of their shares paid over a six-year period pursuant to a deferred commission arrangement. Stockholders electing the deferred commission option will be required to pay a total of $9.40 per share purchased upon subscription, rather than $10.00 per share, with respect to which $0.10 per share will be payable as commissions due upon subscription. For the period of six years following subscription, $0.10 per share will be deducted on an annual basis from dividends or other cash distributions otherwise payable to the stockholders and used by the Wells REIT to pay deferred commission obligations. The net proceeds to the Wells REIT will not be affected by the election of the deferred commission option. Under this arrangement, a stockholder electing the deferred commission option will pay a 1% commission upon subscription, rather than a 7% commission, and an amount equal to a 1% commission per year thereafter for the next six years, or longer if required to satisfy outstanding deferred commission obligations, will be deducted from dividends or other cash distributions otherwise payable to such stockholder and used by the Wells REIT to satisfy commission obligations. The foregoing commission amounts may be adjusted with approval of the Dealer Manager by application of the volume discount provisions described previously.

Stockholders electing the deferred commission option who are subject to federal income taxation will incur tax liability for dividends or other cash distributions otherwise payable to them with respect to their shares even though such dividends or other cash distributions will be withheld from such stockholders and will instead be paid to third parties to satisfy commission obligations.

Investors who wish to elect the deferred commission option should make the election on their Subscription Agreement Signature Page. Election of the deferred commission option shall authorize the Wells REIT to withhold dividends or other cash distributions otherwise payable to such stockholder for the purpose of paying commissions due under the deferred commission option; provided, however, that in no event may the Wells REIT withhold in excess of $0.60 per share in the aggregate under the deferred commission option. Such dividends or cash distributions otherwise payable to stockholders may be pledged by the Wells REIT, the Dealer Manager, Wells Capital or their affiliates to secure one or more loans, the proceeds of which would be used to satisfy sales commission obligations.

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

Subscription Procedures

You should pay for your shares by check payable to “Wells Real Estate Investment Trust, Inc.” Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. We may not accept a subscription for shares until at least five business days after the date you receive this prospectus. You will receive a confirmation of your purchase. We will initially deposit the subscription proceeds in an interest-bearing account with Bank of America, N.A., Atlanta, Georgia. Subscribers may not withdraw funds from the account. We will withdraw funds from the account periodically for the acquisition of real estate properties, the payment of fees and expenses or other investments approved by our board of directors. We generally admit stockholders to the Wells REIT on a daily basis.

Except for purchases pursuant to our dividend reinvestment plan or reinvestment plans of other public real estate programs, all accepted subscriptions will be for whole shares and for not less than 100 shares ($1,000). (See "Suitability Standards.") Except in Maine, Minnesota, Nebraska and Washington, investors who have satisfied the minimum purchase requirement and have purchased units or shares in Wells programs or units or shares in other public real estate programs may purchase less than the minimum number of shares discussed above, provided that such investors purchase a minimum of 2.5 shares ($25). After investors have satisfied the minimum purchase requirement, minimum additional purchases must be in increments of at least 2.5 shares ($25), except for purchases made pursuant to our dividend reinvestment plan or reinvestment plans of other public real estate programs.

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

The proceeds of this offering will be used only for the purposes set forth in the "Estimated Use of Proceeds" section. Subscriptions will be accepted or rejected within 30 days of receipt by the Wells REIT and, if rejected, all funds shall be returned to the rejected subscribers within 10 business days.

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

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

SUPPLEMENTAL SALES MATERIAL

In addition to this prospectus, we may utilize certain sales material in connection with the offering of the shares, although only when accompanied by or preceded by the delivery of this prospectus. In certain jurisdictions, some or all of such sales material may not be available. This material may include information relating to this offering, the past performance of Wells Capital, our advisor, and its affiliates, property brochures and articles and publications concerning real estate. In addition, the sales material may contain certain quotes from various publications without obtaining the consent of the author or the publication for use of the quoted material in the sales material.

The offering of shares is made only by means of this prospectus. Although the information contained in such sales material will not conflict with any of the information contained in this prospectus, such material does not purport to be complete, and should not be considered a part of this prospectus or the registration statement of which this prospectus is a part, or as incorporated by reference in this prospectus or said registration statement or as forming the basis of the offering of the shares.

LEGAL OPINIONS

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

EXPERTS

Changes in Principal Accountant

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

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

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

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

Audited Financial Statements

The financial statements of the Wells REIT, as of December 31, 2001 and 2000, and for each of the years in the three-year period ended December 31, 2001, included in this prospectus and elsewhere in the registration statement, have been audited by Andersen, independent public accountants, as indicated in their report with respect thereto, and are included in this prospectus in reliance upon the authority of said firm as experts in giving said report.

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

Unaudited Financial Statements

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

The financial statements of the Wells REIT, as of March 31, 2002, and for the three month periods ended March 31, 2002 and March 31, 2001, which are included in this prospectus, have not been audited.

ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission (Commission), Washington, D.C., a registration statement under the Securities Act of 1933, as amended, with respect to the shares offered pursuant to this prospectus. This prospectus does not contain all the information set forth in the registration statement and the exhibits related thereto filed with the Commission, reference to which is hereby made. Copies of the registration statement and exhibits related thereto, as well as periodic reports and information filed by the Wells REIT, may be obtained upon payment of the fees prescribed by the Commission, or may be examined at the offices of the Commission without charge, at the public reference facility in Washington, D.C. at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, the Commission maintains a Web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

GLOSSARY

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

"IRA" means an individual retirement account established pursuant to Section 408 or Section 408A of the Internal Revenue Code.

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

"UBTI" means unrelated business taxable income, as that term is defined in Sections 511 through 514 of the Internal Revenue Code.

INDEX TO FINANCIAL STATEMENTS AND PRIOR PERFORMANCE TABLES

Page

Wells Real Estate Investment Trust, Inc. and Subsidiary

Audited Financial Statements

Report of Independent Public Accountants 155

Consolidated Balance Sheets as of December 31, 2001 and 2000 156

Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999 157

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999 158

Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999 159

Notes to Consolidated Financial Statements 160

Unaudited Financial Statements

Schedule III—Real Estate Investments and Accumulated Depreciation as of December 31, 2001 194

Consolidated Balance Sheets as of March 31, 2002 and December 31, 2001 198

Consolidated Statements of Income for the three months ended March 31, 2002 and March 31, 2001 199

Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the three months ended March 31, 2002 200

Consolidated Statements of Cash Flows for the three months ended March 31, 2002 and March 31, 2001 201

Condensed Notes to Consolidated Financial Statements March 31, 2002 202

Prior Performance Tables (Unaudited) 210

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying consolidated balance sheets of **WELLS REAL ESTATE INVESTMENT TRUST, INC.** (a Maryland corporation) **AND SUBSIDIARY** as of December 31, 2001 and 2000 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

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

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

ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 25, 2002

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000

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

The accompanying notes are an integral part of these consolidated balance sheets.

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2001, 2000, and 1999

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

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended December 31, 2001, 2000, and 1999

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

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

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

	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 21,723,967	$ 8,552,967	$ 3,884,649
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in income of joint ventures	(3,720,959)	(2,293,873)	(1,243,969)
Depreciation	15,344,801	7,743,551	1,726,103
Amortization of deferred financing costs	770,192	232,559	8,921
Amortization of deferred leasing costs	303,347	350,991	0
Write-off of deferred lease acquisition fees	61,786	0	0
Changes in assets and liabilities:			
Accounts receivable	(2,222,145)	(2,457,724)	(898,704)
Due from affiliates	10,995	(435,600)	0
Prepaid expenses and other assets, net	3,246,002	(6,826,568)	149,501
Accounts payable and accrued expenses	6,561,086	1,941,666	36,894
Deferred rental income	280,463	144,615	236,579
Due to affiliates	(10,193)	367,055	108,301
Total adjustments	20,625,375	(1,233,328)	123,626
Net cash provided by operating activities	42,349,342	7,319,639	4,008,275
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in real estate	(227,933,858)	(231,518,138)	(85,514,506)
Investment in joint ventures	(33,690,862)	(15,063,625)	(17,641,211)
Deferred project costs paid	(17,220,446)	(6,264,098)	(3,610,967)
Distributions received from joint ventures	4,239,431	3,529,401	1,371,728
Net cash used in investing activities	(274,605,735)	(249,316,460)	(105,394,956)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable	110,243,145	187,633,130	40,594,463
Repayments of notes payable	(229,781,888)	(83,899,171)	(30,725,165)
Dividends paid to shareholders	(36,737,188)	(16,971,110)	(3,806,398)
Issuance of common stock	522,516,620	180,387,220	103,169,490
Treasury stock purchased	(4,137,427)	(1,412,969)	0
Sales commissions paid	(49,246,118)	(17,002,554)	(9,801,197)
Offering costs paid	(9,312,884)	(5,369,228)	(3,094,111)
Net cash provided by financing activities	303,544,260	243,365,318	96,337,082
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	71,287,867	1,368,497	(5,049,599)
CASH AND CASH EQUIVALENTS, beginning of year	4,298,301	2,929,804	7,979,403
CASH AND CASH EQUIVALENTS, end of year	$ 75,586,168	$ 4,298,301	$ 2,929,804
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITI ES:			
Deferred project costs applied to real estate assets	$ 14,321,416	$ 5,114,279	$ 3,183,239
Deferred project costs contributed to joint ventures	$ 1,395,035	$ 627,656	$ 735,056
Deferred project costs due to affiliate	$ 1,114,140	$ 191,281	$ 191,783
Deferred offering costs due to affiliate	$ 0	$ 1,291,376	$ 964,941
Reversal of deferred offering costs due to affiliate	$ 964,941	$ 0	$ 0
Other offering expenses due to affiliate	$ 943,107	$ 0	$ 0
Assumption of obligation under capital lease	$ 22,000,000	$ 0	$ 0
Investment in bonds	$ 22,000,000	$ 0	$ 0

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation that qualifies as a real estate investment trust ("REIT"). The Company is conducting an offering for the sale of a maximum of 125,000,000 (exclusive of 10,000,000 shares available pursuant to the Company's dividend reinvestment program) shares of common stock, $.01 par value per share, at a price of $10 per share. The Company will seek to acquire and operate commercial properties, including, but not limited to, office buildings, shopping centers, business and industrial parks, and other commercial and industrial properties, including properties which are under construction, are newly constructed, or have been constructed and have operating histories. All such properties may be acquired, developed, and operated by the Company alone or jointly with another party. The Company is likely to enter into one or more joint ventures with affiliated entities for the acquisition of properties. In connection therewith, the Company may enter into joint ventures for the acquisition of properties with prior or future real estate limited partnership programs sponsored by Wells Capital, Inc. (the "Advisor") or its affiliates.

Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. (the "Operating Partnership"), a Delaware limited partnership. During 1997, the Operating Partnership issued 20,000 limited partner units to the Advisor in exchange for $200,000. The Company is the sole general partner in the Operating Partnership and possesses full legal control and authority over the operations of the Operating Partnership; consequently, the accompanying consolidated financial statements of the Company include the accounts of the Operating Partnership. All significant intercompany balances have been eliminated in consolidation.

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

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

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

The following properties are owned by the Company through its investment in the Fund IX, X, XI, and REIT Joint Venture: (i) a three-story office building in Knoxville, Tennessee (the "Alstom Power Building"), (ii) a two-story office building in Louisville, Colorado (the "Ohmeda Building"), (iii) a three-story office building in Broomfield, Colorado (the "360 Interlocken Building"), (iv) a one-story office and warehouse building in Ogden, Utah (the "Iomega Building"), and (v) a one-story office building in Oklahoma City, Oklahoma (the "Avaya Building").

Through its investment in two joint ventures with Fund X and XI Associates, the Company owns interests in the following properties: (i) a one-story office and warehouse building in Fountain Valley, California (the "Cort Furniture Building"), owned by Wells/Orange County Associates and (ii) a two-story manufacturing and office building in Fremont, California (the "Fairchild Building"), owned by Wells/Fremont Associates.

The following properties are owned by the Company through its investment in the Fund XI, XII, and REIT Joint Venture: (i) a two-story manufacturing and office building in Fountain Inn, South Carolina (the "EYBL CarTex Building"), (ii) a three-story office building Leawood, Kansas (the "Sprint Building"), (iii) an office and warehouse building in Chester County, Pennsylvania (the "Johnson Matthey Building"), and (iv) a two-story office building in Ft. Myers, Florida (the "Gartner Building").

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

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

Use of Estimates and Factors Affecting the Company

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The carrying values of real estate are based on management's current intent to hold the real estate assets as long-term investments. The success of the Company's future operations and the ability to realize the investment in its assets will be dependent on the Company's ability to maintain rental rates, occupancy, and an appropriate level of operating expenses in future years. Management believes that the steps it is taking will enable the Company to realize its investment in its assets.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to currently distribute at least 90% of the REIT's ordinary taxable income to shareholders. It is management's current intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to federal income tax on distributed taxable income. Even if the Company qualifies as a REIT, it may be subject to certain state and local taxes on its income and real estate assets, and to federal income and excise taxes on its undistributed taxable income. No provision for federal income taxes has been made in the accompanying consolidated financial statements, as the Company made distributions equal to or in excess of its taxable income in each of the three years in the period ended December 31, 2001.

Real Estate Assets

Real estate assets held by the Company and joint ventures are stated at cost less accumulated depreciation. Major improvements and betterments are capitalized when they extend the useful life of the related asset. All repair and maintenance expenditures are expensed as incurred.

Management continually monitors events and changes in circumstances which could indicate that carrying amounts of real estate assets may not be recoverable. When events or changes in circumstances are present which indicate that the carrying amounts of real estate assets may not be recoverable, management assesses the recoverability of real estate assets by determining whether the carrying value of such real estate assets will be recovered through the future cash flows expected from the use of the asset and its eventual disposition. Management has determined that there has been no impairment in the carrying value of real estate assets held by the Company or the joint ventures as of December 31, 2001 and 2000.

Depreciation of building and improvements is calculated using the straight-line method over 25 years. Tenant improvements are amortized over the life of the related lease or the life of the asset, whichever is shorter.

Revenue Recognition

All leases on real estate assets held by the Company or the joint ventures are classified as operating leases, and the related rental income is recognized on a straight-ine basis over the terms of the respective leases.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments. Short-term investments are stated at cost, which approximates fair value, and consist of investments in money market accounts.

Deferred Lease Acquisition Costs

Costs incurred to procure operating leases are capitalized and amortized on a straight-line basis over the terms of the related leases.

Earnings Per Share

Earnings per share are calculated based on the weighted average number of common shares outstanding during each period. The weighted average number of common shares outstanding is identical for basic and fully diluted earnings per share, as there is no dilutive impact created from the Company's stock option plan (Note 10) using the treasury stock method.

Reclassifications

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

Investment in Joint Ventures

Basis of Presentation

The Operating Partnership does not have control over the operations of the joint ventures; however, it does exercise significant influence. Accordingly, the Operating Partnership's investments in joint ventures are recorded using the equity method of accounting.

Partners' Distributions and Allocations of Profit and Loss

Cash available for distribution and allocations of profit and loss to the Operating Partnership by the joint ventures are made in accordance with the terms of the individual joint venture agreements. Generally, these items are allocated in proportion to the partners' respective ownership interests. Cash is paid from the joint ventures to the Operating Partnership on a quarterly basis.

Deferred Lease Acquisition Costs

Costs incurred to procure operating leases are capitalized and amortized on a straight-line basis over the terms of the related leases. Deferred lease acquisition costs are included in prepaid expenses and other assets, net, in the balance sheets presented in Note 5.

2. DEFERRED PROJECT COSTS

The Company paid a percentage of shareholder contributions to the Advisor for acquisition and advisory services and acquisition expenses. These payments, as stipulated in the prospectus, can be up to 3.5% of shareholder contributions, subject to certain overall limitations contained in the prospectus. Aggregate fees paid through December 31, 2001 were $29,122,286 and amounted to 3.5% of shareholders' contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint ventures or real estate assets. Deferred project costs at December 31, 2001 and 2000 represent fees not yet applied to properties.

3. DEFERRED OFFERING COSTS

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

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

4. RELATED-PARTY TRANSACTIONS

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

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

The Operating Partnership entered into a property management and leasing agreement with Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor. In consideration for supervising the management and leasing of the Operating Partnership's properties, the Operating Partnership will pay management and leasing fees equal to the lesser of (a) 4.5% of the gross revenues generally paid over the life of the lease or (b) .6% of the net asset value of the properties (excluding vacant properties) owned by the Company to Wells Management. These management and leasing fees are calculated on an annual basis plus a separate competitive fee for the one-time initial lease-up of newly constructed properties generally paid in conjunction with the receipt of the first month's rent.

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

The Advisor performs certain administrative services for the Operating Partnership, such as accounting and other partnership administration, and incurs the related expenses. Such expenses are allocated among the Operating Partnership and the various Wells Real Estate Funds based on time spent on each fund by individual administrative personnel. In the opinion of management, such allocation is a reasonable basis for allocating such expenses.

The Advisor is a general partner in various Wells Real Estate Funds. As such, there may exist conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with the Operating Partnership for tenants in similar geographic markets.

5. INVESTMENT IN JOINT VENTURES

The Operating Partnership's investment and percentage ownership in joint ventures at December 31, 2001 and 2000 are summarized as follows:

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

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

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

Fund VIII, IX, and REIT Joint Venture

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

On July 1, 2000, Fund VIII and IX Associates contributed the Quest Building (formerly the Bake Parkway Building) to the joint venture. Fund VIII, IX, and REIT Joint Venture recorded the net assets of the Quest Building at an amount equal to the respective historical net book values. The Quest Building is a two-story office building containing approximately 65,006 rentable square feet on a 4.4-acre tract of land in Irvine, California. During 2000, the Operating Partnership contributed $1,282,111 to the Fund VIII, IX, and REIT Joint Venture. Ownership percentage interests were recomputed accordingly.

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

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

Balance Sheets
December 31, 2001 and 2000

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

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

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

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

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

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

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

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

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

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

Fund IX, X, XI, and REIT Joint Venture

On March 20, 1997, Fund IX and Wells Real Estate Fund X, L.P. ("Fund X") entered into a joint venture agreement. The joint venture, Fund IX and X Associates, was formed to acquire, develop, operate, and sell real properties. On March 20, 1997, Wells Fund IX contributed a 5.62-acre tract of real property in Knoxville, Tennessee, and improvements thereon, known as the Alstom Power Building, to the Fund IX and X Associates joint venture. An 84,404-square foot, three-story building was constructed and commenced operations at the end of 1997.

On February 13, 1998, the joint venture purchased a two-story office building, known as the Ohmeda Building, in Louisville, Colorado. On March 20, 1998, the joint venture purchased a three-story office building, known as the 360 Interlocken Building, in Broomfield, Colorado. On June 11, 1998, Fund IX and X Associates was amended and restated to admit Wells Real Estate Fund XI, L.P. ("Fund XI") and the Operating Partnership. The joint venture was renamed the Fund IX, X, XI, and REIT Joint Venture. On June 24, 1998, the new joint venture purchased a one-story office building, known as the Avaya Building, in Oklahoma City, Oklahoma. On April 1, 1998, Wells Fund X purchased a one-story warehouse facility, known as the Iomega Building, in Ogden, Utah. On July 1, 1998, Wells Fund X contributed the Iomega Building to the Fund IX, X, XI, and REIT Joint Venture.

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

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

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

Balance Sheets
December 31, 2001 and 2000

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

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

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

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

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

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

	Wells Real Estate Fund IX	Wells Real Estate Fund X	Wells Real Estate Fund XI	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, December 31, 1998	$14,960,100	$18,707,139	$2,521,003	$1,443,378	$37,631,620
Net income	850,072	1,056,316	184,355	81,501	2,172,244
Partnership contributions	198,989	0	911,027	0	1,110,016
Partnership distributions	(1,418,535)	(1,762,586)	(307,982)	(135,995)	(3,625,098)
Balance, December 31, 1999	14,590,626	18,000,869	3,308,403	1,388,884	37,288,782
Net income	1,045,094	1,288,629	236,243	99,177	2,669,143
Partnership contributions	46,122	84,317	0	0	130,439
Partnership distributions	(1,564,039)	(1,928,538)	(353,553)	(148,425)	(3,994,555)
Balance, December 31, 2000	14,117,803	17,445,277	3,191,093	1,339,636	36,093,809
Net income	**1,050,156**	**1,297,665**	**237,367**	**99,649**	**2,684,837**
Partnership distributions	**(1,569,454)**	**(1,939,356)**	**(354,789)**	**(148,925)**	**(4,012,524)**
Balance, December 31, 2001	**$13,598,505**	**$16,803,586**	**$3,073,671**	**$1,290,360**	**$34,766,122**

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

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

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

Wells/Orange County Associates

On July 27, 1998, the Operating Partnership entered into a joint venture agreement with Wells Development Corporation, referred to as Wells/Orange County Associates. On July 31, 1998, Wells/Orange County Associates acquired a 52,000-square foot warehouse and office building located in Fountain Valley, California, known as the Cort Furniture Building.

On September 1, 1998, Fund X and XI Associates acquired Wells Development Corporation’s interest in Wells/Orange County Associates, which resulted in Fund X and XI Associates becoming a joint venture partner with the Operating Partnership in the ownership of the Cort Furniture Building.

Following are the financial statements for Wells/Orange County Associates:

Wells/Orange County Associates
(A Georgia Joint Venture)

Balance Sheets
December 31, 2001 and 2000

Assets

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

Liabilities and Partners' Capital

	2001	2000
Liabilities:		
Accounts payable	**$ 11,792**	$ 1,000
Partnership distributions payable	**192,042**	128,227
Total liabilities	**203,834**	129,227
Partners' capital:		
Wells Operating Partnership, L.P.	**2,740,000**	2,827,607
Fund X and XI Associates	**3,534,638**	3,647,758
Total partners' capital	**6,274,638**	6,475,365
Total liabilities and partners' capital	**$ 6,478,472**	$ 6,604,592

Wells/Orange County Associates
(A Georgia Joint Venture)

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

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

Wells/Orange County Associates
(A Georgia Joint Venture)

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

	Wells Operating Partnership, L.P.	Fund X and XI Associates	Total Partners' Capital
Balance, December 31, 1998	$2,958,617	$3,816,766	$6,775,383
Net income	240,585	310,367	550,952
Partnership distributions	(306,090)	(394,871)	(700,961)
Balance, December 31, 1999	2,893,112	3,732,262	6,625,374
Net income	248,449	320,512	568,961
Partnership distributions	(313,954)	(405,016)	(718,970)
Balance, December 31, 2000	2,827,607	3,647,758	6,475,365
Net income	**238,542**	**307,629**	**546,171**
Partnership distributions	**(326,149)**	**(420,749)**	**(746,898)**
Balance, December 31, 2001	**$2,740,000**	**$3,534,638**	**$6,274,638**

Wells/Orange County Associates
(A Georgia Joint Venture)

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

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

Wells/Fremont Associates

On July 15, 1998, the Operating Partnership entered into a joint venture agreement with Wells Development Corporation, referred to as Wells/Fremont Associates. On July 21, 1998, Wells/Fremont Associates acquired a 58,424-square foot two-story manufacturing and office building located in Fremont, California, known as the Fairchild Building.

On October 8, 1998, Fund X and XI Associates acquired Wells Development Corporation’s interest in Wells/Fremont Associates, which resulted in Fund X and XI Associates becoming a joint venture partner with the Operating Partnership in the ownership of the Fairchild Building.

Following are the financial statements for Wells/Fremont Associates:

Wells/Fremont Associates
(A Georgia Joint Venture)

Balance Sheets
December 31, 2001 and 2000

Assets

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

Liabilities and Partners' Capital

	2001	2000
Liabilities:		
Accounts payable	**$ 1,896**	$ 3,016
Due to affiliate	**8,030**	7,586
Partnership distributions payable	**201,854**	89,549
Total liabilities	**211,780**	100,151
Partners' capital:		
Wells Operating Partnership, L.P.	**6,575,358**	6,791,287
Fund X and XI Associates	**1,908,521**	1,971,195
Total partners' capital	**8,483,879**	8,762,482
Total liabilities and partners' capital	**$ 8,695,659**	$ 8,862,633

Wells/Fremont Associates
(A Georgia Joint Venture)

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

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

Wells/Fremont Associates
(A Georgia Joint Venture)

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

	Wells Operating Partnership, L.P.	Fund X and XI Associates	Total Partners' Capital
Balance, December 31, 1998	$7,166,682	$2,080,155	$9,246,837
Net income	433,383	125,791	559,174
Partnership distributions	(611,855)	(177,593)	(789,448)
Balance, December 31, 1999	6,988,210	2,028,353	9,016,563
Net income	436,452	126,681	563,133
Partnership distributions	(633,375)	(183,839)	(817,214)
Balance, December 31, 2000	6,791,287	1,971,195	8,762,482
Net income	**436,265**	**126,628**	**562,893**
Partnership distributions	**(652,194)**	**(189,302)**	**(841,496)**
Balance, December 31, 2001	**$6,575,358**	**$1,908,521**	**$8,483,879**

Wells/Fremont Associates
(A Georgia Joint Venture)

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

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

Fund XI, XII, and REIT Joint Venture

On May 1, 1999, the Operating Partnership entered into a joint venture with Fund XI and Wells Real Estate Fund XII, L.P. ("Fund XII"). On May 18, 1999, the joint venture purchased a 169,510-square foot, two-story manufacturing and office building, known as EYBL CarTex Building, in Fountain Inn, South Carolina. On July 21, 1999, the joint venture purchased a 68,900-square foot, three-story-office building, known as the Sprint Building, in Leawood, Kansas. On August 17, 1999, the joint venture purchased a 130,000-square foot office and warehouse building, known as the Johnson Matthey Building, in Chester County, Pennsylvania. On September 20, 1999, the joint venture purchased a 62,400-square foot, two-story office building, known as the Gartner Building, in Fort Myers, Florida.

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

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

Balance Sheets
December 31, 2001 and 2000

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

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

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

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

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

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

	Wells Real Estate Fund XI	Wells Real Estate Fund XII	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, December 31, 1998	$ 0	$ 0	$ 0	$ 0
Net income	240,031	124,542	488,500	853,073
Partnership contributions	8,470,160	5,520,835	18,376,267	32,367,262
Partnership distributions	(344,339)	(177,743)	(703,797)	(1,225,879)
Balance, December 31, 1999	8,365,852	5,467,634	18,160,970	31,994,456
Net income	543,497	355,211	1,179,848	2,078,556
Partnership distributions	(761,088)	(497,421)	(1,652,203)	(2,910,712)
Balance, December 31, 2000	8,148,261	5,325,424	17,688,615	31,162,300
Net income	**539,930**	**352,878**	**1,172,103**	**2,064,911**
Partnership distributions	**(770,545)**	**(503,599)**	**(1,672,733)**	**(2,946,877)**
Balance, December 31, 2001	**$7,917,646**	**$5,174,703**	**$17,187,985**	**$30,280,334**

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

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

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

Fund XII and REIT Joint Venture

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

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

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

Balance Sheets
December 31, 2001 and 2000

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

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

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

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

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

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

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

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

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

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

Fund XIII and REIT Joint Venture

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

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

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

Balance Sheet
December 31, 2001

Assets

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

Liabilities and Partners' Capital

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

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

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

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

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

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

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

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

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

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

6. INCOME TAX BASIS NET INCOME AND PARTNERS' CAPITAL

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

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

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

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

7. RENTAL INCOME

The future minimum rental income due from the Operating Partnership’s direct investment in real estate or its respective ownership interest in the joint ventures under noncancelable operating leases at December 31, 2001 is as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. INVESTMENT IN BONDS AND OBLIGATION UNDER CAPITAL LEASE

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

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

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

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

9. NOTES PAYABLE

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

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

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

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

10. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

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

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

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

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

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

Development of the Nissan Property

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

General

Management, after consultation with legal counsel, is not aware of any significant litigation or claims against the Company, the Operating Partnership, or the Advisor. In the normal course of business, the Company, the Operating Partnership, or the Advisor may become subject to such litigation or claims.

11. SHAREHOLDERS' EQUITY

Common Stock Option Plan

The Wells Real Estate Investment Trust, Inc. Independent Director Stock Option Plan ("the Plan") provides for grants of stock to be made to independent nonemployee directors of the Company. Options to purchase 2,500 shares of common stock at $12 per share are granted upon initially becoming an independent director of the Company. Of these shares, 20% are exercisable immediately on the date of grant. An additional 20% of these shares become exercisable on each anniversary following the date of grant for a period of four years. Effective on the date of each annual meeting of shareholders of the Company, beginning in 2000, each independent director will be granted an option to purchase 1,000 additional shares of common stock. These options vest at the rate of 500 shares per full year of service thereafter. All options granted under the Plan expire no later than the date immediately following the tenth anniversary of the date of grant and may expire sooner in the event of the disability or death of the optionee or if the optionee ceases to serve as a director.

The Company has adopted the disclosure provisions in Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." As permitted by the provisions of SFAS No. 123, the Company applies Accounting Principles Board Opinion No. 25 and the related interpretations in accounting for its stock option plans and, accordingly, does not recognize compensation cost.

A summary of the Company's stock option activity during 2001 and 2000 is as follows:

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

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

Treasury Stock

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

12. QUARTERLY RESULTS (UNAUDITED)

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

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

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

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

13. SUBSEQUENT EVENT

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

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

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

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

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

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

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

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

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

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

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

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

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

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

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

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

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

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

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY

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

1. Summary of Significant Accounting Policies

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust ("REIT"). Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16,500,000 shares of common stock at $10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998, upon receiving and accepting subscriptions for 125,000 shares. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately $132,181,919 had been received from the sale of approximately 13,218,192 shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately $175,229,193 from the sale of approximately 17,522,919 shares from the second public offering. The Company commenced its third public offering of the shares of common stock on December 20, 2000. As of March 31, 2002, the Company has received gross proceeds of approximately $785,906,526 from the sale of approximately 78,590,653 shares from its third public offering. Accordingly, as of March 31, 2002, the Company has received aggregate gross offering proceeds of approximately $1,093,317,638 from the sale of 109,331,764 shares of its common stock to 27,900 investors. After payment of $37,965,419 in acquisition and advisory fees and acquisition expenses, payment of $125,647,820 in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of $735,821,825 for property acquisitions, and common stock redemptions of $8,592,377 pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $185,290,197 available for investment in properties, as of March 31, 2002.

(b) Properties

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

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
Dana Detroit Building	Dana Corporation	Detroit, MI	100%	$ 23,650,000	112,480	$ 2,330,600
Dana Kalamazoo Building	Dana Corporation	Kalamazoo, MI	100%	$ 18,300,000	147,004	$ 1,842,800
Novartis Building	Novartis Opthalmics, Inc.	Atlanta, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston Building	Transocean Deepwater Offshore Drilling, Inc. Newpark Resources, Inc.	Houston, TX	100%	$ 22,000,000	103,260 52,731	$ 2,110,035 $ 1,153,227
Andersen Building	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,704	$ 1,988,454
Windy Point Buildings	TCI Great Lakes, Inc. The Apollo Group, Inc. Global Knowledge Network Zurich American Insurance Various other tenants	Schaumburg, IL	100%	$ 89,275,000	129,157 28,322 22,028 300,000 8,884	$ 1,940,404 $ 242,948 $ 358,094 $ 4,718,285 $ 129,947
Convergys Building	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,144,176
ADIC Buildings	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,200	$ 1,124,868
Lucent Building	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,813,500
Ingram Micro Building	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$ 2,035,275
Nissan Property	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 5,545,700(1)	268,290	$ 4,225,860(2)
IKON Buildings	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street Building	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit Building	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,322,388
Comdata Building	Comdata Network, Inc.	Nashville, TN	55.0%	$ 24,950,000	201,237	$ 2,443,647
AT&T Oklahoma Buildings	AT&T Corp. Jordan Associates, Inc.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500 25,000	$ 1,242,000 $ 294,504
Metris Minnesota Building	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster Building	Stone & Webster, Inc. SYSCO Corporation	Houston, TX	100%	$ 44,970,000	206,048 106,516	$ 4,533,056 $ 2,130,320
Motorola Plainfield Building	Motorola, Inc.	South Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,427
Quest Building	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119
Delphi Building	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$ 1,937,664
Avnet Building	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens Building	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,371,946
Motorola Tempe Building	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 1,913,999
ASML Building	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$ 1,927,788
Dial Building	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa Building	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$ 1,187,925
Cinemark Building	Cinemark USA, Inc. The Coca-Cola Co.	Plano, TX	100%	$ 21,800,000	65,521 52,587	$ 1,366,491 $ 1,354,524
Gartner Building	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,968
Videojet Technologies Chicago (formerly known as the "Marconi Building")	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,743
Johnson Matthey Building	Johnson Matthey, Inc.	Tredyffrin Township, PA	56.8%	$ 8,000,000	130,000	$ 841,750

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

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

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

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

(c) Critical Accounting Policies

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

Revenue Recognition

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

Operating Cost Reimbursements

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

Real Estate

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

Deferred Project Costs

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

Deferred Offering Costs

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

(d) Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of its real estate investment trusts taxable income. The Company intends to make regular quarterly distributions to holders of the shares. Distributions will be made to those shareholders who are shareholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, shareholders are entitled to receive dividends immediately upon the purchase of shares.

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

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 1986, as amended (the “Code”), to be taxed as a Real Estate Investment Trust (“REIT”) under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company’s net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(f) Employees

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

(g) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) Competition

The Company will experience competition for tenants from owners and managers of competing projects, which may include its affiliates. As a result, the Company may be required to provide free rent, reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

(i) Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

(j) Basis of Presentation

Substantially all of the Company’s business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to the Advisor in exchange for a capital contribution of $200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of the Board of Directors, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company’s Form 10-K for the year ended December 31, 2001.

2. INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of March 31, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint ventures is recorded using the equity method.

(b) Summary of Operations

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

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

3. INVESTMENTS IN REAL ESTATE

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

The Andersen Building

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

The Transocean Houston Building

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

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

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

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

The Novartis Atlanta Building

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

The Dana Corporation Buildings

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

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

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

4. NOTES PAYABLE

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

5. DUE TO AFFILIATES

Due to affiliates consists of amounts due to the Advisor for Acquisitions and Advisory Fees and Acquisition Expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in detail in the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001. Payments of $601,963 have been made as of March 31, 2002 toward funding the obligation under the Matsushita agreement.

6. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

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

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

PRIOR PERFORMANCE TABLES

The following Prior Performance Tables (Tables) provide information relating to real estate investment programs sponsored by Wells Capital, Inc., our advisor, and its affiliates (Wells Public Programs) which have investment objectives similar to Wells Real Estate Investment Trust, Inc. (Wells REIT). (See "Investment Objectives and Criteria.") Except for the Wells REIT, all of the Wells Public Programs have used capital, and no acquisition indebtedness, to acquire their properties.

Prospective investors should read these Tables carefully together with the summary information concerning the Wells Public Programs as set forth in the "Prior Performance Summary" section of this prospectus.

Investors in the Wells REIT will not own any interest in the other Wells Public Programs and should not assume that they will experience returns, if any, comparable to those experienced by investors in other Wells Public Programs.

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

The following tables are included herein:

Table I—Experience in Raising and Investing Funds (As a Percentage of Investment)

Table II—Compensation to Sponsor (in Dollars)

Table III—Annual Operating Results of Wells Public Programs

Table IV (Results of completed programs) has been omitted since none of the Wells Public Programs have been liquidated.

Table V—Sales or Disposals of Property

Additional information relating to the acquisition of properties by the Wells Public Programs is contained in **Table VI**, which is included in Part II of the registration statement which the Wells REIT has filed with the Securities and Exchange Commission. Copies of any or all information will be provided to prospective investors at no charge upon request.

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

"**Acquisition Fees**" shall mean fees and commissions paid by a Wells Public Program in connection with its purchase or development of a property, except development fees paid to a person not affiliated with the Wells Public Program or with a general partner or advisor of the Wells Public Program in connection with the actual development of a project after acquisition of the land by the Wells Public Program.

"**Organization Expenses**" shall include legal fees, accounting fees, securities filing fees, printing and reproduction expenses and fees paid to the sponsor in connection with the planning and formation of the Wells Public Program.

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

TABLE I
(UNAUDITED)

EXPERIENCE IN RAISING AND INVESTING FUNDS

This Table provides a summary of the experience of the sponsors of Wells Public Programs for which offerings have been completed since December 31, 1998. Information is provided with regard to the manner in which the proceeds of the offerings have been applied. Also set forth is information pertaining to the timing and length of these offerings and the time period over which the proceeds have been invested in the properties. All figures are as of December 31, 2001.

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

(1) Does not include general partner contributions held as part of reserves.

(2) Includes acquisition fees, real estate commissions, general contractor fees and/or architectural fees paid to affiliates of the general partners.

(3) Total dollar amount registered and available to be offered was $35,000,000. Wells Real Estate Fund XI, L.P. closed its offering on December 30, 1998, and the total dollar amount raised was $16,532,802.

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

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

TABLE II
(UNAUDITED)

COMPENSATION TO SPONSOR

The following sets forth the compensation received by Wells Capital, Inc., our advisor, and its affiliates, including compensation paid out of offering proceeds and compensation paid in connection with the ongoing operations of Wells Public Programs having similar or identical investment objectives the offerings of which have been completed since December 31, 1998. All figures are as of December 31, 2001.

	Wells Real Estate Fund XI, L.P.	Wells Real Estate Fund XII, L.P.	Wells Real Estate Investment Trust, Inc.(1)	Other Public Programs(2)
Date Offering Commenced	12/31/97	03/22/99	01/30/98	—
Dollar Amount Raised	$ 16,532,802	$ 35,611,192	$ 307,411,112	$ 268,370,007
To Sponsor from Proceeds of Offering:				
Underwriting Fees(3)	$ 151,911	$ 362,416	$ 3,076,844	$ 1,494,470
Acquisition Fees				
Real Estate Commissions	—	—	—	—
Acquisition and Advisory Fees(4)	$ 578,648	$ 1,246,392	$ 10,759,389	$ 12,644,556
Dollar Amount of Cash Generated from Operations Before Deducting Payments to Sponsor(5)	$ 3,494,174	$ 3,508,128	$ 116,037,681	$ 58,169,461
Amount Paid to Sponsor from Operations:				
Property Management Fee(2)	$ 90,731	$ 113,238	$ 1,899,140	$ 2,257,424
Partnership Management Fee	—	—	—	—
Reimbursements	$ 164,746	$ 142,990	$ 1,047,449	$ 2,503,609
Leasing	$ 90,731	$ 113,238	$ 1,899,140	$ 2,257,426
Commissions General Partner Distributions	—	—	—	—
Other	—	—	—	—
Dollar Amount of Property Sales and Refinancing Payments to Sponsors:				
Cash	—	—	—	—
Notes	—	—	—	—
Amount Paid to Sponsor from Property Sales and Refinancing:				
Real Estate Commissions	—	—	—	—
Incentive Fees	—	—	—	—
Other	—	—	—	—

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

(2) Includes compensation paid to the general partners from Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P., Wells Real Estate Fund VI, L.P., Wells Real Estate Fund VII, L.P., Wells Real Estate Fund VIII, L.P., Wells Real Estate Fund IX, L.P. and Wells Real Estate Fund X, L.P. during the past three years. In addition to the amounts shown, affiliates of the general partners of Wells Real Estate Fund I are entitled to certain property management and leasing fees but have elected to defer the payment of such fees until a later year on properties owned by Wells Real Estate Fund I. As of December 31, 2001, the amount of such deferred fees totaled $2,627,841.

(3) Includes net underwriting compensation and commissions paid to Wells Investment Securities, Inc. in connection with the offering which was not reallowed to participating broker-dealers.

(4) Fees paid to the general partners or their affiliates for acquisition and advisory services in connection with the review and evaluation of potential real property acquisitions.

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

TABLE III
(UNAUDITED)

The following five tables set forth operating results of Wells Public Programs the offerings of which have been completed since December 30, 1996. The information relates only to public programs with investment objectives similar to those of the Wells REIT. All figures are as of December 31 of the year indicated.

TABLE III (UNAUDITED)

OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND IX, L.P.

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

(1) Includes $593,914 in equity in earnings of joint ventures and $605,386 from investment of reserve funds in 1997; $1,481,869 in equity in earnings of joint ventures and $79,587 from investment of reserve funds in 1998; $1,593,734 in equity in earnings of joint ventures and $0 from investment of reserve funds in 1999; and $1,829,216 in equity in earnings of joint ventures and $7,552 from investment of reserve funds in 2000; and $1,870,378 in equity in earnings of joint ventures and $3,912 from investment of reserve funds in 2001. As of December 31, 2001, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $469,126 for 1997; $1,143,407 for 1998; $1,210,939 for 1999; $1,100,915 for 2000; and $1,076,802 for 2001.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $1,564,778 to Class A Limited Partners, $(472,806) to Class B Limited Partners and $(206) to the General Partners for 1997; $2,597,938 to Class A Limited Partners, $(1,147,983) to Class B Limited Partners and $0 to the General Partners for 1998; $2,713,636 to Class A Limited Partners, $(1,223,305) to Class B Limited Partners and $0 to the General Partners for 1999; $2,858,806 to Class A Limited Partners, $(1,100,130) to Class B Limited Partners and $0 to the General Partners for 2000; and $1,768,474 to Class A Limited Partners, $(0) to Class B Limited Partners and $0 to the General Partners for 2001.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 2001, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,668,253.

TABLE III (UNAUDITED)

OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND X, L.P.

	2001	2000	1999	1998	1997
Gross Revenues(1)	$ 1,559,026	$ 1,557,518	$ 1,309,281	$ 1,204,597	$ 372,507
Profit or Sale of Properties	—	—	—	—	—
Less: Operating Expenses (2)	109,177	81,338	98,213	99,034	88,232
Depreciation and Amortization (3)	0	0	18,750	55,234	6,250
Net Income GAAP Basis (4)	$ 1,449,849	$ 1,476,180	$ 1,192,318	$ 1,050,329	$ 278,025
Taxable Income: Operations	$ 1,688,775	$ 1,692,792	$ 1,449,771	$ 1,277,016	$ 382,543
Cash Generated (Used By):					
Operations	(100,983)	(59,595)	(99,862)	300,019	200,668
Joint Ventures	2,307,137	2,192,397	2,175,915	886,846	—
	$ 2,206,154	$ 2,132,802	$ 2,076,053	$ 1,186,865	$ 200,668
Less Cash Distributions to Investors:					
Operating Cash Flow	2,206,154	2,103,260	2,067,801	1,186,865	—
Return of Capital	—	—	—	19,510	—
Undistributed Cash Flow From Prior Year Operations	25,647	—	—	200,668	—
Cash Generated (Deficiency) after Cash Distributions	$ (25,647)	$ 29,542	$ 8,252	$ (220,178)	$ 200,668
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	—	—	—	—	—
Increase in Limited Partner Contributions	—	—	—	—	27,128,912
	$ (25,647)	$ 29,542	$ 8,252	$ (220,178)	$ 27,329,580
Use of Funds:					
Sales Commissions and Offering Expenses	—	—	—	300,725	3,737,363
Return of Original Limited Partner's Investment	—	—	—	—	100
Property Acquisitions and Deferred Project Costs	0	81,022	0	17,613,067	5,188,485
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (25,647)	$ (51,480)	$ 8,252	$ (18,133,970)	$ 18,403,632
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
—Operations Class A Units	99	104	97	85	28
—Operations Class B Units	(188)	(159)	(160)	(123)	(9)
Capital Gain (Loss)	—	—	—	—	—
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
—Operations Class A Units	95	98	92	78	35
—Operations Class B Units	(130)	(107)	(100)	(64)	0
Capital Gain (Loss)	—	—	—	—	—
Cash Distributions to Investors:					
Source (on GAAP Basis)					
—Investment Income Class A Units	96	94	95	66	—
—Return of Capital Class A Units	—	—	—	—	—
—Return of Capital Class B Units	—	—	—	—	—
Source (on Cash Basis)					
—Operations Class A Units	96	94	95	56	—
—Return of Capital Class A Units	—	—	—	10	—
—Operations Class B Units	—	—	—	—	—
Source (on a Priority Distribution Basis) (5)					
—Investment Income Class A Units	80	74	71	48	—
—Return of Capital Class A Units	16	20	24	18	—
—Return of Capital Class B Units	—	—	—	—	—
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

(1) Includes $(10,035) in equity in earnings of joint ventures and $382,542 from investment of reserve funds in 1997; $869,555 in equity in earnings of joint ventures and $215,042 from investment of reserve funds in 1998; $1,309,281 in equity in earnings of joint ventures and $0 from investment of reserve funds in 1999; 1,547,664 in equity in earnings of joint ventures and $9,854 from investment of reserve funds in 2000; and $1,549,588 in equity in earnings of joint ventures and $9,438 from investment of reserve funds in 2001. As of December 31, 2001, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $18,675 for 1997; $674,986 for 1998; $891,911 for 1999; $816,544 for 2000; and $814,502 for 2001.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $302,862 to Class A Limited Partners, $(24,675) to Class B Limited Partners and $(162) to the General Partners for 1997; $1,779,191 to Class A Limited Partners, $(728,524) to Class B Limited Partners and $(338) to General Partners for 1998; $2,084,229 to Class A Limited Partners, $(891,911) to Class B Limited Partners and $0 to the General Partners for 1999; $2,292,724 to Class A Limited Partners, $(816,544) to Class B Limited Partners and $0 to the General Partners for 2000; and $2,264,351 to Class A Limited Partners, $(814,502) to Class B Limited Partners and $0 to the General Partners for 2001.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 2001, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,735,882.

TABLE III (UNAUDITED)

OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND XI, L.P.

	2001	2000	1999	1998	1997
Gross Revenues(1)	$ 960,676	$ 975,850	$ 766,586	$ 262,729	N/A
Profit on Sale of Properties	—	—	—	—	
Less: Operating Expenses(2)	90,326	79,861	111,058	113,184	
Depreciation and Amortization(3)	0	—	25,000	6,250	
Net Income GAAP Basis(4)	$ 870,350	$ 895,989	$ 630,528	$ 143,295	
Taxable Income: Operations	$ 1,038,394	$ 944,775	$ 704,108	$ 177,692	
Cash Generated (Used By):					
Operations	(128,985)	(72,925)	40,906	(50,858)	
Joint Ventures	1,376,673	1,333,337	705,394	102,662	
	$ 1,247,688	$ 1,260,412	$ 746,300	$ 51,804	
Less Cash Distributions to Investors:					
Operating Cash Flow	1,247,688	1,205,303	746,300	51,804	
Return of Capital	4,809	—	49,761S	48,070	
Undistributed Cash Flow From Prior Year Operations	55,109	—	—	—	
Cash Generated (Deficiency) after Cash Distributions	$ (59,918)	$ 55,109	$ (49,761)	$ (48,070)	
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	—	—	—	—	
Increase in Limited Partner Contributions	—	—	—	16,532,801	
	$ (59,918)	$ 55,109	$ (49,761)	$ 16,484,731	
Use of Funds:					
Sales Commissions and Offering Expenses	—	—	214,609	1,779,661	
Return of Original Limited Partner's Investment	—	—	100	—	
Property Acquisitions and Deferred Project Costs	—	—	9,005,979	5,412,870	
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (59,918)	$ 55,109	$ (9,270,449)	$ 9,292,200	
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
—Operations Class A Units	101	103	77	50	
—Operations Class B Units	(158)	(155)	(112)	(77)	
Capital Gain (Loss)	—	—	—	—	
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
—Operations Class A Units	100	97	71	18	
—Operations Class B Units	(100)	(112)	(73)	(17)	
Capital Gain (Loss)	—	—	—	—	
Cash Distributions to Investors:					
Source (on GAAP Basis)					
—Investment Income Class A Units	97	90	60	8	
—Return of Capital Class A Units	—	—	—	—	
—Return of Capital Class B Units	—	—	—	—	
Source (on Cash Basis)					
—Operations Class A Units	97	90	56	4	
—Return of Capital Class A Units	—	—	4	4	
—Operations Class B Units	—	—	—	—	
Source (on a Priority Distribution Basis)(5)					
—Investment Income Class A Units	75	69	46	6	
—Return of Capital Class A Units	22	21	14	2	
—Return of Capital Class B Units	—	—	—	—	
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

(1) Includes $142,163 in equity in earnings of joint ventures and $120,566 from investment of reserve funds in 1998; $607,579 in equity in earnings of joint ventures and $159,007 from investment of reserve funds in 1999; $967,900 in equity in earnings of joint ventures and $7,950 from investment of reserve funds in 2000; and $959,631 in equity in earnings of joint ventures and $1,045 from investment of reserve funds in 2001. As of December 31, 2001, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $105,458 for 1998; $353,840 for 1999; $485,558 for 2000; and $491,478 for 2001.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $254,862 to Class A Limited Partners, $(111,067) to Class B Limited Partners and $(500) to General Partners for 1998; $1,009,368 to Class A Limited Partners, $(378,840) to Class B Limited Partners and $0 to the General Partners for 1999; $1,381,547 to Class A Limited Partners, $(485,558) to Class B Limited Partners and $0 to General Partners for 2000; and $1,361,828 to Class A Limited Partners, $(491,478) to Class B Limited Partners and $0 to the General Partners for 2001.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 2001, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $791,502.

TABLE III (UNAUDITED)

OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND XII, L.P.

	2001	2000	1999
GrossRevenues(1)	$ 1,661,194	$ 929,868	$ 160,379
Profit on Sale of Properties	—	—	—
Less: Operating Expenses(2)	105,776	73,640	37,562
Depreciation and Amortization(3)	0	0	0
Net Income GAAP Basis(4)	$ 1,555,418	$ 856,228	$ 122,817
Taxable Income: Operations	$ 1,850,674	$ 863,490	$ 130,108
Cash Generated (Used By):			
Operations	(83,406)	247,244	3,783
Joint Ventures	2,036,837	737,266	61,485
	$ 1,953,431	$ 984,510	$ 65,268
Less Cash Distributions to Investors:			
Operating Cash Flow	1,953,431	779,818	62,934
Return of Capital	—	—	—
Undistributed Cash Flow From Prior Year Operations	174,859	—	—
Cash Generated (Deficiency) after Cash Distributions	$ (174,859)	$ 204,692	$ 2,334
Special Items (not including sales and financing):			
Source of Funds:			
General Partner Contributions	—	—	—
Increase in Limited Partner Contributions	10,625,431	15,617,575	9,368,186
	$ 10,450,572	$ 15,822,267	$ 9,370,520
Use of Funds:			
Sales Commissions and Offering Expenses	1,328,179	1,952,197	1,171,024
Return of Original Limited Partner’s Investment	—	—	100
Property Acquisitions and Deferred Project Costs	9,298,085	16,246,485	5,615,262
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (175,692)	$ (2,376,415)	$ 2,584,134
Net Income and Distributions Data per $1,000 Invested:			
Net Income on GAAP Basis:			
Ordinary Income (Loss)			
—Operations Class A Units	98	89	50
—Operations Class B Units	(131)	(92)	(56)
Capital Gain (Loss)	—	—	—
Tax and Distributions Data per $1,000 Invested:			
Federal Income Tax Results:			
Ordinary Income (Loss)			
—Operations Class A Units	84	58	23
—Operations Class B Units	(74)	(38)	(25)
Capital Gain (Loss)	—	—	—
Cash Distributions to Investors:			
Source (on GAAP Basis)			
—Investment Income Class A Units	77	41	8
—Return of Capital Class A Units	—	—	—
—Return of Capital Class B Units	—	—	—
Source (on Cash Basis)			
—Operations Class A Units	77	41	8
—Return of Capital Class A Units	—	—	—
—Operations Class B Units	—	—	—
Source (on a Priority Distribution Basis)(5)			
—Investment Income Class A Units	55	13	6
—Return of Capital Class A Units	22	28	2
—Return of Capital Class B Units	—	—	—
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%		

(1) Includes $124,542 in equity in earnings of joint ventures and $35,837 from investment of reserve funds in 1999; $664,401 in equity in earnings of joint ventures and $265,467 from investment of reserve funds in 2000; and $1,577,523 in equity in earnings of joint ventures and $83,671 from investment of reserve funds in 2001. As of December 31, 2001, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $72,427 for 1999; $355,210 for 2000; and $1,035,609 for 2001.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $195,244 to Class A Limited Partners, $(71,927) to Class B Limited Partners and $(500) to the General Partners for 1999; $1,209,438 to Class A Limited Partners, $(353,210) to Class B Limited Partners and $0 to General Partners for 2000; and $2,591,027 to Class A Limited Partners, $(1,035,609) to Class B Limited Partners and $0 to the General Partners for 2001.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 2001, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $870,747.

TABLE V (UNAUDITED)

SALES OR DISPOSALS OF PROPERTIES

The following Table sets forth sales or other disposals of properties by Wells Public Programs within the most recent three years. The information relates to only public programs with investment objectives similar to those of Wells Real Estate Investment Trust, Inc. All figures are as of December 31, 2001.

				Selling Price, Net Of Closing Costs And GAAP Adjustments					Cost Of Properties Including Closing And Soft Costs		
Property	Date Acquired	Date Of Sale	Cash Received Net Of Closing Costs	Mortgage Balance At Time Of Sale	Purchase Money Mortgage Taken Back By Program	Adjustments Resulting From Application Of GAAP	Total	Original Mortgage Financing	Total Acquisition Cost, Capital Improvement, Closing And Soft Costs(1)	Total	Excess (Deficiency) Of Property Operating Cash Receipts Over Cash Expenditures
3875 Peachtree Place, Atlanta, Georgia	12/1/85	08/31/00	$ 727,982	-0-	-0-	-0-	$ 727,982(2)	-0-	$ 647,648	$ 647,648	
Crowe's Crossing Shopping Center, DeKalb Count, Georgia	12/31/86	01/11/01	$ 6,487,000	-0-	-0-	-0-	$ 6,487,000(3)	-0-	$ 9,388,869	$ 9,368,869	
Cherokee Commons Shopping Center, Cherokee County, Georgia	10/30/87	10/01/01	$ 8,434,089	-0-	-0-	-0-	$ 8,434,089(4)	-0-	$ 10,650,750	$ 10,650,750	

(1) Amount shown does not include *pro rata* share of original offering costs.

(2) Includes Wells Real Estate Fund I's share of taxable gain from this sale in the amount of $205,019, of which $205,019 is allocated to capital gain and $0 is allocated to ordinary gain.

(3) Includes taxable gain from this sale in the amount of $11,496, of which $11,496 is allocated to capital gain and $0 is allocated to ordinary gain.

(4) Includes taxable gain from this sale in the amount of $207,613, of which $207,613 is allocated to capital gain and $0 is allocated to ordinary gain.

EXHIBIT A

SUBSCRIPTION AGREEMENT

To: **Wells Real Estate Investment Trust, Inc.**
Suite 250
6200 The Corners Parkway
Atlanta, Georgia 30092

Ladies and Gentlemen:

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

I hereby acknowledge receipt of the Prospectus of the Wells REIT dated July 26, 2002 (the "Prospectus").

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

Prospective investors are hereby advised of the following:

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

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

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

SPECIAL NOTICE FOR CALIFORNIA RESIDENTS ONLY
CONDITIONS RESTRICTING TRANSFER OF SHARES

260.141.11 Restrictions on Transfer.

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

(b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of the Rules), except:

(1) to the issuer;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities;

(17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision (f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.

(c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

> "IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES."

[Last amended effective January 21, 1988.]

SPECIAL NOTICE FOR MAINE, MASSACHUSETTS, MINNESOTA, MISSOURI AND NEBRASKA RESIDENTS ONLY

In no event may a subscription for Shares be accepted until at least five business days after the date the subscriber receives the Prospectus. Residents of the States of Maine, Massachusetts, Minnesota, Missouri and Nebraska who first received the Prospectus only at the time of subscription may receive a refund of the subscription amount upon request to the Wells REIT within five days of the date of subscription.

STANDARD REGISTRATION REQUIREMENTS

The following requirements have been established for the various forms of registration. Accordingly, complete Subscription Agreements and such supporting material as may be necessary must be provided.

TYPE OF OWNERSHIP AND SIGNATURE(S) REQUIRED

1. **INDIVIDUAL**: One signature required.

2. **JOINT TENANTS WITH RIGHT OF SURVIVORSHIP**: All parties must sign.

3. **TENANTS IN COMMON**: All parties must sign.

4. **COMMUNITY PROPERTY**: Only one investor signature required.

5. **PENSION OR PROFIT SHARING PLANS**: The trustee signs the Signature Page.

6. **TRUST**: The trustee signs the Signature Page. Provide the name of the trust, the name of the trustee and the name of the beneficiary.

7. **PARTNERSHIP**: Identify whether the entity is a general or limited partnership. The general partners must be identified and their signatures obtained on the Signature Page. In the case of an investment by a general partnership, all partners must sign (unless a “managing partner” has been designated for the partnership, in which case he may sign on behalf of the partnership if a certified copy of the document granting him authority to invest on behalf of the partnership is submitted).

8. **CORPORATION**: The Subscription Agreement must be accompanied by (1) a certified copy of the resolution of the Board of Directors designating the officer(s) of the corporation authorized to sign on behalf of the corporation and (2) a certified copy of the Board’s resolution authorizing the investment.

9. **IRA AND IRA ROLLOVERS**: Requires signature of authorized signer (e.g., an officer) of the bank, trust company, or other fiduciary. The address of the trustee must be provided in order for the trustee to receive checks and other pertinent information regarding the investment.

10. **KEOGH (HR 10)**: Same rules as those applicable to IRAs.

11. **UNIFORM GIFT TO MINORS ACT (UGMA)** or **UNIFORM TRANSFERS TO MINORS ACT (UTMA)**: The required signature is that of the custodian, not of the parent (unless the parent has been designated as the custodian). Only one child is permitted in each investment under UGMA or UTMA. In addition, designate the state under which the gift is being made.

INSTRUCTIONS TO SUBSCRIPTION AGREEMENT SIGNATURE PAGE TO WELLS REAL ESTATE INVESTMENT TRUST, INC. SUBSCRIPTION AGREEMENT

INVESTOR INSTRUCTIONS

Please follow these instructions carefully. Failure to do so may result in the rejection of your subscription. All information on the Subscription Agreement Signature Page should be completed as follows:

1. **INVESTMENT**

a. **GENERAL**: A minimum investment of $1,000 (100 Shares) is required, except for certain states which require a higher minimum investment. **A CHECK FOR THE FULL PURCHASE PRICE OF THE SHARES SUBSCRIBED FOR SHOULD BE MADE PAYABLE TO THE ORDER OF "WELLS REAL ESTATE INVESTMENT TRUST, INC."** Investors who have satisfied the minimum purchase requirements in Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P., Wells Real Estate Fund VI, L.P., Wells Real Estate Fund VII, L.P., Wells Real Estate Fund VIII, L.P., Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P., Wells Real Estate Fund XI, L.P., Wells Real Estate Fund XII, L.P., or Wells Real Estate Fund XIII, L.P., or in any other public real estate program may invest as little as $25 (2.5 Shares) except for residents of Maine, Minnesota, Nebraska or Washington. Shares may be purchased only by persons meeting the standards set forth under the Section of the Prospectus entitled "Suitability Standards." Please indicate the state in which the sale was made. **WE WILL NOT ACCEPT CASH, MONEY ORDERS OR TRAVELERS CHECKS FOR INITIAL INVESTMENTS.**

b. **DEFERRED COMMISSION OPTION:** Please check the box if you have agreed with your Broker-Dealer to elect the Deferred Commission Option, as described in the Prospectus, as supplemented to date. By electing the Deferred Commission Option, you are required to pay only $9.40 per Share purchased upon subscription. For the next six years following the year of subscription, you will have a 1% sales commission ($.10 per Share) per year deducted from and paid out of dividends or other cash distributions otherwise distributable to you. Election of the Deferred Commission Option shall authorize the Wells REIT to withhold such amounts from dividends or other cash distributions otherwise payable to you as is set forth in the "Plan of Distribution" section of the Prospectus.

2. **ADDITIONAL INVESTMENTS**

Please check if you plan to make one or more additional investments in the Wells REIT. All additional investments must be in increments of at least $25. Additional investments by residents of Maine must be for the minimum amounts stated under "Suitability Standards" in the Prospectus, and residents of Maine must execute a new Subscription Agreement Signature Page to make additional investments in the Wells REIT. If additional investments in the Wells REIT are made, the investor agrees to notify the Wells REIT and the Broker-Dealer named on the Subscription Agreement Signature Page in writing if at any time he fails to meet the applicable suitability standards or he is unable to make any other representations or warranties set forth in the Prospectus or the Subscription Agreement. The investor acknowledges that the Broker-Dealer named in the Subscription Agreement Signature Page may receive commissions on such additional investments as described in the Prospectus.

3. **TYPE OF OWNERSHIP**

Please check the appropriate box to indicate the type of entity or type of individuals subscribing.

4. **REGISTRATION NAME AND ADDRESS** Please enter the exact name in which the Shares are to be held. For joint tenants with right of survivorship or tenants in common, include the names of both investors. In the case of partnerships or corporations, include the name of an individual to whom correspondence will be addressed. Trusts should include the name of the trustee. All investors must complete the space provided for taxpayer identification number or social security number. By signing in Section 6, the investor is certifying that this number is correct. Enter the mailing address and telephone numbers of the registered owner of this investment. In the case of a Qualified Plan or trust, this will be the address of the trustee. Indicate the birthdate and occupation of the registered owner unless the registered owner is a partnership, corporation or trust.

5. **INVESTOR NAME AND ADDRESS** Complete this Section only if the investor's name and address is different from the registration name and address provided in Section 4. If the Shares are registered in the name of a trust, enter the name, address, telephone number, social security number, birthdate and occupation of the beneficial owner of the trust.

6. **SUBSCRIBER SIGNATURES** Please separately initial each representation made by the investor where indicated. Except in the case of fiduciary accounts, the investor may not grant any person a power of attorney to make such representations on his or her behalf. Each investor must sign and date this Section. If title is to be held jointly, all parties must sign. If the registered owner is a partnership, corporation or trust, a general partner, officer or trustee of the entity must sign. **PLEASE NOTE THAT THESE SIGNATURES DO NOT HAVE TO BE NOTARIZED.**

7. **DIVIDENDS**

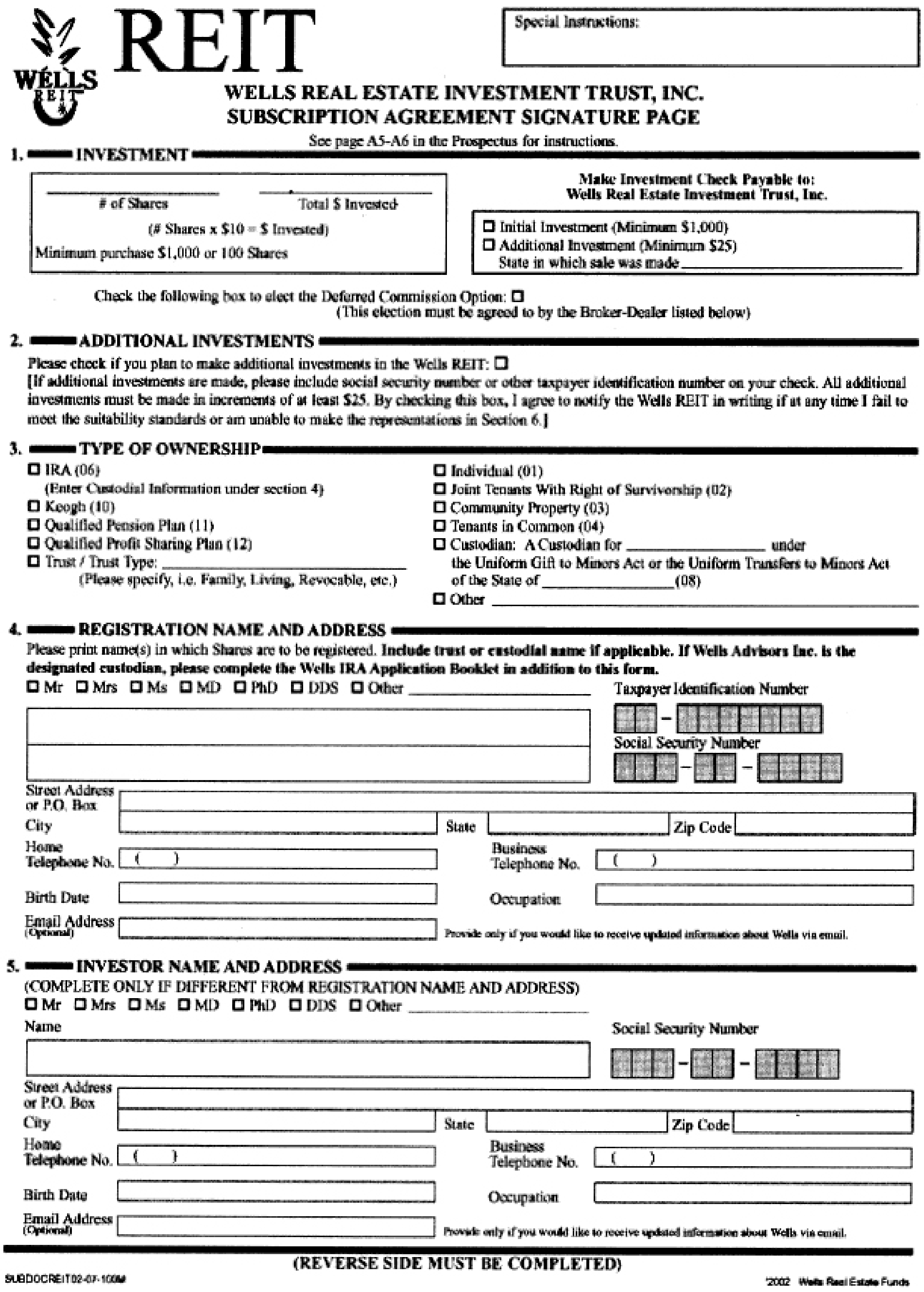
   a. **DIVIDEND REINVESTMENT PLAN**: By electing the Dividend Reinvestment Plan, the investor elects to reinvest the stated percentage of dividends otherwise payable to such investor in Shares of the Wells REIT. The investor agrees to notify the Wells REIT and the Broker-Dealer named on the Subscription Agreement Signature Page in writing if at any time he fails to meet the applicable suitability standards or he is unable to make any other representations and warranties as set forth in the Prospectus or Subscription Agreement or in the prospectus and subscription agreement of any future limited partnerships sponsored by the Advisor or its affiliates. The investor acknowledges that the Broker-Dealer named in the Subscription Agreement Signature Page may receive commissions not to exceed 7% of any reinvested dividends.

   b. **DIVIDEND ADDRESS** : If cash dividends are to be sent to an address other than that provided in Section 4 (i.e., a bank, brokerage firm or savings and loan, etc.), please provide the name, account number and address.

8. **BROKER-DEALER** This Section is to be completed by the Registered Representative. Please complete all BROKER-DEALER information contained in Section 8 including suitability certification. **SIGNATURE PAGE MUST BE SIGNED BY AN AUTHORIZED REPRESENTATIVE.**

The Subscription Agreement Signature Page, which has been delivered with this Prospectus, together with a check for the full purchase price, should be delivered or mailed to your Broker-Dealer. Only original, completed copies of Subscription Agreements can be accepted. Photocopied or otherwise duplicated Subscription Agreements cannot be accepted by the Wells REIT.

**IF YOU NEED FURTHER ASSISTANCE IN COMPLETING THIS
SUBSCRIPTION AGREEMENT SIGNATURE PAGE,
PLEASE CALL 1-800-448-1010**



REIT

Special Instructions:

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUBSCRIPTION AGREEMENT SIGNATURE PAGE

See page A5-A6 in the Prospectus for instructions.

1. INVESTMENT

____________ # of Shares $ ____________ Total $ Invested

(# Shares x $10 = $ Invested)

Minimum purchase $1,000 or 100 Shares

Make Investment Check Payable to:
Wells Real Estate Investment Trust, Inc.

□ Initial Investment (Minimum $1,000)
□ Additional Investment (Minimum $25)
State in which sale was made ____________

Check the following box to elect the Deferred Commission Option: □
(This election must be agreed to by the Broker-Dealer listed below)

2. ADDITIONAL INVESTMENTS

Please check if you plan to make additional investments in the Wells REIT: □
[If additional investments are made, please include social security number or other taxpayer identification number on your check. All additional investments must be made in increments of at least $25. By checking this box, I agree to notify the Wells REIT in writing if at any time I fail to meet the suitability standards or am unable to make the representations in Section 6.]

3. TYPE OF OWNERSHIP

□ IRA (06)
(Enter Custodial Information under section 4)
□ Keogh (10)
□ Qualified Pension Plan (11)
□ Qualified Profit Sharing Plan (12)
□ Trust / Trust Type: ____________
(Please specify, i.e. Family, Living, Revocable, etc.)

□ Individual (01)
□ Joint Tenants With Right of Survivorship (02)
□ Community Property (03)
□ Tenants in Common (04)
□ Custodian: A Custodian for ____________ under the Uniform Gift to Minors Act or the Uniform Transfers to Minors Act of the State of ____________ (08)
□ Other ____________

4. REGISTRATION NAME AND ADDRESS

Please print name(s) in which Shares are to be registered. **Include trust or custodial name if applicable. If Wells Advisors Inc. is the designated custodian, please complete the Wells IRA Application Booklet in addition to this form.**

□ Mr □ Mrs □ Ms □ MD □ PhD □ DDS □ Other ____________

Taxpayer Identification Number □□-□□□□□□□

Social Security Number □□□-□□-□□□□

Street Address or P.O. Box

City   State   Zip Code

Home Telephone No. (   )   Business Telephone No. (   )

Birth Date   Occupation

Email Address (Optional)   Provide only if you would like to receive updated information about Wells via email.

5. INVESTOR NAME AND ADDRESS

(COMPLETE ONLY IF DIFFERENT FROM REGISTRATION NAME AND ADDRESS)

□ Mr □ Mrs □ Ms □ MD □ PhD □ DDS □ Other ____________

Name   Social Security Number □□□-□□-□□□□

Street Address or P.O. Box

City   State   Zip Code

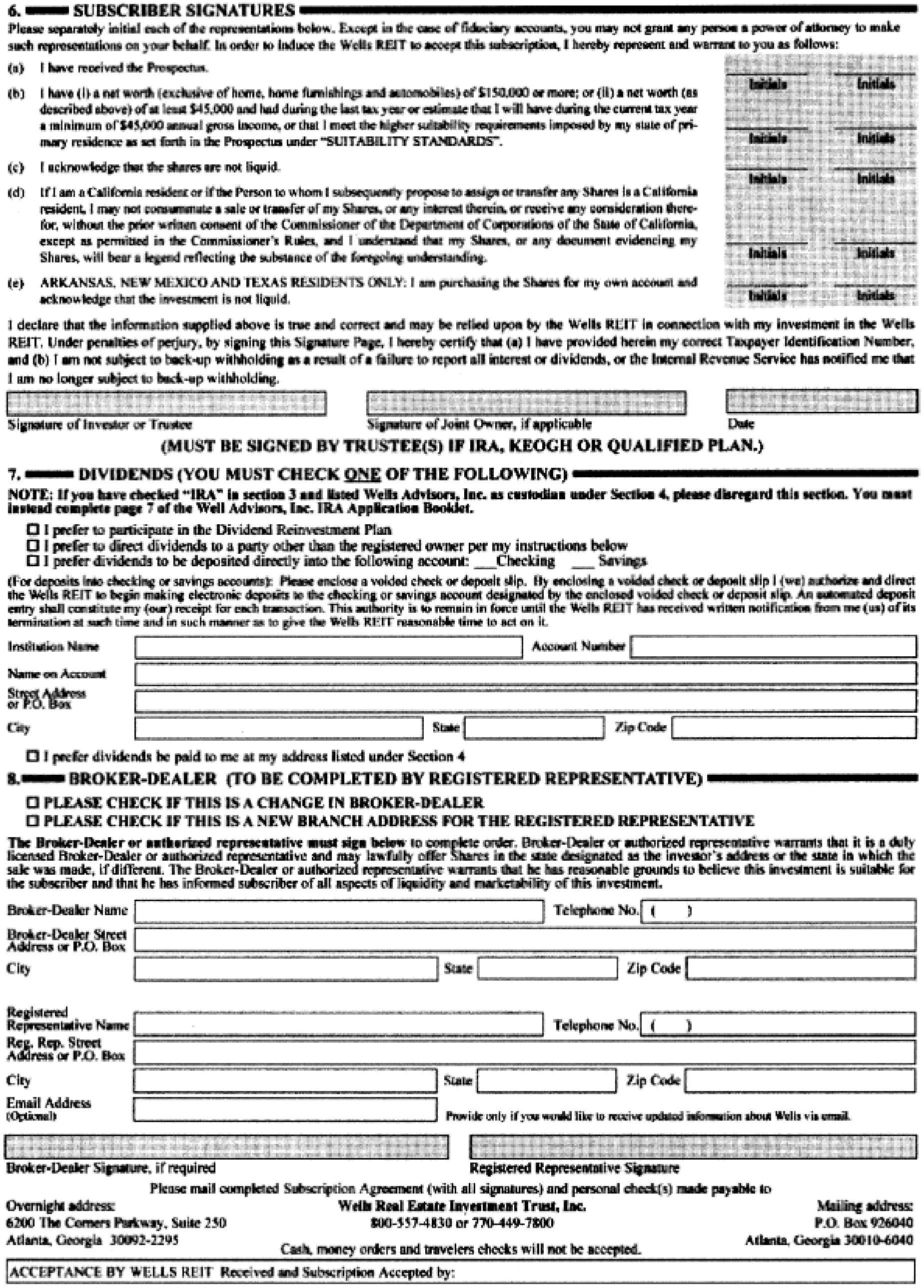
Home Telephone No. (   )   Business Telephone No. (   )

Birth Date   Occupation

Email Address (Optional)   Provide only if you would like to receive updated information about Wells via email.

(REVERSE SIDE MUST BE COMPLETED)

©2002 Wells Real Estate Funds



6. SUBSCRIBER SIGNATURES

Please separately initial each of the representations below. Except in the case of fiduciary accounts, you may not grant any person a power of attorney to make such representations on your behalf. In order to induce the Wells REIT to accept this subscription, I hereby represent and warrant to you as follows:

(a) I have received the Prospectus. ______ Initials ______ Initials

(b) I have (i) a net worth (exclusive of home, home furnishings and automobiles) of $150,000 or more; or (ii) a net worth (as described above) of at least $45,000 and had during the last tax year or estimate that I will have during the current tax year a minimum of $45,000 annual gross income, or that I meet the higher suitability requirements imposed by my state of primary residence as set forth in the Prospectus under "SUITABILITY STANDARDS". ______ Initials ______ Initials

(c) I acknowledge that the shares are not liquid. ______ Initials ______ Initials

(d) If I am a California resident or if the Person to whom I subsequently propose to assign or transfer any Shares is a California resident, I may not consummate a sale or transfer of my Shares, or any interest therein, or receive any consideration therefor, without the prior written consent of the Commissioner of the Department of Corporations of the State of California, except as permitted in the Commissioner's Rules, and I understand that my Shares, or any document evidencing my Shares, will bear a legend reflecting the substance of the foregoing understanding. ______ Initials ______ Initials

(e) ARKANSAS, NEW MEXICO AND TEXAS RESIDENTS ONLY: I am purchasing the Shares for my own account and acknowledge that the investment is not liquid. ______ Initials ______ Initials

I declare that the information supplied above is true and correct and may be relied upon by the Wells REIT in connection with my investment in the Wells REIT. Under penalties of perjury, by signing this Signature Page, I hereby certify that (a) I have provided herein my correct Taxpayer Identification Number, and (b) I am not subject to back-up withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to back-up withholding.

Signature of Investor or Trustee ______ Signature of Joint Owner, if applicable ______ Date ______

(MUST BE SIGNED BY TRUSTEE(S) IF IRA, KEOGH OR QUALIFIED PLAN.)

7. DIVIDENDS (YOU MUST CHECK ONE OF THE FOLLOWING)

NOTE: If you have checked "IRA" in section 3 and listed Wells Advisors, Inc. as custodian under Section 4, please disregard this section. You must instead complete page 7 of the Well Advisors, Inc. IRA Application Booklet.

□ I prefer to participate in the Dividend Reinvestment Plan
□ I prefer to direct dividends to a party other than the registered owner per my instructions below
□ I prefer dividends to be deposited directly into the following account: ___Checking ___ Savings

(For deposits into checking or savings accounts): Please enclose a voided check or deposit slip. By enclosing a voided check or deposit slip I (we) authorize and direct the Wells REIT to begin making electronic deposits to the checking or savings account designated by the enclosed voided check or deposit slip. An automated deposit entry shall constitute my (our) receipt for each transaction. This authority is to remain in force until the Wells REIT has received written notification from me (us) of its termination at such time and in such manner as to give the Wells REIT reasonable time to act on it.

Institution Name ______ Account Number ______

Name on Account ______

Street Address or P.O. Box ______

City ______ State ______ Zip Code ______

□ I prefer dividends be paid to me at my address listed under Section 4

8. BROKER-DEALER (TO BE COMPLETED BY REGISTERED REPRESENTATIVE)

□ **PLEASE CHECK IF THIS IS A CHANGE IN BROKER-DEALER**
□ **PLEASE CHECK IF THIS IS A NEW BRANCH ADDRESS FOR THE REGISTERED REPRESENTATIVE**

The Broker-Dealer or authorized representative must sign below to complete order. Broker-Dealer or authorized representative warrants that it is a duly licensed Broker-Dealer or authorized representative and may lawfully offer Shares in the state designated as the investor's address or the state in which the sale was made, if different. The Broker-Dealer or authorized representative warrants that he has reasonable grounds to believe this investment is suitable for the subscriber and that he has informed subscriber of all aspects of liquidity and marketability of this investment.

Broker-Dealer Name ______ Telephone No. (   )

Broker-Dealer Street Address or P.O. Box ______

City ______ State ______ Zip Code ______

Registered Representative Name ______ Telephone No. (   )

Reg. Rep. Street Address or P.O. Box ______

City ______ State ______ Zip Code ______

Email Address (Optional) ______ Provide only if you would like to receive updated information about Wells via email.

Broker-Dealer Signature, if required ______ Registered Representative Signature ______

Please mail completed Subscription Agreement (with all signatures) and personal check(s) made payable to

Wells Real Estate Investment Trust, Inc.
800-557-4830 or 770-449-7800

Overnight address:
6200 The Corners Parkway, Suite 250
Atlanta, Georgia 30092-2295

Mailing address:
P.O. Box 926040
Atlanta, Georgia 30010-6040

Cash, money orders and travelers checks will not be accepted.

ACCEPTANCE BY WELLS REIT Received and Subscription Accepted by:

EXHIBIT B

AMENDED AND RESTATED DIVIDEND REINVESTMENT PLAN As of December 20, 1999

Wells Real Estate Investment Trust, Inc., a Maryland corporation (the "Company"), pursuant to its Amended and Restated Articles of Incorporation, adopted a Dividend Reinvestment Plan (the "DRP"), which is hereby amended and restated in its entirety as set forth below. Capitalized terms shall have the same meaning as set forth in the Articles unless otherwise defined herein.

1. *Dividend Reinvestment*. As agent for the shareholders ("Shareholders") of the Company who (a) purchased shares of the Company's common stock (the "Shares") pursuant to the Company's initial public offering (the "Initial Offering"), which commenced on January 30, 1998 and will terminate on or before January 30, 2000, (b) purchase Shares pursuant to the Company's second public offering (the "Second Offering"), which will commence immediately upon the termination of the Initial Offering, or (c) purchase Shares pursuant to any future offering of the Company ("Future Offering"), and who elect to participate in the DRP (the "Participants"), the Company will apply all dividends and other distributions declared and paid in respect of the Shares held by each Participant (the "Dividends"), including Dividends paid with respect to any full or fractional Shares acquired under the DRP, to the purchase of the Shares for such Participants directly, if permitted under state securities laws and, if not, through the Dealer Manager or Soliciting Dealers registered in the Participant's state of residence.

2. *Effective Date*. The effective date of this Amended and Restated Dividend Reinvestment Plan (the "DRP") shall be the date that the Second Offering becomes effective with the Securities and Exchange Commission (the "Commission").

3. *Procedure for Participation*. Any Shareholder who purchased Shares pursuant to the Initial Offering, the Second Offering or any Future Offering and who has received a prospectus, as contained in the Company's registration statement filed with the Commission, may elect to become a Participant by completing and executing the Subscription Agreement, an enrollment form or any other appropriate authorization form as may be available from the Company, the Dealer Manager or Soliciting Dealer. Participation in the DRP will begin with the next Dividend payable after receipt of a Participant's subscription, enrollment or authorization. Shares will be purchased under the DRP on the date that Dividends are paid by the Company. Dividends of the Company are currently paid quarterly. Each Participant agrees that if, at any time prior to the listing of the Shares on a national stock exchange or inclusion of the Shares for quotation on the National Association of Securities Dealers, Inc. Automated Quotation System ("Nasdaq"), he or she fails to meet the suitability requirements for making an investment in the Company or cannot make the other representations or warranties set forth in the Subscription Agreement, he or she will promptly so notify the Company in writing.

4. *Purchase of Shares*. Participants will acquire DRP Shares from the Company at a fixed price of $10 per Share until (i) all 2,200,000 of the DRP Shares registered in the Second Offering are issued or (ii) the Second Offering terminates and the Company elects to deregister with the Commission the unsold DRP Shares. Participants in the DRP may also purchase fractional Shares so that 100% of the Dividends will be used to acquire Shares. However, a Participant will not be able to acquire DRP Shares to the extent that any such purchase would cause such Participant to exceed the Ownership Limit as set forth in the Articles.

Shares to be distributed by the Company in connection with the DRP may (but are not required to) be supplied from: (a) the DRP Shares which will be registered with the Commission in connection with the Company's Second Offering, (b) Shares to be registered with the Commission in a Future Offering for use in the DRP (a "Future Registration"), or (c) Shares of the Company's common stock purchased by the Company for the DRP in a secondary market (if available) or on a stock exchange or Nasdaq (if listed) (collectively, the "Secondary Market").

Shares purchased on the Secondary Market as set forth in (c) above will be purchased at the then-prevailing market price, which price will be utilized for purposes of purchases of Shares in the DRP. Shares acquired by the Company on the Secondary Market or registered in a Future Registration for use in the DRP may be at prices lower or higher than the $10 per Share price which will be paid for the DRP Shares pursuant to the Initial Offering and the Second Offering.

If the Company acquires Shares in the Secondary Market for use in the DRP, the Company shall use reasonable efforts to acquire Shares for use in the DRP at the lowest price then reasonably available. However, the Company does not in any respect guarantee or warrant that the Shares so acquired and purchased by the Participant in the DRP will be at the lowest possible price. Further, irrespective of the Company's ability to acquire Shares in the Secondary Market or to complete a Future Registration for shares to be used in the DRP, the Company is in no way obligated to do either, in its sole discretion.

It is understood that reinvestment of Dividends does not relieve a Participant of any income tax liability which may be payable on the Dividends.

5. *Share Certificates*. The ownership of the Shares purchased through the DRP will be in book-entry form only until the Company begins to issue certificates for its outstanding common stock.

6. *Reports*. Within 90 days after the end of the Company's fiscal year, the Company shall provide each Shareholder with an individualized report on his or her investment, including the purchase date(s), purchase price and number of Shares owned, as well as the dates of Dividend distributions and amounts of Dividends paid during the prior fiscal year. In addition, the Company shall provide to each Participant an individualized quarterly report at the time of each Dividend payment showing the number of Shares owned prior to the current Dividend, the amount of the current Dividend and the number of Shares owned after the current Dividend.

7. *Commissions and Other Charges*. In connection with Shares sold pursuant to the DRP, the Company will pay selling commissions of 7%; a dealer manager fee of 2.5%; and, in the event that proceeds from the sale of DRP Shares are used to acquire properties, acquisition and advisory fees and expenses of 3.5%, of the purchase price of the DRP Shares.

8. *Termination by Participant*. A Participant may terminate participation in the DRP at any time, without penalty by delivering to the Company a written notice. Prior to listing of the Shares on a national stock exchange or Nasdaq, any transfer of Shares by a Participant to a non-Participant will terminate participation in the DRP with respect to the transferred Shares. If a Participant terminates DRP participation, the Company will ensure that the terminating Participant's account will reflect the whole number of shares in his or her account and provide a check for the cash value of any fractional share in such account. Upon termination of DRP participation, Dividends will be distributed to the Shareholder in cash.

9. *Amendment or Termination of DRP by the Company*. The Board of Directors of the Company may by majority vote (including a majority of the Independent Directors) amend or terminate the DRP for any reason upon 10 days' written notice to the Participants.

10. *Liability of the Company*. The Company shall not be liable for any act done in good faith, or for any good faith omission to act, including, without limitation, any claims or liability; (a) arising out of failure to terminate a Participant's account upon such Participant's death prior to receipt of notice in writing of such death; and (b) with respect to the time and the prices at which Shares are purchased or sold for a Participant's account. To the extent that indemnification may apply to liabilities arising under the Securities Act of 1933, as amended, or the securities act of a sate, the Company has been advised that, in the opinion of the Commission and certain state securities commissioners, such indemnification is contrary to public policy and, therefore, unenforceable.

Until October 24, 2002 (90 days after the date of this prospectus), all dealers that affect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as soliciting dealers.

We have not authorized any dealer, salesperson or other individual to give any information or to make any representations that are not contained in this prospectus. If any such information or statements are given or made, you should not rely upon such information or representation. This prospectus does not constitute an offer to sell any securities other than those to which this prospectus relates, or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. This prospectus speaks as of the date set forth below. You should not assume that the delivery of this prospectus or that any sale made pursuant to this prospectus implies that the information contained in this prospectus will remain fully accurate and correct as of any time subsequent to the date of this prospectus.

ALPHABETICAL INDEX

	Page
Additional Information	153
Conflicts of Interest	54
Description of Real Estate Investments	67
Description of Shares	137
ERISA Considerations	132
Estimated Use of Proceeds	30
Experts	152
Federal Income Tax Considerations	117
Financial Statements	154
Glossary	153
Investment Objectives and Criteria	58
Legal Opinions	152
Management	31
Management Compensation	49
Management’s Discussion and Analysis of Financial Condition and Results of Operations	101
Plan of Distribution	146
Prior Performance Summary	108
Prior Performance Tables	210
Prospectus Summary	10
Questions and Answers About This Offering	1
Risk Factors	17
Selected Financial Data	101
Suitability Standards	28
Supplemental Sales Material	151
The Operating Partnership Agreement	143

Shares of the Wells REIT are not FDIC insured, may lose value and are not bank guaranteed. Investments in real estate and REITs may be affected by adverse economic and regulatory changes. Properties that incur vacancies may be difficult to sell or re-lease. Non-traded REITs have certain risks, including illiquidity of the investment, and should be considered a long-term investment. Past performance does not guarantee future performance. When you sell your shares, they could be worth less than what you paid for them.

WELLS REAL ESTATE
INVESTMENT TRUST, INC.

Up to 300,000,000 Shares
of Common Stock
Offered to the Public

PROSPECTUS

WELLS INVESTMENT
SECURITIES, INC.

July 26, 2002

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 1 DATED AUGUST 14, 2002 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Properties" section of the prospectus to describe the following real property acquisitions:

(A) Acquisition of a two-story office building in San Antonio, Texas (PacifiCare San Antonio Building);

(B) Acquisition of a 4.2 acre tract of land in Houston, Texas (Kerr-McGee Property);

(C) Acquisition of two adjacent one-story distribution facility buildings in Duncan, South Carolina (BMG Greenville Buildings); and

(D) Acquisition of a one-story office building in Suwanee, Georgia (Kraft Atlanta Building);

(3) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(4) Unaudited Financial Statements of the Wells REIT for the quarter ended June 30, 2002; and

(5) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisitions of the PacifiCare San Antonio Building, the Kerr-McGee Property, the BMG Greenville Buildings and the Kraft Atlanta Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,292,032,232 in gross offering proceeds from the sale of 129,203,223 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 10, 2002, we had received gross proceeds of approximately $46,430,189 from the sale of approximately 4,643,019 shares in our fourth public offering. Accordingly, as of August 10, 2002, we had received aggregate gross offering proceeds of approximately $1,645,873,533 from the sale of approximately 164,587,353 shares in all of our public offerings. After payment of $57,110,749 in acquisition and advisory fees and acquisition expenses, payment of $183,457,253 in selling commissions and organization and offering expenses, and common stock redemptions of $14,137,852 pursuant to our share redemption program, as of August 10, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,391,167,679, out of which $968,778,340 had been invested in real estate properties, and $422,389,339 remained available for investment in real estate properties.

Description of Properties

As of August 10, 2002, we had purchased interests in 57 real estate properties located in 19 states, each of which was 100% leased to tenants. Below are the descriptions of our recent real property acquisitions through August 10, 2002.

The PacifiCare San Antonio Building

On July 12, 2002, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas (PacifiCare San Antonio Building) for a purchase price of $14,650,000, plus closing costs. The PacifiCare San Antonio Building was built in 2000 and is located at 6200 Northwest Parkway, San Antonio, Texas.

The PacifiCare San Antonio Building is leased entirely to PacifiCare Health Systems, Inc. (PacifiCare), a corporation whose shares are traded on NASDAQ. PacifiCare is one of the leading health and consumer service companies in the United States. The services PacifiCare provides include health insurance products, pharmacy and medical management, behavioral health services, and dental and vision services. PacifiCare reported a net worth, as of December 31, 2001, of approximately $2 billion.

The PacifiCare lease commenced in November 2000 and expires in November 2010. The current annual base rent payable under the PacifiCare lease is $1,471,700. PacifiCare, at its option, has the right to extend the initial term of its lease for one additional five-year period at an annual base rent of $1,967,925, and two subsequent five-year terms at the then-current market rental rate. In addition, PacifiCare has an expansion option for between approximately 20,000 and 45,000 rentable square feet, which it may exercise prior to the end of the 42nd month of the initial term of the PacifiCare lease.

Kerr-McGee Property

Purchase of the Kerr-McGee Property. On July 29, 2002 Wells OP purchased the Kerr-McGee Property, which is a build-to-suit property located in Houston, Texas, for a purchase price of $1,738,044, plus closing costs. We commenced construction on a four-story office building containing approximately 100,000 rentable square feet (Kerr-McGee Project) on August 1, 2002. Wells OP obtained a construction loan in the amount of $13,700,000 from Bank of America, N.A. (BOA) to fund the construction of the Kerr-McGee Project. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan, as of August 6, 2002, was 3.80%. The BOA loan is secured by a first priority mortgage on the Kerr-McGee Property.

Wells OP entered into a development agreement, an architect agreement and a construction agreement to construct the Kerr-McGee Project on the Kerr-McGee Property.

Development Agreement. Wells OP entered into a development agreement (Development Agreement) with Means-Knaus, LLC, a Texas limited liability company (Developer), as the exclusive development manager to supervise, manage and coordinate the planning, design, construction and completion of the Kerr-McGee Project. As compensation for the services to be rendered by the Developer under the Development Agreement, Wells OP is paying a development fee of $699,740. The fee is due and payable ratably as the construction and development of the Kerr-McGee Project is completed.

We anticipate that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr-McGee Property and the planning, design, development, construction and completion of the Kerr-McGee Project will total approximately $15,760,000.

Construction Agreement. Wells OP entered into a design and build construction agreement (Construction Agreement) with Hoar Construction, LLC (Contractor) for the construction of the Kerr-McGee Project. The Construction Agreement provides that Wells OP will pay the Contractor a maximum of $6,391,255 for the construction of the Kerr-McGee Project that includes all estimated fees and costs. The Contractor will be responsible for all costs of labor, materials, construction equipment and machinery necessary for completion of the Kerr-McGee Project. In addition, the Contractor will be required to secure and pay for any additional building permits which may be necessary for construction of the Kerr-McGee Project.

Kerr-McGee Lease. The Kerr-McGee Property is leased to Kerr-McGee Oil & Gas Corporation, a wholly owned subsidiary of Kerr-McGee Corporation (Kerr-McGee), a Delaware corporation whose shares are publicly traded on the New York Stock Exchange (NYSE). Kerr-McGee, which has guaranteed the Kerr-McGee lease, operates a worldwide business in oil and gas exploration and production, and titanium dioxide pigment production and marketing. It has oil fields in the Gulf of Mexico, the North Sea, the South China Sea, and onshore in the United States, Ecuador, Indonesia and Kazakhstan. Kerr-McGee reported a net worth, as of December 31, 2001, of approximately $3.1 billion.

The Kerr-McGee lease will commence shortly after completion of the Kerr-McGee Project, which we expect to occur in approximately July 2003. The Kerr-McGee lease will expire 11 years and one month after commencement, or approximately July 31, 2014. Kerr-McGee has the right to extend the initial term of this lease for (1) one additional 20-year period or (2) a combination of five-year terms or ten-year terms totaling not more than 20 years at 95% of the then-current market rental rate. The annual base rent payable for the Kerr-McGee lease beginning on the rent commencement date is expected to be approximately $1,655,000.

BMG Greenville Buildings

On July 31, 2002, Wells OP purchased two adjacent one-story distribution facility buildings containing 473,398 rentable square feet and 313,380 rentable square feet, respectively, located at 110 & 112 Hidden Lake Circle in Duncan, South Carolina (BMG Greenville Buildings) for a purchase price of $26,900,000, plus closing costs. The BMG Greenville Buildings were originally built in 1987.

The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. (BMG Marketing) and BMG Music, respectively. BMG Marketing and BMG Music are wholly owned subsidiaries of Bertelsmann AG (Bertelsmann), a German corporation with its international headquarters in Gütersloh, Germany and its U.S. headquarters in New York, New York. Bertlesmann, a guarantor on both the BMG Marketing lease and the BMG Music lease, operates in the media industry, specializing in a wide range of markets including: television and radio; book publishing; magazines and newspapers; music labels; professional information; print and media services; book and music clubs; and media e-commerce.

Bertelsmann has operations in approximately 51 countries. Bertelsmann reported a net worth, as of June 30, 2001, of approximately $8.15 billion.

The BMG Marketing lease commenced in March 1988 and expires in March 2011. The current annual base rent payable under the BMG Marketing lease is $1,394,156. BMG Marketing, at its option, has the right to extend the initial term of its lease for two additional ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease commenced in December 1987 and expires in March 2011. The current annual base rent payable under the BMG Music lease is $763,600. BMG Music, at its option, has the right to extend the initial term of its lease for two additional ten-year periods at 95% of the then-current market rental rate.

Kraft Atlanta Building

On August 1, 2002, Wells OP purchased a one-story building containing an aggregate of 87,219 rentable square feet located at 4000 Johns Creek Court in Suwanee, Georgia (Kraft Atlanta Building) for a purchase price of $11,625,000. The Kraft Atlanta Building was built in 2001.

Kraft Foods North America, Inc. (Kraft) leases 73,264 rentable square feet (84%) of the Kraft Atlanta Building. Kraft, a wholly owned subsidiary of Kraft Foods, Inc., a Virginia corporation whose shares are publicly traded on the NYSE, is one of the largest food and beverage companies in the world with operations in 145 countries.

The Kraft lease commenced in February 2002 and expires in January 2012. The annual base rent payable under the Kraft lease beginning on September 1, 2002 will be $1,263,804. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the Kraft lease (1) at the end of the third lease year, by paying a $7,000,000 termination fee, or (2) at the end of the seventh lease year, by paying a $1,845,296 termination fee.

PerkinElmer Instruments, LLC (PerkinElmer) leases the remaining 13,955 rentable square feet (16%) of the Kraft Atlanta Building. PerkinElmer provides analytical solutions for the pharmaceutical, food and beverage, environmental, chemical, and semiconductor industries. PerkinElmer is a wholly owned subsidiary of PerkinElmer, Inc., a Massachusetts corporation whose shares are publicly traded on the NYSE. PerkinElmer, Inc. is a global technology company focusing on life sciences, optoelectronics and analytical instruments. PerkinElmer, Inc. operates in more than 125 countries.

The PerkinElmer lease commenced in December 2001 and expires in November 2016. The current annual base rent payable under the PerkinElmer lease is $194,672. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the PerkinElmer lease at the end of the 10th lease year by paying a $325,000 termination fee.

Property Management Fees

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of 4.5% of gross revenues from the PacifiCare San Antonio Building, the Kerr-McGee Property, the BMG Greenville Buildings, and the Kraft Atlanta Building subject to certain limitations. In addition, Wells Management will receive a one-time initial lease-up fee relating to the leasing of the Kerr-McGee Property equal to the first month’s rent estimated to be approximately $140,000.

Management's Discussion and Analysis of Financial Condition and Results of Operation

The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus.

Forward Looking Statements

This section and other sections of the prospectus supplement contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of the financial condition of the Wells REIT, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in the supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

Liquidity and Capital Resources

During the six months ended June 30, 2002, we received aggregate gross offering proceeds of $618,275,931 from the sale of 61,827,594 shares of our common stock. After payment of $21,406,085 in acquisition and advisory fees and acquisition expenses, payment of $65,035,665 in selling commissions and organization and offering expenses, and common stock redemptions of $6,673,412 pursuant to the our share redemption program, we raised net offering proceeds of $525,160,769 during the first two quarters of 2002, of which $344,269,118 remained available for investment in properties at quarter end.

During the six months ended June 30, 2001, we received aggregate gross offering proceeds of $162,606,610 from the sale of 16,260,661 shares of our common stock. After payment of $5,642,317 in acquisition and advisory fees and acquisition expenses, payment of $20,151,132 in selling commissions and organizational and offering expenses, and common stock redemptions of $1,397,561 pursuant to the our share redemption program, we raised net offering proceeds of $135,415,600 during the first two quarters of 2001, of which $3,906,869 was available for investment in properties at quarter end.

The significant increase in our available capital resources is due to significantly increased sales of our common stock during the first half of 2002.

As of June 30, 2002, we owned interests in 52 real estate properties either directly or through its interests in joint ventures. These properties are generating operating cash flow sufficient to cover our operating expenses and pay dividends to stockholders. Dividends declared for the first half of 2002 and the first half of 2001 were approximately $0.39 and $0.38 per share, respectively. In June 2002, our Board of Directors declared dividends for the third quarter of 2002 in the amount of approximately $0.19 per share.

Due primarily to the pace of our property acquisitions, as explained in more detail in the following paragraph, dividends paid in the first half of 2002 in the aggregate amount of $40,867,110 exceeded our Adjusted Funds From Operations for this period by $4,813,633.

We acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit—plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria—it appears likely that, in the future, we will be required to lower our dividends.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $33,138,287 and $16,288,309 for the six months ended June 30, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $278,447,051 and $23,768,731 for the six months ended June 30, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $511,632,371 and $9,257,047 for the six months ended June 30, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the lack of debt payments which were $138.7 million in the prior year. We raised $618,275,931 in offering proceeds for the six months ended June 30, 2002, as compared to $162,606,610 for the same period in 2001. Additionally, we paid dividends totaling $40.9 million in the first half of 2002 compared to $13.8 million in the first half of 2001.

Results of Operations

As of June 30, 2002, our real estate properties were 100% leased to tenants. Gross revenues were $43,832,954 and $21,560,953 for the six months ended June 30, 2002 and 2001, respectively. Gross revenues for the six months ended June 30, 2002 and 2001 were attributable to rental income, interest income earned on funds held by the Wells REIT prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of $259,535,578 in additional properties during 2002 and the purchase of $227,933,858 in additional properties during the second half of 2001 which were not owned for the full first half of 2001. The purchase of additional properties also resulted in an increase in expenses which totaled $19,296,812 for the six months ended June 30, 2002, as compared to $13,246,710 for the six months ended June 30, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, operating costs, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also increased from $8,314,243 for the six months ended June 30, 2001 to $24,536,142 for the six months ended June 30, 2002.

While earnings of $0.22 per share remained stable for the six months ended June 30, 2002, compared to the six months ended June 30, 2001, earnings per share for the second quarter decreased from $0.12 per share for the three months ended June 30, 2001 to $0.11 per share for the three months ended June 30, 2002, primarily due to a substantial increase in the number of shares outstanding which was not completely matched by a corresponding increase in net income from new property investments.

Funds From Operations

Funds From Operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations ("AFFO") is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions. The following table reflects the calculation of FFO and AFFO for the three and six months ended June 30, 2002 and 2001, respectively:

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
FUNDS FROM OPERATIONS:				
Net income	$ 13,756,478	$ 5,038,898	$ 24,536,142	$ 8,314,243
Add:				
Depreciation	7,158,830	3,206,638	12,903,282	6,393,817
Amortization of deferred leasing costs	78,066	75,837	150,815	151,673
Depreciation and amortization— unconsolidated partnerships	700,689	504,711	1,406,865	913,674
Funds from operations (FFO)	21,694,063	8,826,084	38,997,104	15,773,407
Adjustments:				
Loan cost amortization	249,530	77,142	424,992	291,899
Straight line rent	(2,127,906)	(613,155)	(3,166,284)	(1,222,716)
Straight line rent—unconsolidated Partnerships	(103,020)	(71,768)	(202,335)	(132,246)
Adjusted funds from operations	$ 19,712,667	$ 8,218,303	$ 36,053,477	$14,710,344
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	126,037,819	42,192,347	110,885,641	38,328,405

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases which are intended to protect us from the impact of inflation. These provisions include reimbursement billings for common area maintenance charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance.

Critical Accounting Policies

Our reported results of operations are impacted by management judgments related to application of accounting policies. A discussion of the accounting policies that management considers to be critical, in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain, is included in Footnote 1 to the financial statements of the Wells REIT contained in this supplement.

Financial Statements

Unaudited Financial Statements

The financial statements of the Wells REIT, as of June 30, 2002, and for the six month periods ended June 30, 2002 and June 30, 2001, which are included in this supplement, have not been audited.

The Pro Forma Balance Sheet of the Wells REIT, as of June 30, 2002, the Pro Forma Statement of Income for the year ended December 31, 2001, and the Pro Forma Statement of Income for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

INDEX TO FINANCIAL STATEMENTS

Wells Real Estate Investment Trust, Inc. and Subsidiary

Unaudited Financial Statements

	Page
Consolidated Balance Sheets as of June 30, 2002 (unaudited) and December 31, 2001	10
Consolidated Statements of Income for the three months ended June 30, 2002 and June 30, 2001 (unaudited), and for the six months ended June 30, 2002 and June 30, 2001 (unaudited)	11
Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the six months ended June 30, 2002 (unaudited)	12
Consolidated Statements of Cash Flows for the six months ended June 30, 2002 and June 30, 2001 (unaudited)	13
Condensed Notes to Consolidated Financial Statements June 30, 2002 (unaudited)	14

Wells Real Estate Investment Trust, Inc. and Subsidiary

Unaudited Pro Forma Financial Statements

Summary of Unaudited Pro Forma Financial Statements	26
Pro Forma Balance Sheet as of June 30, 2002 (unaudited)	27
Pro Forma Statement of Income for the year ended December 31, 2001 (unaudited)	29
Pro Forma Statement of Income for the six months ended June 30, 2002 (unaudited)	30

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

	June 30, 2002	December 31, 2001
	(unaudited)	
ASSETS		
REAL ESTATE, at cost:		
Land	$ 110,330,449	$ 86,246,985
Building and improvements, less accumulated depreciation of $37,717,737 in 2002 and $24,814,454 in 2001	689,490,969	472,383,102
Construction in progress	16,081,841	5,738,573
Total real estate	815,903,259	564,368,660
INVESTMENT IN JOINT VENTURES	76,217,870	77,409,980
CASH AND CASH EQUIVALENTS	341,909,775	75,586,168
INVESTMENT IN BONDS	22,000,000	22,000,000
ACCOUNTS RECEIVABLE	10,709,104	6,003,179
NOTES RECEIVABLE	5,149,792	0
DEFERRED LEASE ACQUISITION COSTS, net	1,790,608	1,525,199
DEFERRED PROJECT COSTS	14,314,914	2,977,110
DUE FROM AFFILIATES	1,897,309	1,692,727
DEFERRED OFFERING COSTS	1,392,934	0
PREPAID EXPENSES AND OTHER ASSETS, net	1,881,308	718,389
Total assets	$ 1,293,166,873	$752,281,412
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	$ 15,658,141	$ 8,124,444
Obligation under capital lease	22,000,000	22,000,000
Accounts payable and accrued expenses	11,840,214	8,727,473
Dividends payable	4,538,635	1,059,026
Deferred rental income	1,013,544	661,657
Due to affiliates	2,106,790	2,166,161
Total liabilities	57,157,324	42,738,761
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	200,000
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002, and 83,761,469 shares issued and 83,206,429 shares outstanding at December 31, 2001	1,455,890	837,614
Additional paid-in capital	1,290,858,515	738,236,525
Cumulative distributions in excess of earnings	(43,991,669)	(24,181,092)
Treasury stock, at cost, 1,222,381 shares at June 30, 2002 and 555,040 shares at December 31, 2001	(12,223,808)	(5,550,396)
Other comprehensive loss	(289,379)	0
Total shareholders' equity	1,235,809,549	709,342,651
Total liabilities and shareholders' equity	$ 1,293,166,873	$752,281,412

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
REVENUES:				
Rental income	$ 21,833,652	$ 9,851,167	$ 38,571,815	$ 19,711,252
Equity in income of joint ventures	1,271,863	809,481	2,478,686	1,519,194
Interest income	1,534,636	93,092	2,648,351	193,007
Take out fee	0	137,500	134,102	137,500
	24,640,151	10,891,240	43,832,954	21,560,953
EXPENSES:				
Depreciation	7,158,830	3,206,638	12,903,282	6,393,817
Operating costs, net of reimbursements	1,439,299	783,244	2,063,997	1,874,428
Management and leasing fees	1,003,587	552,188	1,903,082	1,117,902
Administrative costs	592,426	584,184	1,121,457	759,291
Interest expense	440,001	648,946	880,002	2,809,373
Amortization of deferred financing costs	249,530	77,142	424,992	291,899
	10,883,673	5,852,342	19,296,812	13,246,710
NET INCOME	$ 13,756,478	$ 5,038,898	$ 24,536,142	$ 8,314,243
BASIC AND DILUTED EARNINGS PER SHARE	$ 0.11	$ 0.12	$ 0.22	$ 0.22
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	126,037,819	42,192,347	110,885,641	38,328,405

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001
AND FOR THE SIX MONTHS ENDED JUNE 30, 2002 (UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders' Equity
BALANCE, December 31, 2000	31,509,807	$ 315,097	$ 275,573,339	$ (9,133,855)	$ 0	(141,297)	$ (1,412,969)	$ 0	$ 265,341,612
Issuance of common stock	52,251,662	522,517	521,994,103	0	0	0	0	0	522,516,620
Treasury stock purchased	0	0	0	0	0	(413,743)	(4,137,427)	0	(4,137,427)
Net income	0	0	0	0	21,723,967	0	0	0	21,723,967
Dividends ($.76 per share)	0	0	0	(15,047,237)	(21,723,967)	0	0	0	(36,771,204)
Sales commissions and discounts	0	0	(49,246,118)	0	0	0	0	0	(49,246,118)
Other offering expenses	0	0	(10,084,799)	0	0	0	0	0	(10,084,799)
BALANCE, December 31, 2001	83,761,469	837,614	738,236,525	(24,181,092)	0	(555,040)	(5,550,396)	0	709,342,651
Issuance of common stock	**61,827,594**	**618,276**	**617,657,655**	**0**	**0**	**0**	**0**	**0**	**618,275,931**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(667,341)**	**(6,673,412)**	**0**	**(6,673,412)**
Net income	**0**	**0**	**0**	**0**	**24,536,142**	**0**	**0**	**0**	**24,536,142**
Dividends ($.39 per share)	**0**	**0**	**0**	**(19,810,577)**	**(24,536,142)**	**0**	**0**	**0**	**(44,346,719)**
Sales commissions and discounts	**0**	**0**	**(58,958,984)**	**0**	**0**	**0**	**0**	**0**	**(58,958,984)**
Other offering expenses	**0**	**0**	**(6,076,681)**	**0**	**0**	**0**	**0**	**0**	**(6,076,681)**
Gain/(loss) on interest rate swap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(289,379)**	**(289,379)**
BALANCE, June 30, 2002 (unaudited)	**145,589,063**	**$ 1,455,890**	**$ 1,290,858,515**	**$ (43,991,669)**	**$ 0**	**(1,222,381)**	**$ (12,223,808)**	**$ (289,379)**	**$ 1,235,809,549**

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended	
	June 30, 2002	June 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 24,536,142	$ 8,314,243
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint venture	(2,478,686)	(1,519,194)
Depreciation	12,903,282	6,393,817
Amortization of deferred financing costs	424,992	291,899
Amortization of deferred leasing costs	150,815	151,674
Changes in assets and liabilities:		
Accounts receivable	(4,705,925)	(1,304,851)
Due from affiliates	(30,532)	
Deferred rental income	351,887	(285,776)
Accounts payable and accrued expenses	3,112,741	425,824
Prepaid expenses and other assets, net	(1,017,517)	3,525,288
Due to affiliates	(108,912)	295,385
Net cash provided by operating activities	33,138,287	16,288,309
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(259,535,578)	(3,784,088)
Investment in joint venture	0	(16,126,925)
Deferred project costs paid	(22,008,219)	(5,642,317)
Distributions received from joint ventures	3,496,746	1,784,599
Deferred lease acquisition costs paid	(400,000)	0
Net cash used in investing activities	(278,447,051)	(23,768,731)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	7,533,697	21,398,850
Repayment of note payable	0	(138,763,187)
Dividends paid	(40,867,110)	(13,795,534)
Issuance of common stock	618,275,931	162,606,610
Sales commissions paid	(58,958,984)	(15,314,860)
Offering costs paid	(6,817,978)	(4,836,272)
Treasury stock purchased	(6,673,412)	(1,397,561)
Deferred financing costs paid	(859,773)	(640,999)
Net cash provided by financing activities	511,632,371	9,257,047
NET INCREASE IN CASH AND CASH EQUIVALENTS	266,323,607	1,776,625
CASH AND CASH EQUIVALENTS, beginning of year	75,586,168	4,298,301
CASH AND CASH EQUIVALENTS, end of period	$ 341,909,775	$ 6,074,926
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 10,068,319	$ 5,516,763
Deferred project costs applied to joint ventures	$ 0	$ 671,961
Deferred project costs due to affiliate	$ 512,044	$ 335,667
Interest rate swap	$ (289,379)	$ 0
Deferred offering costs due to affiliate	$ 1,392,934	$ 731,573
Other offering costs due to affiliate	$ 201,811	$ 287,715

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2002
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust ("REIT"). Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16,500,000 shares of common stock at $10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998, upon receiving and accepting subscriptions for 125,000 shares. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately $132,181,919 had been received from the sale of approximately 13,218,192 shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately $175,229,193 from the sale of approximately 17,522,919 shares from the second public offering. The Company commenced its third public offering of the shares of common stock on December 20, 2000. As of June 30, 2002, the Company has received gross proceeds of approximately $1,148,480,413 from the sale of approximately 114,848,041 shares from its third public offering. Accordingly, as of June 30, 2002, the Company has received aggregate gross offering proceeds of approximately $1,455,891,526 from the sale of 145,589,153 shares of its common stock to investors. After payment of $50,528,371 in acquisition and advisory fees and acquisition expenses, payment of $163,576,134 in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of $885,294,095 for property acquisitions, and common stock redemptions of $12,223,808 pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $344,269,118 available for investment in properties, as of June 30, 2002.

(b) Properties

As of June 30, 2002, the Company owned interests in 52 properties listed in the table below through its ownership in Wells OP. As of June 30, 2002, all of these properties were 100% leased.

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	$ 25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	$ 21,060,000	108,240	$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	$ 35,150,000	292,700	$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	$ 6,850,000	47,400	$ 747,033
Agilent Atlanta	Agilent Technologies, Inc.	Alpharetta, GA	100%	$ 15,100,000	66,811	$ 1,344,905
	Koninklijke Philips Electronics N.V.				34,396	$ 692,391
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	$ 10,395,845	68,165	$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	$ 41,950,000(1)	147,004	$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above) (1)	112,480	$ 2,330,600
Novartis Atlanta	Novartis Opthalmics, Inc.	Duluth, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc.	Houston, TX	100%	$ 22,000,000	103,260	$ 2,110,035
	Newpark Drilling Fluids, Inc.				52,731	$ 1,153,227
Arthur Andersen	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,700	$ 1,988,454
Windy Point I	TCI Great Lakes, Inc.	Schaumburg, IL	100%	$ 32,225,000(2)	129,157	$ 2,067,204
	The Apollo Group, Inc.				28,322	$ 477,226
	Global Knowledge Network				22,028	$ 393,776
	Various other tenants				8,884	$ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	$ 57,050,000(2)	300,034	$ 5,091,577
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,204	$ 1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$ 2,035,275
Nissan (3)	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 42,259,000(4)	268,290	$ 4,225,860(5)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	$ 24,950,000	201,237	$ 2,458,638
AT&T Oklahoma	AT&T Corp.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500	$ 1,242,000
	Jordan Associates, Inc.				25,000	$ 294,500
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc.	Houston, TX	100%	$ 44,970,000	206,048	$ 4,533,056
	SYSCO Corporation				106,516	$ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$ 1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 1,843,834
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$ 1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$ 1,187,925
Cinemark	Cinemark USA, Inc.	Plano, TX	100%	$ 21,800,000	65,521	$ 1,366,491
	The Coca-Cola Company				52,587	$ 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	$ 8,000,000	130,000	$ 854,748
Alstom Power Richmond (3)	Alstom Power, Inc.	Midlothian, VA	100%	$ 11,400,000	99,057	$ 1,213,324

Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	$ 5,085,000	169,510	$ 550,908
Matsushita (3)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$ 18,431,206	144,906	$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$ 12,291,200	81,859	$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$ 21,127,854	130,091	$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$ 6,400,000	52,000	$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 920,144

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	57,186	$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	$ 5,025,000	108,250	$ 659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,975	$ 1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	$ 10,325,000	106,750	$ 1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	84,404	$ 1,106,520

(1) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.

(2) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

(3) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.

(4) Includes estimated costs for the planning, design, development, construction and completion of the Nissan Property.

(5) Annual rent for Nissan Property does not take effect until construction of the building is completed and the tenant is occupying the building.

Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	AmeriCredit ADIC
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	Siemens AT&T Oklahoma Comdata
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	EYBL CarTex Sprint Johnson Matthey Gartner
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	Alstom Power Knoxville Ohmeda Interlocken Avaya Iomega
Wells/Fremont Associates Joint Venture (the "Fremont Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Fairchild
Wells/Orange County Associates Joint Venture (the "Orange County Joint Venture")	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Cort Furniture
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest

(c) Critical Accounting Policies

The Company's accounting policies have been established in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions.

These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity, the current year budget and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets in 2002 or 2001.

Deferred Project Costs

The Company records acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc. (the “Advisor”) by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of June 30, 2002, amounted to $50,528,371 and represented approximately 3.5% of capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at June 30, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to the Advisor. As the actual equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders’ equity upon reimbursing the Advisor. As of June 30, 2002, the

Advisor had paid organization and offering expenses on behalf of the Company in an aggregate amount of $27,886,146, of which the Advisor had been reimbursed $25,572,034, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of its real estate investment trusts' taxable income. The Company intends to make regular quarterly distributions to stockholders. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares.

Dividends to be distributed to the stockholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 1986, as amended (the "Code"), to be taxed as a Real Estate Investment Trust ("REIT") under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company's net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. (Wells Management), an affiliate of the Company and the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The Company has reimbursed the Advisor and Wells Management for allocated salaries, wages and other payroll related costs totaling $683,535 and $254,000 for the six months ended June 30, 2002 and 2001, respectively and $366,380 and $163,725 for the three months ended June 30, 2002 and 2001, respectively.

(g) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) Competition

The Company will experience competition for tenants from owners and managers of competing projects, which may include its affiliates. As a result, the Company may be required to provide free rent, reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

(i) Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

(j) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to the Advisor in exchange for a capital contribution of $200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of the Board of Directors, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001.

2 INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of June 30, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of June 30, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three months and six months ended June 30, 2002.

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Three Months Ended		Three Months Ended		Three Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 1,436,601	$ 1,087,746	$ 619,173	$ 734,418	$ 22,982	$ 27,258
Cort Joint Venture	208,707	198,881	140,206	131,374	61,224	57,367
Fremont Joint Venture	227,023	225,178	140,944	135,990	109,237	105,398
Fund XI-XII-REIT Joint Venture	859,027	847,767	545,009	499,960	309,363	283,792
Fund XII-REIT Joint Venture	1,483,224	1,102,873	852,672	587,864	468,646	310,812
Fund VIII-IX-REIT Joint Venture	309,605	313,539	147,998	155,320	23,370	24,854
Fund XIII-REIT Joint Venture	707,919	0	406,236	0	277,041	0
	$5,232,106	$3,775,984	$2,852,238	$2,244,926	$1,271,863	$ 809,481

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Six Months Ended		Six Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 2,815,660	$ 2,181,096	$ 1,173,441	$ 1,372,853	$ 43,554	$ 50,954
Cort Joint Venture	420,713	398,468	269,956	265,127	117,882	115,773
Fremont Joint Venture	452,184	450,356	276,892	278,602	214,602	215,928
Fund XI-XII-REIT Joint Venture	1,717,246	1,689,191	1,042,158	1,014,237	591,560	575,710
Fund XII-REIT Joint Venture	3,154,087	1,896,195	1,658,185	1,033,184	911,372	519,445
Fund VIII-IX-REIT Joint Venture	633,351	580,923	308,694	260,352	48,744	41,384
Fund XIII-REIT Joint Venture	1,408,567	0	807,910	0	550,972	0
	$ 10,601,808	$ 7,196,229	$ 5,537,236	$ 4,224,355	$ 2,478,686	$ 1,519,194

3. INVESTMENTS IN REAL ESTATE

As of June 30, 2002, the Company, through its ownership in Wells OP, owns 35 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended June 30, 2002.

The Travelers Express Denver Building

On April 10, 2002, Wells OP purchased the Travelers Express Denver Building, a one-story office building containing 68,165 rentable square feet located in Lakewood, Jefferson County, Colorado for a purchase price of $10,395,845, excluding closing costs. Travelers Express Building is 100% leased to Travelers Express Company, Inc. ("Travelers Express"). The Travelers Express lease is a net lease that commenced in April 2002 and expires in March 2012. The current annual base rent payable under the Travelers Express lease is $1,012,250. Travelers Express, at its option, has the right to extend the initial term of its lease for two additional five-year terms. Base rent for the first renewal term shall be $19.00 per square foot for years 1-3 and $20.50 per square foot for years 4-5. The base rent for the second renewal term shall be at the then-current market rental rate.

The Agilent Atlanta Building

On April 18, 2002, Wells OP purchased the Agilent Atlanta Building, a two-story office building containing 101,207 rentable square feet located in Alpharetta, Fulton County, Georgia for a purchase price of $15,100,000, excluding closing costs. The Agilent Atlanta Building is leased to Agilent Technologies, Inc. ("Agilent") and Koninklijke Philips Electronics N.V. ("Philips").

The Agilent lease is a net lease that covers approximately 66,811 square feet commencing in September 2001 and expiring in September 2011. The initial annual base rent payable under the Agilent lease is $1,344,905. Agilent, at its option, has the right to extend the initial term of its lease for either (1) one additional three-year period, or (2) one additional five-year period, at the then-current market rental rate. In addition, Agilent may terminate the lease at the end of the seventh lease year by paying a $763,650 termination fee.

The Philips lease is a net lease that covers approximately 34,396 rentable square feet commencing in September 2001 and expiring in September 2011. The current annual base rent payable under the Philips lease is $692,391. Philips, at its option, has the right to extend the initial term of its lease for either (1) one additional three-year period, or (2) one additional five-year period, at the then-current market rental rate. In addition, Philips may terminate the lease at the end of the seventh lease year by paying a $393,146 termination fee.

The BellSouth Ft. Lauderdale Building

On April 18, 2002, Wells OP purchased the BellSouth Ft. Lauderdale Building, a one-story office building containing 47,400 rentable square feet located in Ft. Lauderdale, Broward County, Florida for a purchase price of $6,850,000, excluding closing costs. The BellSouth Ft. Lauderdale Building is 100% leased to BellSouth Advertising and Publishing Corporation ("BellSouth"). The BellSouth lease is a net lease that commenced in July 2001 and expires in July 2008. The current annual base rent payable under the BellSouth lease is $747,033. BellSouth, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The Experian/TRW Buildings

On May 1, 2002, Wells OP purchased the Experian/TRW Buildings, two two-story office buildings containing 292,700 rentable square feet located in Allen, Collin County, Texas for a purchase price of $35,150,000, excluding closing costs. The Experian/TRW Buildings are both 100% leased to Experian, Inc. ("Experian"). The Experian lease is a net lease that commenced in April 1993 and expires in October 2010. The current annual base rent payable under the Experian lease is $3,438,277. Experian, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 95% of the then-current market rental rate. TRW, Inc., the original tenant on the Experian lease, assigned its interest in the Experian lease to Experian in 1996 but remains as an obligor of the Experian lease.

The Agilent Boston Building

On May 3, 2002, Wells OP purchased the Agilent Boston Building, a three-story office building containing 174,585 rentable square feet located in Boxborough, Middlesex County, Massachusetts for a purchase price of $31,742,274, excluding closing costs. In addition, Wells OP has assumed the obligation, as the landlord, to provide Agilent $3,407,496 for tenant improvements. The Agilent Boston Building is 100% leased to Agilent Technologies, Inc. ("Agilent"). The Agilent Boston lease is a net lease that commenced in September 2001 and expires in September 2011. The current annual base rent payable under the Agilent Boston lease is $3,578,993. Agilent, at its option, has the right to extend the initial term of its lease for one additional five-year period at a rate equal to the greater of (1) the then-current market rental rate, or (2) 75% of the annual base rent in the final year of the initial term of the Agilent Boston lease. In addition, Agilent may terminate the lease at the end of the seventh lease year by paying a $4,190,000 termination fee.

The TRW Denver Building

On May 29, 2002, Wells OP purchased the TRW Denver Building, a three-story office building containing 108,240 rentable square feet located in Aurora, Arapahoe County, Colorado for a purchase price of $21,060,000, excluding closing costs. The TRW Denver Building is 100% leased to TRW, Inc. ("TRW"). The TRW lease is a net lease that commenced in October 1997 and expires in September 2007. The current annual base rent payable under the TRW lease is $2,870,709. TRW, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate.

The MFS Phoenix Building

On June 5, 2002, Wells OP purchased the MFS Phoenix Building, a three-story office building containing 148,605 rentable square feet located in Phoenix, Maricopa County, Arizona for a purchase price of $25,800,000, excluding closing costs. The MFS Phoenix Building is 100% leased to Massachusetts Financial Services Company ("MFS"). The MFS lease is a net lease that commenced in April 2001 and expires in July 2011. The current annual base rent payable under the MFS lease is $2,347,959. MFS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate.

4. NOTE RECEIVABLE

In connection with the purchase of the TRW Denver Building, Wells OP acquired a note receivable from the building's sole tenant, TRW, Inc., in the amount of $5,210,000. The loan was made to fund above-standard tenant improvement costs to the building. The note receivable will be fully amortized over the remaining lease term, which expires September 2007, at 11% interest with TRW making monthly loan payments of $107,966.

5. NOTES PAYABLE

Wells OP has established four secured lines of credit with SouthTrust Bank totaling $72,140,000 which are secured by first priority mortgages against the Cinemark, ASML, Dial, PwC, Motorola Tempe, Alstom Power Richmond and Avnet Buildings. Notes payable at June 30, 2002 consists of (i) $7,655,600 of draws on a $7,900,000 line of credit from SouthTrust Bank secured by a first mortgage on the Alstom Power Richmond Building and (ii) $8,002,541 outstanding on the construction loan from Bank of America, N.A.(Bank of America) which is being used to fund the development of the Nissan Property.

6. INTEREST RATE SWAP

Wells OP entered into an interest rate swap agreement with Bank of America in an attempt to hedge its interest rate exposure on the Bank of America construction loan for the Nissan Property. The interest rate swap became effective January 15, 2002 and terminates on June 15, 2003, the maturity date of the construction loan. The notional amount of the interest rate swap is the balance outstanding on the construction loan on the payment date, which is the fifteenth of each month. The interest rate swap agreement involves the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. Wells OP, as the fixed rate payer, has an interest rate of 5.9%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. During the six months ended June 30, 2002, Wells OP made interest payments totaling approximately $23,100 under the terms of the interest rate swap. At June 30, 2002, the estimated fair value of the interest rate swap was ($289,379).

On January 1, 2001, the Company adopted SFAS No. 133, as amended by SFAS No. 137 and No. 138 Accounting for Derivative Instruments and Hedging Activities. The effect of adopting the SFAS No. 133 did not have a material effect on the Company's consolidated financial statements.

7. DUE TO AFFILIATES

Due to affiliates consists of amounts due to the Advisor for acquisitions and advisory fees and acquisition expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in greater detail in the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001. Payments of $601,963 have been made as of June 30, 2002 toward funding the obligation under the Matsushita agreement.

8. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor ("Wells Exchange") has developed a program (the "Wells Section 1031 Program") involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange, which was extended to April 15, 2002. Wells OP was compensated for its takeout commitment in the amount of $137,500 in 2001 and $134,102 in 2002. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex. Pay off of the loan triggered the release of Wells OP from its prior obligations under the take out purchase and escrow agreement relating to such property.

9. SUBSEQUENT EVENTS

The ISS Atlanta Buildings

On July 1, 2002, Wells OP purchased two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia for a purchase price of $40,500,000, excluding closing costs. The ISS Atlanta Buildings were acquired by assigning to Wells OP an existing ground lease with the Development Authority of Fulton County ("Development Authority"). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds ("Bonds") totaling $32,500,000 in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation ("ISS"). The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is $4,623,445. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The PacifiCare San Antonio Building

On July 12, 2002, Wells OP purchased the PacifiCare San Antonio Building, a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas for a purchase price of $14,650,000, excluding closing costs. The PacifiCare San Antonio Building is 100% leased to PacifiCare Health Systems, Inc. ("PacifiCare"). The PacifiCare lease is a net lease that commenced on November 20, 2000 and expires on November 30, 2010. The current annual base rent payable under the PacifiCare lease is $1,471,700. PacifiCare, at its option, has the right to extend the initial term of its lease for three additional five-year periods. Monthly base rent for the first renewal term will be $163,994 and monthly base rent for the second and third renewal terms will be the then-current market rental rate.

The Kerr McGee Property

On July 29, 2002, Wells OP purchased the Kerr McGee Property, a 4.2-acre tract of land located in Houston, Harris County, Texas for a purchase price of $1,738,044, excluding closing costs. Wells OP has entered into agreements to construct a four-story office building containing approximately 100,000 rentable square feet (the "Kerr McGee Project") on the Kerr McGee Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr McGee Property and the planning, design, development, construction and completion of the Kerr McGee Project will total approximately $15,760,000.

The entire 100,000 rentable square feet of the Kerr McGee Project will be leased to Kerr McGee Oil & Gas Corporation ("Kerr McGee"), a wholly owned subsidiary of Kerr McGee Corporation. The initial term of the Kerr McGee lease will extend 11 years and 1 month beyond the rent commencement date. Construction on the building is scheduled to be completed by July 2003. The rent commencement date will occur no later than July 1, 2003. Kerr McGee has the right to extend the initial term of this lease for one additional period of twenty years or the option to extend the initial term for any combination of additional periods of ten years or five years for a total additional period of not more than twenty years. The base rental rate will be 95% of the existing market rate. The initial annual base rent payable under the Kerr McGee lease will be calculated as 10.5% of project costs.

Wells OP obtained a construction loan in the amount of $13,700,000 from Bank of America to fund the construction of a building on the Kerr McGee Property. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan as of August 6, 2002 was 3.80%. The Bank of America loan is secured by a first priority mortgage on the Kerr McGee Property.

The BMG Greenville Building

On July 31, 2002, Wells OP purchased the BMG Greenville Buildings, two one-story office buildings containing 786,778 rentable square feet located in Duncan, Spartanburg County, South Carolina for a purchase price of $26,900,000, excluding closing costs. The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. ("BMG Marketing") and BMG Music ("BMG Music").

The BMG Marketing lease is a net lease that covers approximately 473,398 square feet commencing in March 1988 and expiring in March 2011. The initial annual base rent payable under the BMG Marketing lease is $1,394,156. BMG Marketing, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease is a net lease that covers approximately 313,380 rentable square feet commencing in December 1987 and expiring in March 2011. The current annual base rent payable under the BMG Music lease is $763,600. BMG Music, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The Kraft Atlanta Building

On August 1, 2002, Wells OP purchased the Kraft Atlanta Building, a one-story office building containing 87,219 rentable square feet located in Suwanee, Forsyth County, Georgia for a purchase price of $11,625,000, excluding closing costs. The Kraft Atlanta Building is leased to Kraft Foods North America, Inc. ("Kraft") and PerkinElmer Instruments, LLC ("PerkinElmer").

The Kraft lease is a net lease that covers approximately 73,264 square feet commencing in February 2002 and expiring in January 2012. The initial annual base rent payable under the Kraft lease is $1,263,804. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the lease (1) at the end of the third year by paying a $7,000,000 termination fee, or (2) at the end of the seventh lease year by paying a $1,845,296 termination fee.

The PerkinElmer lease is a net lease that covers approximately 13,955 rentable square feet commencing in December 2001 and expiring in November 2016. The current annual base rent payable under the PerkinElmer lease is $194,672. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the lease at the end of the tenth lease year by paying a $325,000 termination fee.

Issuance of Common Stock

From July 1, 2002 through August 7, 2002, the Company raised $170,921,990 through the issuance of 17,092,199 shares of common stock in the Company.

The Fourth Offering of Common Stock

The Company terminated it third public offering and commenced its fourth public offering of common stock on July 26, 2002, the effective date of the Registration Statement initially filed with the Securities and Exchange Commission on April 8, 2002. The Company is offering up to an aggregate of $3,300,000,000 (330,000,000 shares) of which $3,000,000,000 (300,000,000 shares) are being offered to the public and $300,000,000 (30,000,000 shares) are being offered pursuant to the dividend reinvestment plan.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc. included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended June 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks filed in the previous two years.

The following unaudited pro forma balance sheet as of June 30, 2002 has been prepared to give effect to the third quarter 2002 acquisitions of the PacifiCare San Antonio Building, the Kerr McGee Property, the BMG Greenville Buildings and the Kraft Atlanta Building (collectively, the “Recent Acquisitions”) by Wells OP as if the acquisitions occurred on June 30, 2002.

The following unaudited pro forma statement of income for the six months ended June 30, 2002 has been prepared to give effect to the first and second quarter 2002 acquisitions of the Arthur Andersen Building, the Transocean Houston Building, Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building (collectively, the “2002 Acquisitions”) and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property had no operations during the six months ended June 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the “2001 Acquisitions”), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings and the Kerr McGee Property had no operations during 2001.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells Real Estate Investment Trust, Inc.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2002

(Unaudited)

ASSETS

		Pro Forma Adjustments					
		Recent Acquisitions					
	Wells Real Estate Investment Trust, Inc (e)	Other	PacifiCare San Antonio	Kerr McGee	BMG Greenville	Kraft Atlanta	Pro Forma Total
REAL ESTATE ASSETS, at cost:							
Land	$ 110,330,449	$ 0	$ 2,450,000(a)	$ 1,738,044(a)	$ 1,600,000(a)	$ 2,700,000(a)	$ 119,163,936
		0	99,709(b)	70,734(b)	65,116(b)	109,884(b)	
Buildings, less accumulated depreciation of $37,717,737	689,490,969	0	12,239,827(a)	0	25,087,017(a)	8,975,771(a)	737,677,992
		0	498,132(b)	0	1,020,983(b)	365,293(b)	
Construction in progress	16,081,841	0	0	379,901(a)	0	0	16,461,742
Total real estate assets	815,903,259	0	15,287,668	2,188,679	27,773,116	12,150,948	873,303,670
CASH AND CASH EQUIVALENTS	341,909,775	145,053,219(c)	(14,689,827)(a)	(2,103,115)(a)	(14,984,256)(a)	(11,675,771)(a)	438,433,162
		(5,076,863)(d)					
INVESTMENT IN JOINT VENTURES	76,217,870	0	0	0	0	0	76,217,870
INVESTMENT IN BONDS	22,000,000	0	0	0	0	0	22,000,000
ACCOUNTS RECEIVABLE	10,709,104	0	0	0	0	0	10,709,104
DEFERRED LEASE ACQUISITION COSTS, net	1,790,608	0	0	0	0	0	1,790,608
DEFERRED PROJECT COSTS	14,314,914	5,076,863(d)	(597,841)(b)	(70,734)(b)	(1,086,099)(b)	(475,177)(b)	17,161,926
DEFERRED OFFERING COSTS	1,392,934	0	0	0	0	0	1,392,934
DUE FROM AFFILIATES	1,897,309	0	0	0	0	0	1,897,309
NOTE RECEIVABLE	5,149,792	0	0	0	0	0	5,149,792
PREPAID EXPENSES AND OTHER ASSETS, net	1,881,308	0	0	0	0	0	1,881,308
Total assets	$ 1,293,166,873	$ 145,053,219	$ 0	$ 14,830	$ 11,702,761	$ 0	$ 1,449,937,683

LIABILITIES AND SHAREHOLDERS' EQUITY

		Pro Forma Adjustments					
		Recent Acquisitions					
	Wells Real Estate Investment Trust, Inc (e)	Other	PacifiCare San Antonio	Kerr McGee	BMG Greenville	Kraft Atlanta	Pro Forma Total
LIABILITIES:							
Accounts payable and accrued expenses	$ 11,840,214	$ 0	$ 0	$ 14,830(a)	$ 0	$ 0	$ 11,855,044
Notes payable	15,658,141	0	0	0	11,702,761(a)	0	27,360,902
Obligations under capital lease	22,000,000	0	0	0	0	0	22,000,000
Dividends payable	4,538,635	0	0	0	0	0	4,538,635
Due to affiliates	2,106,790	0	0	0	0	0	2,106,790
Deferred rental income	1,013,544	0	0	0	0	0	1,013,544
Total liabilities	57,157,324	0	0	14,830	11,702,761	0	68,874,915
COMMITMENTS AND CONTINGENCIES							
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	0	200,000
SHAREHOLDERS' EQUITY:							
Common shares, $.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002	1,455,890	145,053(c)	0	0	0	0	1,600,943
Additional paid-in capital	1,290,858,515	144,908,166(c)	0	0	0	0	1,435,766,681
Cumulative distributions in excess of earnings	(43,991,669)	0	0	0	0	0	(43,991,669)
Treasury stock, at cost, 1,222,381 shares	(12,223,808)	0	0	0	0	0	(12,223,808)
Other comprehensive loss	(289,379)	0	0	0	0	0	(289,379)
Total shareholders' equity	1,235,809,549	145,053,219	0	0	0	0	1,380,862,768
Total liabilities and shareholders' equity	$ 1,293,166,873	$ 145,053,219	$ 0	$ 14,830	$ 11,702,761	$ 0	$ 1,449,937,683

(a) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(b) Reflects deferred project costs applied to the land and building at approximately 4.07% of the purchase price.

(c) Reflects capital raised through issuance of additional shares subsequent to June 30, 2002 through Kraft Atlanta acquisition date.

(d) Reflects deferred project costs capitalized as a result of additional capital raised described in note (c) above.

(e) Historical financial information derived from quarterly report on Form 10-Q

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2001

(Unaudited)

		Pro Forma Adjustments					
				Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (f)	2001 Acquisitions	2002 Acquisitions	PacifiCare San Antonio	BMG Greenville	Kraft Atlanta	Pro Forma Total
REVENUES:							
Rental income	$ 44,204,279	$11,349,076(a)	$14,846,431(a)	$1,556,473(a)	$2,445,210(a)	$ 18,429(a)	$ 74,419,898
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	137,500
	49,308,802	12,460,926	14,846,431	1,556,473	2,445,210	18,429	80,636,271
EXPENSES:							
Depreciation and amortization	15,344,801	5,772,761(c)	5,356,374(c)	509,518(c)	1,044,320(c)	31,137(c)	28,058,911
Interest	3,411,210	0	0	0	0	0	3,411,210
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	1,505,269(d)	0	0	5,452(d)	8,493,879
Management and leasing fees	2,507,188	510,708(e)	668,090(e)	70,041(e)	110,034(e)	829(e)	3,866,890
General and administrative	973,785	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	448,776
	27,584,835	9,137,744	7,529,733	579,559	1,154,354	37,418	46,023,643
NET INCOME	$ 21,723,967	$ 3,323,182	$ 7,316,698	$ 976,914	$1,290,856	$(18,989)	$ 34,612,628
EARNINGS PER SHARE, basic and diluted	$ 0.43						$ 0.22
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853						158,872,092

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.’s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building and the ADIC Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of nonreimbursable operating expenses.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Historical financial information derived from annual report on Form 10-K

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
PRO FORMA STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2002
(Unaudited)

		Pro Forma Adjustments				
			Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (e)	2002 Acquisitions	PacifiCare San Antonio	BMG Greenville	Kraft Atlanta	Pro Forma Total
REVENUES:						
Rental income	$ 38,571,815	$7,307,774(a)	$ 778,237(a)	$1,222,605(a)	$651,493(a)	$ 48,531,924
Equity in income of joint ventures	2,478,686	0	0	0	0	2,478,686
Interest income	2,648,351	0	0	0	0	2,648,351
Take out fee	134,102	0	0	0	0	134,102
	43,832,954	7,307,774	778,237	1,222,605	651,493	53,793,063
EXPENSES:						
Depreciation and amortization	12,903,282	2,588,546(b)	254,759(b)	522,160(b)	186,821(b)	16,455,568
Interest	880,002	0	0	0	0	880,002
Operating costs, net of reimbursements	2,063,997	300,018(c)	0	0	79,067(c)	2,443,082
Management and leasing fees	1,903,082	328,850(d)	35,021(d)	55,017(d)	29,317(d)	2,351,287
General and administrative	1,121,457	0	0	0	0	1,121,457
Amortization of deferred financing costs	424,992	0	0	0	0	424,992
	19,296,812	3,217,414	289,780	577,177	295,205	23,676,388
NET INCOME	$ 24,536,142	$4,090,360	$ 488,457	$ 645,428	$356,288	$ 30,116,675
EARNINGS PER SHARE, basic and diluted	$ 0.22					$ 0.19
WEIGHTED AVERAGE SHARES, basic and diluted	110,885,641					158,872,092

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of nonreimbursable operating expenses.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Historical financial information derived from quarterly report on Form 10-Q

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 2 DATED AUGUST 29, 2002 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The declaration of dividends for the fourth quarter of 2002;

(3) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property matters:

   (A) Acquisition of three office buildings in Irving, Texas (Nokia Dallas Buildings);

   (B) Acquisition of a seven-story office building in Austin, Texas (Harcourt Austin Building); and

   (C) Execution of a lease with AmeriCredit Financial Services in connection with a build-to-suit three-story office building in Chandler, Arizona (AmeriCredit Arizona Building);

(4) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus; and

(5) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Nokia Dallas Buildings.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,292,032,232 in gross offering proceeds from the sale of 129,203,223 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 25, 2002, we had received additional gross proceeds of approximately $84,871,857 from the sale of approximately 8,487,186 shares in our fourth public offering.

Dividends

As we described in Supplement No. 1 to the prospectus, we acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit – plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria – we were required to lower our dividend yield to investors.

As a result of the factors described in the preceding paragraph, on August 29, 2002, our board of directors declared dividends for the fourth quarter of 2002 in an amount equal to a 7.0% annualized percentage rate return on an investment of $10 per share to be paid in December 2002. Our fourth quarter dividends are calculated on a daily record basis of $0.001923 (0.1923 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on September 16, 2002, and continuing on each day thereafter through and including December 15, 2002.

Description of Properties

As of August 25, 2002, we had purchased interests in 59 real estate properties located in 19 states, each of which was 100% leased to tenants. Below are the descriptions of our recent real property acquisitions through August 25, 2002.

Nokia Dallas Buildings

On August 15, 2002, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased three adjacent office buildings containing an aggregate of 604,234 rentable square feet located in Irving, Texas for an aggregate purchase price of $119,550,000, plus closing costs (Nokia Dallas Buildings). The Nokia Dallas Buildings consist of (1) a nine-story office building located at 6031 Connection Drive (Nokia I Building), (2) a seven-story office building located at 6021 Connection Drive (Nokia II Building), and (3) a six-story office building located at 6011 Connection Drive (Nokia III Building). The Nokia I Building and Nokia III Building were built in 1999, and the Nokia II Building was built in 2000.

The Nokia Dallas Buildings are all leased entirely to Nokia, Inc., the U.S. operating subsidiary of Nokia Corporation (Nokia), under long-term net leases (i.e., operating costs and maintenance costs are paid by the tenant) for periods of 10 years, with approximately seven to eight years remaining on such leases. Nokia, the guarantor of the Nokia, Inc. leases, is a Finnish corporation whose shares are traded on the New York Stock Exchange. Nokia is a mobile communications company that supplies mobile phones and mobile, fixed broadband, and Internet protocol networks. Nokia sells its products in over 130 countries worldwide. Nokia reported a net worth, as of December 31, 2001, of approximately $12 billion Euros.

Since the Dallas Nokia Buildings are leased to a single tenant on a long-term basis under net leases that transfer substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the leases, Nokia, is more relevant to investors than financial statements of the property acquired. Nokia is a public company which currently files its financial statements in reports filed with the Securities and Exchange Commission, and following is summary financial data regarding Nokia taken from its previously filed public reports:

Consolidated Profit and Loss Accounts

	For the Fiscal Year Ended		
	December 31, 2001	December 31, 2000	December 31, 1999
	(In millions of Euros)		
Net Sales	31,191	30,376	19,772
Operating Profit	3,362	5,776	3,908
Net Profit	2,200	3,938	2,577

Consolidated Balance Sheet Data

	December 31, 2001	December 31, 2000
	(In millions of Euros)	
Total Assets	22,427	19,890
Long-term liabilities	460	311
Shareholders' Equity	12,205	10,808

If you would like to review more detailed financial information regarding Nokia, please refer to the financial statements of Nokia, which are publicly available with the Securities and Exchange Commission at http://www.sec.gov.

The Nokia I Building is a nine-story building containing 228,678 rentable square feet. The Nokia I Building lease fully commenced in July 1999 and expires in July 2009. The current annual base rent payable under the Nokia I Building lease is $4,413,485.

The Nokia II Building is a seven-story building containing 223,470 rentable square feet. The Nokia II Building lease commenced in December 2000 and expires in December 2010. The current annual base rent payable under the Nokia II Building lease is $4,547,614.

The Nokia III Building is a six-story building containing 152,086 rentable square feet. The Nokia III Building lease commenced in June 1999 and expires in July 2009. The current annual base rent payable under the Nokia III Building lease is $3,024,990.

Nokia, Inc. has a right of first offer on the future sale of each of the Nokia Dallas Buildings.

Harcourt Austin Building

On August 15, 2002, Wells OP purchased a seven-story office building containing 195,230 rentable square feet located in Austin, Texas (Harcourt Austin Building) for a purchase price of $39,000,000, plus closing costs. The Harcourt Austin Building was built in 2001 and is located at 10801 North Mopac Expressway, Austin, Texas.

The Harcourt Austin Building is leased entirely to Harcourt, Inc., a wholly owned subsidiary of Harcourt General, Inc. (Harcourt General), the guarantor of the Harcourt lease. Harcourt General is a Delaware corporation having its corporate headquarters in Newton, Massachusetts. Harcourt General is a worldwide education company that provides books, print, and electronic learning materials, assessments, and professional development programs to students and teachers in pre-kindergarten through 12th grade. Harcourt General was acquired in July 2001, by, and became a wholly owned subsidiary of, Reed Elsevier PLC, a privately held company.

The Harcourt lease commenced in July 2001 and expires in June 2016. The current annual base rent payable under the Harcourt lease is $3,353,040.

Lease of AmeriCredit Arizona Building

On August 9, 2002, Wells OP entered into a 10-year lease with AmeriCredit Financial Services, Inc. (AmeriCredit) for a build-to-suit property on a 14-acre tract of land located in Chandler, Arizona (AmeriCredit Arizona Property). Wells OP expects to enter into a definitive agreement to acquire the AmeriCredit Arizona Property in the near future.

AmeriCredit is wholly-owned by, and serves as the primary operating subsidiary for, AmeriCredit Corp., a Texas corporation whose common stock is publicly traded on the NYSE. AmeriCredit Corp. is the guarantor of the lease. AmeriCredit is the world's largest independent middle-market automobile finance company. AmeriCredit purchases loans made by franchised and select independent dealers to consumers buying late model used and, to a lesser extent, new automobiles. AmeriCredit Corp. reported a net worth, as of December 31, 2001, of approximately $1.2 billion.

The AmeriCredit Arizona lease will commence shortly after completion of construction of a three-story office building containing approximately 153,494 rentable square feet on the AmeriCredit Arizona Property, which we expect to occur in approximately March 2003 at a total estimated cost of $24,700,000. The AmeriCredit Arizona lease expires 10 years and four months after lease commencement. AmeriCredit has the right to extend the initial term of this lease for two additional five-year terms at 95% of the then-current market rental rate. In addition, AmeriCredit may terminate the AmeriCredit Arizona lease at the end of the 88th month by paying a $2,512,697 termination fee.

As an inducement for Wells OP to enter into the AmeriCredit Arizona lease, AmeriCredit has prepaid to Wells OP the first three years of base rent on the AmeriCredit Arizona Building at a discounted amount equal to $4,827,945 rather than the amount of base rent that would otherwise have been payable ratably over the first three years of the lease term. Wells OP will be required to repay this prepaid rent or some portion thereof under certain circumstances described in the AmeriCredit Arizona lease such as failure of Wells OP to substantially complete construction of the building in accordance with specifications by August 1, 2003, damage or destruction of the building, eminent domain taking of the property and failure of Wells OP to make required repairs to the building. Wells OP has obtained and delivered an irrevocable stand-by letter of credit from Bank of America, N.A. to AmeriCredit in the amount of the prepaid rent to secure Wells OP's obligation to repay the prepaid rent under these conditions.

Property Management Fees

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of 4.5% of gross revenues from the Nokia Dallas Buildings, the Harcourt Austin Building and the AmeriCredit Arizona Building, subject to certain limitations. In addition, Wells Management will receive a one-time initial lease-up fee relating to the leasing of the AmeriCredit Arizona Building equal to one month's rent estimated to be approximately $207,000.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002.

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,292,032,232 in gross offering proceeds from the sale of 129,203,223 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 25, 2002, we had received additional gross proceeds of approximately $84,871,857 from the sale of approximately 8,487,186 shares in our fourth public offering. Accordingly, as of August 25, 2002, we had received aggregate gross offering proceeds of approximately $1,684,315,201 from the sale of approximately 168,431,520 shares in all of our public offerings. After payment of $58,452,949 in acquisition and advisory fees and acquisition expenses, payment of $187,490,370 in selling commissions and organization and offering expenses, and common stock redemptions of $14,230,931 pursuant to our share redemption program, as of August 25, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,424,140,951, out of which $1,128,348,590 had been invested in real estate properties, and $295,792,361 remained available for investment in real estate properties.

Financial Statements

The pro forma balance sheet of the Wells REIT, as of June 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

INDEX TO FINANCIAL STATEMENTS

Wells Real Estate Investment Trust, Inc. and Subsidiary

Unaudited Pro Forma Financial Statements

	Page
Summary of Unaudited Pro Forma Financial Statements	7
Pro Forma Balance Sheet as of June 30, 2002 (unaudited)	8
Pro Forma Statement of Income for the year ended December 31, 2001 (unaudited)	10
Pro Forma Statement of Income for the six months ended June 30, 2002 (unaudited)	11

WELLS REAL ESTATE INVESTMENT TRUST, INC.

Summary of Unaudited Pro Forma Financial Statements

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc. included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended June 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of June 30, 2002 has been prepared to give effect to the third quarter 2002 acquisitions of the PacifiCare San Antonio Building, the Kerr McGee Property, the BMG Greenville Buildings, the Kraft Atlanta Building (the "Other Recent Acquisitions") and the Nokia Dallas Buildings (collectively, the "Recent Acquisitions") by Wells OP as if the acquisitions occurred on June 30, 2002.

The following unaudited pro forma statement of income for the six months ended June 30, 2002 has been prepared to give effect to the first and second quarter 2002 acquisitions of the Arthur Andersen Building, the Transocean Houston Building, Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property had no operations during the six months ended June 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings and the Kerr McGee Property had no operations during 2001.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells Real Estate Investment Trust, Inc.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

Table of Contents

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2002

(Unaudited)

ASSETS

		Pro Forma Adjustments		
		Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc. (e)	Other	Nokia Dallas	Pro Forma Total
REAL ESTATE ASSETS, at cost:				
Land	$ 110,330,449	$ 8,488,044 (a)	$ 9,100,000 (a)	$ 128,634,284
		345,443 (b)	370,348 (b)	
Buildings, less accumulated depreciation of $37,717,737	689,490,969	46,302,615 (a)	110,831,069 (a)	853,019,628
		1,884,408 (b)	4,510,567 (b)	
Construction in progress	16,081,841	379,901 (a)	0	16,461,742
Total real estate assets	815,903,259	57,400,411	124,811,984	998,115,654
CASH AND CASH EQUIVALENTS	341,909,775	(43,452,969)(a)	(119,931,069)(a)	372,072,298
		200,566,384 (c)		
		(7,019,823)(d)		
INVESTMENT IN JOINT VENTURES	76,217,870	0	0	76,217,870
INVESTMENT IN BONDS	22,000,000	0	0	22,000,000
ACCOUNTS RECEIVABLE	10,709,104	0	0	10,709,104
DEFERRED LEASE ACQUISITION COSTS, net	1,790,608	0	0	1,790,608
DEFERRED PROJECT COSTS	14,314,914	(2,229,851)(b)	(4,880,915)(b)	14,223,971
		7,019,823 (d)		
DEFERRED OFFERING COSTS	1,392,934	0	0	1,392,934
DUE FROM AFFILIATES	1,897,309	0	0	1,897,309
NOTE RECEIVABLE	5,149,792	0	0	5,149,792
PREPAID EXPENSES AND OTHER ASSETS, net	1,881,308	0	0	1,881,308
Total assets	$1,293,166,873	$212,283,975	$ 0	$1,505,450,848

LIABILITIES AND SHAREHOLDERS' EQUITY

		Pro Forma Adjustments		
		Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc. (e)	Other	Nokia Dallas	Pro Forma Total
LIABILITIES:				
Accounts payable and accrued expenses	$ 11,840,214	$ 14,830(a)	$ 0	$ 11,855,044
Notes payable	15,658,141	11,702,761(a)	0	27,360,902
Obligations under capital lease	22,000,000	0	0	22,000,000
Dividends payable	4,538,635	0	0	4,538,635
Due to affiliates	2,106,790	0	0	2,106,790
Deferred rental income	1,013,544	0	0	1,013,544
Total liabilities	57,157,324	11,717,591	0	68,874,915
COMMITMENTS AND CONTINGENCIES				
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	200,000
SHAREHOLDERS' EQUITY:				
Common shares, $.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002	1,455,890	200,566(c)	0	1,656,456
Additional paid-in capital	1,290,858,515	200,365,818(c)	0	1,491,224,333
Cumulative distributions in excess of earnings	(43,991,669)	0	0	(43,991,669)
Treasury stock, at cost, 1,222,381 shares	(12,223,808)	0	0	(12,223,808)
Other comprehensive loss	(289,379)	0	0	(289,379)
Total shareholders' equity	1,235,809,549	200,566,384	0	1,436,375,933
Total liabilities and shareholders' equity	$ 1,293,166,873	$212,283,975	$ 0	$ 1,505,450,848

(a) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(b) Reflects deferred project costs applied to the land and building at approximately 4.07% of the purchase price.

(c) Reflects capital raised through issuance of additional shares subsequent to June 30, 2002 through Nokia Dallas acquisition date.

(d) Reflects deferred project costs capitalized as a result of additional capital raised described in note (c) above.

(e) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2001

(Unaudited)

		Pro Forma Adjustments				
				Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc.(f)	2001 Acquisitions	2002 Acquisitions	Other	Nokia Dallas	Pro Forma Total
REVENUES:						
Rental income	$44,204,279	$11,349,076(a)	$14,846,431(a)	$4,020,112(a)	$12,518,628(a)	$ 86,938,526
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	137,500
	49,308,802	12,460,926	14,846,431	4,020,112	12,518,628	93,154,899
EXPENSES:						
Depreciation	15,344,801	5,772,761(c)	5,356,374(c)	1,584,975(c)	4,613,665(c)	32,672,576
Interest	3,411,210	0	0	0	0	3,411,210
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	1,505,269(d)	5,452(d)	0	8,493,879
Management and leasing fees	2,507,188	510,708(e)	668,090(e)	180,904(e)	563,338(e)	4,430,228
General and administrative	973,785	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	448,776
	27,584,835	9,137,744	7,529,733	1,771,331	5,177,003	51,200,646
NET INCOME	$21,723,967	$ 3,323,182	$ 7,316,698	$2,248,781	$ 7,341,625	$ 41,954,253
EARNINGS PER SHARE, basic and diluted	$ 0.43					$ 0.26
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853					164,423,411

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.’s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building and the ADIC Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of nonreimbursable operating expenses.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2002

(Unaudited)

		Pro Forma Adjustments			
			Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc.(e)	2002 Acquisitions	Other	Nokia Dallas	Pro Forma Total
REVENUES:					
Rental income	$ 38,571,815	$7,307,774(a)	$2,652,335(a)	$6,259,314(a)	$ 54,791,238
Equity in income of joint ventures	2,478,686	0	0	0	2,478,686
Interest income	2,648,351	0	0	0	2,648,351
Take out fee	134,102	0	0	0	134,102
	43,832,954	7,307,774	2,652,335	6,259,314	60,052,377
EXPENSES:					
Depreciation	12,903,282	2,588,546(b)	963,740(b)	2,306,833(b)	18,762,401
Interest	880,002	0	0	0	880,002
Operating costs, net of reimbursements	2,063,997	300,018(c)	79,067(c)	0	2,443,082
Management and leasing fees	1,903,082	328,850(d)	119,355(d)	281,669(d)	2,632,956
General and administrative	1,121,457	0	0	0	1,121,457
Amortization of deferred financing costs	424,992	0	0	0	424,992
	19,296,812	3,217,414	1,162,162	2,588,502	26,264,890
NET INCOME	$ 24,536,142	$4,090,360	$1,490,173	$3,670,812	$ 33,787,487
EARNINGS PER SHARE, basic and diluted	$ 0.22				$ 0.21
WEIGHTED AVERAGE SHARES, basic and diluted	110,885,641				164,423,411

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of nonreimbursable operating expenses.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 3 DATED OCTOBER 15, 2002 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002 and Supplement No. 2 dated August 29, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions:

(A) Acquisition of a two-story office building and a one-story daycare facility in Holtsville, New York (IRS Long Island Buildings);

(B) Acquisition of a 14.74 acre tract of land and the build-to-suit construction of a three-story office building in Chandler, Arizona (AmeriCredit Phoenix Building);

(C) Acquisition of a four-story office building in Parsippany, New Jersey (KeyBank Parsippany Building);

(D) Acquisition of a one-story office building located in Indianapolis, Indiana (Allstate Indianapolis Building);

(E) Acquisition of a three-story office building located in Colorado Springs, Colorado (Federal Express Colorado Springs Building);

(F) Acquisition of a one-story office and distribution building in Des Moines, Iowa (EDS Des Moines Building);

(G) Acquisition of a two-story office building with a three-story wing located in Plano, Texas (Intuit Dallas Building); and

(H) Acquisition of a two-story office building in Westlake, Texas (Daimler Chrysler Dallas Building);

(3) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(4) Status of the development of the Nissan Project;

(5) Audited financial statements relating to the Harcourt Austin Building, which acquisition was described in Supplement No. 2 dated August 29, 2002, the IRS Long Island Buildings and the KeyBank Parsippany Building; and

(6) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Harcourt Austin Building, IRS Long Island Buildings, AmeriCredit Phoenix Property, KeyBank Parsippany Building, Allstate Indianapolis Building, Federal Express Colorado Springs Building, EDS Des Moines Building, Intuit Dallas Building and Daimler Chrysler Dallas Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of October 15, 2002, we had received additional gross proceeds of approximately $276,782,914 from the sale of approximately 27,678,291 shares in our fourth public offering.

Description of Properties

As of October 15, 2002, we had purchased interests in 67 real estate properties located in 22 states. Below are the descriptions of our recent real property acquisitions.

IRS Long Island Buildings

On September 16, 2002, Wells REIT-Holtsville, NY, LLC (REIT-Holtsville), a Georgia limited liability company wholly-owned by Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a two-story office building (IRS Office Building) and a one-story daycare facility (IRS Daycare Facility) containing an aggregate 259,700 rentable square feet located in Holtsville, New York for a purchase price of $50,975,000, plus closing costs from HIRS Associates LLC (HIRS). HIRS is not in any way affiliated with the Wells REIT, Wells OP, REIT-Holtsville, or our advisor, Wells Capital, Inc.

The IRS Office Building was built in 2000 and is located at 5000 Corporate Court in Holtsville, New York on a 36.25-acre tract of land. The IRS Daycare Facility was built in 1999 and is located on a 1.87-acre tract of land located at 2 Corporate Drive in Holtsville, New York. The IRS Office Building is located in central Long Island in a campus setting. The property was developed as a flagship campus for the Internal Revenue Service (IRS) and is one of only eight processing and collection facilities in the country.

Approximately 191,050 of the aggregate rentable square feet of the IRS Long Island Buildings (74%) is currently leased to the United States of America (U.S.A.) through the U.S. General Services Administration (GSA) for occupancy by the IRS under three separate lease agreements for the processing & collection division of the IRS (IRS Collection), the compliance division of the IRS (IRS Compliance), and the IRS Daycare Facility. The GSA is a centralized federal procurement and property management agency which acquires office space, equipment, telecommunications, information technology, supplies and services for federal agencies such as the IRS.

REIT-Holtsville is negotiating for the remaining 26% of the IRS Long Island Buildings to be leased by the U.S.A. on behalf of the IRS or to another suitable tenant. If REIT-Holtsville should lease this space to the U.S.A. or another suitable tenant within 18 months, REIT-Holtsville would owe the seller an additional amount of up to $14,500,000 as additional purchase price for the IRS Long Island Buildings pursuant to the terms of an earnout agreement entered into between REIT-Holtsville and the seller at the closing.

All three of the IRS leases are net leases (i.e., operating costs and maintenance costs are paid by the tenant) which include provisions that require the landlord and the property manager to comply with various employment related practices and other various laws typically required by government entities. Although we believe that the Wells REIT, Wells OP and REIT-Holtsville should be deemed exempt from these requirements, if a determination were made that these or other affiliated entities violated these lease provisions, the tenant has the right under each of the IRS leases to terminate the lease or to require compliance by the appropriate entities. REIT-Holtsville, as the landlord, is responsible for maintaining and repairing the roof, structural elements and mechanical systems of the IRS Long Island Buildings.

The IRS Collection lease, which encompasses 128,000 rentable square feet of the IRS Office Building, commenced in August 2000 and expires in August 2005. The current annual base rent payable under the IRS Collection lease is $5,029,380. The annual base rent payable under the IRS Collection lease for the remaining two years of the initial lease term will be $2,814,900. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at annual rental rates of $4,209,869 and $4,999,219, respectively.

The IRS Compliance lease, which encompasses 50,949 rentable square feet of the IRS Office Building, commenced in December 2001 and expires in December 2011. The annual base rent payable under the IRS Compliance lease for the initial term of the lease is $1,663,200. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of $2,217,600.

The IRS Daycare Facility lease, which encompasses the entire 12,100 rentable square feet of the IRS Daycare Facility, commenced in October 1999 and expires in September 2004. The annual base rent payable under the IRS Daycare Facility lease for the initial term of the lease is $486,799. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at an annual rental rate of $435,600.

AmCap Management Corporation, an affiliate of HIRS, the seller of the property, will serve as the initial property manager of the IRS Long Island Buildings for a period of up to 18 months. AmCap Management Corporation is not in any way affiliated with the Wells REIT, Wells OP, REIT-Holtsville or our advisor. Prior to the expiration of the 18-month term of the property management agreement, REIT-Holtsville will be required to locate and hire a new property manager for the IRS Long Island Buildings.

The AmeriCredit Phoenix Property

On September 12, 2002, Wells OP purchased a 14.74 acre tract of land located in Chandler, Maricopa County, Arizona (AmeriCredit Phoenix Property (formerly referred to as AmeriCredit Arizona Property)) for $2,632,298, plus closing costs from Price & Germann Roads, L.L.C., an Arizona limited liability company (Price). Price is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Wells OP has entered into a development agreement and an owner-contractor agreement to construct a three-story office building containing 153,494 rentable square feet (AmeriCredit Phoenix Project) on the AmeriCredit Phoenix Property. Wells OP anticipates that the aggregate of all costs and expenses to be incurred with respect to the acquisition of the AmeriCredit Phoenix Property, and the planning, design, development, construction and completion of the AmeriCredit Phoenix Project will total approximately $24,700,000.

Development Agreement. Wells OP entered into a Development Agreement (Development Agreement) with ADEVCO Corporation, a Georgia corporation (Developer), as the exclusive development manager to supervise, manage and coordinate the planning, design, construction and completion of the AmeriCredit Phoenix Project. As compensation for the services to be rendered by the Developer under the Development Agreement, Wells OP will pay a development fee payable ratably (on the basis of the percentage of construction completed) as the construction and development of the AmeriCredit Phoenix Project is completed.

Owner-Contractor Agreement. Wells OP entered into an Owner-Contractor Agreement (Construction Agreement) with Bovis Lend Lease, Inc. (Contractor) for the construction of the AmeriCredit Phoenix Project. The Contractor is a worldwide construction company with U.S. headquarters in New York. The Contractor provides services in a variety of sectors in the construction industry, including commercial, residential, industrial, pharmaceutical, sports and leisure, and retail and entertainment. The Contractor began construction in September 2002 of a three-story office building containing approximately 153,494 rentable square feet (AmeriCredit Phoenix Building).

The Construction Agreement provides that Wells OP will pay the Contractor a maximum of $10,398,274 for the construction of the AmeriCredit Phoenix Project which includes all estimated fees and costs, including the architect fees. The Contractor will be responsible for all costs of labor, materials, construction equipment and machinery necessary for completion of the AmeriCredit Phoenix Project. In addition, the Contractor will be required to secure and pay for any additional business licenses, tap fees and building permits which may be necessary for construction of the AmeriCredit Phoenix Project.

AmeriCredit Phoenix Lease. The AmeriCredit Phoenix Building will be leased entirely to AmeriCredit Financial Services, Inc. (AmeriCredit). AmeriCredit is wholly-owned by, and serves as the primary operating subsidiary for, AmeriCredit Corp., a Texas corporation whose common stock is publicly traded on the New York Stock Exchange (NYSE). AmeriCredit Corp. is the guarantor of the lease. AmeriCredit is the world’s largest independent middle-market automobile finance company. AmeriCredit purchases loans made by franchised and select independent dealers to consumers buying late model used and, to a lesser extent, new automobiles. AmeriCredit Corp. reported a net worth, as of December 31, 2001, of approximately $1.2 billion.

The AmeriCredit Phoenix lease is a net lease (i.e., operating costs and maintenance costs to be paid by the tenant) and will commence shortly after completion of construction of the AmeriCredit Phoenix Building, which we currently expect to occur in approximately March 2003. The AmeriCredit Phoenix lease expires 10 years and four months after lease commencement. AmeriCredit has the right to extend the initial term of this lease for two additional five-year terms at 95% of the then-current market rental rate. In addition, AmeriCredit may terminate the AmeriCredit Phoenix lease at the end of the 88th month by paying a $2,512,697 termination fee. Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, structural walls, exterior windows, parking lot, driveways, and light poles.

As an inducement for Wells OP to enter into the AmeriCredit Phoenix lease, AmeriCredit has prepaid to Wells OP the first three years of base rent on the AmeriCredit Phoenix Building at a discounted amount equal to $4,827,945 rather than the amount of base rent that would otherwise have been payable ratably over the first three years of the lease term. Wells OP will be required to repay this prepaid rent or some portion thereof under certain circumstances described in the AmeriCredit Phoenix lease such as failure of Wells OP to substantially complete construction of the building in accordance with specifications by August 1, 2003, damage or destruction of the building, eminent domain taking of the property and failure of Wells OP to make required repairs to the building. Wells OP has obtained and delivered an irrevocable stand-by letter of credit from Bank of America, N.A. to AmeriCredit in the amount of the prepaid rent to secure Wells OP’s obligation to repay the prepaid rent under these conditions.

KeyBank Parsippany Building

On September 27, 2002, Wells OP purchased a four-story office building containing 404,515 rentable square feet located on a 19.06 acre tract of land in Parsippany, New Jersey (KeyBank Parsippany Building) for a purchase price of $101,350,000, plus closing costs from Two Gatehall Associates, L.L.C. (Gatehall) and Asset Preservation, Inc. (Asset). Neither Gatehall nor Asset are in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Key Bank Parsippany Building was completed in 1985 and is located at Two Gatehall Drive in Parsippany, Morris County, New Jersey. The KeyBank Parsippany Building is leased to Key Bank U.S.A., N.A. (KeyBank) and Gemini Technology Services (Gemini).

KeyBank is a national banking association and a wholly-owned subsidiary of KeyCorp, the guarantor on the lease. KeyCorp, whose shares are traded on the NYSE, is a bank-based financial services company that provides investment management, retail and commercial banking, retirement, consumer finance, and investment banking products and services to individuals and companies throughout the United States and internationally. KeyCorp operates approximately 2,300 ATMs across the United States. KeyCorp reported a net worth, as of June 30, 2002, of approximately $6.6 billion.

The KeyBank lease covers 200,000 rentable square feet (49%) and is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in March 2001 and expires in February 2016. The current annual base rent payable under the KeyBank lease is $3,800,000. KeyBank, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate.

Gemini Technology Services is an information technology subsidiary of Deutsch Bank AG (Deutsch Bank). Deutsch Bank provides financial services around the world to individuals and institutional clients and serves more than 12 million customers in 75 countries worldwide.

The Gemini lease covers 204,515 rentable square feet (51%) and is a gross lease (i.e., operating costs and maintenance costs are the responsibility of the landlord) that commenced in December 2000 and expires in December 2013. The current annual base rent payable under the Gemini lease is $5,726,420. Gemini secured its obligations under the Gemini lease with a $35,000,000 irrevocable letter of credit, which amount decreases over time during the initial term of the Gemini lease. Gemini, at its option, has the right to extend the initial term of its lease for three additional five-year periods at a rate equal to the greater of (1) the annual rent during the final year of the initial lease term, or (2) 95% of the then-current market rental rate.

Allstate Indianapolis Building

On September 27, 2002, Wells OP purchased a one-story office building containing 89,956 rentable square feet located on a 12.71 acre tract of land in Indianapolis, Indiana (Allstate Indianapolis Building) for a purchase price of $10,900,000, plus closing costs from Hartsfield Building, LLC (Hartsfield). In addition, at closing, Hartsfield assigned to Wells OP a purchase option agreement for the right to purchase an additional adjacent 2.38 acre tract of land for $249,000 on or before January 2007. Hartsfield is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Allstate Indianapolis Building was completed in 2002 and is located at 5757 Decatur Blvd. in Indianapolis, Marion County, Indiana. The Allstate Indianapolis Building is leased to Allstate Insurance Company (Allstate) and Holladay Property Services Midwest, Inc. (Holladay).

Allstate Corporation, the holding company for Allstate whose shares are traded on the NYSE, provides automobile, homeowner's, and life insurance throughout the United States, as well as numerous investment products, including retirement planning, annuities and mutual funds. Allstate Corporation reported a net worth, as of June 30, 2002, of approximately $17.2 billion.

The Allstate lease, a gross lease (i.e., operating costs and maintenance costs are paid by the landlord) which covers 84,200 rentable square feet (94%), commenced in March 2002 and expires in August 2012. The current annual base rent payable under the Allstate lease is $1,246,164. Allstate at its option has the right to (1) terminate the initial term of the Allstate lease at the end of the fifth lease year (August 2007) upon payment of a $385,000 fee, or (2) reduce its area of occupancy to not less than 20,256 rentable square feet, by providing written notice on or before August 2006. Allstate, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Allstate has a right of first refusal for the leasing of additional space in the Allstate Indianapolis Building. Wells OP, as the landlord, will be responsible for maintaining the exterior of the building, parking lots, driveways, roof and all structural parts of the building.

Holladay is a property management company that manages the Allstate Indianapolis Building from the site. The Holladay lease, a gross lease (i.e., operating costs and maintenance costs are paid by the landlord) which covers 5,756 rentable square feet (6%), commenced in October 2001 and expires in September 2006. The current annual base rent payable under the Holladay lease is $74,832.

Federal Express Colorado Springs Building

On September 27, 2002, Wells OP purchased a three-story office building containing 155,808 rentable square feet located on a 28.01 acre tract of land in Colorado Springs, Colorado (Federal Express Colorado Springs Building) for a purchase price of $26,000,000, plus closing costs from KDC-CO I Investment Limited Partnership (KDC). KDC is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Federal Express Colorado Springs Building was completed in 2001 and is located at 350 Spectrum Loop in Colorado Springs, El Paso County, Colorado. The Federal Express Colorado Springs Building is leased entirely to Federal Express Corporation (Federal Express). The Federal Express lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in July 2001 and expires in October 2016. Federal Express, whose shares are traded on the NYSE, provides transportation, e-commerce and supply chain management services in over 210 countries through its numerous subsidiaries.

Since the Federal Express Colorado Springs Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about Federal Express is more relevant to investors than financial statements of the property acquired.

Federal Express currently files its financial statements in reports filed with the Securities and Exchange Commission (SEC), and the following summary financial data regarding Federal Express is taken from its previously filed public reports:

	FOR THE FISCAL YEAR ENDED		
	MAY 31, 2002	MAY 31, 2001	MAY 31, 2000
		(IN MILLIONS)	
CONSOLIDATED STATEMENTS OF OPERATIONS:			
Revenues	$ 15,327	$ 15,534	$ 15,068
Operating Income	$ 811	$ 847	$ 900
Net Income	$ 443	$ 499	$ 510

	MAY 31, 2002	MAY 31, 2001
	(IN MILLIONS)	
CONSOLIDATED BALANCE SHEET DATA:		
Total Assets	$ 9,949	$ 9,623
Long-Term Debt	$ 851	$ 852
Stockholders' Equity	$ 4,673	$ 4,248

For more detailed financial information regarding Federal Express, please refer to the financial statements of Federal Express Corporation, which are publicly available with the SEC at http://www.sec.gov.

The current annual base rent payable under the Federal Express lease is $2,248,309. Federal Express, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 90% of the then-current market rental rate. In addition, Federal Express has an expansion option under its lease pursuant to which Wells OP would be required to construct an additional office building. Wells OP has agreed to allow Koll Development Company, LLC (Koll Development), an affiliate of the seller of the property, to develop such expansion provided that Wells OP shall have the right of first refusal to purchase such expansion property within three years after completion. Koll Development is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, exterior walls, structural components of the parking areas, drives and sidewalks and the underground utilities of the Federal Express Colorado Springs Building. In addition, Wells OP is responsible for the capital replacements of the mechanical and electrical systems for the Federal Express Colorado Springs Building.

EDS Des Moines Building

On September 27, 2002, Wells OP purchased from KDC-EDS Des Moines Investments, LLC (KDC-EDS), Koll Development and Koll Corporate Development I-Iowa, L.P. (Koll Corporate) all of the partnership interests in KDC-EDS Des Moines Investment Limited Partnership, a Texas limited partnership, which owns a one-story office and distribution building containing 115,000 rentable square feet of office space and 290,000 rentable square feet of warehouse space located on a 27.97 acre tract of land in Des Moines, Iowa (EDS Des Moines Building) for a purchase price of $26,500,000, plus closing costs. Neither KDC-EDS, Koll Development nor Koll Corporate are in any way affiliated with the Wells REIT, Wells OP or our advisor.

The EDS Des Moines Building was completed in 2002 and is located at 3600 Army Post Road in Des Moines, Polk County, Iowa. The EDS Des Moines Building is leased entirely to EDS Information Services L.L.C. (EDS), a wholly-owned subsidiary of Electronic Data Systems Corporation (EDS Corp). EDS Corp is the guarantor of the EDS lease. The EDS lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in May 2002 and expires in April 2012. EDS Corp, whose shares are traded on the NYSE, is a global information technology services company with services ranging from computer support to server management to web hosting. EDS Corp operates in 60 countries worldwide.

Since the EDS Des Moines Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about EDS Corp, the guarantor of the EDS lease, is more relevant to investors than financial statements of the property acquired.

EDS Corp currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding EDS Corp is taken from its previously filed public reports:

	FOR THE FISCAL YEAR ENDED		
	DECEMBER 31, 2001	DECEMBER 31, 2000	DECEMBER 31, 1999
		(IN MILLIONS)	
CONSOLIDATED STATEMENTS OF OPERATIONS:			
Revenues	$ 21,543	$ 19,227	$ 18,732
Operating Income	$ 2,096	$ 1,818	$ 473
Net Income	$ 1,363	$ 1,143	$ 421

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(IN MILLIONS)	
CONSOLIDATED BALANCE SHEET DATA:		
Total Assets	$ 16,353	$ 12,692
Long-Term Debt	$ 4,692	$ 2,585
Stockholders' Equity	$ 6,446	$ 5,139

For more detailed financial information regarding EDS Corp, please refer to the financial statements of Electronic Data Systems Corporation, which are publicly available with the SEC at http://www.sec.gov.

The current annual base rent payable under the EDS lease is $2,389,500. EDS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, EDS has an expansion option under its lease for up to an additional 100,000 rentable square feet. Wells OP, as the landlord, is responsible for maintaining the roof, foundation, exterior walls, plumbing and electrical lines for the EDS Des Moines Building.

Intuit Dallas Building

On September 27, 2002, Wells OP purchased a two-story office building with a three-story wing containing 166,238 rentable square feet located on a 10.7 acre tract of land in Plano, Texas (Intuit Dallas Building) for a purchase price of $26,500,000, plus closing costs from KDC-TX I Investment Limited Partnership (KDC-TX). KDC-TX is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Intuit Dallas Building was completed in 2001 and is located at 5601 Headquarters Drive in Plano, Collin County, Texas. The Intuit Dallas Building is leased entirely to Lacerte Software Corporation (Lacerte), a wholly-owned subsidiary of Intuit, Inc. (Intuit). Intuit is the guarantor of the Lacerte lease. The Lacerte lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in July 2001 and expires in June 2011.

Lacerte is a tax software development company that offers a variety of tax software products and customer support services. Intuit, whose shares are traded on the NASDAQ, provides small business, tax preparation and personal finance software products and Web-based services that simplify complex financial tasks for consumers, small businesses and accounting professionals.

Since the Intuit Dallas Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the lease, Intuit, is more relevant to investors than financial statements of the property acquired.

Intuit currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding Intuit is taken from its previously filed public reports:

	FOR THE FISCAL YEAR ENDED		
	JULY 31, 2002	JULY 31, 2001	JULY 31, 2000
		(IN MILLIONS)	
CONSOLIDATED STATEMENTS OF OPERATIONS:			
Revenues	$ 1,358	$ 1,148	$ 1,037
Income (Loss) from Continuing Operations	$ 59	$ (74)	$ 9
Net Income (Loss)	$ 140	$ (83)	$ 306

	JULY 31, 2002	JULY 31, 2001
	(IN MILLIONS)	
CONSOLIDATED BALANCE SHEET DATA:		
Total Assets	$ 2,963	$ 2,862
Long-Term Debt	$ 15	$ 12
Stockholders' Equity	$ 2,216	$ 2,161

For more detailed financial information regarding Intuit, please refer to the financial statements of Intuit, Inc., which are publicly available with the SEC at http://www.sec.gov.

The current annual base rent payable under the Lacerte lease is $2,461,985. Lacerte, at its option, has the right to extend the initial term of its lease for two additional five-year periods at rental rates of $17.92 per square foot and $19.71 per square foot, respectively. In addition, Lacerte has an expansion option through November 2004 pursuant to which Wells OP would be required to purchase an additional 19-acre tract of land and to construct up to an approximately 600,000 rentable square foot building thereon. Wells OP has agreed to allow Koll Development, an affiliate of KDC-TX, the seller of the property, to develop any such expansion. Wells OP, as the landlord, is responsible for maintaining the structural elements of the building, including the parking deck, roof, building facade, foundation, load bearing walls and building and utility systems for the Intuit Dallas Building.

Daimler Chrysler Dallas Building

On September 30, 2002, Wells OP purchased from Hillwood Operating, L.P. (Hillwood) and ABI Commercial L.P. (ABI) all of the partnership interests in CT Corporate Center No. 1, L.P. (CT), a Texas limited partnership, which owns a two-story office building containing 130,290 rentable square feet located in Westlake, Texas (Daimler Chrysler Dallas Building) for a purchase price of $25,100,000, plus closing costs. Neither Hillwood nor ABI are in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Daimler Chrysler Dallas Building was completed in 2001 and is located at 2050 Roanoke Road in Westlake, Tarrant County, Texas. The Daimler Chrysler Dallas Building is leased entirely to Daimler Chrysler Services North America LLC (Daimler Chrysler NA). Daimler Chrysler NA is a wholly owned subsidiary of DaimlerChrysler AG (DaimlerChrysler). DaimlerChrysler is one of the world's leading automotive, transportation and services companies and has over 50 operating plants worldwide.

The Daimler Chrysler NA lease is a gross lease (i.e., operating costs and maintenance costs are paid by the landlord) which commenced in January 2002 and expires in December 2011. The current annual base rent payable under the Daimler Chrysler NA lease is $3,189,499. Daimler Chrysler NA, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 98% of the then-current market rental rate. In addition, Daimler Chrysler NA has an expansion option for up to an additional 70,000 rentable square feet and a right of first offer if Wells OP desires to sell the Daimler Chrysler Dallas Building during the term of the lease. Wells OP, as the landlord, is responsible for maintaining the roof, foundation, and structural members of the exterior walls of the building, trash removal, janitorial and window-washing services, pest control, landscaping maintenance, water, lighting and passenger elevator service for the Daimler Chrysler Dallas Building.

Property Management Fees

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the AmeriCredit Phoenix Building, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building and the Daimler Chrysler Dallas Building subject to certain limitations. In addition, Wells Management will receive a one-time initial lease-up fee relating to the leasing of the AmeriCredit Phoenix Building equal to one month's rent estimated to be approximately $207,000.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002 and Supplement No. 2 dated August 29, 2002.

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of October 15, 2002, we had received additional gross proceeds of approximately $276,782,914 from the sale of approximately 27,678,291 shares in our fourth public offering. Accordingly, as of October 15, 2002, we had received aggregate gross offering proceeds of approximately $1,876,226,258 from the sale of approximately 187,622,626 shares in all of our public offerings. After payment of $65,068,579 in acquisition and advisory fees and acquisition expenses, payment of $208,356,782 in selling commissions and organization and offering expenses, and common stock redemptions of $17,123,992 pursuant to our share redemption program, as of October 15, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,585,676,905, out of which $1,400,791,370 had been invested in real estate properties, and $184,885,535 remained available for investment in real estate properties.

Status of the Nissan Project

As of September 30, 2002, Wells OP had expended $24,226,880 towards the construction of the three-story approximately 268,290 rentable square foot office building in Irving, Texas. The Nissan Project is approximately 47% complete and is currently expected to be completed in February 2003. We estimate that the aggregate cost and expenses to be incurred by Wells OP with respect to the acquisition and construction of the Nissan Project will total approximately $41,855,600, which is within the budgeted amount for the property.

Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the Harcourt Austin Building, the IRS Long Island Buildings and the KeyBank Parsippany Building for the year ended December 31, 2001, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The statements of revenues over certain operating expenses of the Harcourt Austin Building, the IRS Long Island Buildings and the KeyBank Parsippany Building for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of June 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

INDEX TO FINANCIAL STATEMENTS

	Page
Harcourt Austin Building	
Report of Independent Auditors	13
Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2001 (audited) and for the six months ended June 30, 2002 (unaudited)	14
Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2001 (audited) and for the six months ended June 30, 2002 (unaudited)	15
IRS Long Island Buildings	
Report of Independent Auditors	17
Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2001 (audited) and for the six months ended June 30, 2002 (unaudited)	18
Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2001 (audited) and for the six months ended June 30, 2002 (unaudited)	19
KeyBank Parsippany Building	
Report of Independent Auditors	21
Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2001 (audited) and for the six months ended June 30, 2002 (unaudited)	22
Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2001 (audited) and for the six months ended June 30, 2002 (unaudited)	23
Wells Real Estate Investment Trust, Inc. and Subsidiary	
Unaudited Pro Forma Financial Statements	
Summary of Unaudited Pro Forma Financial Statements	25
Pro Forma Balance Sheet as of June 30, 2002 (unaudited)	26
Pro Forma Statement of Income for the year ended December 31, 2001 (unaudited)	28
Pro Forma Statement of Income for the six months ended June 30, 2002 (unaudited)	29

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Harcourt Austin Building (the "Building") for the year ended December 31, 2001. This statement is the responsibility of the Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Harcourt Austin Building for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia
October 21, 2002

Harcourt Austin Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

	2002	2001
	(Unaudited)	
Rental revenues	$1,770,085	$1,770,085
Operating expenses, net of reimbursements	64,780	67,131
Revenues over certain operating expenses	$1,705,305	$1,702,954

See accompanying notes.

Harcourt Austin Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On August 15, 2002, the Wells Operating Partnership, L.P. ("Wells OP') acquired the Harcourt Austin Building from Carr Development & Construction, LP ("Carr"). Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

Harcourt, Inc. ("Harcourt") currently occupies the entire 195,230 rentable square feet of the seven-story office building under a lease agreement (the "Harcourt Lease"). Harcourt is a Delaware corporation owned equally by Reed Elsevier PLC and Reed Elsevier NV whose shares are traded on the New York Stock Exchange. Carr's interest in the Harcourt Lease was assigned to Wells OP upon acquisition of the building. The initial term of the Harcourt Lease commenced in July 2001 and expires in June 2016. Under the Harcourt Lease, Harcourt is required to pay, as additional rent, all operating costs, including but not limited to electricity, water, sewer, insurance, taxes and a management fee not to exceed 3.5% of rent. Furthermore, Harcourt will be required to reimburse the landlord for costs of capital improvements that are intended to reduce operating costs or improve safety and any replacement or capital repairs to the Building's HVAC systems. Wells OP will be responsible for maintaining and repairing the Building's roof, structural elements and mechanical systems.

Rental Revenues

Rental income is recognized on a straight-line basis over the term of the lease. The accompanying statements of revenues over certain operating expenses include rental revenues from the date of commencement of the Harcourt Lease in July 2001.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the Harcourt Austin Building after its acquisition by Wells OP.

Notes to Statements of Revenues Over Certain Operating Expenses (Continued)

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 3,104,157
2003	3,104,157
2004	3,104,157
2005	3,104,157
2006	3,314,029
Thereafter	35,819,824
	$51,550,481

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 2002 is unaudited, however in the the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the IRS Long Island Buildings (the "Buildings") for the year ended December 31, 2001. This statement is the responsibility of the Buildings' management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Buildings' revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the IRS Long Island Buildings for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia
September 26, 2002

IRS Long Island Buildings

Statements of Revenues Over Certain Operating Expenses

Year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

	2002	2001
	(Unaudited)	
Rental revenues	$3,106,658	$4,665,840
Operating expenses, net of reimbursements	641,803	745,258
Revenues over certain operating expenses	$2,464,855	$3,920,582

See accompanying notes.

IRS Long Island Buildings

Notes to Statements of Revenues Over Certain Operating Expenses

Year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On September 13, 2002, Wells REIT—Holtsville, NY, LLC (the "Company") acquired the IRS Long Island Buildings (the "Buildings") from HIRS Associates, LLC ("HIRS"). The Company, a Georgia limited liability company, was created on September 10, 2002 by the Wells Operating Partnership, L.P. ("Wells OP') as the sole member of the Company. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

The United States of America, through the U.S. General Services Administration ("GSA"), currently leases 191,049 of the total 259,700 rentable square feet on behalf of the Internal Revenue Service under three leases (the "IRS Collection Lease", the "IRS Compliance Lease" and the "IRS Daycare Facility Lease", collectively, the "IRS Leases"). The GSA is a centralized federal procurement and property management agency created by Congress to improve government efficiency and effectiveness. GSA acquires on the government's behalf, the office space, equipment, telecommunications, information technology, supplies and services they need to achieve their agency's mission of services to the public. HIRS's interests in the GSA Leases were assigned to Wells OP upon acquisition of the Buildings. The IRS Collection Lease commenced in August 2000 and expires in August 2005. The IRS Compliance Lease commenced in December 2001 and expires in December 2011. The IRS Daycare Facility Lease commenced in October 1999 and expires in September 2004. Under the IRS Leases, beginning in the second lease year and each year after, the tenant will pay, as adjusted rent, changes in costs from the first lease year for cleaning services, supplies, materials, maintenance, trash removal, landscaping, sewer charges and certain administrative expenses attributable to occupancy. The amount of the adjustment will be computed using the Cost of Living Index. Wells OP will be responsible for maintaining and repairing the Buildings' roof, structural elements and mechanical systems.

If the Company secures an additional lease with the IRS or another suitable tenant for the remaining 68,651 square feet of vacant space in the Buildings within 18 months, the Company would owe an additional amount of up to $14,500,000 as additional purchase price for the Buildings pursuant to the terms of an earnout agreement entered into between the Company and HIRS at closing.

Rental Revenues

Rental income is recognized on a straight-line basis over the term of the lease.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired.

Notes to Statements of Revenues Over Certain Operating Expenses (Continued)

Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation, interest, and management fees. Therefore, these statements are not comparable to the statement of operations of the Buildings after its acquisition by Wells OP.

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 6,761,367
2003	6,256,896
2004	4,843,722
2005	3,305,530
2006	1,663,200
Thereafter	8,316,000
	$31,146,715

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 2002 is unaudited, however in the the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Board of Directors and Stockholders
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the KeyBank Parsippany Building (the "Building") for the year ended December 31, 2001. This statement is the responsibility of the Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the KeyBank Parsippany Building for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/S/ ERNST & YOUNG LLP

New York, New York
January 31, 2002

KeyBank Parsippany

Statements of Revenues Over Certain Operating Expenses

(Amounts in thousands)

	Six Months Ended June 30, 2002	Year Ended December 31, 2001
	(Unaudited)	
Revenues:		
Base rent	**$ 5,089**	$ 9,421
Tenant reimbursements	**1,117**	1,833
Total revenues	**6,206**	11,254
Operating expenses	**1,522**	3,159
Revenues over certain operating expenses	**$ 4,684**	$ 8,095

See accompanying notes.

KeyBank Parsippany

Notes to Statements of Revenues Over Certain Operating Expenses
For the year ended December 31, 2001 and the six months ended
June 30, 2002 (Unaudited)

(Amounts in thousands)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On September 27, 2002, the Wells Operating Partnership acquired the KeyBank Parsippany Building (the "Building"), a 404,515 square foot office building in Parsippany, New Jersey, from Two Gatehall Acquisition, L.L.C. and Asset Preservation, Inc. (collectively the "Seller").

At December 31, 2001, the Building was 100% leased to two tenants, Exodus Communications, Inc. ("Exodus") and KeyBank USA National Association, under operating leases that were both executed in 2000. Both operating leases expire over the next 15 years.

Exodus filed bankruptcy in 2001. On January 17, 2002, the Exodus lease was assigned to Gemini Technology Services, Inc., an affiliate of Deutsche Bank, AG. Deutsche Bank, AG assumed all of the obligations of Exodus under the lease.

The lease agreements provide for certain reimbursements of real estate taxes, insurance and certain common area maintenance costs.

Revenue Recognition

Rental revenue is recognized on a straight-line basis over the initial term of the lease. The excess of rents so recognized over amounts contractually due pursuant to the underlying leases for the six months ended June 30, 2002 and the year ended December 31, 2001 was $326 (unaudited) and $3,279, respectively. Such amounts are included in rental and reimbursement revenues in the accompanying financial statements.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the Building such as depreciation and interest.

3. LEASE AGREEMENTS

The minimum rental receipts due on the noncancelable operating leases as of December 31, 2001 are as follows:

2002	$ 9,526
2003	9,526
2004	9,526
2005	9,526
2006	10,464
Thereafter	88,139
	$136,707

Reimbursement revenue was $1,117 (unaudited) and $1,833 for the six months ended June 30, 2002 and the year ended December 31, 2001, respectively.

4. RELATED PARTY TRANSACTIONS

Pursuant to a management agreement, an affiliate of the Seller has responsibilities of property management and leasing of the Building.

5. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc. included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended June 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of June 30, 2002 has been prepared to give effect to the third quarter 2002 acquisitions of the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the Kerr McGee Property, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings (the "Other Recent Acquisitions"), the Harcourt Austin Building, the AmeriCredit Phoenix Property, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building and the Daimler Chrysler Dallas Building (collectively, the "Recent Acquisitions") by Wells OP as if the acquisitions occurred on June 30, 2002.

The following unaudited pro forma statement of income for the six months ended June 30, 2002 has been prepared to give effect to the first and second quarter 2002 acquisitions of the Arthur Andersen Building, the Transocean Houston Building, Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the six months ended June 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings, the Kerr McGee Property, the AmeriCredit Phoenix Property and the EDS Des Moines Building had no operations during 2001.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells Real Estate Investment Trust, Inc.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2002

(Unaudited)

ASSETS

		Pro Forma Adjustments										
		Recent Acquisitions										
	Wells Real Estate Investment Trust, Inc.(i)	Other	Harcourt Austin	AmeriCredit Phoenix	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	EDS Des Moines	Intuit Dallas	Daimler Chrysler Dallas	Pro Forma Total
REAL ESTATE ASSETS, at cost:												
Land	$ 110,330,449	$ 20,288,044(a)	$ 5,860,000(a)	$ 2,671,324(a)	$ 4,200,000(a)	$ 8,700,000(a)	$ 1,275,000(a)	$ 2,100,000(a)	$ 850,000(a)	$ 3,030,000(a)	$ 2,585,000(a)	$ 163,989,961
		825,675(b)	238,488(b)	108,717(b)	174,724(b)	353,694(b)	51,753(b)	85,465(b)	34,593(b)	123,314(b)	103,721(b)	
Buildings, less accumulated depreciation of $37,717,737	689,490,969	195,198,843(a)	33,143,323(a)	0	46,287,120(a)	92,943,893(a)	9,679,933(a)	23,987,714(a)	25,727,376(a)	23,639,654(a)	22,587,753(a)	1,181,968,343
		7,944,138(b)	1,348,856(b)	0	1,925,583(b)	3,778,591(b)	392,914(b)	976,244(b)	1,047,044(b)	962,079(b)	906,316(b)	
Construction in progress	16,081,841	379,901(a)	0	0	0	0	0	0	0	0	0	16,461,742
Total real estate assets	815,903,259	224,636,601	40,590,667	2,780,041	52,587,427	105,776,178	11,399,600	27,149,423	27,659,013	27,755,047	26,182,790	1,362,420,046
CASH AND CASH EQUIVALENTS	341,909,775	(203,990,460)(a)	(39,003,323)(a)	(2,671,324)(a)	(51,454,530)(a)	(101,643,893)(a)	(10,954,933)(a)	(26,087,714)(a)	(26,577,376)(a)	(26,669,654)(a)	25,128,513)(a)	185,098,497
		365,329,012(c)		4,827,945(h)								
		(12,786,515)(e)										
INVESTMENT IN JOINT VENTURES	76,217,870	0	0	0	0	0	0	0	0	0	0	76,217,870
INVESTMENT IN BONDS	22,000,000	32,500,000(e)	0	0	0	0	0	0	0	0	0	54,500,000
ACCOUNTS RECEIVABLE	10,709,104	0	0	0	0	0	0	0	0	0	0	10,709,104
DEFERRED LEASE ACQUISITION COSTS, NET	1,790,608	0	0	0	0	0	0	0	0	0	0	1,790,608
DEFERRED PROJECT COSTS	14,314,914	(8,769,813)(b)	(1,587,344)(b)	(108,717)(b)	(2,100,307)(b)	(4,132,285)(b)	(444,667)(b)	(1,061,709)(b)	(1,081,637)(b)	(1,085,393)(b)	(1,010,037)(b)	5,719,520
		12,786,515(e)										
DEFERRED OFFERING COSTS	1,392,934	0	0	0	0	0	0	0	0	0	0	1,392,934
DUE FROM AFFILIATES	1,897,309	0	0	0	0	0	0	0	0	0	0	1,897,309
NOTE RECEIVABLE	5,149,792	0	0	0	0	0	0	0	0	0	0	5,149,792
PREPAID EXPENSES AND OTHER ASSETS, NET	1,881,308	0	0	0	967,410(g)	0	0	0	0	0	0	2,848,718
Total assets	$1,293,166,873	$ 409,705,340	$ 0	$ 4,827,945	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 44,240	$1,707,744,398

LIABILITIES AND SHAREHOLDERS' EQUITY

		Pro Forma Adjustments										
		Recent Acquisitions										
	Wells Real Estate Investment Trust, Inc. (i)	Other	Harcourt Austin	AmeriCredit Phoenix	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	EDS Des Moines	Intuit Dallas	Daimler Chrysler Dallas	Pro Forma Total
LIABILITIES:												
Accounts payable and accrued expenses	$ 11,840,214	$ 173,567(a)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 44,240(a)	$ 12,058,021
Notes payable	15,658,141	11,702,761(a)	0	0	0	0	0	0	0	0	0	27,360,902
Obligations under capital lease	22,000,000	32,500,000(f)	0	0	0	0	0	0	0	0	0	54,500,000
Dividends payable	4,538,635	0	0	0	0	0	0	0	0	0	0	4,538,635
Due to affiliates	2,106,790	0	0	0	0	0	0	0	0	0	0	2,106,790
Deferred rental income	1,013,544	0	0	4,827,945(h)	0	0	0	0	0	0	0	5,841,489
Total liabilities	57,157,324	44,376,328	0	4,827,945	0	0	0	0	0	0	44,240	106,405,837
COMMITMENTS AND CONTINGENCIES												
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	0	0	0	0	0	0	200,000
SHAREHOLDERS' EQUITY:												
Common shares, $.01 par value; 125,000,000 shares authorized, 145,589,053 shares issued and 144,366,772 outstanding at June 30, 2002	1,455,890	365,329(c)	0	0	0	0	0	0	0	0	0	1,821,219
Additional paid-in capital	1,290,858,515	364,963,683(c)	0	0	0	0	0	0	0	0	0	1,655,822,198
Cumulative distributions in excess of earnings	(43,991,669)	0	0	0	0	0	0	0	0	0	0	(43,991,669)
Treasury stock, at cost, 1,222,381 shares	(12,223,808)	0	0	0	0	0	0	0	0	0	0	(12,223,808)
Other comprehensive loss	(289,379)	0	0	0	0	0	0	0	0	0	0	(289,379)
Total shareholders' equity	1,235,809,549	365,329,012	0	0	0	0	0	0	0	0	0	1,601,138,561
Total liabilities and shareholders' equity	$1,293,166,873	$409,705,340	$ 0	$ 4,827,945	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 44,240	$1,707,744,398

(a) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(b) Reflects deferred project costs applied to the land and building at approximately 4.07% of the cash paid for purchase.

(c) Reflects capital raised through issuance of additional shares subsequent to June 30, 2002 through Daimler Chrysler acquisition date.

(d) Reflects deferred project costs capitalized as a result of additional capital raised described in note (c) above.

(e) Reflects investment in bonds for which 100% of the principal balance becomes payable on December 1, 2015.

(f) Reflects mortgage note secured by the Deed of Trust to the ISS Atlanta Buildings for which 100% of the principal balance becomes payable on December 1, 2015.

(g) Reflects portion of purchase price placed in escrow to ensure completion of seller repairs.

(h) Reflects prepaid rent received for the three years of the AmeriCredit lease agreement.

(i) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2001

(Unaudited)

		Pro Forma Adjustments										
				Recent Acquisitions								
	Wells Real Estate Investment Trust, Inc. (f)	2001 Acquisitions	2002 Acquisitions	Other	Harcourt Austin	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	Intuit Dallas	Daimler Chrysler Dallas	Pro Forma Totals
REVENUES:												
Rental income	$ 44,204,279	$ 11,349,076(a)	$ 14,846,431(a)	$20,937,018(a)	$1,770,085(a)	$4,605,406(a)	$ 9,650,085(a)	$ 18,708(a)	$ 1,210,670(a)	$1,292,500(a)	$ 284,617(a)	$110,168,875
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	0	0	0	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	0	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	0	0	0	0	0	137,500
	49,308,802	12,460,926	14,846,431	20,937,018	1,770,085	4,605,406	9,650,085	18,708	1,210,670	1,292,500	284,617	116,385,248
EXPENSES:												
Depreciation	15,344,801	5,772,761(c)	5,356,374(c)	7,783,213(c)	689,844(c)	1,928,508(c)	3,868,899(c)	100,728(c)	499,279(c)	492,035(c)	78,314(c)	41,914,756
Interest	3,411,210	0	0	0	0	0	0	0	0	0	0	3,411,210
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	1,505,269(d)	5,452(d)	0	814,339(d)	1,326,000(d)	2,962(d)	0	0	14,321(d)	10,651,501
Management and leasing fees	2,507,188	510,708(e)	668,090(e)	942,165(e)	79,654(e)	0	434,254(e)	842(e)	54,480(e)	58,163(e)	12,808(e)	5,268,352
General and administrative	973,785	0	0	0	0	0	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	0	0	0	0	0	448,776
	27,584,835	9,137,744	7,529,733	8,730,830	769,498	2,742,847	5,629,153	104,532	553,759	550,198	105,443	63,438,572
NET INCOME	$ 21,723,967	$ 3,323,182	$ 7,316,698	$12,206,188	$1,000,587	$1,862,559	$ 4,020,932	$ (85,824)	$ 656,911	$ 742,302	$ 179,174	$ 52,946,676
EARNINGS PER SHARE, basic and diluted	$ 0.43											$ 0.29
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853											180,899,673

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.’s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building and the ADIC Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of operating expenses, net of reimbursements.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2002

(Unaudited)

		Pro Forma Adjustments										
			Recent Acquisitions									
	Wells Real Estate Investment Trust, Inc. (e)	2002 Acquisitions	Other	Harcourt Austin	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	EDS Des Moines	Intuit Dallas	Daimler Chrysler Dallas	Pro Forma Total
REVENUES:												
Rental income	$ 38,571,815	$ 7,307,774(a)	$11,110,788(a)	$1,770,085(a)	$ 3,076,351(a)	$ 5,172,857(a)	$ 463,071(a)	$ 1,210,670(a)	$ 456,549(a)	$1,292,500(a)	$ 1,707,699(a)	$ 72,140,159
Equity in income of joint ventures	2,478,686	0	0	0	0	0	0	0	0	0	0	2,478,686
Interest income	2,648,351	0	0	0	0	0	0	0	0	0	0	2,648,351
Take out fee	134,102	0	0	0	0	0	0	0	0	0	0	134,102
	43,832,954	7,307,774	11,110,788	1,770,085	3,076,351	5,172,857	463,071	1,210,670	456,549	1,292,500	1,707,699	77,401,298
EXPENSES:												
Depreciation	12,903,282	2,588,546(b)	4,062,859(b)	689,844(b)	964,254(b)	1,934,450(b)	201,457(b)	499,279(b)	178,496(b)	492,035(b)	469,881(b)	24,984,383
Interest	880,002	0	0	0	0	0	0	0	0	0	0	880,002
Operating costs, net of reimbursements	2,063,997	300,018(c)	79,067(c)	0	687,948(c)	405,000(c)	34,940(c)	0	0	0	317,939(c)	3,888,909
Management and leasing fees	1,903,082	328,850(d)	499,985(d)	79,654(d)	0	232,779(d)	20,838(d)	54,480(d)	20,545(d)	58,163(d)	76,846(d)	3,275,222
General and administrative	1,121,457	0	0	0	0	0	0	0	0	0	0	1,121,457
Amortization of deferred financing costs	424,992	0	0	0	0	0	0	0	0	0	0	424,992
	19,296,812	3,217,414	4,641,911	769,498	1,652,202	2,572,229	257,235	553,759	199,041	550,198	864,666	34,574,965
NET INCOME	$ 24,536,142	$ 4,090,360	$ 6,468,877	$1,000,587	$ 1,424,149	$ 2,600,628	$ 205,836	$ 656,911	$ 257,508	$ 742,302	$ 843,033	$ 42,826,333
EARNINGS PER SHARE, basic and diluted	$ 0.22											$ 0.24
WEIGHTED AVERAGE SHARES, basic and diluted	110,885,641											180,899,673

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of operating expenses, net of reimbursements.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 4 DATED DECEMBER 10, 2002 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, and Supplement No. 3 dated October 25, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The declaration of dividends for the first quarter of 2003;

(3) Revisions to the "Management – Executive Officers and Directors" section of the prospectus to describe the appointment of Randall D. Fretz as a Vice President of the Wells REIT;

(4) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

(A) Acquisition of two nine-story office buildings in Washington, DC (NASA Buildings);

(B) Acquisition of three three-story office buildings in Glen Allen, Virginia (Capital One Richmond Buildings); and

(C) Acquisition of an 11-story office building in Nashville, Tennessee (Caterpillar Nashville Building);

(5) Status of Real Estate Loans;

(6) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(7) Status of the leasing of the Vertex Sarasota Building (formerly known as the Arthur Andersen Building);

(8) Unaudited financial statements of the Wells REIT for the period ended September 30, 2002;

(9) Audited financial statements relating to the recently acquired NASA Buildings and the Caterpillar Nashville Building; and

(10) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the NASA Buildings, the Caterpillar Nashville Building and the Capital One Richmond Buildings.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of November 30, 2002, we had received additional gross proceeds of approximately $448,615,344 from the sale of approximately 44,861,534 shares in our fourth public offering. Accordingly, as of November 30, 2002, we had received aggregate gross offering proceeds of approximately $2,039,003,318 from the sale of approximately 203,900,332 shares in all of our public offerings. After payment of $70,676,832 in acquisition and advisory fees and acquisition expenses, payment of $226,160,588 in selling commissions and organization and offering expenses, and common stock redemptions of $19,665,247 pursuant to our share redemption program, as of November 30, 2002, we had raised aggregate net offering proceeds available for investment in properties of $1,722,500,651, out of which $1,668,713,333 had been invested in real estate properties, and $53,787,318 remained available for investment in real estate properties.

Dividends

On December 4, 2002, our board of directors declared dividends for the first quarter of 2003 in the amount of a 7.0% annualized percentage rate return on an investment of $10.00 per share to be paid in March 2003. Our first quarter dividends are calculated on a daily record basis of $0.00 1944 (0. 1944 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on December 16, 2002, and continuing on each day thereafter through and including March 15, 2003.

Management

The following information should be read in conjunction with the “Management – Executive Officers and Directors” section beginning on page 31 of the prospectus to include background information on Randall D. Fretz. On December 4, 2002, our board of directors appointed Randall D. Fretz as a Vice President of the Wells REIT.

Randall D. Fretz is also a Vice President of Wells Capital, Inc. (Wells Capital), our advisor, and the Chief of Staff and a Senior Vice President of Wells Real Estate Funds, Inc. Mr. Fretz is primarily responsible for corporate strategy and planning and advising and coordinating the executive officers of Wells Capital on corporate matters and special projects. Prior to joining Wells Capital in 2002, Mr. Fretz served as President of US & Canada operations for Larson-Juhl, a world leader in custom art and picture-framing home decor. Mr. Fretz was previously the Division Director at Bausch & Lomb and also held various senior positions at Tandem International and Lever Brothers. Mr. Fretz holds a bachelor degree in each of Sociology and Physical Education from McMaster University in Hamilton, Ontario. He also earned an MBA from the Ivy School of Business in London, Ontario.

Description of Properties

As of December 10, 2002, we had purchased interests in 70 real estate properties located in 23 states. Below are the descriptions of our recent real property acquisitions.

NASA Buildings

On November 22, 2002, Wells REIT-Independence Square, LLC (REIT-Independence), a single member Georgia limited liability company wholly-owned by the Wells REIT, purchased two nine-story office buildings containing an aggregate of approximately 948,800 rentable square feet located in Washington, D.C. (NASA Buildings) for a purchase price of $345,000,000, plus closing costs from Southwest Market Limited Partnership (Southwest). In order to finance the acquisition of the NASA Buildings, the Wells REIT obtained $85,000,000 in loan proceeds by having Wells OP draw down on its existing line of credit with Bank of America (BOA). Southwest is not in any way affiliated with the Wells REIT, REIT-Independence, or our advisor, Wells Capital.

The NASA Buildings, consisting of a nine-story office building containing approximately 347,796 rentable square feet (One Independence Square) and a nine-story office building containing approximately 601,017 rentable square feet (Two Independence Square), were built in 1991 and 1992 and are located on a 3.58-acre tract of land at One & Two Independence Square on E. Street in Washington, D.C.

The primary tenant in One Independence Square is the Office of the Comptroller of the Currency, an agency of the United States Government (OCC). Approximately 341,520 of the rentable square feet in the NASA Buildings (36.0%) is currently leased to the OCC. The OCC charters and regulates all national banks. It also supervises the federal branches and agencies of foreign banks. The OCC's nationwide staff of examiners conducts on-site reviews of national banks and provides sustained supervision of bank operations. The OCC issues rules, legal interpretations, and corporate decisions concerning banking, bank investments, bank community development activities, and other aspects of bank operations.

The OCC lease, which encompasses 341,520 rentable square feet (98.2%) in One Independence Square, commenced in May 1991 and expires in May 2006. Under the OCC Lease, operating and maintenance costs are the responsibility of the landlord, but the tenant is required to pay, as additional rent, its share of increases in real estate taxes and changes in costs from the first lease year for various operating expenses including cleaning services, electricity, heating, water, air conditioning and landscaping. The current annual base rent payable under the OCC lease is $12,159,948, which includes approximately $1,000,000 per year for the parking facility. The OCC, at its option, has the right to extend the initial term of its lease for two additional five-year periods. The annual rental rate for the first five-year period is 95% of the then-current market rental rate. The annual rental rate for the second five-year period is 90% of the then-current market rental rate.

The primary tenant in Two Independence Square is the National Aeronautics and Space Administration (NASA). Approximately 590,689 of the rentable square feet in the NASA Buildings (62.3%) is currently leased to the United States of America (U.S.A.) through the U.S. General Services Administration (GSA) for occupancy by NASA. The GSA is a centralized federal procurement and property management agency which acquires office space, equipment, telecommunications, information technology, supplies and services for federal agencies such as NASA. NASA, which was created in 1958, is the federal agency which runs the United States government's space program, including the space shuttle program and the launching of unmanned satellites and probes to explore the solar system.

The NASA lease, which encompasses 590,689 rentable square feet (98.3%) in Two Independence Square, commenced in July 1992 and expires in July 2012. Under the terms of the NASA lease, operating and maintenance costs are the responsibility of the landlord but, in order to compensate the landlord for the tenant's share of increases in the operating and maintenance costs of the building, the tenant is required to pay annual rental increases computed by increasing the base year's operating costs of Two Independence Square by the percentage change in the Cost of Living Index each year.

The current annual base rent payable under the NASA lease is $21,534,124. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of $31,255,936.

Approximately 14,920 of the remaining aggregate rentable square feet in the NASA Buildings (1.6%) is currently leased to four additional tenants, which account for current annual base rents payable of $121,686, and 1,684 rentable square feet of the NASA Buildings (0.1%) is currently vacant. REIT-Independence will be responsible for maintaining and repairing the NASA Buildings' roof, foundations, common areas, electrical systems and mechanical systems.

Both the OCC lease and the NASA lease include provisions that require the landlord and the property manager to comply with various employment related practices and various other laws typically required in leases with government entities. Although we believe that the Wells REIT and REIT-Independence should be deemed exempt from these requirements, if a determination were made that these or other affiliated entities violated these lease provisions, the tenants have the right under the OCC lease and the NASA lease to terminate the lease or to require compliance by the appropriate entities.

Boston Properties, Inc., an affiliate of the seller, is serving as the property manager of the NASA Buildings. Boston Properties, Inc. is not in any way affiliated with the Wells REIT, REIT-Independence or our advisor.

Capital One Richmond Buildings

On November 26, 2002, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased two three-story office buildings from Highwoods Realty Limited Partnership (Highwoods Realty) and one three-story office building from Highwoods/Florida Holdings, L.P. (Highwoods Florida) located on a 15.25 acre tract of land in Glen Allen, Virginia (Capital One Richmond Buildings) for an aggregate purchase price of $28,509,000, plus closing costs. In order to finance the acquisition of the Capital One Richmond Buildings, Wells OP obtained approximately $28,670,000 in loan proceeds by drawing down on an existing line of credit with SouthTrust Bank (SouthTrust). Neither Highwoods Realty nor Highwoods Florida is in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Capital One Richmond Buildings contain an aggregate of 225,220 rentable square feet and were completed in 1999. The Capital One Richmond Buildings are located at 100, 120 & 140 Eastshore Drive in Glen Allen, Henrico County, Virginia. Each of the Capital One Richmond Buildings is leased entirely to Capital One Services, Inc. (Capital One), under separate net lease agreements (i.e., operating costs and maintenance costs are paid by the tenant).

Capital One, a wholly-owned subsidiary of Capital One Financial Corporation (Capital One Financial), provides various operating, administrative and other services to Capital One Financial. Capital One Financial's primary focus is on credit card lending, but it also engages in unsecured installment lending and automobile financing.

The Capital One Richmond I Building contains 68,500 rentable square feet. The Capital One Richmond I lease commenced in March 2000 and expires in March 2010. The current annual base rent payable for the Capital One Richmond I lease is $786,573. The annual base rent increases each lease year by two percent. Capital One, at its option, has the right to extend the initial term of its lease for three additional five-year periods. The annual rent for each year of each extended term will continue to increase by two percent as described for the initial term.

The Capital One Richmond II Building contains 77,045 rentable square feet. The Capital One Richmond II lease commenced in June 1999 and expires in May 2004. The current annual base rent payable for the Capital One Richmond II lease is $940,249. The annual base rent increases each lease year by two percent. Capital One, at its option, has the right to extend the initial term of its lease for two additional five-year periods. The annual rent for each year of each extended term will continue to increase by two percent as described for the initial term.

The Capital One Richmond III Building contains 79,675 rentable square feet. The Capital One Richmond III lease commenced in February 2000 and expires in February 2010. The current annual base rent payable for the Capital One Richmond III lease is $912,822. The annual base rent increases each lease year by two percent. Capital One, at its option, has the right to extend the initial term of its lease for three additional five-year periods. The annual rent for each year of each extended term will continue to increase by two percent as described for the initial term.

Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, exterior walls, and mechanical and electrical systems of the Capital One Richmond Buildings. In addition, Capital One has a right of first refusal to purchase one or all of the Capital One Richmond Buildings upon Wells OP receiving an offer from any third party.

Highwoods Properties, Inc. (Highwoods), an affiliate of Highwoods Realty, Highwoods Florida and the seller of the Caterpillar Nashville Building (described below), has provided a guarantee of each of the leases for the Capital One Richmond Buildings. Highwoods has guaranteed the leases for the Capital One Richmond I Building and the Capital One Richmond III Building for the first five years of ownership by Wells OP. Highwoods has also guaranteed the lease for the Capital One Richmond II Building for the remainder of the current lease term and for any shortfall in rental income from May 2004 until November 2007 following the expiration of the current lease for the Capital One Richmond II Building. In addition, if the Capital One Richmond II lease expires or is terminated at any time prior to November 2007 and Highwoods provides Wells OP with a suitable replacement tenant which Wells OP declines, Highwoods has the right to repurchase the Capital One Richmond II Building at a purchase price of $10,126,590. This repurchase right expires if Highwoods fails to exercise such right within 30 days of Wells OP declining a suitable tenant. Further, in the event that Highwoods exercises its right to repurchase, Wells OP, at its option, may rescind the Highwoods right to repurchase within ten days of such exercise, provided that the act of rescinding the repurchase right will release Highwoods from its rental income guaranty with respect to the Capital One Richmond II Building. Highwoods, a public company traded on the New York Stock Exchange, is a self-administered real estate investment trust that provides leasing, management, development, construction and other tenant-related services for its properties and for third parties. Highwoods reported a net worth, as of September 30, 2002, of approximately $1.57 billion. Highwoods is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the Capital One Richmond Buildings, subject to certain limitations. Wells OP has entered into five-year management agreements with Highwoods Realty, an affiliate of the sellers, to serve as the on-site property manager for each of the Capital One Richmond Buildings, which property management fees will be paid out of or credited against the 4.5% fee payable to Wells Management.

Caterpillar Nashville Building

On November 26, 2002, Wells OP purchased all of the membership interests in 2120 West End Avenue, LLC, a Delaware limited liability company, which owned an 11-story office building located in Nashville, Tennessee (Caterpillar Nashville Building) for a purchase price of $61,525,000, plus closing costs, from Highwoods/Tennessee Holdings, L.P. (Highwoods Tennessee). In order to finance the acquisition of the Caterpillar Nashville Building, Wells OP obtained $25,000,000 in loan proceeds by drawing down on an existing line of credit with BOA and approximately $33,560,000 in loan proceeds by drawing down on an existing line of credit with SouthTrust. Subsequent to this acquisition, Wells OP dissolved 2120 West End Avenue, LLC and became the direct owner of the Caterpillar Nashville Building. Highwoods Tennessee is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Caterpillar Nashville Building, which is leased to Caterpillar Financial Services Corporation (Caterpillar), Thoughtworks, LLC (Thoughtworks) and Highwoods, contains 312,297 rentable square feet and was completed in 2000. The Caterpillar Nashville Building is located at 2120 West End Avenue in Nashville, Davidson County, Tennessee.

Caterpillar, as the primary tenant, occupies 300,901 rentable square feet (96.4%) of the Caterpillar Nashville Building. Caterpillar is a wholly owned subsidiary of Caterpillar, Inc. Caterpillar offers financing alternatives for various products manufactured by Caterpillar, Inc. and provides loans to customers and dealers of Caterpillar, Inc. products around the world. Caterpillar, Inc. is the one of the world's largest manufacturers of construction and mining equipment, natural gas and diesel engines, and industrial gas turbines. Caterpillar, which offers a wide variety of financial alternatives for purchasers of Caterpillar, Inc.'s equipment, has locations in over 26 countries worldwide.

The Caterpillar lease commenced in March 2000 and expires in February 2015. The current annual base rent payable under the Caterpillar lease is $7,384,110. Caterpillar may terminate the Caterpillar lease after the 10th lease year (2010) by paying a termination fee to Wells OP of $7,644,682.

Caterpillar has a right of first refusal to lease the space currently occupied by Thoughtworks and Highwoods if either terminates its lease. In addition, Caterpillar has expansion rights which it may exercise prior to the fourth and eighth lease years. Caterpillar, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. Under the Caterpillar lease, operating and maintenance costs are the responsibility of the landlord, but Caterpillar is responsible for increases in operating costs, provided that its obligation to pay increases in expenses other than insurance, taxes and utilities is capped at 4.5% annually. Further, under its lease Caterpillar is required to reimburse the landlord management fees up to 4% of annual gross rental receipts. Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, exterior walls, interior structural walls, parking facilities and mechanical and electrical systems of the Caterpillar Nashville Building.

Thoughtworks is a privately held company that provides custom application development and advanced system integration services in the e-commerce industry. The Thoughtworks lease covers 6,400 rentable square feet (2.0%) and commenced in May 2000 and expires in May 2005. The current annual base rent payable under the Thoughtworks lease is $162,944.

The Highwoods lease covers 4,996 rentable square feet (1.6%) and commenced in October 2000 and expires in September 2005. The current annual base rent payable under the Highwoods lease is $129,946.

Wells Management, an affiliate of Wells REIT and our advisor, will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the Caterpillar Nashville Building, subject to certain limitations. Wells OP has entered into a 10-year management agreement with Highwoods Realty, an affiliate of the sellers of the Capital One Richmond Buildings and the Caterpillar Nashville Building, to serve as the property manager of the Caterpillar Nashville Building which property management fees will be paid out of or credited against the 4.5% fee payable to Wells Management.

Real Estate Loans

In November, 2002, Wells OP increased its existing line of credit with BOA to $110 million. In addition, Wells OP is currently in the process of increasing its existing line of credit with SouthTrust to approximately $98 million. As described above, Wells OP drew down on existing lines of credit with BOA and SouthTrust an aggregate approximately $172,230,000 to finance the acquisitions of the NASA Buildings, the Capital One Richmond Buildings and the Caterpillar Nashville Building. As of November 30, 2002, the outstanding principal balance due under the BOA line of credit was approximately $110,000,000, the outstanding principal balance due under the SouthTrust line of credit was approximately $72,000,000, and the Wells REIT had a debt leverage ratio of approximately 11.5% to the value of its properties.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002 and Supplement No. 3 dated October 25, 2002.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to shareholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

We have made an election under Section 856 (c) of the Internal Revenue Code (Internal Revenue Code) to be taxed as a REIT under the Internal Revenue Code beginning with its taxable year ended December 31, 1999. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially adversely affect our net income. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during this fiscal year. In addition, management intends to continue to operate the Wells REIT so as to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the nine months ended September 30, 2002, we received aggregate gross offering proceeds of $988.5 million from the sale of 98.8 million shares of our common stock. After payment of $34.8 million in acquisition and advisory fees and acquisition expenses, payment of $104.3 million in selling commissions and organization and offering expenses, and common stock redemptions of $11.6 million pursuant to our share redemption program, we raised net offering proceeds of $837.8 million during the first three quarters of 2002, of which $144.5 million remained available for investment in properties at quarter end. In October, we reached our limit on stock redemptions for the year and, accordingly, there will be no further stock redemptions under our stock redemption program for the remainder of 2002.

During the nine months ended September 30, 2001, we received aggregate gross offering proceeds of $297.8 million from the sale of 29.8 million shares of its common stock. After payment of $10.3 million in acquisition and advisory fees and acquisition expenses, payment of $35.6 million in selling commissions and organizational and offering expenses, and common stock redemptions of $2.1 million pursuant to our share redemption program, we raised net offering proceeds of $249.8 million during the first three quarters of 2001, of which $8.7 million remained available for investment in properties at quarter end.

The significant increase in capital resources we have available is due to significantly increased sales of our common stock during the first three quarters of 2002.

As of September 30, 2002, we owned interests in 67 real estate properties either directly or through interests in joint ventures. Dividends declared for the third quarter of 2002 and 2001 were approximately $0.1938 and $0.1875 per share, respectively. In August 2002, our board of directors declared dividends for the fourth quarter of 2002 in the amount of approximately $0.175 per share.

Due primarily to the pace of our property acquisitions, as explained in more detail in the following paragraphs, dividends paid in the first three quarters of 2002 in the aggregate amount of approximately $71.4 million exceeded our Adjusted Funds From Operations for this period by approximately $11 million.

We continue to acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our shareholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit – plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria – we were required to lower our dividend yield to investors.

As a result of the factors described in the preceding paragraph, on August 29, 2002, our board of directors declared dividends for the fourth quarter of 2002 in an amount equal to a 7.0% annualized percentage rate return on an investment of $10 per share to be paid in December 2002. Our fourth quarter dividends are calculated on a daily record basis of $0.001923 (0.1923 cents) per day per share on the outstanding shares of common stock payable to shareholders of record of such shares as shown on our books at the close of business on each day during the period, commencing on September 16, 2002, and continuing on each day thereafter through and including December 15, 2002.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $68.2 million and $26.5 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $826.9 million and $155.7 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $827.1 million and $136.1 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the lack of debt payments, which were $208.1 million in the prior year. We raised $988.5 million in offering proceeds for the nine months ended September 30, 2002, as compared to $297.8 million for the same period in 2001. Additionally, we paid dividends totaling $23.5 million in the first three quarters of 2001 compared to $71.4 million in the same period of 2002.

Results of Operations

Gross revenues were $74.5 million and $34.1 million for the nine months ended September 30, 2002 and 2001, respectively. Gross revenues for the nine months ended September 30, 2002 and 2001 were attributable to rental income, interest income earned on funds we held prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of $805.5 million in additional properties during 2002 and the purchase of $114.1 million in additional properties during the fourth quarter of 2001 which were not owned for the first three quarters of 2001. The purchase of additional properties also resulted in an increase in expenses, which totaled $34.7 million for the nine months ended September 30, 2002, as compared to $19.6 million for the nine months ended September 30, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, operating costs, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also increased from $14.4 million for the nine months ended September 30, 2001 to $39.8 million for the nine months ended September 30, 2002.

Earnings per share for the nine months ended September 30, 2002 decreased from $0.33 per share for the nine months ended September 30, 2001 to $0.31 per share for the nine months ended September 30, 2002. Earnings per share for the third quarter decreased from $0.11 per share for the three months ended September 30, 2001 to $0.09 per share for the three months ended September 30, 2002. These decreases were primarily due to the substantial increase in the number of shares outstanding as a result of capital raised in 2002 which was not completely matched by a corresponding increase in net income because such capital proceeds were not fully invested in properties.

Funds From Operations

Funds From Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT’s definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations (AFFO) is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions. The following table reflects the calculation of FFO and AFFO for the three and nine months ended September 30, 2002 and 2001, respectively:

	Three Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
FUNDS FROM OPERATIONS:				
Net income	$ 15,285	$ 6,109	$ 39,821	$ 14,423
Add:				
Depreciation	10,282	3,947	23,185	10,341
Amortization of deferred leasing costs	78	76	229	228
Depreciation and amortization—unconsolidated partnerships	708	647	2,115	1,561
Funds from operations (FFO)	26,353	10,779	65,350	26,553
Adjustments:				
Loan cost amortization	162	237	587	529
Straight line rent	(2,146)	(708)	(5,312)	(1,930)
Straight line rent—unconsolidated Partnerships	(27)	(100)	(229)	(233)
Lease acquisitions fees paid—unconsolidated partnerships	—	—	—	(8)
Adjusted funds from operations	$ 24,342	$ 10,208	$ 60,396	$ 24,911
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases that are intended to protect us from the impact of inflation. These provisions include reimbursement billings for common area maintenance charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance.

Critical Accounting Policies

We reported results of operations are impacted by management judgments related to application of accounting policies. A discussion of the accounting policies that management considers to be critical, in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain, is included in Footnote 1 to the financial statements.

Subsequent Events

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida formerly known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of $979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking.

Status of the leasing of the Vertex Sarasota Building *(formerly the Arthur Andersen Building)*

As set forth in the "Subsequent Events" subsection of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this supplement, effective October 31, 2002, Andersen and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida, formerly known as the Arthur Andersen Building (Vertex Sarasota Building). On November 1, 2002, Wells OP entered into a net lease agreement with Vertex Tax Technology Enterprises, LLC (Vertex) for a portion of the Vertex Sarasota Building.

Approximately 47,388 rentable square feet of the Vertex Sarasota Building is currently under a net lease agreement with Vertex. The current term of the lease is seven years, which commenced on November 1, 2002 and expires on October 31, 2009. The current annual base rent payable under the Vertex lease is $621,257. Pursuant to the Vertex lease, Vertex has a right of first refusal to lease an additional 5,695 square feet of rentable space in the third floor of the building. Wells OP, as the landlord, will be responsible for maintaining the building's exterior walls, HVAC system, plumbing, elevators, fire protection, other mechanical systems, public areas, including parking lot, building structure, foundation and roof.

Vertex, a wholly owned subsidiary of Vertex, Inc., is a successor company of Andersen's corporate income tax technology solutions division. The Vertex lease is guaranteed by Vertex, Inc, which is a privately held company providing corporate customers with tax compliance software and research services for sales and use tax, property tax, payroll tax, telecommunications tax, and income tax.

Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the NASA Buildings and the Caterpillar Nashville Building for the year ended December 31, 2001, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The financial statements of the Wells REIT, as of September 30, 2002, and for the three and nine month periods ended September 30, 2002 and September 30, 2001, which are included in this supplement, have not been audited.

The statements of revenues over certain operating expenses of the NASA Buildings and the Caterpillar Nashville Building for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of September 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

INDEX TO FINANCIAL STATEMENTS

Wells Real Estate Investment Trust, Inc. and Subsidiary Page

Unaudited Financial Statements

Consolidated Balance Sheets as of September 30, 2002 (unaudited) and December 31, 2001 13

Consolidated Statements of Income for the three months ended September 30, 2002 and September 30, 2001(unaudited), and for the nine months ended September 30, 2002 and September 30, 2001 (unaudited) 14

Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the nine months ended September 30, 2002 (unaudited) 15

Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and September 30, 2001 (unaudited) 16

Condensed Notes to Consolidated Financial Statements September 30, 2002 (unaudited) 17

NASA Buildings

Report of Independent Auditors 34

Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2001 (audited) and for the nine months ended September 30, 2002 (unaudited) 35

Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2001 (audited) and for the nine months ended September 30, 2002 (unaudited) 36

Caterpillar Nashville Building

Report of Independent Auditors 38

Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2001 (audited) and for the nine months ended September 30, 2002 (unaudited) 39

Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2001 (audited) and for the nine months ended September 30, 2002 (unaudited) 40

Wells Real Estate Investment Trust, Inc. and Subsidiary

Unaudited Pro Forma Financial Statements

Summary of Unaudited Pro Forma Financial Statements 42

Pro Forma Balance Sheet as of September 30, 2002 (unaudited) 43

Pro Forma Statement of Income for the year ended December 31, 2001 (unaudited) 45

Pro Forma Statement of Income for the nine months ended September 30, 2002 (unaudited) 46

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	September 30, 2002	December 31, 2001
	(unaudited)	
ASSETS		
REAL ESTATE, at cost:		
Land	$ 164,191	$ 86,247
Building and improvements, less accumulated depreciation of $48,000 in 2002 and $24,814 in 2001	1,171,793	472,383
Construction in progress	28,500	5,739
Total real estate	1,364,484	564,369
INVESTMENT IN JOINT VENTURES	75,388	77,410
CASH AND CASH EQUIVALENTS	143,912	75,586
INVESTMENT IN BONDS	54,500	22,000
STRAIGHT-LINE RENT RECEIVABLE	10,632	5,362
ACCOUNTS RECEIVABLE	1,387	641
NOTE RECEIVABLE	4,966	0
DEFERRED LEASE ACQUISITION COSTS, net	1,713	1,525
DEFERRED PROJECT COSTS	5,963	2,977
DUE FROM AFFILIATES	2,185	1,693
DEFERRED OFFERING COSTS	3,537	0
PREPAID EXPENSES AND OTHER ASSETS, net	2,597	718
Total assets	$1,671,264	$ 752,281
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	$ 35,829	$ 8,124
Obligations under capital leases	54,500	22,000
Accounts payable and accrued expenses	17,539	8,727
Dividends payable	10,209	1,059
Deferred rental income	7,894	662
Due to affiliates	4,380	2,166
Total liabilities	130,351	42,738
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	200
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 750,000 shares authorized, 182,609 shares issued and 180,892 outstanding at September 30, 2002, and 350,000 shares authorized, 83,761 shares issued and 83,206 shares outstanding at December 31, 2001	1,826	838
Additional paid-in capital	1,621,376	738,236
Cumulative distributions in excess of earnings	(64,907)	(24,181)
Treasury stock, at cost, 1,717 shares at September 30, 2002 and 555 shares at December 31, 2001	(17,167)	(5,550)
Other comprehensive loss	(415)	0
Total shareholders' equity	1,540,713	709,343
Total liabilities and shareholders' equity	$1,671,264	$ 752,281

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

(unaudited and in thousands except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2002	September 30, 2001	September 30 2002	September 30 2001
REVENUES:				
Rental income	$ 27,549	$ 11,317	$ 66,121	$ 31,028
Equity in income of joint ventures	1,259	1,102	3,738	2,622
Interest income	1,899	89	4,547	281
Take out fee	1	0	135	138
	30,708	12,508	74,541	34,069
EXPENSES:				
Depreciation	10,282	3,947	23,185	10,341
Operating costs, net of reimbursements	2,191	1,294	4,255	3,168
Management and leasing fees	1,445	632	3,348	1,750
Administrative costs	745	141	1,867	901
Interest expense	598	148	1,478	2,957
Amortization of deferred financing costs	162	237	587	529
	15,423	6,399	34,720	19,646
NET INCOME	$ 15,285	$ 6,109	$ 39,821	$ 14,423
BASIC AND DILUTED EARNINGS PER SHARE	$ 0.09	$ 0.11	$ 0.31	$ 0.33
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 (UNAUDITED)

(in thousands except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders' Equity
BALANCE, December 31, 2000	31,510	$ 315	$ 275,573	$ (9,134)	$ 0	(141)	$ (1,413)	$ 0	$ 265,341
Issuance of common stock	52,251	523	521,994	0	0	0	0	0	522,517
Treasury stock purchased	0	0	0	0	0	(414)	(4,137)	0	(4,137)
Net income	0	0	0	0	21,724	0	0	0	21,724
Dividends ($.76 per share)	0	0	0	(15,047)	(21,724)	0	0	0	(36,771)
Sales commissions and discounts	0	0	(49,246)	0	0	0	0	0	(49,246)
Other offering expenses	0	0	(10,085)	0	0	0	0	0	(10,085)
BALANCE, December 31, 2001	83,761	838	738,236	(24,181)	0	(555)	(5,550)	0	709,343
Issuance of common stock	**98,848**	**988**	**987,482**	**0**	**0**	**0**	**0**	**0**	**988,470**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(1,162)**	**(11,617)**	**0**	**(11,617)**
Dividends ($.58 per share)	**0**	**0**	**0**	**(40,726)**	**(39,821)**	**0**	**0**	**0**	**(80,547)**
Sales commissions and discounts	**0**	**0**	**(94,097)**	**0**	**0**	**0**	**0**	**0**	**(94,097)**
Other offering expenses	**0**	**0**	**(10,245)**	**0**	**0**	**0**	**0**	**0**	**(10,245)**
Components of comprehensive income:									
Net income	**0**	**0**	**0**	**0**	**39,821**	**0**	**0**	**0**	**39,821**
Gain/(loss) on interest rate swap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(415)**	**(415)**
Comprehensive income									**39,406**
BALANCE, September 30, 2002 (unaudited)	**182,609**	**$ 1,826**	**$ 1,621,376**	**$ (64,907)**	**$ 0**	**(1,717)**	**$ (17,167)**	**$ (415)**	**$ 1,540,713**

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 39,821	$ 14,423
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(3,738)	(2,622)
Depreciation	23,185	10,341
Amortization of deferred financing costs	587	529
Amortization of deferred leasing costs	229	228
Bad debt expense	113	0
Changes in assets and liabilities:		
Accounts receivable	(746)	(370)
Straight-line rent receivable	(5,382)	(1,949)
Due from affiliates	(35)	0
Deferred rental income	7,232	(381)
Accounts payable and accrued expenses	8,811	3,309
Prepaid expenses and other assets, net	(1,813)	3,211
Due to affiliates	(105)	(235)
Net cash provided by operating activities	68,159	26,484
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(797,011)	(121,366)
Investment in joint ventures	0	(27,018)
Deferred project costs paid	(34,784)	(10,347)
Distributions received from joint ventures	5,301	3,027
Deferred lease acquisition costs paid	(400)	0
Net cash used in investing activities	(826,894)	(155,704)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	27,742	107,587
Repayment of note payable	(37)	(208,102)
Dividends paid	(71,397)	(23,502)
Issuance of common stock	988,470	297,775
Sales commissions paid	(94,097)	(28,086)
Offering costs paid	(10,937)	(7,481)
Treasury stock purchased	(11,617)	(2,137)
Deferred financing costs paid	(1,066)	0
Net cash provided by financing activities	827,061	136,054
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,326	6,834
CASH AND CASH EQUIVALENTS, beginning of year	75,586	4,298
CASH AND CASH EQUIVALENTS, end of period	$ 143,912	$ 11,132
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 31,271	$ 1,127
Deferred project costs applied to joint ventures	$ 0	$ 9,295
Deferred project costs due to affiliate	$ 587	$ (498)
Interest rate swap	$ (415)	$ 0
Increase (decrease) in deferred offering cost accrual	$ 3,537	$ (1,291)
Assumption of obligations under capital lease	$ 32,500	$ 22,000
Investment in bonds	$ 32,500	$ 22,000

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2002
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust ("REIT"). Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16.5 million shares of common stock at $10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately $132.2 million had been received from the sale of approximately 13.2 million shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately $175.2 million from the sale of approximately 17.5 million shares. The Company commenced its third public offering of shares of common stock on December 20, 2000, which terminated on July 26, 2002 after receipt of gross proceeds of approximately $1.3 billion from the sale of approximately 128.3 million shares. As of September 30, 2002, the Company has received gross proceeds of approximately $235.7 million from the sale of approximately 23.6 million shares from its fourth public offering. Accordingly, as of September 30, 2002, the Company has received aggregate gross offering proceeds of approximately $1.8 billion from the sale of 182.6 million shares of its common stock to investors. After payment of $63.3 million in acquisition and advisory fees and acquisition expenses, payment of $202.9 million in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of $1.4 billion for property acquisitions, and common stock redemptions of $17.2 million pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $144.5 million available for investment in properties, as of September 30, 2002.

(b) Properties

As of September 30, 2002, the Company owned interests in 67 properties listed in the table below through its ownership in Wells OP.

Property Name	*Tenant*	*Property Location*	*% Owned*	*Purchase Price*	*Square Feet*	*Annual Rent*
Daimler Chrysler Dallas	Daimler Chrysler Services North America LLC	Westlake, TX	100%	$ 25,100,000	130,290	$ 3,189,499
Allstate Indianapolis	Allstate Insurance Company	Indianapolis, IN	100%	$ 10,900,000	84,200	$ 1,246,164
	Holladay Property Services Midwest, Inc.				5,756	$ 74,832
Intuit Dallas	Lacerte Software Corporation	Plano, TX	100%	$ 26,500,000	166,238	$ 2,461,985
EDS Des Moines	EDS Information Services LLC	Des Moines, IA	100%	$ 26,500,000	405,000	$ 2,389,500
Federal Express Colorado Springs	Federal Express Corporation	Colorado Springs, CO	100%	$ 26,000,000	155,808	$ 2,248,309
KeyBank Parsippany	KeyBank U.S.A., N.A.	Parsippany, NJ	100%	$ 101,350,000	200,000	$ 3,800,000
	Gemini Technology Services				204,515	$ 5,726,420
IRS Long Island	IRS Collection	Holtsville, NY	100%	$ 50,975,000	128,000	$ 5,029,380(1)
	IRS Compliance				50,949	$ 1,663,200
	IRS Daycare Facility				12,100	$ 486,799
AmeriCredit Phoenix	AmeriCredit Financial Services, Inc.	Chandler, AZ	100%	$ 24,700,000(2)	153,494	$ 1,609,315(3)
Harcourt Austin	Harcourt, Inc.	Austin, TX	100%	$ 39,000,000	195,230	$ 3,353,040
Nokia Dallas	Nokia, Inc.	Irving, TX	100%	$ 119,550,000	228,678	$ 4,413,485
	Nokia, Inc.				223,470	$ 4,547,614
	Nokia, Inc.				152,086	$ 3,024,990
Kraft Atlanta	Kraft Foods North America, Inc.	Suwanee, GA	100%	$ 11,625,000	73,264	$ 1,263,804
	Perkin Elmer Instruments, LLC				13,955	$ 194,672
BMG Greenville	BMG Direct Marketing, Inc.	Duncan, SC	100%	$ 26,900,000	473,398	$ 1,394,156
	BMG Music				313,380	$ 763,600
Kerr-McGee	Kerr-McGee Oil & Gas Corporation	Houston, TX	100%	$ 15,760,000(2)	100,000	$ 1,655,000(3)
PacifiCare San Antonio	PacifiCare Health Systems, Inc.	San Antonio, TX	100%	$ 14,650,000	142,500	$ 1,471,700
ISS Atlanta	Internet Security Systems, Inc.	Atlanta, GA	100%	$ 40,500,000	238,600	$ 4,623,445
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	$ 25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	$ 21,060,000	108,240	$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	$ 35,150,000	292,700	$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	$ 6,850,000	47,400	$ 747,033
Agilent Atlanta	Agilent Technologies, Inc.	Alpharetta, GA	100%	$ 15,100,000	66,811	$ 1,344,905
	Koninklijke Philips Electronics N.V.				34,396	$ 704,430
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	$ 10,395,845	68,165	$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	$ 41,950,000(4)	147,004	$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above)(4)	112,480	$ 2,330,600
Novartis Atlanta	Novartis Opthalmics, Inc.	Duluth, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc.	Houston, TX	100%	$ 22,000,000	103,260	$ 2,110,035
	Newpark Drilling Fluids, Inc.				52,731	$ 1,153,227
Arthur Andersen (5)	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,700	$ 1,988,454
Windy Point I	TCI Great Lakes, Inc.	Schaumburg, IL	100%	$ 32,225,000(6)	129,157	$ 2,067,204
	The Apollo Group, Inc.				28,322	$ 477,226
	Global Knowledge Network				22,028	$ 393,776
	Various other tenants				8,884	$ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	$ 57,050,000(6)	300,034	$ 5,244,594
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,204	$ 1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$ 2,035,275
Nissan	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 42,259,000(2)	268,290	$ 4,225,860(3)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	$ 24,950,000	201,237	$ 2,458,638

Property Name	*Tenant*	*Property Location*	*% Owned*	*Purchase Price*	*Square Feet*	*Annual Rent*
AT&T Oklahoma	AT&T Corp. Jordan Associates, Inc.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500 25,000	$ 1,242,000 $ 294,500
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc. SYSCO Corporation	Houston, TX	100%	$ 44,970,000	206,048 106,516	$ 4,533,056 $ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$ 1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 2,054,329
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$ 1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$ 1,187,925
Cinemark	Cinemark USA, Inc. The Coca-Cola Company	Plano, TX	100%	$ 21,800,000	65,521 52,587	$ 1,366,491 $ 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	$ 8,000,000	130,000	$ 854,748
Alstom Power Richmond (2)	Alstom Power, Inc.	Midlothian, VA	100%	$ 11,400,000	99,057	$ 1,244,501
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	$ 5,085,000	169,510	$ 550,908
Matsushita (2)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$ 18,431,206	144,906	$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$ 12,291,200	81,859	$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$ 21,127,854	130,091	$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$ 6,400,000	52,000	$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 920,144
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	57,186	$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	$ 5,025,000	108,250	$ 659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,975	$ 1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	$ 10,325,000	106,750	$ 1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	84,404	$ 1,106,520

(1) Includes only the leased portion of this property.

(2) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.

(3) Annual rent for AmeriCredit Phoenix, Kerr McGee and Nissan Property does not take effect until construction of the building is completed and the tenant is occupying the building.

(4) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.

(5) Subsequent to September 30, 2002, this building has been vacated by the tenant. See Footnote 10 and “Subsequent Events” in the Management’s Discussion and Analysis of Financial Condition and Results of Operations section of this supplement.

(6) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	AmeriCredit ADIC
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	Siemens AT&T Oklahoma Comdata
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	EYBL CarTex Sprint Johnson Matthey Gartner
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	Alstom Power Knoxville Ohmeda Interlocken Avaya Iomega
Wells/Fremont Associates Joint Venture (the “Fremont Joint Venture”)	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Fairchild
Wells/Orange County Associates Joint Venture (the “Orange County Joint Venture”)	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Cort Furniture
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest

(c) Critical Accounting Policies

The Company’s accounting policies have been established in accordance with accounting principles generally accepted in the United States (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity, the current year budget and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets to date.

Deferred Project Costs

The Company records acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc. (the "Advisor") by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of September 30, 2002, amounted to $63.3 million and represented approximately 3.5% of capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at September 30, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to the Advisor. As equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of September 30, 2002, the Advisor had paid organization and offering expenses on behalf of the Company in an aggregate amount of $34.2 million, of which the Advisor had been reimbursed $29.7 million, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of its real estate investment trusts' taxable income. The Company intends to make regular quarterly distributions to stockholders. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares.

Dividends to be distributed to the stockholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 1986, as amended (the "Code"), to be taxed as a Real Estate Investment Trust ("REIT") under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company's net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. (Wells Management), an affiliate of the Company and the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The Company has reimbursed the Advisor and Wells Management for allocated salaries, wages and other payroll related costs totaling $1.1 million and $0.4 million for the nine months ended September 30, 2002 and 2001, respectively, and $0.5 million and $0.1 million for the three months ended September 30, 2002 and 2001, respectively.

(g) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) Competition

The Company will experience competition for tenants from owners and managers of competing projects, which may include its affiliates. As a result, the Company may be required to provide free rent, reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

(i) Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

(j) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to the Advisor in exchange for a capital contribution of $200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of management of the Company, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001.

2. INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of September 30, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of September 30, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three months and nine months ended September 30, 2002.

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Three Months Ended (in thousands)		Three Months Ended (in thousands)		Three Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 1,083	$ 1,083	$ 574	$ 670	$ 21	$ 25
Cort Joint Venture	199	204	135	149	59	65
Fremont Joint Venture	226	227	142	142	110	110
Fund XI-XII-REIT Joint Venture	836	844	484	520	275	295
Fund XII-REIT Joint Venture	1,330	1,410	727	815	400	448
Fund VIII-IX-REIT Joint Venture	302	314	153	156	24	24
Fund XIII-REIT Joint Venture	704	306	408	155	370	135
	$ 4,680	$ 4,388	$ 2,623	$ 2,607	$ 1,259	$ 1,102

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Nine Months Ended (in thousands)		Nine Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 3,310	$ 3,264	$ 1,747	$ 2,043	$ 65	$ 76
Cort Joint Venture	597	602	405	415	177	181
Fremont Joint Venture	678	677	419	421	325	326
Fund XI-XII-REIT Joint Venture	2,525	2,533	1,526	1,534	866	871
Fund XII-REIT Joint Venture	4,143	3,306	2,385	1,848	1,311	967
Fund VIII-IX-REIT Joint Venture	906	894	461	416	73	66
Fund XIII-REIT Joint Venture	2,108	306	1,215	155	921	135
	$ 14,267	$ 11,582	$ 8,158	$ 6,832	$ 3,738	$ 2,622

3. INVESTMENTS IN REAL ESTATE

As of September 30, 2002, the Company, through its ownership in Wells OP, owns 50 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended September 30, 2002.

The ISS Atlanta Buildings

On July 1, 2002, Wells OP purchased two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia for a purchase price of $40.5 million, excluding closing costs. The ISS Atlanta Buildings were acquired by assigning to Wells OP an existing ground lease with the Development Authority of Fulton County ("Development Authority"). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds ("Bonds") totaling $32.5 million in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation ("ISS"). The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is approximately $4.6 million. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The PacifiCare San Antonio Building

On July 12, 2002, Wells OP purchased the PacifiCare San Antonio Building, a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas for a purchase price of $14.7 million, excluding closing costs. The PacifiCare San Antonio Building is 100% leased to PacifiCare Health Systems, Inc. ("PacifiCare"). The PacifiCare lease is a net lease that commenced in November 2000 and expires in November 2010. The current annual base rent payable under the PacifiCare lease is approximately $1.5 million. PacifiCare, at its option, has the right to extend the initial term of its lease for three additional five-year periods. Monthly base rent for the first renewal term will be approximately $0.2

million and monthly base rent for the second and third renewal terms will be the then-current market rental rate.

The Kerr-McGee Property

On July 29, 2002, Wells OP purchased the Kerr-McGee Property, a 4.2-acre tract of land located in Houston, Harris County, Texas for a purchase price of approximately $1.7, excluding closing costs. Wells OP has entered into agreements to construct a four-story office building containing approximately 100,000 rentable square feet (the "Kerr-McGee Project") on the Kerr-McGee Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr-McGee Property and the planning, design, development, construction and completion of the Kerr McGee Project will total approximately $15.8 million.

The entire 100,000 rentable square feet of the Kerr-McGee Project will be leased to Kerr-McGee Oil & Gas Corporation ("Kerr-McGee"), a wholly owned subsidiary of Kerr-McGee Corporation. The initial term of the Kerr-McGee lease will extend 11 years and 1 month beyond the rent commencement date. Construction on the building is scheduled to be completed by July 2003. The rent commencement date will occur no later than July 1, 2003. Kerr-McGee has the right to extend the initial term of this lease for one additional period of twenty years or the option to extend the initial term for any combination of additional periods of ten years or five years for a total additional period of not more than twenty years. The base rental rate will be 95% of the existing market rate. The initial annual base rent payable under the Kerr-McGee lease will be calculated as 10.5% of project costs.

Wells OP obtained a construction loan in the amount of $13.7 million from Bank of America, to fund the construction of a building on the Kerr-McGee Property. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan as of August 6, 2002 was 3.80%. The Bank of America loan is secured by a first priority mortgage on the Kerr-McGee Property.

The BMG Greenville Buildings

On July 31, 2002, Wells OP purchased the BMG Greenville Buildings, two one-story office buildings containing 786,778 rentable square feet located in Duncan, Spartanburg County, South Carolina for a purchase price of $26.9 million, excluding closing costs. The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. ("BMG Marketing") and BMG Music ("BMG Music").

The BMG Marketing lease is a net lease that covers approximately 473,398 square feet that commenced in March 1988 and expires in March 2011. The current annual base rent payable under the BMG Marketing lease is approximately $1.4 million. BMG Marketing, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease is a net lease that covers approximately 313,380 rentable square feet that commenced in December 1987 and expires in March 2011. The current annual base rent payable under the BMG Music lease is approximately $0.8 million. BMG Music, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The Kraft Atlanta Building

On August 1, 2002, Wells OP purchased the Kraft Atlanta Building, a one-story office building containing 87,219 rentable square feet located in Suwanee, Forsyth County, Georgia for a purchase price of approximately $11.6 million, excluding closing costs. The Kraft Atlanta Building is leased to Kraft Foods North America, Inc. ("Kraft") and PerkinElmer Instruments, LLC ("PerkinElmer").

The Kraft lease is a net lease that covers approximately 73,264 square feet that commenced in February 2002 and expires in January 2012. The current annual base rent payable under the Kraft lease is approximately $1.3 million. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the lease (1) at the end of the third year by paying a $7.0 million termination fee, or (2) at the end of the seventh lease year by paying an approximately $1.8 million termination fee.

The PerkinElmer lease is a net lease that covers approximately 13,955 rentable square feet that commenced in December 2001 and expires in November 2016. The current annual base rent payable under the PerkinElmer lease is approximately $0.2 million. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the lease at the end of the tenth lease year by paying a $0.3 million termination fee.

The Nokia Dallas Buildings

On August 15, 2002, Wells OP purchased the Nokia Dallas Buildings, three adjacent office buildings containing an aggregate of 604,234 rentable square feet located in Irving, Texas for an aggregate purchase price of approximately $119.6 million, excluding closing costs. The Nokia Dallas Buildings are all leased entirely to Nokia, Inc ("Nokia") under three long-term net leases for periods of 10 years, with approximately seven to eight years remaining on such leases.

The Nokia I Building is a nine-story building containing 228,678 rentable square feet. The Nokia I Building lease fully commenced in July 1999 and expires in July 2009. The current annual base rent payable under the Nokia I Building lease is approximately $4.4 million. The Nokia II Building is a seven-story building containing 223,470 rentable square feet. The Nokia II Building lease commenced in December 2000 and expires in December 2010. The current annual base rent payable under the Nokia II Building lease is approximately $4.5 million. The Nokia III Building is a six-story building containing 152,086 rentable square feet. The Nokia III Building lease commenced in June 1999 and expires in July 2009. The current annual base rent payable under the Nokia III Building lease is approximately $3.0 million.

The Harcourt Austin Building

On August 15, 2002, Wells OP purchased the Harcourt Austin Building, a seven-story office building containing 195,230 rentable square feet located in Austin, Texas for a purchase price of $39.0 million, excluding closing costs. The Harcourt Austin Building is leased entirely to Harcourt, Inc. ("Harcout"), a wholly owned subsidiary of Harcourt General, Inc., the guarantor of the Harcourt lease. The Harcourt lease commenced in July 2001 and expires in June 2016. The current annual base rent payable under the Harcourt lease is approximately $3.4 million.

The AmeriCredit Phoenix Property

On September 12, 2002, Wells OP purchased the AmeriCredit Phoenix Property, a 14.74-acre tract of land located in Chandler, Maricopa County, Arizona for a purchase price of approximately $2.6 million, excluding closing costs. Wells OP has entered into agreements to construct a three-story office building containing approximately 153,494 rentable square feet (the "AmeriCredit Phoenix Project") on the AmeriCredit Phoenix Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the AmeriCredit Phoenix Project and the planning, design, development, construction and completion of the AmeriCredit Phoenix Project will total approximately $24.7 million.

The entire 153,494 rentable square feet of the AmeriCredit Phoenix Project will be leased to AmeriCredit Financial Services, Inc. ("AmeriCredit"), a wholly owned subsidiary of AmeriCredit Corporation. The initial term of the AmeriCredit lease will extend 10 years and 4 month beyond the rent commencement date. Construction on the building is scheduled to be completed by August 2003. AmeriCredit has the right to extend the initial term of this lease for two additional periods of five years at 95% of the then-market rate. As an inducement for Wells OP to enter into the AmeriCredit Phoenix lease, AmeriCredit has prepaid to Wells OP the first three years of base rent at a discounted amount equal to approximately $4.8 million.

The IRS Long Island Buildings

On September 16, 2002, Wells REIT-Holtsville, NY, LLC ("REIT-Holtsville"), a Georgia limited liability company wholly-owned by Wells OP purchased the IRS Long Island Buildings, a two-story office building and a one-story daycare facility containing an aggregate 259,700 rentable square feet located in Holtsville, New York for a purchase price of approximately $51.0 million, excluding closing costs. Approximately 191,050 of the aggregate rentable square feet of the IRS Long Island Buildings (74%) is currently leased to the United States of America through the U.S. General Services Administration ("U.S.A.") for occupancy by the IRS under three separate lease agreements for the processing & collection division of the IRS ("IRS Collection"), the compliance division of the IRS ("IRS Compliance"), and the IRS Daycare Facility. REIT-Holtsville is negotiating for the remaining 26% of the IRS Long Island Buildings to be leased by the U.S.A. on behalf of the IRS or to another suitable tenant. If REIT-Holtsville should lease this space to the U.S.A. or another suitable tenant within 18 months, REIT-Holtsville would owe the seller an additional amount of up to $14.5 million as additional purchase price for the IRS Long Island Buildings pursuant to the terms of an earnout agreement entered into between REIT-Holtsville and the seller at the closing.

The IRS Collection lease, which encompasses 128,000 rentable square feet of the IRS Office Building, commenced in August 2000 and expires in August 2005. The current annual base rent payable under the IRS Collection lease is approximately $5.0 million. The annual base rent payable under the IRS Collection lease for the remaining two years of the initial lease term will be approximately $2.8 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at annual rental rates of approximately $4.2 million and $5.0 million, respectively.

The IRS Compliance lease, which encompasses 50,949 rentable square feet of the IRS Office Building, commenced in December 2001 and expires in December 2011. The annual base rent payable under the IRS Compliance lease for the initial term of the lease is approximately $1.7 million. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of approximately $2.2 million.

The IRS Daycare Facility lease, which encompasses the entire 12,100 rentable square feet of the IRS Daycare Facility, commenced in October 1999 and expires in September 2004. The annual base rent payable under the IRS Daycare Facility lease for the initial term of the lease is approximately $0.5 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at an annual rental rate of approximately $0.4 million.

The KeyBank Parsippany Building

On September 27, 2002, Wells OP purchased the KeyBank Parsippany Building, a four-story office building containing 404,515 rentable square feet located in Parsippany, New Jersey for a purchase price of approximately $101.4 million, excluding closing costs. The KeyBank Parsippany Building is leased to Key Bank U.S.A., N.A. ("KeyBank") and Gemini Technology Services ("Gemini").

The KeyBank lease covers 200,000 rentable square feet (49%) under a net lease that commenced in March 2001 and expires in February 2016. The current annual base rent payable under the KeyBank lease is $3.8 million. KeyBank, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate.

The Gemini lease covers 204,515 rentable square feet (51%) under a gross lease that commenced in December 2000 and expires in December 2013. The current annual base rent payable under the Gemini lease is approximately $5.7 million. Gemini, at its option, has the right to extend the initial term of its lease for three additional five-year periods at a rate equal to the greater of (1) the annual rent during the final year of the initial lease term, or (2) 95% of the then-current market rental rate.

The Federal Express Colorado Springs Building

On September 27, 2002, Wells OP purchased the Federal Express Colorado Springs Building, a three-story office building containing 155,808 rentable square feet located in Colorado Springs, Colorado for a purchase price of $26.0 million, excluding closing costs. The Federal Express Colorado Springs Building is leased entirely to Federal Express Corporation ("Federal Express"). The Federal Express lease commenced in July 2001 and expires in October 2016. The current annual base rent payable under the Federal Express lease is approximately $2.2 million. Federal Express, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 90% of the then-current market rental rate. In addition, Federal Express has an expansion option under its lease pursuant to which Wells OP would be required to construct an additional office building.

The EDS Des Moines Building

On September 27, 2002, Wells OP purchased the EDS Des Moines Building, a one-story office and distribution building containing 115,000 rentable square feet of office space and 290,000 rentable square feet of warehouse space located in Des Moines, Iowa for a purchase price of $26.5 million, excluding closing costs. The EDS Des Moines Building is leased entirely to EDS Information Services L.L.C. ("EDS"), a wholly-owned subsidiary of Electronic Data Systems Corporation (*"EDS Corp."*). EDS Corp. is the guarantor of the EDS lease. The EDS lease commenced in May 2002 and expires in April 2012. The current annual base rent payable under the EDS lease is approximately $2.4 million. EDS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, EDS has an expansion option under its lease for up to an additional 100,000 rentable square feet.

The Intuit Dallas Building

On September 27, 2002, Wells OP purchased the Intuit Dallas Building, a two-story office building with a three-story wing containing 166,238 rentable square feet located in Plano, Texas for a purchase price of $26.5 million, excluding closing costs. The Intuit Dallas Building is leased entirely to Lacerte Software Corporation ("Lacerte"), a wholly-owned subsidiary of Intuit, Inc. ("Intuit"). Intuit is the guarantor of the Lacerte lease. The Lacerte lease commenced in July 2001 and expires in June 2011. The current annual base rent payable under the Lacerte lease is approximately $2.5 million. Lacerte, at its option, has the right to extend the initial term of its lease for two additional five-year periods at rental rates of $17.92 per square foot and $19.71 per square foot, respectively. In addition, Lacerte has an expansion option through November 2004 pursuant to which Wells OP would be required to purchase an additional 19 acre tract of land and to construct up to an approximately 600,000 rentable square foot building thereon.

The Allstate Indianapolis Building

On September 27, 2002, Wells OP purchased the Allstate Indianapolis Building, a one-story office building containing 89,956 rentable square feet located in Indianapolis, Indiana for a purchase price of $10.9 million, excluding closing costs. The Allstate Indianapolis Building is leased to Allstate Insurance Company ("Allstate") and Holladay Property Services Midwest, Inc. ("Holladay").

The Allstate lease, which covers 84,200 rentable square feet (94%), commenced in March 2002 and expires in August 2012. The current annual base rent payable under the Allstate lease is approximately $1.2 million. Allstate at its option has the right to (1) terminate the initial term of the Allstate lease at the end of the fifth lease year (August 2007) upon payment of an approximately $0.4 million fee, or (2) reduce its area of occupancy to not less than 20,256 rentable square feet, by providing written notice on or before August 2006. Allstate, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Allstate has a right of first refusal for the leasing of additional space in the Allstate Indianapolis Building.

Holladay is a property management company that manages the Allstate Indianapolis Building from the site. The Holladay lease, which covers 5,756 rentable square feet (6%), commenced in October 2001 and expires in September 2006. The current annual base rent payable under the Holladay lease is approximately $.07 million.

The Daimler Chrysler Dallas Building

On September 30, 2002, Wells OP purchased the Daimler Chrysler Dallas Building, a two-story office building containing 130,290 rentable square feet located in Westlake, Texas for a purchase price of $25.1 million, excluding closing costs. The Daimler Chrysler Dallas Building is leased entirely to Daimler Chrysler Services North America LLC ("Daimler Chrysler NA"). The Daimler Chrysler NA lease commenced in January 2002 and expires in December 2011. The current annual base rent payable under the Daimler Chrysler NA lease is approximately $3.2 million. Daimler Chrysler NA, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 98% of the then-current market rental rate. In addition, Daimler Chrysler NA has an expansion option for up to an additional 70,000 rentable square feet and a right of first offer if Wells OP desires to sell the Daimler Chrysler Dallas Building during the term of the lease.

4. NOTE RECEIVABLE

In connection with the purchase of the TRW Denver Building on May 29, 2002, Wells OP acquired a note receivable from the building's sole tenant, TRW, Inc., in the amount of $5.2 million. The loan was made to fund above-standard tenant improvement costs to the building. The note receivable is structured to be fully amortized over the remaining lease term, which expires September 2007, at 11% interest with TRW making monthly loan payments of $.1 million. At September 30, 2002, the principal balance of this note receivable was $5.0 million.

5. NOTES PAYABLE

At September 30, 2002, Wells OP had the following debt:

Lender	Collateral	Type of Debt	Maturity Date	Balance Outstanding (in millions)
SouthTrust	The Alstom Power Richmond Building	$7.9 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	$7.7
SouthTrust	The PwC Building	$12.8 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	2.1
SouthTrust	The Avnet Building and the Motorola Tempe Building	$19.0 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
SouthTrust	The Cinemark Building, the Dial Building and the ASML Building	$32.4 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
Bank of America	The Nissan Property	$34.2 million construction loan, interest at LIBOR plus 200 basis points	July 30, 2003	13.3
Bank of America	The Kerr McGee Property	$13.7 million construction loan, interest at LIBOR plus 200 basis points	January 29, 2004	1.0
Bank of America	The Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Matsushita Building, the Metris Tulsa Building, the Motorola Plainfield Building and the Delphi Building	$85 million line of credit, interest at 30 day LIBOR plus 180 basis points	May 11, 2004	0
Prudential	The BMG Buildings	$8.8 million note payable, interest at 8%, principal and interest payable monthly	December 15, 2003	8.8
Prudential	The BMG Buildings	$2.9 million note payable, interest at 8.5%, interest payable monthly, principal payable upon maturity	December 15, 2003	2.9
Total				**$35.8**

6. INTEREST RATE SWAPS

Wells OP has entered into interest rate swap agreements with Bank of America in order to hedge its interest rate exposure on the Bank of America construction loans for the Nissan Property (the Nissan Loan) and the Kerr McGee Property (the Kerr McGee Loan). The interest rate swap agreements involve the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. The notional amount of both interest rate swaps is the balance outstanding on the construction loan on the payment date.

The interest rate swap for the Nissan Loan became effective January 15, 2002 and terminates on June 15, 2003. Wells OP, as the fixed rate payer, has an interest rate of 3.9%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 5.9% on the Nissan Loan.

The interest rate swap for the Kerr McGee Loan became effective September 15, 2002 and terminates on July 15, 2003. Wells OP as fixed rate payer has an interest rate of 2.27%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 4.27% on the Kerr McGee Loan.

During the nine months ended September 30, 2002, Wells OP made interest payments totaling approximately $45,221 under the terms of the interest rate swap agreements. At September 30, 2002, the estimated fair value of the interest rate swap for the Nissan Loan and the Kerr McGee Loan was $(384,855) and $(30,180), respectively. The interest rate swaps are accounted for by mark-to-market accounting on a monthly basis and are included in prepaid and other assets on the accompanying consolidated balance sheet.

On January 1, 2001, the Company adopted SFAS No. 133, as amended by SFAS No. 137 and No. 138 Accounting for Derivative Instruments and Hedging Activities. The effect of adopting the SFAS No. 133 did not have a material effect on the Company's consolidated financial statements.

7. INVESTMENT IN BONDS AND OBLIGATIONS UNDER CAPITAL LEASES

In connection with the purchase of a ground leasehold interest in the Ingram Micro Distribution Facility pursuant to a Bond Real Property Lease dated December 20, 1995 (the Bond Lease), Wells OP acquired an Industrial Development Revenue Note (the Bond) dated December 20, 1995 in the principal amount of $22 million. As part of the same transaction, Wells OP also acquired a Fee Construction Mortgage Deed of Trust Assignment of Rents and Leases (the Bond Deed of Trust), also dated December 20, 1995, which was executed by the Industrial Development Board in order to secure the Bond. Beginning in 2006, the holder of the Bond Lease has the option to purchase the land underlying the Ingram Micro Distribution Facility for $100 plus satisfaction of the indebtedness evidenced by the Bond. Because Wells OP is technically subject to the obligation to pay the $22 million indebtedness evidenced by the Bond, the obligation to pay the Bond is carried on the Company's books as a liability. However, since Wells OP is also the owner of the Bond, the Bond is also carried on the Company's books as an asset.

As part of the transaction to acquire a ground leasehold interest in the ISS Atlanta Buildings, Wells OP was assigned Development Authority of Fulton County Taxable Revenue Bonds totaling $32.5 million, which were originally issued in connection with the development of the ISS Atlanta Buildings (the Bonds). The Bonds entitle Wells OP to certain property tax abatement benefits. Upon payment of the outstanding balance on the Bonds, on or before the expiration of the ground lease on December 1, 2015, fee title interest to the underlying land will be transferred to Wells OP. Because Wells OP is technically subject to the obligation to pay the $32.5 million indebtedness evidenced by the Bond, the obligation to pay the Bonds is carried on the Company's books as a liability. However, since Wells OP is also the owner of the Bonds, the Bonds are also carried on the Company's books as an asset.

8. Due to affiliates

Due to affiliates consists of amounts due to the Advisor for acquisitions and advisory fees and acquisition expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in greater detail in the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001. Payments of $.6 million have been made as of September 30, 2002 toward funding the obligation under the Matsushita agreement.

9. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor ("Wells Exchange") has developed a program (the "Wells Section 1031 Program") involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange, which was extended to April 15, 2002. Wells OP was compensated for its takeout commitment in the amount of $.1 million in each of 2001 and 2002 by payment of a take out fee to Wells OP in an amount equal to 1.25% of its maximum financial obligation under the Ford Motor Credit take out purchase and escrow agreement. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex. This pay off of the loan triggered the release of Wells OP from its prior obligations under the take out purchase and escrow agreement relating to such property.

Letters of Credit

At September 30, 2002, Wells OP had three letters of credit totaling $19.2 million outstanding from financial institutions, which were not recorded in the accompanying consolidated balance sheet. These letters of credit were required by three of the Company's tenants to ensure completion of the Company's contractual obligations. The Company's management does not anticipate a need to draw on these letters of credit.

Properties under Contract

At September 30, 2002, the Company had three executed contracts for the acquisition of properties totaling $82.0 million. Escrows of $1.3 million have been paid out for these properties and are included in prepaid and other assets on the accompanying consolidated balance sheet.

10. SUBSEQUENT EVENTS

Issuance of Common Stock

From October 1, 2002 through October 25, 2002, the Company has raised approximately $91.5 million through the issuance of 9.1 million shares of common stock in the Company.

Termination Agreement

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of $979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the NASA Buildings for the year ended December 31, 2001. This statement is the responsibility of the NASA Buildings' management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the NASA Buildings' revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the NASA Buildings for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia
November 26, 2002

NASA Buildings

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

	2002	2001
	(Unaudited)	
Revenues:		
Base rent	$25,179,213	$33,637,808
Tenant reimbursements	1,703,365	2,586,032
Total revenues	26,882,578	36,223,840
Operating expenses	7,761,014	10,200,082
Revenues over certain operating expenses	$19,121,564	$26,023,758

See accompanying notes.

NASA Buildings

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On November 22, 2002, Wells REIT-Independence Square, LLC ("the Company") acquired the NASA Buildings from Southwest Market Limited Partnership ("Southwest Market"). The Company, a Georgia limited liability company, was created on November 22, 2002 by Wells Real Estate Investment Trust, Inc., a Maryland corporation, the sole member of the Company.

The two nine-story buildings contain 948,813 square feet of net rentable area and are leased to six tenants, including the National Aeronautics and Space Administration ("NASA") and The Office of the Comptroller of the Currency ("OCC"), which occupy a total of 932,209 square feet. The remaining square footage is leased to several retail tenants under lease agreements that expire over the next eight years. NASA occupies 590,689 square feet under a gross lease ("NASA Lease") that commenced in July 1992 and expires in July 2012. OCC occupies 341,520 square feet under a lease ("OCC Lease") that commenced in May 1991 and expires in May 2006. Southwest Market's interests in the NASA Lease, the OCC Lease and other retail lease agreements were assigned to the Company upon the acquisition of the NASA Buildings.

Under the NASA Lease, the tenant is required to pay, as adjusted rent, its share of increases in real estate taxes and changes in costs from the first lease year for cleaning services, supplies, materials, maintenance, trash removal, landscaping, sewer charges and certain administrative expenses attributable to occupancy. The amount of the adjustment will be computed using the Cost of Living Index. Under the OCC Lease, the tenant is required to pay, as additional rent, its share of increases in real estate taxes and changes in costs from the first lease year for, including but not limited to, cleaning services, electricity, heating, water, air conditioning and landscaping. The Company will be responsible for maintaining and repairing the NASA Buildings' roof, foundations, common areas, electrical systems and mechanical systems.

Rental Revenues

Rental income is recognized on a straight-line basis over the terms of the leases.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the NASA Buildings after their acquisition by the Company.

NASA Buildings

Notes to Statements of Revenues Over Certain Operating Expenses
(continued)

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 32,856,309
2003	32,875,773
2004	32,987,740
2005	33,104,624
2006	26,008,009
Thereafter	117,928,136
	$275,760,591

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The statement of revenues over certain operating expenses for the nine months ended September 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Caterpillar Nashville Building for the year ended December 31, 2001. This statement is the responsibility of the Caterpillar Nashville Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Caterpillar Nashville Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Caterpillar Nashville Building for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia
November 26, 2002

Caterpillar Nashville Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

	2002	2001
	(Unaudited)	
Revenues:		
Base rent	$5,922,277	$7,896,370
Tenant reimbursements	357,722	379,662
Total revenues	6,279,999	8,276,032
Operating expenses	1,910,316	2,565,309
Revenues over certain operating expenses	$4,369,683	$5,710,723

See accompanying notes.

Caterpillar Nashville Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On November 26, 2002, the Wells Operating Partnership, L.P. ("Wells OP") acquired the Caterpillar Nashville Building from Highwoods/Tennessee Holdings, LP. ("Highwoods/Tennessee"). Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

The 312,297 square foot 11-story Caterpillar Nashville Building is 100% leased to three tenants, Caterpillar Financial Services Corporation ("Caterpillar"), Thoughtworks, LLC ("Thoughtworks") and Highwoods Properties, Inc. ("Highwoods"). Caterpillar currently occupies 300,901 square feet under a gross lease ("Caterpillar Lease") that commenced in March 2000 and expires in February 2015. Thoughtworks currently occupies 6,400 square feet under a gross lease ("Thoughtworks Lease") that commenced in May 2000 and expires in May 2005. Highwoods currently occupies 4,996 square feet under a gross lease ("Highwoods Lease") that commenced in October 2000 and expires in September 2005. Highwoods/Tennessee's interests in the Caterpillar Lease, Thoughtworks Lease and Highwoods Lease were assigned to Wells OP upon acquisition of the Caterpillar Nashville Building.

Under the Caterpillar Lease, the Thoughtworks Lease and the Highwoods Lease, the tenants are required to pay, as additional rent, all operating costs in excess of a $6.50 per square foot expense stop. Under the Caterpillar Lease, Caterpillar's responsibility for increases in expenses other than insurance, taxes and utilities is capped at 4.5% annually. Furthermore, Caterpillar will reimburse the landlord a management fee equal to 4% of gross rental receipts. Wells OP will be responsible for the maintenance and repair of the structural elements of the building and the capital repairs and replacement of the roof.

Rental Revenues

Rental income is recognized on a straight-line basis over the terms of the leases.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the Caterpillar Nashville Building after its acquisition by Wells OP.

Caterpillar Nashville Building

Notes to Statements of Revenues Over Certain Operating Expenses (continued)

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 7,673,511
2003	7,680,935
2004	7,688,516
2005	7,808,282
2006	7,685,012
Thereafter	64,265,433
	$102,801,689

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The statement of revenues over certain operating expenses for the nine months ended September 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q for the period ended September 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of September 30, 2002 has been prepared to give effect to the fourth quarter 2002 acquisitions of the NASA Buildings by the Wells REIT and the Caterpillar Nashville Building and the Capital One Richmond Buildings by Wells OP (collectively, the "Recent Acquisitions") as if the acquisitions occurred on September 30, 2002.

The following unaudited pro forma statement of income for the nine months ended September 30, 2002 has been prepared to give effect to the first, second and third quarter 2002 acquisitions of the Vertex Sarasota Building (formerly the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the nine months ended September 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings, the Kerr McGee Property, the AmeriCredit Phoenix Property and the EDS Des Moines Building had no operations during 2001.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells REIT. As the sole general partner of Wells OP, the Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

September 30, 2002

(Unaudited)

ASSETS

		Pro Forma Adjustments				
			Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (f)	Other	NASA	Caterpillar Nashville	Capital One Richmond	Pro Forma Total
REAL ESTATE ASSETS, at cost:						
Land	$ 164,190,412	$ 0	$ 34,500,000(c)	$ 4,900,000(c)	$ 2,855,000(c)	$ 207,520,392
			1,067,468(d)	7,512(d)	0	
Buildings, less accumulated depreciation of $47,999,655	1,171,793,037	0	314,665,776(c)	56,861,000(c)	25,779,345(c)	1,578,922,438
			820,631(d)	87,172(e)	0	
			8,915,477(e)			
Construction in progress	28,500,195	0	0	0	0	28,500,195
Total real estate assets	1,364,483,644	0	359,969,352	61,855,684	28,634,345	1,814,943,025
CASH AND CASH EQUIVALENTS	143,911,852	206,602,229(a)	(264,165,776)(c)	(2,312,755)(c)	0	76,804,472
		(7,231,078)(b)				
INVESTMENT IN JOINT VENTURES	75,388,348	0	0	0	0	75,388,348
INVESTMENT IN BONDS	54,500,000	0	0	0	0	54,500,000
ACCOUNTS RECEIVABLE	12,018,601	0	0	0	0	12,018,601
DEFERRED LEASE ACQUISITION COSTS, NET	1,712,541	0	0	0	0	1,712,541
DEFERRED PROJECT COSTS	5,963,370	7,231,078(b)	(10,803,576)(d)	(94,684) (d)	0	2,296,188
DEFERRED OFFERING COSTS	3,537,361	0	0	0	0	3,537,361
DUE FROM AFFILIATES	2,185,436	0	0	0	0	2,185,436
NOTE RECEIVABLE	4,965,838	0	0	0	0	4,965,838
PREPAID EXPENSES AND OTHER ASSETS, NET	2,597,110	0	0	0	37,764(c)	2,634,874
Total assets	$ 1,671,264,101	$ 206,602,229	$ 85,000,000	$ 59,448,245	$ 28,672,109	$ 2,050,986,684

LIABILITIES AND SHAREHOLDERS' EQUITY

		Pro Forma Adjustments				
			Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (f)	Other	NASA	Caterpillar Nashville	Capital One Richmond	Pro Forma Total
LIABILITIES:						
Accounts payable and accrued expenses	$ 17,538,820	$ 0	$ 0	$ 881,644(c)	$ 0	$ 18,420,464
Notes payable	35,829,293	0	85,000,000(c)	58,566,601(c)	28,672,109(c)	208,068,003
Obligations under capital lease	54,500,000	0	0	0	0	54,500,000
Dividends payable	10,209,306	0	0	0	0	10,209,306
Due to affiliates	4,379,745	0	0	0	0	4,379,745
Deferred rental income	7,893,930	0	0	0	0	7,893,930
Total liabilities	130,351,094	0	85,000,000	59,448,245	28,672,109	303,471,448
COMMITMENTS AND CONTINGENCIES						
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	200,000
SHAREHOLDERS' EQUITY:						
Common shares, $.01 par value; 750,000,000 shares authorized, 182,608,517 shares issued and 180,891,792 outstanding at September 30, 2002	1,826,086	206,602(a)	0	0	0	2,032,688
Additional paid-in capital	1,621,376,451	206,395,627(a)	0	0	0	1,827,772,078
Cumulative distributions in excess of earnings	(64,907,241)	0	0	0	0	(64,907,241)
Treasury stock, at cost, 1,716,725 shares	(17,167,254)	0	0	0	0	(17,167,254)
Other comprehensive loss	(415,035)	0	0	0	0	(415,035)
Total shareholders' equity	1,540,713,007	206,602,229	0	0	0	1,747,315,236
Total liabilities and shareholders' equity	$1,671,264,101	$206,602,229	$85,000,000	$59,448,245	$28,672,109	$2,050,986,684

(a) Reflects capital raised through issuance of additional shares subsequent to September 30, 2002 through Capital One Richmond acquisition date.

(b) Reflects deferred project costs capitalized as a result of additional capital raised described in note (a) above.

(c) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(d) Reflects deferred project costs applied to the land and building at approximately 4.07% of the cash paid for purchase.

(e) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(f) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

for the year ended December 31, 2001

(Unaudited)

		Pro Forma Adjustments					
				Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (g)	2001 Acquisitions	2002 Acquisitions	NASA	Caterpillar Nashville	Capital One Richmond	Pro Forma Total
REVENUES:							
Rental income	$44,204,279	$11,349,076(a)	$54,615,521(a)	$34,603,317(a)	$7,970,097(a)	$2,744,112(a)	$155,486,402
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	137,500
	49,308,802	12,460,926	54,615,521	34,603,317	7,970,097	2,744,112	161,702,775
EXPENSES:							
Depreciation	15,344,801	5,772,761(c)	22,487,278(c)	12,976,075(c)	2,277,927(c)	1,031,174(c)	59,890,016
Interest	3,411,210	0	0	4,664,800(f)	3,214,135(f)	1,573,525(f)	12,863,670
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	3,668,343(d)	7,614,050(d)	2,014,828(d)	0	20,280,379
Management and leasing fees	2,507,188	510,708(e)	2,250,455(e)	0	358,654(e)	123,485(e)	5,750,490
General and administrative	973,785	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	448,776
	27,584,835	9,137,744	28,406,076	25,254,925	7,865,544	2,728,184	100,977,308
NET INCOME	$21,723,967	$ 3,323,182	$26,209,445	$ 9,348,392	$ 104,553	$ 15,928	$ 60,725,467
EARNINGS PER SHARE, basic and diluted	$ 0.43						$ 0.30
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853						201,302,216

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building and the ADIC Buildings.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of operating expenses, net of reimbursements.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Represents interest expense on lines of credit used to acquire the properties, which bear interest at approximately 5.488% for the year ended December 31, 2001.

(g) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

for the nine months ended September 30, 2002

(Unaudited)

		Pro Forma Adjustments				
			Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (f)	2002 Acquisitions	NASA	Caterpillar Nashville	Capital One Richmond	Pro Forma Total
REVENUES:						
Rental income	$ 66,120,992	$42,103,180(a)	$25,903,344(a)	$5,977,573(a)	$2,058,084(a)	$142,163,173
Equity in income of joint ventures	3,738,045	0	0	0	0	3,738,045
Interest income	4,547,040	0	0	0	0	4,547,040
Take out fee	134,666	0	0	0	0	134,666
	74,540,743	42,103,180	25,903,344	5,977,573	2,058,084	150,582,924
EXPENSES:						
Depreciation	23,185,201	15,039,449(b)	9,732,057(b)	1,708,445(b)	773,380(b)	50,438,532
Interest	1,478,333	0	2,620,763(e)	1,805,755(e)	884,033(e)	6,788,884
Operating costs, net of reimbursements	4,254,882	3,410,341(c)	6,057,649(c)	1,412,091(c)	0	15,134,963
Management and leasing fees	3,348,210	1,697,775(d)	0	268,991(d)	92,614(d)	5,407,590
General and administrative	1,866,042	0	0	0	0	1,866,042
Amortization of deferred financing costs	586,822	0	0	0	0	586,822
	34,719,490	20,147,565	18,410,469	5,195,282	1,750,027	80,222,833
NET INCOME	$ 39,821,253	$21,955,615	$ 7,492,875	$ 782,291	$ 308,057	$ 70,360,091
EARNINGS PER SHARE, basic and diluted	$ 0.31					$ 0.35
WEIGHTED AVERAGE SHARES, basic and diluted	128,541,432					201,302,216

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of operating expenses, net of reimbursements.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Represents interest expense on lines of credit used to acquire the properties, which bear interest at approximately 4.111% for the nine months ended September 30, 2002.

(f) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 5 DATED JANUARY 15, 2003 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, and Supplement No. 4 dated December 10, 2002. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

  (A) Acquisition of an interest in a four-story office building in Fishers, Indiana (John Wiley Indianapolis Building);

  (B) Acquisition of a 20-story office building in Glendale, California (Nestle Building); and

  (C) Acquisition of two three-story office buildings in Mayfield Heights, Ohio (East Point Buildings);

(3) The second transaction under the Section 1031 Exchange Program;

(4) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(5) Amended and restated unaudited financial statements of the Wells REIT for the period ended September 30, 2002 to incorporate changes resulting from a change in accounting presentation;

(6) Financial statements relating to the recently acquired Nestle Building; and

(7) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Nestle Building and the East Point Buildings, and an interest in the John Wiley Indianapolis Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of January 15, 2003, we had received additional gross proceeds of approximately

$638,970,439 from the sale of approximately 63,897,044 shares in our fourth public offering. Accordingly, as of January 15, 2003, we had received aggregate gross offering proceeds of approximately $2,229,358,416 from the sale of approximately 222,935,842 shares in all of our public offerings. After payment of $77,283,698 in acquisition and advisory fees and acquisition expenses, payment of $247,036,149 in selling commissions and organization and offering expenses, and common stock redemptions of $21,252,750 pursuant to our share redemption program, as of January 15, 2003, we had raised aggregate net offering proceeds available for investment in properties of $1,883,785,819, out of which $1,853,694,118 had been invested in real estate properties, and $30,091,701 remained available for investment in real estate properties.

Description of Properties

As of January 15, 2003, we had purchased interests in 73 real estate properties located in 23 states. Below are the descriptions of our recent real property acquisitions.

John Wiley Indianapolis Building

On December 12, 2002, Wells Fund XIII – REIT Joint Venture Partnership (XIII-REIT Joint Venture), a joint venture partnership between Wells Real Estate Fund XIII, L.P. (Wells Fund XIII) and Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a four-story office building on a 10.28 acre tract of land located at 10475 Crosspoint Boulevard in Fishers, Hamilton County, Indiana (John Wiley Indianapolis Building) from Crosspoint Seven, LLC for a purchase price of $17,450,000, plus closing costs. Crosspoint Seven, LLC is not in any way affiliated with the XIII-REIT Joint Venture, Wells REIT, Wells OP, or our advisor, Wells Capital, Inc.

Wells OP contributed $8,928,915 and Wells Fund XIII contributed $8,577,787 to the Wells Fund XIII – REIT Joint Venture to fund their respective shares of the acquisition costs for the John Wiley Indianapolis Building. As of December 31, 2002, Wells OP held an equity percentage interest in the XIII – REIT Joint Venture of approximately 61.28% and Wells Fund XIII held an equity percentage interest in the Wells Fund XIII – REIT Joint Venture of approximately 38.72%.

The John Wiley Indianapolis Building, which was completed in 1999, contains approximately 141,047 rentable square feet and is leased to John Wiley & Sons, Inc. (John Wiley), United Student Aid Funds, Inc. (USA Funds) and Robert Half International, Inc. (Robert Half).

John Wiley, as the primary tenant, occupies 123,674 rentable square feet (87.7%) of the John Wiley Indianapolis Building. John Wiley, a New York corporation publicly traded on the New York Stock Exchange (NYSE), publishes books and journals in print and electronic media specializing in scientific, technical, medical, professional, and educational materials. John Wiley has operations in the United States, Europe, Canada, Asia, and Australia. John Wiley reported a net worth, as of April 30, 2002, of approximately $276 million.

The John Wiley lease commenced in November 1999 and expires in October 2009. The current annual base rent payable under the John Wiley lease is $1,940,892. John Wiley is obligated to lease the remaining 17,373 rentable square feet of the John Wiley Indianapolis Building upon the expiration of the USA Funds lease and the Robert Half lease described below. John Wiley has the right, at its option, to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate. The XIII-REIT Joint Venture, as the landlord, is responsible for paying the operating and maintenance costs; however, under the John Wiley lease, John Wiley is responsible for its share of operating and maintenance costs in excess of $3.55 per rentable square foot, along with its share of real estate taxes.

USA Funds is a wholly owned subsidiary of SLM Corporation, which is a leading source of funding and servicing support for education loans. USA Funds is a nonprofit corporation that supports access to education by providing financial and other services to those who pursue, provide or promote education. The USA Funds lease covers 14,413 rentable square feet (10.2%) and commenced in February

2001 and expires in July 2005. The current annual base rent payable under the USA Funds lease is $223,401. Under the USA Funds lease, USA Funds is responsible for its share of operating and maintenance costs in excess of $4.00 per rentable square foot, along with its share of real estate taxes.

Robert Half is a staffing services agency publicly traded on the NYSE. Robert Half specializes in the staffing of accountants, attorneys, finance professionals, administrative support technicians, information technology professionals, and web design professionals. Robert Half has more than 325 locations in North America, Europe, Australia and New Zealand. The Robert Half lease covers 2,960 rentable square feet (2.1%) and commenced in April 2000 and expires in April 2005. The current annual base rent payable under the Robert Half lease is $55,256. Under the Robert Half lease, Robert Half is responsible for operating and maintenance costs and real estate taxes in excess of $4.01 per rentable square foot.

The XIII-REIT Joint Venture, as landlord, is responsible for the maintenance and repair of the elevators, plumbing, heating, and air conditioning, exterior walls, doors, windows, corridors and other common areas of the John Wiley Indianapolis Building.

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will manage the John Wiley Indianapolis Building on behalf of the XIII-REIT Joint Venture and will be paid management and leasing fees in the amount of 4.5% of the gross revenues from the John Wiley Indianapolis Building.

Nestle Building

On December 20, 2002, Wells REIT Glendale, CA, LLC (REIT Glendale), a Georgia limited liability company wholly-owned by Wells OP, purchased a 20-story office building containing approximately 505,115 rentable square feet located in Glendale, California (Nestle Building) for a purchase price of $157,000,000, plus closing costs, from Douglas Emmett Joint Venture (Douglas Emmett). Douglas Emmett is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

In connection with the acquisition of the Nestle Building, REIT Glendale assumed an existing $90,000,000 loan in favor of Landesbank Schleswig-Holstein Girozentrale, Kiel (Landesbank Loan), a German chartered bank, secured by the property. The interest rate on the Landesbank Loan is equal to LIBOR plus 1.15%, and the current interest rate on the Landesbank Loan is fixed for the next six months at 2.53% per annum. The Landesbank Loan requires monthly payments of interest only and matures on December 27, 2006. REIT Glendale may prepay the Landesbank Loan any time after December 28, 2003 without incurring any penalty. REIT Glendale paid a $450,000 loan assumption fee at closing in connection with the assumption of the Landesbank Loan.

The Nestle Building was built in 1990 and is located on a 4.02-acre tract of land at 800 N. Brand Boulevard in Glendale, California. Approximately 502,994 rentable square feet of the Nestle Building (99.6%) is leased to Nestle USA, Inc. (Nestle USA), a wholly-owned subsidiary of Nestle S.A., a Swiss company. Nestle USA operates manufacturing centers which produce various foods and beverages, including chocolate, prepared foods, juices and milk products. Some of Nestle USA's famous brands include Stouffer's, Carnation, Libby's, Taster's Choice and Nestle.

The Nestle USA lease commenced in August 1990 and expires in August 2010. The current annual base rent payable under the Nestle USA lease is $14,839,519. Nestle has the right, at its option, to extend the initial term of its lease for four additional five-year periods at the then-current market rental rate. Nestle also has a right of first refusal to lease any additional available space in the Nestle Building. REIT Glendale, as the landlord, is responsible for paying the operating and maintenance costs under the Nestle USA lease; however, Nestle USA is responsible for its share of operating and maintenance costs in excess of the base year operating allowance established in the first lease year. REIT Glendale, as the landlord, is also responsible for maintaining and repairing the structural portions and mechanical systems of the Nestle Building, including plumbing, heating, air conditioning, and electrical systems.

Wells Management will manage the Nestle Building on behalf of REIT Glendale and will be paid management and leasing fees in the amount of 4.5% of the gross revenues from the Nestle Building, subject to certain limitations.

East Point Buildings

On January 9, 2003, Wells OP purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio (East Point Buildings) for a purchase price of $21,968,000, plus closing costs, from Best Property Fund, L.P. (Best Property). Best Property is not in any way affiliated with the Wells REIT, Wells OP, or our advisor.

The East Point Buildings, which were built in 2000, are located at 6085 Parkland Boulevard (East Point I) and 6095 Parkland Boulevard (East Point II) in Mayfield Heights, Cuyahoga County, Ohio. The entire 102,484 rentable square feet of East Point I is leased to Progressive Casualty Insurance Company (Progressive Casualty). Progressive Casualty is the principal operating subsidiary of Progressive Corporation (Progressive Corp.), the fourth largest auto insurance company in the United States. Progressive Corp., a public company traded on the NYSE, provides various insurance products, including personal automobile insurance, D&O insurance and employee misconduct insurance.

The Progressive Casualty lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in January 2003 and expires in December 2012. The current annual base rent payable under the Progressive Casualty lease is $947,977. Progressive Casualty has the right, at its option, to extend the initial term of its lease for one additional five-year period for an annual base rent of $1,332,292 and a second additional five-year period at 95% of the then-current market rental rate. If Progressive Casualty does not exercise the first five-year extension option described above, it has the right to exercise a six-month extension option for a monthly base rent of $111,024. Progressive Casualty has a right of first offer to lease additional space in the East Point Buildings upon space becoming available, which is subordinate to the rights of the tenants of East Point II described below. In addition, Progressive Casualty has a right of first offer to purchase the East Point Buildings, which right is also subordinate to the right of The Austin Company (Austin) described below. If Wells OP subdivides East Point I and East Point II, Progressive Casualty's right of first offer will then apply only to East Point I.

East Point II contains approximately 85,251 rentable square feet, of which 70,585 is currently leased to Austin, Danaher Power Solutions LLC (Danaher) and Moreland Management Co. (Moreland). Approximately 14,666 rentable square feet (17.2%) of East Point II is vacant.

Austin leases 40,900 rentable square feet (48.0%) of East Point II. Austin is a private company with corporate headquarters in Cleveland, Ohio. Austin offers a wide range of in-house architectural, engineering, design-build and construction management services. Austin has offices in many major U.S. cities, London and Puerto Rico. The Austin lease is a net lease which commenced in June 2000 and expires in June 2010. The current annual base rent payable under the Austin lease is $1,002,050. Austin has the right, at its option, to extend the initial term of its lease for one additional five-year period for an annual base rent of $1,042,950. Austin has a right of first refusal to lease additional space on the second floor in East Point II upon space becoming available. In addition, Austin has a right of first offer to purchase the East Point Buildings upon the landlord's receipt of a third-party offer.

Danaher leases 15,553 rentable square feet (18.2%) of East Point II. Danaher is a wholly owned subsidiary of Danaher Corporation (Danaher Corp.). Danaher designs, manufactures and provides power quality and reliability products and services. Danaher Corp., a public company traded on the NYSE, is located in 30 countries worldwide and conducts business in the process and environmental controls industry and the tools and components industry. The Danaher lease commenced in July 2002 and expires in November 2007. The current annual base rent payable under the Danaher lease is $324,348. Wells OP, as the landlord, is responsible for paying the operating and maintenance costs under the Danaher lease; however, Danaher is responsible for its share of (1) operating and maintenance costs in excess of $1.85 per rentable square foot, and (2) real estate taxes in excess of $4.65 per rentable square foot.

Moreland leases 14,132 rentable square feet (16.6%) of East Point II. The Moreland lease commenced in August 2001 and expires in October 2011. The current annual base rent payable under the Moreland lease is $325,036. Moreland has the right, at its option, to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. Moreland has a right of first refusal to lease additional space on the floor Moreland currently occupies in East Point II upon space becoming available.

Wells OP, as the landlord, is responsible for maintaining all common areas, building mechanical systems, exterior doors and walls, and the roof of the East Point Buildings.

Wells Management will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the East Point Buildings, subject to certain limitations. Wells OP has entered into a management agreement with CB Richard Ellis to serve as the on-site property manager for the East Point Buildings, which property management fees will be paid out of or credited against the fees payable to Wells Management. CB Richard Ellis is not in any way affiliated with the Wells REIT, Wells OP, or our advisor.

Second Transaction under the Section 1031 Exchange Program

As described in the "Investment Objectives and Criteria – Section 1031 Exchange Program" section of our prospectus, an affiliate of our advisor has developed a program (Section 1031 Exchange Program) involving the acquisition of income-producing commercial properties and the formation of a series of single member limited liabilities companies (Wells Exchange) for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to persons (1031 Participants) who are looking to invest the proceeds from a sale of real estate held for investment into another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Code. The initial transaction in the Section 1031 Exchange Program involved the acquisition by Wells Exchange and resale of co-tenancy interests in the Ford Motor Credit Complex located in Colorado Springs, Colorado. Since all of the co-tenancy interests in the Ford Motor Credit Complex were sold to 1031 Participants, Wells OP neither acquired any unsold co-tenancy interests in the Ford Motor Credit Complex, nor has any additional exposure under the Take Out Purchase and Escrow Agreement entered into in connection with the acquisition of the Ford Motor Credit Complex.

The second transaction in the Section 1031 Exchange Program involves the acquisition by Wells Exchange and resale of co-tenancy interests in two single tenant office buildings each containing approximately 98,216 rentable square feet located in Birmingham, Alabama (Meadow Brook Corporate Park) currently under lease agreements with Allstate Insurance Company (Allstate) and Computer Sciences Corporation (Computer Sciences). Allstate is a wholly owned subsidiary of Allstate Corporation, a Fortune 100 company. Allstate sells private passenger auto and homeowners insurance in the United States and Canada, as well as other lines of personal property and casualty insurance, including landlords, personal umbrella, renters, condominium, residential fire, manufactured housing, boat owners and selected commercial property and casualty. Computer Sciences, a public company traded on the NYSE, is in the technology services business and provides broad-based technology services that include management consulting, systems integration, and systems outsourcing to commercial markets and the federal government. Wells Exchange is currently engaged in the offer and sale of co-tenancy interests in the Meadow Brook Corporate Park to 1031 Participants.

In consideration for the payment of a Take Out Fee in the amount of $175,000, and following approval of the potential property acquisition by our board of directors, Wells OP entered into a Take Out Purchase and Escrow Agreement relating to the Meadow Brook Corporate Park. Pursuant to the terms of the Take Out Purchase and Escrow Agreement, Wells OP is obligated to acquire, at Wells Exchange's cost ($419,916 in cash for each 2.9994% co-tenancy interest), any co-tenancy interests in the Meadow Brook Corporate Park which remain unsold on September 30, 2003.

The obligations of Wells OP under the Take Out Purchase and Escrow Agreement are secured by a line of credit with Bank of America, N.A. (BOA). If, for any reason, Wells OP fails to acquire any of the co-tenancy interests in the Meadow Brook Corporate Park which remain unsold as of September 30, 2003, or if there is otherwise an uncured default under the interim loan between Wells Exchange and BOA or Well OP's loan documents, BOA is authorized to draw down on Wells OP's line of credit in the amount necessary to pay the outstanding balance of the interim loan in full, in which event the appropriate amount of unsold co-tenancy interests in the Meadow Brook Corporate Park would be deeded to Wells OP. Wells OP's maximum economic exposure in the transaction is $14,000,000, in which event Wells OP would acquire the Meadow Brook Corporate Park for $14,000,000 in cash plus assumption of the first mortgage financing in the amount of $13,900,000. If Wells Exchange successfully sells 100% of the co-tenancy interests to 1031 Particpants, Wells OP will not acquire any interest in the Meadow Brook Corporate Park. If some, but not all, of the co-tenancy interests are sold by Wells Exchange, Wells OP's exposure would be less, and it would end up owning an interest in the property in co-tenancy with 1031 Participants who had previously acquired co-tenancy interests in the Meadow Brook Corporate Park from Wells Exchange.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information amends and restates the information contained in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of Supplement No. 4 dated December 10, 2002, and should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002 and Supplement No. 3 dated October 25, 2002. We amended our previously filed third quarter Form 10-Q by amending the Consolidated Statements of Income for the three and nine months ended September 30, 2002 and Notes 1(k) and 2 to the Condensed Notes to Financial Statements and the "Results of Operations" subsection of the Management's Discussion and Analysis of Financial Condition and Results of Operations in order to restate the presentation of certain of our operating costs reimbursed by tenants as revenue and the gross property operating costs as expenses pursuant to a FASB Emerging Issues Task Force release issued in November 2001. In addition, interest income and interest expense related to certain bonds held by the Wells REIT have been restated to reflect such amounts on a gross basis consistent with this revised presentation. The comparative financial information for prior periods was also reclassified to conform the presentation. Since this presentation does not impact the amount of reimbursements we received or the property operating costs incurred and requires equal adjustments to revenues and expenses, the adoption of this guidance will have no impact on our financial position, net income, earnings per share or cash flows.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to shareholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

We have made an election under Section 856 (c) of the Internal Revenue Code (Internal Revenue Code) to be taxed as a REIT under the Internal Revenue Code beginning with its taxable year ended December 31, 1999. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially adversely affect our net income. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during this fiscal year. In addition, management intends to continue to operate the Wells REIT so as to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the nine months ended September 30, 2002, we received aggregate gross offering proceeds of $988.5 million from the sale of 98.8 million shares of our common stock. After payment of $34.8 million in acquisition and advisory fees and acquisition expenses, payment of $104.3 million in selling commissions and organization and offering expenses, and common stock redemptions of $11.6 million pursuant to our share redemption program, we raised net offering proceeds of $837.8 million during the first three quarters of 2002, of which $144.5 million remained available for investment in properties at quarter end. In October, we reached our limit on stock redemptions for the year and, accordingly, there will be no further stock redemptions under our stock redemption program for the remainder of 2002.

During the nine months ended September 30, 2001, we received aggregate gross offering proceeds of $297.8 million from the sale of 29.8 million shares of its common stock. After payment of $10.3 million in acquisition and advisory fees and acquisition expenses, payment of $35.6 million in selling commissions and organizational and offering expenses, and common stock redemptions of $2.1 million pursuant to our share redemption program, we raised net offering proceeds of $249.8 million during the first three quarters of 2001, of which $8.7 million remained available for investment in properties at quarter end.

The significant increase in capital resources we have available is due to significantly increased sales of our common stock during the first three quarters of 2002.

As of September 30, 2002, we owned interests in 67 real estate properties either directly or through interests in joint ventures. Dividends declared for the third quarter of 2002 and 2001 were approximately $0.1938 and $0.1875 per share, respectively. In August 2002, our board of directors declared dividends for the fourth quarter of 2002 in the amount of approximately $0.175 per share.

Due primarily to the pace of our property acquisitions, as explained in more detail in the following paragraphs, dividends paid in the first three quarters of 2002 in the aggregate amount of approximately $71.4 million exceeded our Adjusted Funds From Operations for this period by approximately $11 million.

We continue to acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our shareholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit – plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria – we were required to lower our dividend yield to investors.

As a result of the factors described in the preceding paragraph, on August 29, 2002, our board of directors declared dividends for the fourth quarter of 2002 in an amount equal to a 7.0% annualized percentage rate return on an investment of $10 per share to be paid in December 2002. Our fourth quarter dividends are calculated on a daily record basis of $0.001923 (0.1923 cents) per day per share on the outstanding shares of common stock payable to shareholders of record of such shares as shown on our books at the close of business on each day during the period, commencing on September 16, 2002, and continuing on each day thereafter through and including December 15, 2002.

For information relating to the dividends declared for the first quarter of 2003, see the "Subsequent Events" section below.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $68.2 million and $26.5 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $826.9 million and $155.7 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $827.1 million and $136.1 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the lack of debt payments, which were $208.1 million in the prior year. We raised $988.5 million in offering proceeds for the nine months ended September 30, 2002, as compared to $297.8 million for the same period in 2001. Additionally, we paid dividends totaling $23.5 million in the first three quarters of 2001 compared to $71.4 million in the same period of 2002.

Results of Operations

Gross revenues were $87.9 million and $38.5 million for the nine months ended September 30, 2002 and 2001, respectively. Gross revenues for the nine months ended September 30, 2002 and 2001 were attributable to rental income, operating cost reimbursements, interest income earned on funds held by the Company prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of $805.5 million in additional properties during 2002 and the purchase of $114.1 million in additional properties during the fourth quarter of 2001 which were not owned for the first three quarters of 2001. The purchase of additional properties also resulted in an increase in expenses, which totaled $48.1 million for the nine months ended September 30, 2002, as compared to $24.1 million for the nine months ended September 30, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, operating costs, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also increased from $14.4 million for the nine months ended September 30, 2001 to $39.8 million for the nine months ended September 30, 2002.

Earnings per share for the nine months ended September 30, 2002 decreased from $0.33 per share for the nine months ended September 30, 2001 to $0.31 per share for the nine months ended September 30, 2002. Earnings per share for the third quarter decreased from $0.11 per share for the three months ended September 30, 2001 to $0.09 per share for the three months ended September 30, 2002. These decreases were primarily due to the substantial increase in the number of shares outstanding as a result of capital raised in 2002 which was not completely matched by a corresponding increase in net income because such capital proceeds were not fully invested in properties.

Funds From Operations

Funds From Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations (AFFO) is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions. The following table reflects the calculation of FFO and AFFO for the three and nine months ended September 30, 2002 and 2001, respectively:

	Three Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
FUNDS FROM OPERATIONS:				
Net income	$ 15,285	$ 6,109	$ 39,821	$ 14,423
Add:				
Depreciation	10,282	3,947	23,185	10,341
Amortization of deferred leasing costs	78	76	229	228
Depreciation and amortization—unconsolidated partnerships	708	647	2,115	1,561
Funds from operations (FFO)	26,353	10,779	65,350	26,553
Adjustments:				
Loan cost amortization	162	237	587	529
Straight line rent	(2,146)	(708)	(5,312)	(1,930)
Straight line rent—unconsolidated partnerships	(27)	(100)	(229)	(233)
Lease acquisitions fees paid—unconsolidated partnerships	—	—	—	(8)
Adjusted funds from operations	$ 24,342	$ 10,208	$ 60,396	$ 24,911
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases that are intended to protect us from the impact of inflation. These provisions include reimbursement billings for common area maintenance charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance.

Critical Accounting Policies

Our reported results of operations are impacted by management judgments related to application of accounting policies. A discussion of the accounting policies that management considers to be critical, in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain, is included in Footnote 1 to the financial statements.

Subsequent Events

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida formerly known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of $979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking. On November 1, 2002, Wells OP entered into a net lease agreement with Vertex Tax Technology Enterprises, LLC (Vertex) for approximately 47,388 rentable square feet of the building. The current term of the lease is seven years, which commenced on November 1, 2002 and expires on October 31, 2009. The current annual base rent payable under the Vertex lease is $621,257.

In November 2002, Shoreview Associates LLC (Shoreview), the owner of an office building located in Ramsey County, Minnesota that Wells OP had contracted to purchase, filed a lawsuit against Wells OP in state court in Minnesota alleging that it was entitled to the $750,000 in earnest money that Wells OP had deposited under the contract. Wells OP has filed a counterclaim in the case asserting that it is entitled to the $750,000 earnest money deposit. Procedurally, Wells OP had the case transferred to U.S. District Court in Minnesota and Shoreview has moved to transfer the case back to the state court. The dispute currently remains in litigation.

On December 4, 2002, our board of directors declared dividends for the first quarter of 2003 in the amount of a 7.0% annualized percentage rate return on an investment of $10.00 per share to be paid in March 2003. Our first quarter dividends are calculated on a daily record basis of $0.001944 (0.1944 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on December 16, 2002, and continuing on each day thereafter through and including March 15, 2003.

Financial Statements

Audited Financial Statements

The statement of revenues over certain operating expenses of the Nestle Building for the year ended December 31, 2001, which is included in this supplement, has been audited by Ernst & Young LLP, independent auditors, as set forth in their report appearing elsewhere herein, and is included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The amended and restated financial statements of the Wells REIT, as of September 30, 2002, and for the three and nine month periods ended September 30, 2002 and September 30, 2001, which are included in this supplement, have not been audited.

The statements of revenues over certain operating expenses of the Nestle Building for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of September 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

INDEX TO FINANCIAL STATEMENTS

Wells Real Estate Investment Trust, Inc. and Subsidiary

	Page
Unaudited Financial Statements	
Consolidated Balance Sheets as of September 30, 2002 (unaudited) and December 31, 2001	12
Consolidated Statements of Income for the three months ended September 30, 2002 and September 30, 2001(unaudited), and for the nine months ended September 30, 2002 and September 30, 2001 (unaudited)	13
Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the nine months ended September 30, 2002 (unaudited)	14
Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and September 30, 2001 (unaudited)	15
Condensed Notes to Consolidated Financial Statements September 30, 2002 (unaudited)	16
Nestle Building	
Report of Independent Auditors	33
Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2001 (audited) and for the nine months ended September 30, 2002 (unaudited)	34
Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2001 (audited) and for the nine months ended September 30, 2002 (unaudited)	35
Wells Real Estate Investment Trust, Inc. and Subsidiary	
Unaudited Pro Forma Financial Statements	
Summary of Unaudited Pro Forma Financial Statements	37
Pro Forma Balance Sheet as of September 30, 2002 (unaudited)	38
Pro Forma Statement of Income for the year ended December 31, 2001 (unaudited)	40
Pro Forma Statement of Income for the nine months ended September 30, 2002 (unaudited)	41

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	September 30, 2002	December 31, 2001
ASSETS	(unaudited)	
REAL ESTATE, at cost:		
Land	$ 164,191	$ 86,247
Building and improvements, less accumulated depreciation of $48,000 in 2002 and $24,814 in 2001	1,171,793	472,383
Construction in progress	28,500	5,739
Total real estate	1,364,484	564,369
INVESTMENT IN JOINT VENTURES	75,388	77,410
CASH AND CASH EQUIVALENTS	143,912	75,586
INVESTMENT IN BONDS	54,500	22,000
STRAIGHT-LINE RENT RECEIVABLE	10,632	5,362
ACCOUNTS RECEIVABLE	1,387	641
NOTE RECEIVABLE	4,966	0
DEFERRED LEASE ACQUISITION COSTS, net	1,713	1,525
DEFERRED PROJECT COSTS	5,963	2,977
DUE FROM AFFILIATES	2,185	1,693
DEFERRED OFFERING COSTS	3,537	0
PREPAID EXPENSES AND OTHER ASSETS, net	2,597	718
Total assets	$1,671,264	$ 752,281
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Notes payable	$ 35,829	$ 8,124
Obligations under capital leases	54,500	22,000
Accounts payable and accrued expenses	17,539	8,727
Dividends payable	10,209	1,059
Deferred rental income	7,894	662
Due to affiliates	4,380	2,166
Total liabilities	130,351	42,738
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	200
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 750,000 shares authorized, 182,609 shares issued and 180,892 outstanding at September 30, 2002, and 350,000 shares authorized, 83,761 shares issued and 83,206 shares outstanding at December 31, 2001	1,826	838
Additional paid-in capital	1,621,376	738,236
Cumulative distributions in excess of earnings	(64,907)	(24,181)
Treasury stock, at cost, 1,717 shares at September 30, 2002 and 555 shares at December 31, 2001	(17,167)	(5,550)
Other comprehensive loss	(415)	0
Total shareholders' equity	1,540,713	709,343
Total liabilities and shareholders' equity	$1,671,264	$ 752,281

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(unaudited and in thousands except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2002	September 30, 2001	September 30 2002	September 30 2001
REVENUES:				
Rental income	$ 27,549	$ 11,317	$ 66,121	$ 31,028
Operating cost reimbursements*	3,677	1,331	12,854	4,470
Equity in income of joint ventures	1,259	1,102	3,738	2,622
Interest income*	2,427	89	5,075	281
Take out fee	1	0	135	138
	34,913	13,839	87,923	38,539
EXPENSES:				
Depreciation	10,282	3,947	23,185	10,341
Operating costs*	5,868	2,625	17,109	7,638
Management and leasing fees	1,445	632	3,348	1,750
Administrative costs	745	141	1,867	901
Interest expense*	1,126	148	2,006	2,957
Amortization of deferred financing costs	162	237	587	529
	19,628	7,730	48,102	24,116
NET INCOME	$ 15,285	$ 6,109	$ 39,821	$ 14,423
BASIC AND DILUTED EARNINGS PER SHARE	$ 0.09	$ 0.11	$ 0.31	$ 0.33
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

See accompanying condensed notes to financial statements.

* These financial statement line items have been amended and restated as described in the accompanying Note 1(k).

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 (UNAUDITED)
(in thousands except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders' Equity
BALANCE, December 31, 2000	31,510	$ 315	$ 275,573	$ (9,134)	$ 0	(141)	$ (1,413)	$ 0	$ 265,341
Issuance of common stock	52,251	523	521,994	0	0	0	0	0	522,517
Treasury stock purchased	0	0	0	0	0	(414)	(4,137)	0	(4,137)
Net income	0	0	0	0	21,724	0	0	0	21,724
Dividends ($.76 per share)	0	0	0	(15,047)	(21,724)	0	0	0	(36,771)
Sales commissions and discounts	0	0	(49,246)	0	0	0	0	0	(49,246)
Other offering expenses	0	0	(10,085)	0	0	0	0	0	(10,085)
BALANCE, December 31, 2001	83,761	838	738,236	(24,181)	0	(555)	(5,550)	0	709,343
Issuance of common stock	**98,848**	**988**	**987,482**	**0**	**0**	**0**	**0**	**0**	**988,470**
Treasury stock purchased	**0**	**0**	**0**	**0**	**0**	**(1,162)**	**(11,617)**	**0**	**(11,617)**
Dividends ($.58 per share)	**0**	**0**	**0**	**(40,726)**	**(39,821)**	**0**	**0**	**0**	**(80,547)**
Sales commissions and discounts	**0**	**0**	**(94,097)**	**0**	**0**	**0**	**0**	**0**	**(94,097)**
Other offering expenses	**0**	**0**	**(10,245)**	**0**	**0**	**0**	**0**	**0**	**(10,245)**
Components of comprehensive income:									
Net income	**0**	**0**	**0**	**0**	**39,821**	**0**	**0**	**0**	**39,821**
Gain/(loss) on interest rate swap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(415)**	**(415)**
Comprehensive income									**39,406**
BALANCE, September 30, 2002 (unaudited)	**182,609**	**$ 1,826**	**$ 1,621,376**	**$ (64,907)**	**$ 0**	**(1,717)**	**$ (17,167)**	**$ (415)**	**$ 1,540,713**

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 39,821	$ 14,423
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(3,738)	(2,622)
Depreciation	23,185	10,341
Amortization of deferred financing costs	587	529
Amortization of deferred leasing costs	229	228
Bad debt expense	113	0
Changes in assets and liabilities:		
Accounts receivable	(746)	(370)
Straight-line rent receivable	(5,382)	(1,949)
Due from affiliates	(35)	0
Deferred rental income	7,232	(381)
Accounts payable and accrued expenses	8,811	3,309
Prepaid expenses and other assets, net	(1,813)	3,211
Due to affiliates	(105)	(235)
Net cash provided by operating activities	68,159	26,484
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(797,011)	(121,366)
Investment in joint ventures	0	(27,018)
Deferred project costs paid	(34,784)	(10,347)
Distributions received from joint ventures	5,301	3,027
Deferred lease acquisition costs paid	(400)	0
Net cash used in investing activities	(826,894)	(155,704)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	27,742	107,587
Repayment of note payable	(37)	(208,102)
Dividends paid	(71,397)	(23,502)
Issuance of common stock	988,470	297,775
Sales commissions paid	(94,097)	(28,086)
Offering costs paid	(10,937)	(7,481)
Treasury stock purchased	(11,617)	(2,137)
Deferred financing costs paid	(1,066)	0
Net cash provided by financing activities	827,061	136,054
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,326	6,834
CASH AND CASH EQUIVALENTS, beginning of year	75,586	4,298
CASH AND CASH EQUIVALENTS, end of period	$ 143,912	$ 11,132
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 31,271	$ 1,127
Deferred project costs applied to joint ventures	$ 0	$ 9,295
Deferred project costs due to affiliate	$ 587	$ (498)
Interest rate swap	$ (415)	$ 0
Increase (decrease) in deferred offering cost accrual	$ 3,537	$ (1,291)
Assumption of obligations under capital lease	$ 32,500	$ 22,000
Investment in bonds	$ 32,500	$ 22,000

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARY

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2002
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust ("REIT"). Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16.5 million shares of common stock at $10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately $132.2 million had been received from the sale of approximately 13.2 million shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately $175.2 million from the sale of approximately 17.5 million shares. The Company commenced its third public offering of shares of common stock on December 20, 2000, which terminated on July 26, 2002 after receipt of gross proceeds of approximately $1.3 billion from the sale of approximately 128.3 million shares. As of September 30, 2002, the Company has received gross proceeds of approximately $235.7 million from the sale of approximately 23.6 million shares from its fourth public offering. Accordingly, as of September 30, 2002, the Company has received aggregate gross offering proceeds of approximately $1.8 billion from the sale of 182.6 million shares of its common stock to investors. After payment of $63.3 million in acquisition and advisory fees and acquisition expenses, payment of $202.9 million in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of $1.4 billion for property acquisitions, and common stock redemptions of $17.2 million pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $144.5 million available for investment in properties, as of September 30, 2002.

(b) Properties

As of September 30, 2002, the Company owned interests in 67 properties listed in the table below through its ownership in Wells OP.

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
Daimler Chrysler Dallas	Daimler Chrysler Services North America LLC	Westlake, TX	100%	$ 25,100,000	130,290	$ 3,189,499
Allstate Indianapolis	Allstate Insurance Company Holladay Property Services Midwest, Inc.	Indianapolis, IN	100%	$ 10,900,000	84,200 5,756	$ 1,246,164 $ 74,832
Intuit Dallas	Lacerte Software Corporation	Plano, TX	100%	$ 26,500,000	166,238	$ 2,461,985
EDS Des Moines	EDS Information Services LLC	Des Moines, IA	100%	$ 26,500,000	405,000	$ 2,389,500
Federal Express Colorado Springs	Federal Express Corporation	Colorado Springs, CO	100%	$ 26,000,000	155,808	$ 2,248,309
KeyBank Parsippany	KeyBank U.S.A., N.A. Gemini Technology Services	Parsippany, NJ	100%	$ 101,350,000	200,000 204,515	$ 3,800,000 $ 5,726,420
IRS Long Island	IRS Collection IRS Compliance IRS Daycare Facility	Holtsville, NY	100%	$ 50,975,000	128,000 50,949 12,100	$ 5,029,380(1) $ 1,663,200 $ 486,799
AmeriCredit Phoenix	AmeriCredit Financial Services, Inc.	Chandler, AZ	100%	$ 24,700,000(2)	153,494	$ 1,609,315(3)
Harcourt Austin	Harcourt, Inc.	Austin, TX	100%	$ 39,000,000	195,230	$ 3,353,040
Nokia Dallas	Nokia, Inc. Nokia, Inc. Nokia, Inc.	Irving, TX	100%	$ 119,550,000	228,678 223,470 152,086	$ 4,413,485 $ 4,547,614 $ 3,024,990
Kraft Atlanta	Kraft Foods North America, Inc. Perkin Elmer Instruments, LLC	Suwanee, GA	100%	$ 11,625,000	73,264 13,955	$ 1,263,804 $ 194,672
BMG Greenville	BMG Direct Marketing, Inc. BMG Music	Duncan, SC	100%	$ 26,900,000	473,398 313,380	$ 1,394,156 $ 763,600
Kerr-McGee	Kerr-McGee Oil & Gas Corporation	Houston, TX	100%	$ 15,760,000(2)	100,000	$ 1,655,000(3)
PacifiCare San Antonio	PacifiCare Health Systems, Inc.	San Antonio, TX	100%	$ 14,650,000	142,500	$ 1,471,700
ISS Atlanta	Internet Security Systems, Inc.	Atlanta, GA	100%	$ 40,500,000	238,600	$ 4,623,445
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	$ 25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	$ 21,060,000	108,240	$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	$ 35,150,000	292,700	$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	$ 6,850,000	47,400	$ 747,033
Agilent Atlanta	Agilent Technologies, Inc. Koninklijke Philips Electronics N.V.	Alpharetta, GA	100%	$ 15,100,000	66,811 34,396	$ 1,344,905 $ 704,430
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	$ 10,395,845	68,165	$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	$ 41,950,000(4)	147,004	$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above)(4)	112,480	$ 2,330,600
Novartis Atlanta	Novartis Opthalmics, Inc.	Duluth, GA	100%	$ 15,000,000	100,087	$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc. Newpark Drilling Fluids, Inc.	Houston, TX	100%	$ 22,000,000	103,260 52,731	$ 2,110,035 $ 1,153,227
Arthur Andersen (5)	Arthur Andersen LLP	Sarasota, FL	100%	$ 21,400,000	157,700	$ 1,988,454
Windy Point I	TCI Great Lakes, Inc. The Apollo Group, Inc. Global Knowledge Network Various other tenants	Schaumburg, IL	100%	$ 32,225,000(6)	129,157 28,322 22,028 8,884	$ 2,067,204 $ 477,226 $ 393,776 $ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	$ 57,050,000(6)	300,034	$ 5,244,594
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	$ 13,255,000	100,000	$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	$ 12,954,213	148,204	$ 1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	$ 17,650,000	120,000	$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	$ 21,050,000	701,819	$ 2,035,275
Nissan	Nissan Motor Acceptance Corporation	Irving, TX	100%	$ 42,259,000(2)	268,290	$ 4,225,860(3)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	$ 49,563,000	234,668	$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	$ 12,500,000	85,000	$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	$ 24,950,000	201,237	$ 2,458,638

Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
AT&T Oklahoma	AT&T Corp.	Oklahoma City, OK	55.0%	$ 15,300,000	103,500	$ 1,242,000
	Jordan Associates, Inc.				25,000	$ 294,500
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc.	Houston, TX	100%	$ 44,970,000	206,048	$ 4,533,056
	SYSCO Corporation				106,516	$ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	$ 33,648,156	236,710	$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	$ 7,193,000	65,006	$ 1,287,119
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	$ 19,800,000	107,193	$ 1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	$ 13,250,000	132,070	$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	$ 14,265,000	77,054	$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	$ 16,000,000	133,225	$ 2,054,329
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	$ 17,355,000	95,133	$ 1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	$ 12,700,000	101,100	$ 1,187,925
Cinemark	Cinemark USA, Inc.	Plano, TX	100%	$ 21,800,000	65,521	$ 1,366,491
	The Coca-Cola Company				52,587	$ 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	$ 32,630,940	250,354	$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	$ 8,000,000	130,000	$ 854,748
Alstom Power Richmond (2)	Alstom Power, Inc.	Midlothian, VA	100%	$ 11,400,000	99,057	$ 1,244,501
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	$ 5,085,000	169,510	$ 550,908
Matsushita (2)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$ 18,431,206	144,906	$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$ 12,291,200	81,859	$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	$ 21,127,854	130,091	$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	$ 6,400,000	52,000	$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 920,144
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	57,186	$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	$ 5,025,000	108,250	$ 659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,975	$ 1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	$ 10,325,000	106,750	$ 1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	$ 7,900,000	84,404	$ 1,106,520

(1) Includes only the leased portion of this property.

(2) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.

(3) Annual rent for AmeriCredit Phoenix, Kerr McGee and Nissan Property does not take effect until construction of the building is completed and the tenant is occupying the building.

(4) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.

(5) Subsequent to September 30, 2002, this building has been vacated by the tenant. See Footnote 10 and “Subsequent Events” in the Management’s Discussion and Analysis of Financial Condition and Results of Operations section of this supplement.

(6) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XIII, L.P.	AmeriCredit ADIC
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XII, L.P.	Siemens AT&T Oklahoma Comdata
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	EYBL CarTex Sprint Johnson Matthey Gartner
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P. Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	Alstom Power Knoxville Ohmeda Interlocken Avaya Iomega
Wells/Fremont Associates Joint Venture (the “Fremont Joint Venture”)	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Fairchild
Wells/Orange County Associates Joint Venture (the “Orange County Joint Venture”)	Wells Operating Partnership, L.P. Fund X-XI Joint Venture	Cort Furniture
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P. Fund VIII-IX Joint Venture	Quest

(c) Critical Accounting Policies

The Company’s accounting policies have been established in accordance with accounting principles generally accepted in the United States (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity, the current year budget and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets to date.

Deferred Project Costs

The Company records acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc. (the "Advisor") by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of September 30, 2002, amounted to $63.3 million and represented approximately 3.5% of capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at September 30, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to the Advisor. As equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of September 30, 2002, the Advisor had paid organization and offering expenses on behalf of the Company in an aggregate amount of $34.2 million, of which the Advisor had been reimbursed $29.7 million, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of its real estate investment trusts' taxable income. The Company intends to make regular quarterly distributions to stockholders. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares.

Dividends to be distributed to the stockholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 1986, as amended (the "Code"), to be taxed as a Real Estate Investment Trust ("REIT") under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company's net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. (Wells Management), an affiliate of the Company and the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The Company has reimbursed the Advisor and Wells Management for allocated salaries, wages and other payroll related costs totaling $1.1 million and $0.4 million for the nine months ended September 30, 2002 and 2001, respectively, and $0.5 million and $0.1 million for the three months ended September 30, 2002 and 2001, respectively.

(g) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) Competition

The Company will experience competition for tenants from owners and managers of competing projects, which may include its affiliates. As a result, the Company may be required to provide free rent, reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

(i) Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

(j) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to the Advisor in exchange for a capital contribution of $200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of management of the Company, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001.

(k) Reclassifications and Change in Presentation

The Company has historically reported property operating costs net of reimbursements from tenants as an expense in its Consolidated Statements of Income. These costs include property taxes, property insurance, utilities, repairs and maintenance, management fees and other expenses related to the ownership and operation of the Company's properties that are required to be reimbursed by the properties' tenants in accordance with the terms of their leases. In response to a FASB Emerging Issues Task Force release issued in November 2001, the Company will now present the reimbursements received from tenants as revenue and the gross property operating costs as expenses commencing in the first quarter of 2002. Consequently, the accompanying Consolidated Statements of Income for the three and nine months ended September 30, 2002 have been amended and restated to reflect the effects of this revised presentation. In addition, the comparative financial information for prior periods has been reclassified to conform to the presentation in the 2002 financial statements.

Since this presentation does not impact the amount of reimbursements received or property operating costs incurred and requires equal adjustments to revenues and expenses, the adoption of this guidance will have no impact on the financial position, net income, earnings per share or cash flows of the Company.

2. INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of September 30, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the results of operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of September 30, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three and nine months ended September 30, 2002.

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Three Months Ended (in thousands)		Three Months Ended (in thousands)		Three Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 1,346	$ 1,458	$ 574	$ 670	$ 21	$ 25
Cort Joint Venture	209	213	135	149	59	65
Fremont Joint Venture	226	227	142	142	110	110
Fund XI-XII-REIT Joint Venture	855	856	484	520	275	295
Fund XII-REIT Joint Venture	1,481	1,525	727	815	400	448
Fund VIII-IX-REIT Joint Venture	310	314	153	156	24	24
Fund XIII-REIT Joint Venture	707	306	408	155	370	135
	$ 5,134	$ 4,899	$ 2,623	$ 2,607	$ 1,259	$ 1,102

	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Nine Months Ended (in thousands)		Nine Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Fund IX-X-XI-REIT Joint Venture	$ 4,170	$ 4,472	$ 1,747	$ 2,043	$ 65	$ 76
Cort Joint Venture	631	611	405	415	177	181
Fremont Joint Venture	679	677	419	421	325	326
Fund XI-XII-REIT Joint Venture	2,601	2,571	1,526	1,534	866	871
Fund XII-REIT Joint Venture	4,643	3,729	2,385	1,848	1,311	967
Fund VIII-IX-REIT Joint Venture	945	902	461	416	73	66
Fund XIII-REIT Joint Venture	2,115	306	1,215	155	921	135
	$ 15,784	$ 13,268	$ 8,158	$ 6,832	$ 3,738	$ 2,622

Total revenues for the three and nine months ended September 30, 2002 presented above have been amended and restated to include operating cost reimbursements from tenants as revenue, consistent with the presentation described in Note 1(k).

3. INVESTMENTS IN REAL ESTATE

As of September 30, 2002, the Company, through its ownership in Wells OP, owns 50 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended September 30, 2002.

The ISS Atlanta Buildings

On July 1, 2002, Wells OP purchased two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia for a purchase price of $40.5 million, excluding closing costs. The ISS Atlanta Buildings were acquired by assigning to Wells OP an existing ground lease with the Development Authority of Fulton County ("Development Authority"). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds ("Bonds") totaling $32.5 million in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation ("ISS"). The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is approximately $4.6 million. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The PacifiCare San Antonio Building

On July 12, 2002, Wells OP purchased the PacifiCare San Antonio Building, a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas for a purchase price of $14.7 million, excluding closing costs. The PacifiCare San Antonio Building is 100% leased to PacifiCare Health Systems, Inc. ("PacifiCare"). The PacifiCare lease is a net lease that commenced in November 2000 and expires in November 2010. The current annual base rent payable under the PacifiCare lease is approximately $1.5 million. PacifiCare, at its option, has the right to extend the initial term of its lease for three additional five-year periods. Monthly base rent for the first renewal term will be approximately $0.2 million and monthly base rent for the second and third renewal terms will be the then-current market rental rate.

The Kerr-McGee Property

On July 29, 2002, Wells OP purchased the Kerr-McGee Property, a 4.2-acre tract of land located in Houston, Harris County, Texas for a purchase price of approximately $1.7, excluding closing costs. Wells OP has entered into agreements to construct a four-story office building containing approximately 100,000 rentable square feet (the "Kerr-McGee Project") on the Kerr-McGee Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr-McGee Property and the planning, design, development, construction and completion of the Kerr McGee Project will total approximately $15.8 million.

The entire 100,000 rentable square feet of the Kerr-McGee Project will be leased to Kerr-McGee Oil & Gas Corporation ("Kerr-McGee"), a wholly owned subsidiary of Kerr-McGee Corporation. The initial term of the Kerr-McGee lease will extend 11 years and 1 month beyond the rent commencement date. Construction on the building is scheduled to be completed by July 2003. The rent commencement date will occur no later than July 1, 2003. Kerr-McGee has the right to extend the initial term of this lease for one additional period of twenty years or the option to extend the initial term for any combination of additional periods of ten years or five years for a total additional period of not more than twenty years. The base rental rate will be 95% of the existing market rate. The initial annual base rent payable under the Kerr-McGee lease will be calculated as 10.5% of project costs.

Wells OP obtained a construction loan in the amount of $13.7 million from Bank of America, to fund the construction of a building on the Kerr-McGee Property. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan as of August 6, 2002 was 3.80%. The Bank of America loan is secured by a first priority mortgage on the Kerr-McGee Property.

The BMG Greenville Buildings

On July 31, 2002, Wells OP purchased the BMG Greenville Buildings, two one-story office buildings containing 786,778 rentable square feet located in Duncan, Spartanburg County, South Carolina for a purchase price of $26.9 million, excluding closing costs. The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. ("BMG Marketing") and BMG Music ("BMG Music").

The BMG Marketing lease is a net lease that covers approximately 473,398 square feet that commenced in March 1988 and expires in March 2011. The current annual base rent payable under the BMG Marketing lease is approximately $1.4 million. BMG Marketing, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease is a net lease that covers approximately 313,380 rentable square feet that commenced in December 1987 and expires in March 2011. The current annual base rent payable under the BMG Music lease is approximately $0.8 million. BMG Music, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The Kraft Atlanta Building

On August 1, 2002, Wells OP purchased the Kraft Atlanta Building, a one-story office building containing 87,219 rentable square feet located in Suwanee, Forsyth County, Georgia for a purchase price of approximately $11.6 million, excluding closing costs. The Kraft Atlanta Building is leased to Kraft Foods North America, Inc. ("Kraft") and PerkinElmer Instruments, LLC ("PerkinElmer").

The Kraft lease is a net lease that covers approximately 73,264 square feet that commenced in February 2002 and expires in January 2012. The current annual base rent payable under the Kraft lease is approximately $1.3 million. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the lease (1) at the end of the third year by paying a $7.0 million termination fee, or (2) at the end of the seventh lease year by paying an approximately $1.8 million termination fee.

The PerkinElmer lease is a net lease that covers approximately 13,955 rentable square feet that commenced in December 2001 and expires in November 2016. The current annual base rent payable under the PerkinElmer lease is approximately $0.2 million. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the lease at the end of the tenth lease year by paying a $0.3 million termination fee.

The Nokia Dallas Buildings

On August 15, 2002, Wells OP purchased the Nokia Dallas Buildings, three adjacent office buildings containing an aggregate of 604,234 rentable square feet located in Irving, Texas for an aggregate purchase price of approximately $119.6 million, excluding closing costs. The Nokia Dallas Buildings are all leased entirely to Nokia, Inc ("Nokia") under three long-term net leases for periods of 10 years, with approximately seven to eight years remaining on such leases.

The Nokia I Building is a nine-story building containing 228,678 rentable square feet. The Nokia I Building lease fully commenced in July 1999 and expires in July 2009. The current annual base rent payable under the Nokia I Building lease is approximately $4.4 million. The Nokia II Building is a seven-story building containing 223,470 rentable square feet. The Nokia II Building lease commenced in December 2000 and expires in December 2010. The current annual base rent payable under the Nokia II Building lease is approximately $4.5 million. The Nokia III Building is a six-story building containing

152,086 rentable square feet. The Nokia III Building lease commenced in June 1999 and expires in July 2009. The current annual base rent payable under the Nokia III Building lease is approximately $3.0 million.

The Harcourt Austin Building

On August 15, 2002, Wells OP purchased the Harcourt Austin Building, a seven-story office building containing 195,230 rentable square feet located in Austin, Texas for a purchase price of $39.0 million, excluding closing costs. The Harcourt Austin Building is leased entirely to Harcourt, Inc. ("Harcourt"), a wholly owned subsidiary of Harcourt General, Inc., the guarantor of the Harcourt lease. The Harcourt lease commenced in July 2001 and expires in June 2016. The current annual base rent payable under the Harcourt lease is approximately $3.4 million.

The AmeriCredit Phoenix Property

On September 12, 2002, Wells OP purchased the AmeriCredit Phoenix Property, a 14.74-acre tract of land located in Chandler, Maricopa County, Arizona for a purchase price of approximately $2.6 million, excluding closing costs. Wells OP has entered into agreements to construct a three-story office building containing approximately 153,494 rentable square feet (the "AmeriCredit Phoenix Project") on the AmeriCredit Phoenix Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the AmeriCredit Phoenix Project and the planning, design, development, construction and completion of the AmeriCredit Phoenix Project will total approximately $24.7 million.

The entire 153,494 rentable square feet of the AmeriCredit Phoenix Project will be leased to AmeriCredit Financial Services, Inc. ("AmeriCredit"), a wholly owned subsidiary of AmeriCredit Corporation. The initial term of the AmeriCredit lease will extend 10 years and 4 month beyond the rent commencement date. Construction on the building is scheduled to be completed by August 2003. AmeriCredit has the right to extend the initial term of this lease for two additional periods of five years at 95% of the then-market rate. As an inducement for Wells OP to enter into the AmeriCredit Phoenix lease, AmeriCredit has prepaid to Wells OP the first three years of base rent at a discounted amount equal to approximately $4.8 million.

The IRS Long Island Buildings

On September 16, 2002, Wells REIT-Holtsville, NY, LLC ("REIT-Holtsville"), a Georgia limited liability company wholly-owned by Wells OP purchased the IRS Long Island Buildings, a two-story office building and a one-story daycare facility containing an aggregate 259,700 rentable square feet located in Holtsville, New York for a purchase price of approximately $51.0 million, excluding closing costs. Approximately 191,050 of the aggregate rentable square feet of the IRS Long Island Buildings (74%) is currently leased to the United States of America through the U.S. General Services Administration ("U.S.A.") for occupancy by the IRS under three separate lease agreements for the processing & collection division of the IRS ("IRS Collection"), the compliance division of the IRS ("IRS Compliance"), and the IRS Daycare Facility. REIT-Holtsville is negotiating for the remaining 26% of the IRS Long Island Buildings to be leased by the U.S.A. on behalf of the IRS or to another suitable tenant. If REIT-Holtsville should lease this space to the U.S.A. or another suitable tenant within 18 months, REIT-Holtsville would owe the seller an additional amount of up to $14.5 million as additional purchase price for the IRS Long Island Buildings pursuant to the terms of an earnout agreement entered into between REIT-Holtsville and the seller at the closing.

The IRS Collection lease, which encompasses 128,000 rentable square feet of the IRS Office Building, commenced in August 2000 and expires in August 2005. The current annual base rent payable under the IRS Collection lease is approximately $5.0 million. The annual base rent payable under the

IRS Collection lease for the remaining two years of the initial lease term will be approximately $2.8 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at annual rental rates of approximately $4.2 million and $5.0 million, respectively.

The IRS Compliance lease, which encompasses 50,949 rentable square feet of the IRS Office Building, commenced in December 2001 and expires in December 2011. The annual base rent payable under the IRS Compliance lease for the initial term of the lease is approximately $1.7 million. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of approximately $2.2 million.

The IRS Daycare Facility lease, which encompasses the entire 12,100 rentable square feet of the IRS Daycare Facility, commenced in October 1999 and expires in September 2004. The annual base rent payable under the IRS Daycare Facility lease for the initial term of the lease is approximately $0.5 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at an annual rental rate of approximately $0.4 million.

The KeyBank Parsippany Building

On September 27, 2002, Wells OP purchased the KeyBank Parsippany Building, a four-story office building containing 404,515 rentable square feet located in Parsippany, New Jersey for a purchase price of approximately $101.4 million, excluding closing costs. The KeyBank Parsippany Building is leased to Key Bank U.S.A., N.A. (“KeyBank”) and Gemini Technology Services (“Gemini”).

The KeyBank lease covers 200,000 rentable square feet (49%) under a net lease that commenced in March 2001 and expires in February 2016. The current annual base rent payable under the KeyBank lease is $3.8 million. KeyBank, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate.

The Gemini lease covers 204,515 rentable square feet (51%) under a gross lease that commenced in December 2000 and expires in December 2013. The current annual base rent payable under the Gemini lease is approximately $5.7 million. Gemini, at its option, has the right to extend the initial term of its lease for three additional five-year periods at a rate equal to the greater of (1) the annual rent during the final year of the initial lease term, or (2) 95% of the then-current market rental rate.

The Federal Express Colorado Springs Building

On September 27, 2002, Wells OP purchased the Federal Express Colorado Springs Building, a three-story office building containing 155,808 rentable square feet located in Colorado Springs, Colorado for a purchase price of $26.0 million, excluding closing costs. The Federal Express Colorado Springs Building is leased entirely to Federal Express Corporation (“Federal Express”). The Federal Express lease commenced in July 2001 and expires in October 2016. The current annual base rent payable under the Federal Express lease is approximately $2.2 million. Federal Express, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 90% of the then-current market rental rate. In addition, Federal Express has an expansion option under its lease pursuant to which Wells OP would be required to construct an additional office building.

The EDS Des Moines Building

On September 27, 2002, Wells OP purchased the EDS Des Moines Building, a one-story office and distribution building containing 115,000 rentable square feet of office space and 290,000 rentable square feet of warehouse space located in Des Moines, Iowa for a purchase price of $26.5 million, excluding closing costs. The EDS Des Moines Building is leased entirely to EDS Information Services

L.L.C. (“EDS”), a wholly-owned subsidiary of Electronic Data Systems Corporation (*“EDS Corp.”*). EDS Corp. is the guarantor of the EDS lease. The EDS lease commenced in May 2002 and expires in April 2012. The current annual base rent payable under the EDS lease is approximately $2.4 million. EDS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, EDS has an expansion option under its lease for up to an additional 100,000 rentable square feet.

The Intuit Dallas Building

On September 27, 2002, Wells OP purchased the Intuit Dallas Building, a two-story office building with a three-story wing containing 166,238 rentable square feet located in Plano, Texas for a purchase price of $26.5 million, excluding closing costs. The Intuit Dallas Building is leased entirely to Lacerte Software Corporation (“Lacerte”), a wholly-owned subsidiary of Intuit, Inc. (“Intuit”). Intuit is the guarantor of the Lacerte lease. The Lacerte lease commenced in July 2001 and expires in June 2011. The current annual base rent payable under the Lacerte lease is approximately $2.5 million. Lacerte, at its option, has the right to extend the initial term of its lease for two additional five-year periods at rental rates of $17.92 per square foot and $19.71 per square foot, respectively. In addition, Lacerte has an expansion option through November 2004 pursuant to which Wells OP would be required to purchase an additional 19 acre tract of land and to construct up to an approximately 600,000 rentable square foot building thereon.

The Allstate Indianapolis Building

On September 27, 2002, Wells OP purchased the Allstate Indianapolis Building, a one-story office building containing 89,956 rentable square feet located in Indianapolis, Indiana for a purchase price of $10.9 million, excluding closing costs. The Allstate Indianapolis Building is leased to Allstate Insurance Company (“Allstate”) and Holladay Property Services Midwest, Inc. (“Holladay”).

The Allstate lease, which covers 84,200 rentable square feet (94%), commenced in March 2002 and expires in August 2012. The current annual base rent payable under the Allstate lease is approximately $1.2 million. Allstate at its option has the right to (1) terminate the initial term of the Allstate lease at the end of the fifth lease year (August 2007) upon payment of an approximately $0.4 million fee, or (2) reduce its area of occupancy to not less than 20,256 rentable square feet, by providing written notice on or before August 2006. Allstate, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Allstate has a right of first refusal for the leasing of additional space in the Allstate Indianapolis Building.

Holladay is a property management company that manages the Allstate Indianapolis Building from the site. The Holladay lease, which covers 5,756 rentable square feet (6%), commenced in October 2001 and expires in September 2006. The current annual base rent payable under the Holladay lease is approximately $.07 million.

The Daimler Chrysler Dallas Building

On September 30, 2002, Wells OP purchased the Daimler Chrysler Dallas Building, a two-story office building containing 130,290 rentable square feet located in Westlake, Texas for a purchase price of $25.1 million, excluding closing costs. The Daimler Chrysler Dallas Building is leased entirely to Daimler Chrysler Services North America LLC (“Daimler Chrysler NA”). The Daimler Chrysler NA lease commenced in January 2002 and expires in December 2011. The current annual base rent payable under the Daimler Chrysler NA lease is approximately $3.2 million. Daimler Chrysler NA, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 98% of the then-current market rental rate. In addition, Daimler Chrysler NA has an expansion option for up to an additional 70,000 rentable square feet and a right of first offer if Wells OP desires to sell the Daimler Chrysler Dallas Building during the term of the lease.

4. NOTE RECEIVABLE

In connection with the purchase of the TRW Denver Building on May 29, 2002, Wells OP acquired a note receivable from the building's sole tenant, TRW, Inc., in the amount of $5.2 million. The loan was made to fund above-standard tenant improvement costs to the building. The note receivable is structured to be fully amortized over the remaining lease term, which expires September 2007, at 11% interest with TRW making monthly loan payments of $.1 million. At September 30, 2002, the principal balance of this note receivable was $5.0 million.

5. NOTES PAYABLE

At September 30, 2002, Wells OP had the following debt:

Lender	Collateral	Type of Debt	Maturity Date	Balance Outstanding (in millions)
SouthTrust	The Alstom Power Richmond Building	$7.9 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	$ 7.7
SouthTrust	The PwC Building	$12.8 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	2.1
SouthTrust	The Avnet Building and the Motorola Tempe Building	$19.0 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
SouthTrust	The Cinemark Building, the Dial Building and the ASML Building	$32.4 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
Bank of America	The Nissan Property	$34.2 million construction loan, interest at LIBOR plus 200 basis points	July 30, 2003	13.3
Bank of America	The Kerr McGee Property	$13.7 million construction loan, interest at LIBOR plus 200 basis points	January 29, 2004	1.0
Bank of America	The Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Matsushita Building, the Metris Tulsa Building, the Motorola Plainfield Building and the Delphi Building	$85 million line of credit, interest at 30 day LIBOR plus 180 basis points	May 11, 2004	0
Prudential	The BMG Buildings	$8.8 million note payable, interest at 8%, principal and interest payable monthly	December 15, 2003	8.8
Prudential	The BMG Buildings	$2.9 million note payable, interest at 8.5%, interest payable monthly, principal payable upon maturity	December 15, 2003	2.9
Total				**$ 35.8**

6. INTEREST RATE SWAPS

Wells OP has entered into interest rate swap agreements with Bank of America in order to hedge its interest rate exposure on the Bank of America construction loans for the Nissan Property (the Nissan Loan) and the Kerr McGee Property (the Kerr McGee Loan). The interest rate swap agreements involve the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. The notional amount of both interest rate swaps is the balance outstanding on the construction loan on the payment date.

The interest rate swap for the Nissan Loan became effective January 15, 2002 and terminates on June 15, 2003. Wells OP, as the fixed rate payer, has an interest rate of 3.9%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 5.9% on the Nissan Loan.

The interest rate swap for the Kerr McGee Loan became effective September 15, 2002 and terminates on July 15, 2003. Wells OP as fixed rate payer has an interest rate of 2.27%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 4.27% on the Kerr McGee Loan.

During the nine months ended September 30, 2002, Wells OP made interest payments totaling approximately $45,221 under the terms of the interest rate swap agreements. At September 30, 2002, the estimated fair value of the interest rate swap for the Nissan Loan and the Kerr McGee Loan was $(384,855) and $(30,180), respectively. The interest rate swaps are accounted for by mark-to-market accounting on a monthly basis and are included in prepaid and other assets on the accompanying consolidated balance sheet.

On January 1, 2001, the Company adopted SFAS No. 133, as amended by SFAS No. 137 and No. 138 Accounting for Derivative Instruments and Hedging Activities. The effect of adopting the SFAS No. 133 did not have a material effect on the Company’s consolidated financial statements.

7. INVESTMENT IN BONDS AND OBLIGATIONS UNDER CAPITAL LEASES

In connection with the purchase of a ground leasehold interest in the Ingram Micro Distribution Facility pursuant to a Bond Real Property Lease dated December 20, 1995 (the Bond Lease), Wells OP acquired an Industrial Development Revenue Note (the Bond) dated December 20, 1995 in the principal amount of $22 million. As part of the same transaction, Wells OP also acquired a Fee Construction Mortgage Deed of Trust Assignment of Rents and Leases (the Bond Deed of Trust), also dated December 20, 1995, which was executed by the Industrial Development Board in order to secure the Bond. Beginning in 2006, the holder of the Bond Lease has the option to purchase the land underlying the Ingram Micro Distribution Facility for $100 plus satisfaction of the indebtedness evidenced by the Bond. Because Wells OP is technically subject to the obligation to pay the $22 million indebtedness evidenced by the Bond, the obligation to pay the Bond is carried on the Company’s books as a liability. However, since Wells OP is also the owner of the Bond, the Bond is also carried on the Company’s books as an asset.

As part of the transaction to acquire a ground leasehold interest in the ISS Atlanta Buildings, Wells OP was assigned Development Authority of Fulton County Taxable Revenue Bonds totaling $32.5 million, which were originally issued in connection with the development of the ISS Atlanta Buildings (the Bonds). The Bonds entitle Wells OP to certain property tax abatement benefits. Upon payment of the outstanding balance on the Bonds, on or before the expiration of the ground lease on December 1, 2015, fee title interest to the underlying land will be transferred to Wells OP. Because Wells OP is technically subject to the obligation to pay the $32.5 million indebtedness evidenced by the Bond, the obligation to pay the Bonds is carried on the Company's books as a liability. However, since Wells OP is also the owner of the Bonds, the Bonds are also carried on the Company's books as an asset.

8. DUE TO AFFILIATES

Due to affiliates consists of amounts due to the Advisor for acquisitions and advisory fees and acquisition expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in greater detail in the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001. Payments of $.6 million have been made as of September 30, 2002 toward funding the obligation under the Matsushita agreement.

9. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor ("Wells Exchange") has developed a program (the "Wells Section 1031 Program") involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange, which was extended to April 15, 2002. Wells OP was compensated for its takeout commitment in the amount of $.1 million in each of 2001 and 2002 by payment of a take out fee to Wells OP in an amount equal to 1.25% of its maximum financial obligation under the Ford Motor Credit take out purchase and escrow agreement. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex. This pay off of the loan triggered the release of Wells OP from its prior obligations under the take out purchase and escrow agreement relating to such property.

Letters of Credit

At September 30, 2002, Wells OP had three letters of credit totaling $19.2 million outstanding from financial institutions, which were not recorded in the accompanying consolidated balance sheet. These letters of credit were required by three of the Company's tenants to ensure completion of the Company's contractual obligations. The Company's management does not anticipate a need to draw on these letters of credit.

Properties under Contract

At September 30, 2002, the Company had three executed contracts for the acquisition of properties totaling $82.0 million. Escrows of $1.3 million have been paid out for these properties and are included in prepaid and other assets on the accompanying consolidated balance sheet.

10. SUBSEQUENT EVENTS

Issuance of Common Stock

From October 1, 2002 through October 25, 2002, the Company has raised approximately $91.5 million through the issuance of 9.1 million shares of common stock in the Company.

Termination Agreement

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of $979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Nestle Building for the year ended December 31, 2001. This statement is the responsibility of the Nestle Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Nestle Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Nestle Building for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia
January 21, 2003

Nestle Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

	2002	2001
	(Unaudited)	
Revenues:		
Base rent	$10,995,810	$14,660,259
Parking	617,318	848,917
Tenant reimbursements	698,210	853,872
Total revenues	12,311,338	16,363,048
Operating expenses	3,914,726	4,968,193
Revenues over certain operating expenses	$ 8,396,612	$11,394,855

See accompanying notes.

Nestle Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the nine months ended September 30, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On December 20, 2002, Wells REIT-Glendale, CA, LLC ("the Company") acquired the Nestle Building from Douglas Emmett Joint Venture ("Douglas Emmett"). The Company, a Georgia limited liability company, was created on December 20, 2002. Wells Operating Partnership, L.P. ("Wells OP') is the sole member of the Company. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

The twenty-story building contains 505,115 square feet of net rentable area and is 100% leased to several tenants, including Nestle USA, Inc. ("Nestle"). Nestle occupies a total of 502,994 square feet, or 99.6%, under a lease ("Nestle Lease") that commenced in August 1990 and expires in August 2010. The remaining square footage is leased to several retail tenants under lease agreements that expire over the next seven years. Douglas Emmett's interests in the Nestle Lease and other retail lease agreements were assigned to the Company upon acquisition of the Nestle Building. Under the Nestle Lease, the tenant is required to pay, as additional rent, its pro rata share of operating expenses over the base year operating allowance established in the first lease year. Operating expenses shall consist of all direct costs of operation and maintenance of the building including, but not limited to, real estate taxes, water and sewer charges, utilities, janitorial services, security and labor. Additionally, the Nestle Lease entitles Nestle to a specified number of parking spaces, and Nestle is required to pay monthly rental payments for the spaces which the Company records as parking revenues. The Company will be responsible for maintaining and repairing the Nestle Building's roof, foundation, common areas, electrical and mechanical systems.

Rental Revenues

Rental income is recognized on a straight-line basis over the terms of the leases.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation and interest. Therefore, these statements are not comparable to the statement of operations of the Nestle Building after its acquisition by the Company.

Notes to Statements of Revenues Over Certain Operating Expenses (Continued)

3. FUTURE MINIMUM RENTAL COMMITMENTS

Future minimum rental commitments for the years ended December 31 are as follows:

2002	$ 14,939,680
2003	14,950,502
2004	14,963,154
2005	15,508,547
2006	16,591,633
Thereafter	60,926,465
	$137,879,981

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The statement of revenues over certain operating expenses for the nine months ended September 30, 2002 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2001 and quarterly report on Form 10-Q/A for the period ended September 30, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of September 30, 2002 has been prepared to give effect to the fourth quarter 2002 acquisitions of the NASA Buildings by Wells REIT-Independence Square, LLC, of which Wells REIT is the sole member, the Caterpillar Nashville Building, the Capital One Richmond Buildings (the "Other Recent Acquisitions") by Wells Operating Partnership, L.P. ("Wells OP"), the Nestle Building by Wells REIT Glendale, CA, LLC, of which Wells OP is the sole member, and the John Wiley Indianapolis Building by Wells XIII-REIT Joint Venture ("Wells XIII-REIT), a joint venture partnership between Wells Real Estate Fund XIII, L.P. and Wells OP, and the first quarter 2003 acquisition of the East Point Buildings (collectively, the "Recent Acquisitions") by Wells OP as if the acquisitions occurred on September 30, 2002.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

The following unaudited pro forma statement of income for the nine months ended September 30, 2002 has been prepared to give effect to the first, second and third quarter 2002 acquisitions of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the nine months ended September 30, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2001 has been prepared to give effect to the 2001 acquisitions of the Comdata Building, the AmeriCredit Building, the State Street Bank Building, the IKON Buildings, the Ingram Micro Building, the Lucent Building, the ADIC Buildings, the Convergys Building, the Windy Point Buildings (collectively, the "2001 Acquisitions"), the 2002 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2001. The Nissan Property, the Travelers Express Denver Buildings, the Kerr McGee Property, the AmeriCredit Phoenix Property and the EDS Des Moines Building had no operations during 2001.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions of the 2001 Acquisitions, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
PRO FORMA BALANCE SHEET
SEPTEMBER 30, 2002
(Unaudited)
ASSETS

		Pro Forma Adjustments				
	Wells Real Estate Investment Trust, Inc. (i)	Recent Acquisitions				
			John Wiley Indianapolis	Nestle	East Point	Pro Forma Total
REAL ESTATE ASSETS, at cost:						
Land	$ 164,190,412	$ 87,755,000 (c) 1,888,098(d) 594,702(e)	$ 0	$ 23,200,000(c) 404,941(e)	$ 2,163,000(c) 88,553(e)	$ 280,284,706
Buildings, less accumulated depreciation of $47,999,655	1,171,793,037	351,806,121 (c) 8,415,460(e)	0	134,446,731(c) 2,346,678(e)	19,916,138(c) 815,367(e)	1,689,539,532
Construction in progress	28,500,195	0	0	0	0	28,500,195
Total real estate assets	1,364,483,644	450,459,381	0	160,398,350	22,983,058	1,998,324,433
CASH AND CASH EQUIVALENTS	143,911,852	(266,478,531)(c) 379,115,394(a) (13,269,039)(b)	(8,928,915)(f)	(67,646,731)(c)	(22,079,138)(c)	144,624,892
INVESTMENT IN JOINT VENTURES	75,388,348	0	9,294,465(g)	0	0	84,682,813
INVESTMENT IN BONDS	54,500,000	0	0	0	0	54,500,000
ACCOUNTS RECEIVABLE	12,018,601	0	0	0	0	12,018,601
DEFERRED LEASE ACQUISITION COSTS, NET	1,712,541	0	0	0	0	1,712,541
DEFERRED PROJECT COSTS	5,963,370	(1,895,611)(d) (9,002,649)(e) 13,269,039(b)	(365,550)(h)	(2,751,619)(e)	(903,920)(e)	4,313,060
DEFERRED OFFERING COSTS	3,537,361	0	0	0	0	3,537,361
DUE FROM AFFILIATES	2,185,436	0	0	0	0	2,185,436
NOTE RECEIVABLE	4,965,838	0	0	0	0	4,965,838
PREPAID EXPENSES AND OTHER ASSETS, NET	2,597,110	37,764(c)	0	0	0	2,634,874
Total assets	$ 1,671,264,101	$ 552,235,748	$ 0	$ 90,000,000	$ 0	$ 2,313,499,849

LIABILITIES AND SHAREHOLDERS' EQUITY

		Pro Forma Adjustments				
		Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (i)	Other	John Wiley Indianapolis	Nestle	East Point	Pro Forma Total
LIABILITIES:						
Accounts payable and accrued expenses	$ 17,538,820	$ 881,644(c)	$ 0	$ 0	$ 0	$ 18,420,464
Notes payable	35,829,293	172,238,710(c)	0	90,000,000(c)	0	298,068,003
Obligations under capital lease	54,500,000	0	0	0	0	54,500,000
Dividends payable	10,209,306	0	0	0	0	10,209,306
Due to affiliates	4,379,745	0	0	0	0	4,379,745
Deferred rental income	7,893,930	0	0	0	0	7,893,930
Total liabilities	130,351,094	173,120,354	0	90,000,000	0	393,471,448
COMMITMENTS AND CONTINGENCIES						
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	200,000
SHAREHOLDERS' EQUITY:						
Common shares, $.01 par value; 750,000,000 shares authorized, 182,608,517 shares issued and 180,891,792 outstanding at September 30, 2002	1,826,086	379,115(a)	0	0	0	2,205,201
Additional paid-in capital	1,621,376,451	378,736,279(a)	0	0	0	2,000,112,730
Cumulative distributions in excess of earnings	(64,907,241)	0	0	0	0	(64,907,241)
Treasury stock, at cost, 1,716,725 shares	(17,167,254)	0	0	0	0	(17,167,254)
Other comprehensive loss	(415,035)	0	0	0	0	(415,035)
Total shareholders' equity	1,540,713,007	379,115,394	0	0	0	1,919,828,401
Total liabilities and shareholders' equity	$ 1,671,264,101	$ 552,235,748	$ 0	$ 90,000,000	$ 0	$ 2,313,499,849

(a) Reflects capital raised through issuance of additional shares subsequent to September 30, 2002 through East Point acquisition date.

(b) Reflects deferred project costs capitalized as a result of additional capital raised described in note (a) above.

(c) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(d) Reflects deferred project costs applied to the land and building at approximately 4.07% of the cash paid for purchase.

(e) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(f) Reflects Wells Real Estate Investment Trust, Inc.'s proportionate share of the cost to acquire the John Wiley Indianapolis Building.

(g) Reflects Wells Real Estate Investment Trust, Inc.'s contribution to the Wells XIII-REIT Joint Venture, which decreased its interest in the joint venture from 68.29% to 61.28%.

(h) Reflects deferred project costs contributed to the Wells Fund XIII-REIT Joint Venture at approximately 4.094% of purchase price.

(i) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2001

(Unaudited)

		Pro Forma Adjustments						
				Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (h)	2001 Acquisitions	2002 Acquisitions	Other	John Wiley Indianapolis	Nestle	East Point	Pro Forma Total
REVENUES:								
Rental income	$ 44,204,279	$ 11,349,076(a)	$ 54,615,521(a)	$45,317,526(a)	$ 0	$ 16,657,346(a)	$ 1,059,426(a)	$ 173,203,174
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	638,552(b)	0	0	5,471,361
Interest income	1,246,064	0	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	0	137,500
	49,308,802	12,460,926	54,615,521	45,317,526	638,552	16,657,346	1,059,426	180,058,099
EXPENSES:								
Depreciation	15,344,801	5,772,761(c)	22,487,278(c)	14,408,864(c)	0	5,471,736(c)	829,260(c)	64,314,700
Interest	3,411,210	0	0	9,452,460(f)	0	4,399,200(g)	0	17,262,870
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	3,668,343(d)	9,628,878(d)	0	4,114,321(d)	926,011(d)	25,320,711
Management and leasing fees	2,507,188	510,708(e)	2,250,455(e)	482,139(e)	0	711,379(e)	47,674(e)	6,509,543
General and administrative	973,785	0	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	0	448,776
	27,584,835	9,137,744	28,406,076	33,972,341	0	14,696,636	1,802,945	115,600,577
NET INCOME	$ 21,723,967	$ 3,323,182	$ 26,209,445	$11,345,185	$ 638,552	$ 1,960,710	$ (743,519)	$ 64,457,522
EARNINGS PER SHARE, basic and diluted	$ 0.43							$ 0.21
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853							303,171,546

(a) Rental income is recognized on a straight-line basis.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells XII-REIT Joint Venture related to the acquisition of the Comdata Building and equity in income of Wells XIII-REIT Joint Venture related to the acquisition of the AmeriCredit Building, the ADIC Buildings and the John Wiley Indianapolis Building.

(c) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(d) Consists of operating expenses, net of reimbursements.

(e) Management and leasing fees are calculated at 4.5% of rental income.

(f) Represents interest expense on lines of credit used to acquire assets, which bear interest at approximately 5.488% for the year ended December 31, 2001.

(g) Represents interest expense on mortgage assumed as part of the Nestle Building acquisition, which bears interest at approximately 4.888% for the year ended December 31, 2001.

(h) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

(Unaudited)

		Pro Forma Adjustments					
			Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (i)	2002 Acquisitions	Other	John Wiley Indianapolis	Nestle	East Point	Pro Forma Total
REVENUES:							
Rental income	$ 66,120,992	$ 42,103,180(a)	$ 33,939,001(a)	$ 0	$ 12,473,951(a)	$ 1,112,123(a)	$ 155,749,247
Operating cost reimbursements	12,853,717	5,976,734(h)	3,062,835(h)	0	698,210(h)	47,499(h)	22,638,995
Equity in income of joint ventures	3,738,046	0	0	487,970(f)	0	0	4,226,016
Interest income	5,075,165	0	0	0	0	0	5,075,165
Take out fee	134,666	0	0	0	0	0	134,666
	87,922,586	48,079,914	37,001,836	487,970	13,172,161	1,159,622	187,824,089
EXPENSES:							
Depreciation	23,185,201	15,039,449(b)	10,806,647(b)	0	4,103,802(b)	621,945(b)	53,757,044
Operating costs	17,108,599	10,179,532	10,532,575(c)	0	3,914,726(c)	742,490(c)	42,477,922
Interest	2,006,458	0	5,310,551(e)	0	2,369,925(g)	0	9,686,934
Management and leasing fees	3,348,210	1,697,775(d)	361,605(d)	0	533,548(d)	50,046(d)	5,991,184
General and administrative	1,866,042	0	0	0	0	0	1,866,042
Amortization of deferred financing costs	586,715	0	0	0	0	0	586,715
	48,101,225	26,916,756	27,011,378	0	10,922,001	1,414,481	114,365,841
NET INCOME	$ 39,821,361	$ 21,163,158	$ 9,990,458	$ 487,970	$ 2,250,160	$ (254,859)	$ 73,458,248
EARNINGS PER SHARE, basic and diluted	$ 0.31						$ 0.24
WEIGHTED AVERAGE SHARES, basic and diluted	128,541,432						303,171,546

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(c) Consists of operating expenses.

(d) Management and leasing fees are calculated at 4.5% of rental income.

(e) Represents interest expense on lines of credits used to acquire assets, which bear interest at approximately 4.111% for the nine months ended September 30, 2002.

(f) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(g) Represents interest expense on mortgage assumed as part of the Nestle Building acquisition, which bears interest at approximately 3.511% for the nine months ended September 30, 2002.

(h) Consists of operating costs reimbursements.

(i) Historical financial information derived from quarterly report on Form 10-Q/A.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 6 DATED APRIL 14, 2003 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, and Supplement No. 5 dated January 15, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The declaration of dividends for the second quarter of 2003;

(3) Revisions to the "ERISA Considerations – Annual Valuation" section of the prospectus;

(4) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the acquisition of a 25-story office building in Detroit, Michigan (150 West Jefferson Detroit Building);

(5) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(6) Updated audited financial statements of the Wells REIT;

(7) Updated unaudited prior performance tables; and

(8) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the 150 West Jefferson Detroit Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of March 31, 2003, we had received additional gross proceeds of approximately $1.0 billion from the sale of approximately 101.4 million shares in our fourth public offering. Accordingly, as of March 31, 2003, we had received aggregate gross offering proceeds of approximately $2.6 billion from the sale of approximately 260.5 million shares in all of our public offerings. After payment of approximately $90.0 million in acquisition and advisory fees and acquisition expenses, payment of $291.4 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately $33.9 million pursuant to our share redemption program, as of March 31, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $2.2 billion, out of which approximately $2.1 billion had been invested in real estate properties, and approximately $108.6 million remained available for investment in real estate properties.

Dividends

On March 12, 2003, our board of directors declared dividends for the second quarter of 2003 in the amount of a 7.0% annualized percentage rate return on an investment of $10.00 per share to be paid in June 2003. Our second quarter dividends are calculated on a daily record basis of $0.001922 (0.1922 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on March 16, 2003, and continuing on each day thereafter through and including June 15, 2003.

ERISA Considerations—Annual Valuation

The information contained on page 136 in the “ERISA Considerations—Annual Valuation” section of the prospectus is revised as of the date of this supplement by the deletion of that section in its entirety and the insertion of the following paragraphs in lieu thereof:

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 common stock in a corporation in circumstances where the fair market value of the shares is not determined in the marketplace.

We have included in the past and intend to continue to include in the future estimated share values in our annual reports on Form 10-K each year. Currently, we have estimated the value of the shares to be $10 per share, which represents the price per share at which we are currently offering our shares to the public. However, please note that there is no public trading market for the shares at this time, and it is unlikely that you would be able to receive $10 per share if such a market did exist and you sold your shares. In addition, we have not performed an evaluation of our properties and, therefore, this valuation is not based upon the value of our properties, nor does it represent the amount you would receive if our properties were sold and the proceeds distributed to you in a liquidation of the Wells REIT. Such amount would most likely be less than $10 per share as a result of the fact that, at the time we purchase our properties, the amount of funds available for investment in properties is reduced by the approximately 15% to 16% of offering proceeds we raise which is used to pay selling commissions and dealer manager fees, organization and offering expenses and acquisition and advisory fees and expenses.

We previously indicated that we would implement a process by the end of year 2003 to produce estimated valuations of our shares based upon estimating the fair market values of our properties at the end of each year. When we initially determined to implement such a process by the end of 2003, we did not expect we would be continuing to raise substantial new funds through the public offering of our shares in 2003. As noted herein, after the costs associated with raising funds and acquiring properties are taken into account, only approximately 84% to 85% of offering proceeds are available for investment in properties. As a result, so long as we are still in the process of raising significant new funds and acquiring new properties with those funds, it would be expected that, in the absence of other factors affecting property values, our aggregate net asset value would be significantly less than the proceeds of our offerings and may not be the best indicator of the value of shares purchased as a long term income producing investment. Instead, we believe that, during periods in which significant amounts of shares are still being offered and sold to investors, the price paid by such investors may better reflect the estimated value of the shares. Accordingly, as long as we continue to publicly offer our shares, we expect to continue to use the current offering price of our shares as estimated per share value reported in our annual reports on Form 10-K.

Beginning three full fiscal years after we have ceased to sell significant amounts of shares, we will reevaluate the best method to value our shares. Currently, we intend, at that time, to have our advisor begin preparing estimated valuations utilizing the methodology described below and intend to continue to provide reports to plan fiduciaries and IRA trustees and custodians who identify themselves to us and request this information using these valuations. The methodology to be utilized for determining such estimated share values will be for our advisor to estimate the amount a stockholder would receive if our properties were sold at their estimated fair market values at the end of the fiscal year and the proceeds from such sales (without reductions for selling expenses and other costs) were distributed to the stockholders in liquidation. While, in connection with the advisor's estimated valuations, the advisor will be obtaining a third party opinion that its estimates of value are reasonable, due to the expense involved in obtaining annual appraisals for all of our properties, we do not anticipate that actual appraisals will be obtained. These estimated values for our shares will also be reported in our annual reports on Form 10-K.

You should be cautioned that such valuations will be estimates only and will be based upon a number of assumptions that may not be accurate or complete. As set forth above, we do not anticipate obtaining appraisals for our properties and, accordingly, the advisor's estimates should not be viewed as an accurate reflection of the fair market value of our properties, nor will they represent the amount of net proceeds that would result from an immediate sale of our properties. In addition, property values are subject to change and can always decline in the future. For these reasons, our estimated valuations should not be utilized for any purpose other than to assist plan fiduciaries in fulfilling their valuation and annual reporting responsibilities. Further, we cannot assure you:

- that the estimated values our advisor prepares could or will actually be realized by us or by our stockholders upon liquidation (in part because estimated values do not necessarily indicate the price at which assets could be sold and because no attempt will be made to estimate the expenses of selling any of our assets);
- that you would be able to realize estimated net asset values if you were to attempt to sell your shares; or
- that the estimated values, or the method used to establish such values, would comply with the ERISA or IRA requirements described above.

Description of Properties

As of March 31, 2003, we had purchased interests in 74 real estate properties located in 23 states. Below is a description of our recent real property acquisition.

150 West Jefferson Detroit Building

On March 31, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a 25-story office building containing approximately 505,417 rentable square feet located at 150 West Jefferson Avenue, downtown Detroit, Michigan (150 West Jefferson Detroit Building) for a purchase price of $93,750,000, from 150 West Jefferson Partners LLC (Seller). Seller is not in any way affiliated with the Wells REIT, Wells OP or Wells Capital, Inc., our advisor.

The 150 West Jefferson Detroit Building was built in 1989 and is located on a 1.527-acre tract of land at 150 West Jefferson Avenue in downtown Detroit, Michigan. The 150 West Jefferson Detroit Building is leased to 17 different tenants. Miller, Canfield, Paddock & Stone (Miller Canfield), Butzel Long PC (Butzel Long) and MCN Energy Group, Inc., formerly known as MCN Corporation (MCN) lease, in the aggregate, approximately 311,285 rentable square feet (61.6%) of the 150 West Jefferson Detroit Building. The other 14 tenants lease approximately 190,863 rentable square feet (37.8%) of the 150 West Jefferson Detroit Building for an aggregate annual base rent payable of approximately $3,900,000. Approximately 3,269 rentable square feet (0.6%) of the 150 West Jefferson Detroit Building is vacant.

Approximately 129,902 rentable square feet of the 150 West Jefferson Detroit Building (25.7%) is leased to Miller Canfield, a law firm with eight offices in the state of Michigan, as well as offices in New York, Florida, Washington, D.C., Canada, and Poland. Miller Canfield, which engages in a variety of practice areas such as litigation, employment, real estate, business and bankruptcy, has approximately 350 attorneys.

The Miller Canfield lease commenced in June 1989 and expires in June 2009, except for the lease of the 14th and 20th floors, which expires in June 2004. The current annual base rent payable under the Miller Canfield lease is $2,335,994. In addition, Miller Canfield leases storage space in the 150 West Jefferson Detroit Building at an annual rate of $38,619. Miller Canfield has the right, at its option, to extend the initial term of its lease for three additional five-year periods at rental rates specified in the Miller Canfield lease, except that Miller Canfield has the right to extend the lease of the 14th and 20th floors for four additional five-year periods. Miller Canfield also has a right of first refusal to lease any additional available space in the 150 West Jefferson Detroit Building. Under the Miller Canfield lease, Miller Canfield is generally responsible for its pro rata share of operating and maintenance costs, including real estate taxes. Wells OP, as the landlord, is also responsible for maintaining and repairing the structural portions and mechanical systems of the 150 West Jefferson Detroit Building.

Approximately 101,147 rentable square feet of the 150 West Jefferson Detroit Building (20.0%) is leased to Butzel Long, a Michigan-based law firm with five offices in Michigan and two offices in Florida. Butzel Long has approximately 200 attorneys and provides services in a wide variety of legal practice areas. Butzel Long serves clients from numerous business sectors, including automotive, manufacturing, banking and financial services, retail and wholesale distribution, insurance, professional services, health care, advertising, media, publishing, technology and computers, marine, transportation, construction, utilities and real estate.

The Butzel Long lease commenced in February 1990 and expires in July 2013. The current annual base rent payable under the Butzel Long lease is $1,770,073. In addition, Butzel Long leases storage space in the 150 West Jefferson Detroit Building at an annual rate of $71,857. Butzel Long has the right, at its option, to extend the initial term of its lease for two additional five-year periods at 95%

of the then-current market rental rate. Butzel Long also has a right of first refusal to lease any additional available space accessible by the low rise bank of elevators in the 150 West Jefferson Detroit Building. Under the Butzel Long lease, Butzel Long is responsible for its pro rata share of operating and maintenance costs. Wells OP, as the landlord, is also responsible for maintaining and repairing the structural portions and mechanical systems of the 150 West Jefferson Detroit Building.

Approximately 80,236 rentable square feet of the 150 West Jefferson-Detroit Building (15.9%) is leased to MCN, a wholly-owned subsidiary of DTE Energy Company (DTE), as a result of the acquisition by DTE of all of MCN's stock in May 2001. DTE is a Michigan corporation with corporate headquarters in Detroit, Michigan, and is a leader in the gas and energy service industry. DTE provides approximately 2.1 million customers with electric service and approximately 1.2 million customers with gas service in Michigan. DTE's three main operating units include energy resources, energy distribution, and gas. MCN, through its primary subsidiary, Michigan Consolidated Gas Company, specializes in the natural gas distribution industry.

The MCN lease commenced in February 1994 and expires in January 2006. The current annual base rent payable under the MCN lease is $1,816,027. MCN has the right, at its option, to extend the initial term of its lease for two additional five-year periods at rental rates specified in the MCN lease. Under the MCN lease, MCN is required to pay for its share of real estate taxes and operating expenses relating to its lease of space on the 10th floor of the 150 West Jefferson Detroit Building. Wells OP, as the landlord, is also responsible for maintaining and repairing the structural portions and mechanical systems of the 150 West Jefferson Detroit Building.

Wells Management will manage the 150 West Jefferson Detroit Building on behalf of Wells OP and will be paid management and leasing fees in the amount of 4.5% of the gross revenues from the 150 West Jefferson Detroit Building, subject to certain limitations.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained on page 101 in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus is revised as of the date of this supplement by the deletion of that entire section and the insertion of the information below. The following discussion and analysis should also be read in conjunction with our accompanying financial statements and notes thereto.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow. (See generally "Risk Factors.")

REIT Qualification

We have made an election under Section 856 (c) of the Internal Revenue Code of 1986 (Internal Revenue Code) to be taxed as a REIT under the Internal Revenue Code beginning with our taxable year ended December 31, 1998. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially adversely affect our financial position and results of operations. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during this fiscal year. In addition, management intends to continue to operate the Wells REIT so as to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

General

During the fiscal year ended December 31, 2002, we received aggregate gross offering proceeds of $1,340.3 million from the sale of 134.0 million shares of our common stock. After payment of $46.4 million in acquisition and advisory fees and acquisition expenses, payment of $127.3 million in selling commissions, and payment of $20.5 million in organization and offering expenses, and common stock redemptions of $15.4 million pursuant to our share redemption program, we raised net offering proceeds available for investment in properties of $1,130.7 million during the year ended December 31, 2002.

During the fiscal year ended December 31, 2001, we received aggregate gross offering proceeds of $522.5 million from the sale of 52.3 million shares of our common stock. After payment of $18.1 million in acquisition and advisory fees and acquisition expenses, payment of $58.4 million in selling commissions and organization and offering expenses, and common stock redemptions of $4.1 million pursuant to our share redemption program, we raised net offering proceeds available for investment in properties of $441.8 million during the year ended December 31, 2001.

As of December 31, 2002, we had received aggregate gross offering proceeds from all of our offerings of approximately $2,177.9 million from the sale of 217.8 million shares of our common stock to approximately 58,000 investors. After our payment of $75.5 million in acquisition and advisory fees and acquisition expenses, payment of $206.4 million in selling commissions, payment of $40.0 million in organization and offering expenses, capital contributions to joint ventures and property acquisitions expenditures of $1,808.5 million, and common stock redemptions of $20.9 million pursuant to our share redemption program, we were holding net offering proceeds of $26.6 million available for investment in properties, as of December 31, 2002.

The net decrease in cash and cash equivalents of approximately $30.1 million during the year ended December 31, 2002 is primarily the result of the higher level of investment in real estate as compared to the level of fund raising and borrowing during the period. The increase in cash and cash equivalents of $71.3 million during 2001 is primarily the result of higher levels of fund raising and borrowings as compared to the levels of investment in real estate during those periods.

As of December 31, 2002, we owned interests in 72 real estate properties either directly or through interests in joint ventures. These properties are currently generating operating cash flow sufficient to cover our operating expenses and pay dividends to shareholders. We pay dividends on a quarterly basis. Dividends will be paid to investors who are stockholders as of the record dates selected by our board of directors. We currently calculate quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares. Dividends declared during 2002 and 2001 totaled $0.76 per share in each year. Dividends declared for the fourth quarter of 2002 and the first and second quarters of 2003 were at an annualized rate of $0.70 per share.

Due primarily to the pace of our property acquisitions from late 2001 through 2002, as explained in more detail in the following paragraphs, dividends paid during 2002 in the aggregate amount of approximately $105.0 million exceeded Funds From Operations for the year by approximately $3.2 million. Dividends paid during 2002 also exceeded taxable income of $80.5 million and, accordingly, the company exceeded the minimum distribution requirement to be taxed as a REIT for federal income tax purposes.

We continue to acquire properties that meet our standards and quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused our advisor to add to its internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders. Accordingly, because of the additional time it now takes in the acquisition process for our advisor to assess tenant credit – plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria – we have been required to lower the dividend yield to our stockholders.

As a result of the factors described in the preceding paragraph, our board of directors declared dividends for the fourth quarter of 2002 and the first and second quarters of 2003 in an amount equal to a 7.0% annualized percentage rate return on an investment of $10 per share.

Dividends to be distributed to our stockholders are determined by our board of directors and are dependent on a number of factors related to the Wells REIT, including funds available for payment of dividends, financial condition, amounts paid for properties, the timing of property acquisitions, capital expenditure requirements and annual distribution requirements in order to maintain our status as a REIT under the Internal Revenue Code.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $104.6 million, $42.3 million, and $7.3 million for the years ended December 31, 2002, 2001, and 2000, respectively. The increase in net cash provided by operating activities was due primarily to the additional net income generated by 32, 11, and 12 properties acquired during the years ended December 31, 2002, 2001, and 2000, respectively. We do not recognize in operations the full annual effect from the properties during the year of acquisition, as the operations of the properties are only included in operations from the date of acquisition. Operating cash flows are expected to increase as we acquire additional properties in future periods and as we obtain the benefit of a full year of operations for properties acquired during the year ended December 31, 2002.

Cash Flows Used In Investing Activities

Comparison of 2002 vs 2001

Our net cash used in investing activities was $1,362.5 million for the year ended December 31, 2002 compared to $274.6 million for the year ended December 31, 2001. The increase in net cash used in investing activities was due primarily to investments in properties, directly and through contributions to joint ventures, and the payment of related deferred project costs. Investments and related deferred project costs totaled $1,369.5 million and $278.8 million for the years ended December 31, 2002 and 2001, respectively. The increase in investments during the year ended December 31, 2002 was due to our ability to increase investor proceeds and identify property investments meeting our objectives. The investment in real estate assets and joint venture cash outflows were partially offset by distributions from joint ventures of $7.4 million and $4.2 million for the years ended December 31, 2002 and 2001, respectively. The increase in distributions from joint ventures is due to the additional investments in joint ventures during the year ended December 31, 2001 in which we recognized a full year's benefit during the year ended December 31, 2002.

Comparison of 2001 vs 2000

Our net cash used in investing activities was $274.6 million and $249.3 million for the years ended December 31, 2001 and 2000, respectively. The increase in net cash used in investing activities was due primarily to investments in properties directly or through contributions to joint ventures, and the payment of related deferred project costs. Investments and related deferred project costs totaled $278.8 million and $252.8 million for the years ended December 31, 2001 and 2000, respectively. Investments in real estate assets and joint venture cash outflows were partially offset by distributions from joint ventures of $4.2 million and $3.5 million for the years ended December 31, 2001 and 2000, respectively.

Cash flows used in investment in real estate assets and joint ventures in future periods will be dependent upon the availability of funds either through capital contributions raised from the sale of stock or debt facilities and the availability of real estate assets or joint venture investments that meet our investment objectives.

The cash flows provided by joint ventures are expected to increase in 2003, when we recognize a full year of benefit for the 2002 joint venture investments. Increases to cash flows provided by joint venture distributions will be dependent upon whether we invest in additional properties through joint ventures in the future as expected cash flows from existing joint ventures are expected to provide nominal increases based on scheduled rent increases.

Cash Flows From Financing Activities

Comparison of 2002 vs 2001

Our net cash provided by financing activities was $1,227.8 million and $303.5 million for the years ended December 31, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital of $1,340.3 million during the year ended December 31, 2002 compared to $522.5 million during the year ended December 31, 2001. The amounts raised were partially offset by the payment of commissions and offering costs totaling $140.5 million and $58.6 million for the years ended December 31, 2002 and 2001, respectively and redemptions of our stock of $15.4 million and $4.1 million for the years ended December 31, 2002, and 2001, respectively.

Additionally, we obtained funds from financing arrangements totaling $212.9 million and $110.2 million and made debt repayments of $62.8 million and $229.8 million for the years ended December 31, 2002 and 2001, respectively. As a result of our increased operations and activities during the years ended December 31, 2002 and 2001, we paid dividends of $105.0 million and $36.7 million, respectively.

Comparison of 2001 vs 2000

Our net cash provided by financing activities was $303.5 million and $243.4 million for the years ended December 31, 2001 and 2000, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital of $522.5 million during the year ended December 31, 2001 compared to $180.4 million for the year ended December 31, 2000. The amounts raised were partially offset by the payment of commissions and offering costs totaling $58.6 million and $22.4 million for the years ended December 31, 2001 and 2000, respectively, and redemptions of our stock of $4.1 million and $1.4 million for the years ended December 31, 2001 and 2000, respectively.

Additionally, we obtained funds from financing arrangements totaling $110.2 million and $187.6 million and made debt repayments of $229.8 million and $83.9 million for the years ended December 31, 2001 and 2000, respectively. As a result of our increased operations and activities during the years ended December 31, 2001 and 2000, we paid dividends of $36.7 million and $17.0 million, respectively.

The amounts of cash provided by and used in financing activities in the future will be dependent upon our ability to raise additional funds from investors and from the ability to secure debt facilities for the acquisition of real estate assets in future periods, and may not be comparable to the amounts of cash provided in past periods.

Results of Operations

As of December 31, 2002, our 72 real estate properties were 98.3% leased. Our results of operations have changed significantly for the years ended December 31, 2002, 2001, and 2000, generally as a result of the 32, 11, and 12 property acquisitions during the years ended December 31, 2002, 2001, and 2000, respectively. We expect that rental income, equity income of joint ventures, tenant reimbursements, operating expenses, management and leasing fees, and net income will each increase in future periods as a result of owning real estate assets acquired in 2002 for a full year and as a result of future acquisitions of real estate assets. Due to the average remaining terms of the long-term leases currently in place at our properties, management does not anticipate significant changes in near-term rental revenues from properties currently owned.

Comparison of 2002 vs 2001

Rental income was $107.5 million and $44.2 million for the years ended December 31, 2002 and 2001, respectively. Tenant reimbursements were $19.0 million and $6.8 million for the years ended December 31, 2002 and 2001, respectively. Tenant reimbursements were equivalent to 70% and 63% of the property operating costs for these respective years. The variance in the costs is dependent upon the terms of the lease agreements for the real estate assets in each year.

Equity in income of joint ventures was $4.7 million and $3.7 million for the years ended December 31, 2002 and 2001, respectively. The increase is primarily a result of recognizing a full year of operations in 2002 for the investments in joint ventures made during 2001. Equity in income of joint ventures is expected to increase in future periods as additional investments in joint ventures are made; however, returns from existing joint venture investments are not expected to change materially from the historical results.

Lease termination income was $1.4 million for the year ended December 31, 2002 compared to $0 for the year ended December 31, 2001. The 2002 activity relates to a single lease termination at the Vertex-Sarasota Building (formerly the Andersen Building), in which, in consideration for releasing Arthur Andersen from its obligations to pay rent under the lease, Arthur Andersen paid Wells OP a termination fee of approximately $1.0 million and conveyed to Wells OP an adjacent parcel of land which we valued at $0.4 million.

Interest and other income was $7.0 million and $1.5 million for the years ended December 31, 2002 and 2001, respectively. Of this amount $2.8 million and $0.5 million was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the related interest expense associated with the bonds. We invest any funds received from stockholders in short-term investments until the funds are invested in real estate asset investments. At certain times during the years ended December 31, 2002 and 2001, we held a significant amount of cash on hand resulting in the relatively high interest income. The level of interest income is dependent upon our ability to find suitable real estate asset investments on a pace consistent with investor proceeds, therefore interest income amounts for the years ended December 31, 2002 and 2001, may or may not be indicative of interest income for future periods.

Depreciation expense was $38.8 million and $15.3 million for the years ended December 31, 2002 and 2001, representing 36% and 35%, of rental income for the respective year. The change between periods is generally due to a change in applicable cost of the real estate assets compared to the straight-line revenues generated by the real estate assets. Operating costs were $26.9 million and $10.9 million for the years ended December 31, 2002 and 2001, representing 21% of the sum of the rental income and tenant reimbursements revenue amounts for each year. Management and leasing fees were $5.2 million, and $2.5 million for the years ended December 31, 2002, and 2001, respectively.

General and administrative costs were $3.2 million and $1.2 million for the years ended December 31, 2002 and 2001, respectively, and legal and accounting expenses were $1.0 million and $0.4 million, for the years ended December 31, 2002 and 2001, respectively. The increase in the expenses are attributable to our increased size over the years, but represent 3% of total revenues for each year ended December 31, 2002 and 2001. In the future, such costs as a percentage of total revenues are expected to be materially consistent with the historical periods, but may change as we continue to grow.

Interest expense and amortization of deferred financing costs was $4.6 million and $4.2 million for the years ended December 31, 2002 and 2001, respectively. Of this amount $2.8 million and $0.5 million was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings for the years ended December 31, 2002 and 2001, respectively, which is offset by the related interest income associated with the bonds as noted above. Interest expense is dependent upon the amount of borrowings outstanding during the period as well as the interest rate. Interest expense payable to third parties (excluding the interest on the bonds) for the year ended December 31, 2002 decreased as compared to the year ended December 31, 2001 due to lower average amounts of borrowings outstanding during the periods as well as lower interest rates.

Comparison of 2001 vs 2000

Rental income revenues were $44.2 million and $20.5 million for the years ended December 31, 2001 and 2000, respectively. Tenant reimbursements were $6.8 million and $2.3 million for the years ended December 31, 2001 and 2000, respectively. Tenant reimbursements were equivalent to 63% and 71% of the property operating costs for the respective years. The variance in the cost is dependent upon the terms of the lease agreements for the real estate assets in each year.

Equity in income of joint ventures was $3.7 million and $2.3 million for the years ended December 31, 2001 and 2000, respectively. The increase is due to the investments in joint ventures during 2001 and recognizing a full year of operations for investments in joint ventures during 2000.

Interest and other income was $1.5 million and $0.6 million for the years ended December 31, 2001 and 2000, respectively. Of this amount $0.5 million and $0 during the years ended December 31, 2001 and 2000, respectively was attributable to interest on the bonds related to the Ingram Micro Building, which is offset by the related interest expense associated with the bonds. We invest any funds received from our stockholders in short-term investments until the funds are placed in real estate asset investments. At certain times during the years ended December 31, 2001 and 2000, we held varying amounts of cash on hand resulting in the increases in interest income between years.

Depreciation expense was $15.3 million and $7.7 million for the years ended December 31, 2001 and 2000, representing 35% and 38% of rental income for the respective year. The change between years is generally due to a change in applicable cost of the real estate assets compared to the straight-line revenues generated by the real estate assets. Operating costs were $10.9 million and $3.2 million for the years ended December 31, 2001 and 2000, respectively, representing 21% and 14%, respectively, of the sum of the rental income and tenant reimbursements revenue amounts. Management and leasing fees were $2.5 million and $1.3 million for the years ended December 31, 2001 and 2000, respectively.

General and administrative costs were $1.2 million and $0.4 million for the years ended December 31, 2001 and 2000, respectively, and legal and accounting expenses were $0.4 million and $0.2 million for the years ended December 31, 2001 and 2000, respectively. The increase in the expenses are attributable to our increased size, but represent 3% of total revenues for each year ended December 31, 2001 and 2000.

Interest expense and amortization of deferred financing costs was $4.2 million for each of the years ended December 31, 2001 and 2000. Of this amount $0.5 million and $0.0 million was attributable to interest on the bonds related to the Ingram Micro Building for the years ended December 31, 2001 and 2000, respectively, which is offset by the related interest income associated with the bonds as noted above. Interest expense is dependent upon the amount of borrowings outstanding during the period as well as the interest rate. Interest expense payable to third parties (excluding the interest on the bonds) for the years ended December 31, 2001 compared to the year ended December 31, 2000 decreased due to a lower average amount of borrowings outstanding during the year as well as lower interest rates.

Subsequent Events

Sale of shares of our common stock

From January 1, 2003 through March 31, 2003, we had raised approximately $426.8 million through the issuance of 42.7 million shares of our common stock.

Redemptions of our common stock

From January 1, 2003 through March 31, 2003, we redeemed approximately 1.3 million shares of our common stock at an aggregate cost of approximately $12.9 million pursuant to its share redemption program. Our current share redemption plan will allow for redemptions totaling $40 million for the year ending December 31, 2003.

Property Acquisitions

On January 9, 2003, Wells OP purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio, (the “East Point Buildings”) for a purchase price of $22.0 million, excluding closing costs and acquisition and advisory fees paid to the Advisor. The East Point Buildings, which were built in 2000, are located at 6085 Parkland Boulevard (“East Point I”) and 6095 Parkland Boulevard (“East Point II”) in Mayfield Heights, Cuyahoga County, Ohio. The entire 102,484 rentable square feet of East Point I is leased to Progressive Casualty Insurance Company. East Point II contains approximately 85,251 rentable square feet, of which 70,585 rentable square feet (83%) is currently leased to Austin, Danaher Power Solutions LLC and Moreland Management Co. Approximately 14,666 rentable square feet (17%) of East Point II is vacant.

In connection with the acquisition of the East Point Buildings, we entered into an earn-out agreement, whereby we are required to pay the seller for each new lease fully executed after the date of acquisition of the property but on or before March 31, 2004, or on or before July 31, 2004 if the tenant thereunder is a leasing prospect as defined by the agreement. Payments shall be in the amounts of the anticipated first year’s annual rent less operating expenses with the sum divided by 0.105 and the result reduced by tenant improvement costs related to the space.

On March 31, 2003, Wells OP purchased a 25-story office building containing approximately 505,417 rentable square feet located in Detroit, Michigan, (the "150 West Jefferson Detroit Building") for a purchase price of $93.75 million, excluding closing costs and acquisition and advisory fees paid to the Advisor. The 150 West Jefferson Detroit Building, which was built in 1989, is located at 150 West Jefferson Avenue in Detroit, Michigan. Miller, Canfield, Paddock & Stone, Butzel Long PC and MCN Energy Group, Inc., formerly known as MCN Corporation aggregately lease approximately 311,285 rentable square feet of the 150 West Jefferson Detroit Building (61.6%). Approximately 190,863 rentable square feet (37.8%) is leased to an additional 14 tenants. Approximatley 3,269 rentable square feet (0.6%) of the 150 West Jefferson Detroit Building is vacant.

Dividend Declaration

On March 12, 2003, our board of directors declared dividends for the second quarter of 2003 in the amount of a 7.0% annualized percentage return on an investment of $10 per share, payable our shareholders on a daily record basis.

Commitments and Contingencies

Take Out Purchase and Escrow Agreement

We entered into a take out purchase and escrow agreement with an affiliate of our advisor whereby we earn a fee in return for agreeing to purchase any unsold co-tenancy interests related to the Section 1031 exchange program established by an affiliate of our advisor. See Note 8 to our consolidated financial statements included in this supplement for discussion of this potential obligation.

Letters of Credit

We have three unused letters of credit as required by other parties to ensure completion of the our obligations under certain contracts. See Note 8 to our consolidated financial statements included in this supplement for further discussion of the letters of credit.

Property Under Contract

We entered into an agreement to purchase a third building at the ISS Atlanta Buildings development upon completion of construction for $10 million. See Note 8 to our consolidated financial statements included in this supplement for further discussion of the property under contract and related obligations.

Properties Under Construction

We entered into three agreements for the construction and development of certain properties. See Note 8 to our consolidated financial statements included in this supplement for a more detailed discussion of the properties under construction and the related obligation.

Commitments Under Existing Lease Agreements

We entered into lease agreements with tenants that may include provisions that, at the option of the tenants, may require us to incur certain capital costs. See Note 8 to our consolidated financial statements included in this supplement for further discussion of these potential obligations.

Earn-out Agreements

We entered into a purchase agreement containing an earn-out clause that may result in us being obligated to pay $14.5 million to the seller of a property. See Note 8 to our consolidated financial statements included in this supplement for a more detailed discussion of this potential obligation.

Leasehold Property Obligations

We own certain properties that are subject to ground leases and require us to pay rent in future years. See Note 8 to our consolidated financial statements included in this supplement for further discussion of the lease terms and required payments.

Pending Litigation

We have certain pending litigation related to a dispute over the right to a $750,000 escrow money deposit for a property that was not acquired. See Note 8 to our consolidated financial statements included in this supplement for further discussion of the litigation.

Funds from Operations

Funds from Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with accounting principles generally accepted in the United States (GAAP) excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. Management believes that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions.

The following table reflects the calculation of FFO for the three years ended December 31, 2002, 2001, and 2000, respectively:

	December 31, 2002	December 31, 2001	December 31, 2000
FUNDS FROM OPERATIONS:			
Net income	$ 59,854	$ 21,724	$ 8,553
Add:			
Depreciation of real assets	38,780	15,345	7,743
Amortization of deferred leasing costs	303	303	351
Depreciation and amortization—unconsolidated partnerships	2,861	3,212	853
Funds from operations (FFO)	$ 101,798	$ 40,584	$ 17,500
WEIGHTED AVERAGE SHARES:			
BASIC AND DILUTED	145,633	51,082	21,616

In order to recognize revenues on a straight line basis over the terms of the respective leases, we recognized straight line revenue of $7.6 million, $2.8 million, and $1.7 million during the years ended December 31, 2002, 2001, and 2000 respectively.

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases, which would protect us from the impact of inflation. These provisions include reimbursement billings for operating expense pass-through 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. However, due to the long-term nature of the leases, the leases may not re-set frequently enough to cover inflation.

Application of Critical Accounting Policies

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If management's judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

The critical accounting policies outlined below have been discussed with members of our audit committee. There have been no significant changes in the critical accounting policies, methodology, or assumptions in the current period.

Below is a discussion of the accounting policies that management considers to be critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain. Additional discussion of accounting policies that management considers to be significant, including further discussion of the critical accounting policies described below, is presented in Note 2 to our consolidated financial statements included in this supplement.

Investment in Real Estate Assets

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income. The estimated useful lives of our assets by class are as follows:

Building	25 years
Building improvements	10-25 years
Land improvements	20-25 years
Tenant Improvements	Lease term

In the event that management uses inappropriate useful lives or methods for depreciation, our net income would be misstated.

Valuation of Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate assets, both operating properties and properties under construction, in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present which indicate that the carrying amounts of real estate assets may not be recoverable, management assesses the recoverability of the real estate assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, management adjusts the real estate assets to the fair value and recognizes an impairment loss. We have determined that there has been no impairment in the carrying value of real estate assets we held and any unconsolidated joint ventures at December 31, 2002 and 2001.

Projections of expected future cash flows requires management to estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to re-lease the property, and the number of years the property is held for investment. The use of inappropriate assumptions in the future cash flow analysis would result in an incorrect assessment of the property’s future cash flows and fair value, and could result in the overstatement of our carrying value of real estate assets and net income.

Intangible Lease Asset/Liability

As part of the acquisition of real estate assets, we determine whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of the real estate. As a result of adopting the standards, amounts totaling $12.1 million have been recorded as intangible lease assets and $32.7 million have been recorded as intangible lease liabilities, relating to above and below market lease arrangements for properties acquired in 2002. The intangible assets and liabilities are recorded at their estimated fair market values at the date of acquisition, and are amortized over the remaining term of the respective lease to rental income.

The determination of the estimated fair values of the intangible lease asset or liability requires the use of significant assumptions with regard to the current market rental rates, rental growth rates, discount rates and other variables. If inappropriate estimates with regard to these variables are used, misclassification of assets or liabilities and incorrect calculation of depreciation amounts would occur, which would misstate our net income.

Related Party Transactions and Agreements

We have entered into agreements with our advisor and other affiliates, whereby we pay certain fees or reimbursements to our advisor or such affiliates for acquisition and advisory fees, organization and offering costs, sales commissions, dealer manager fees, property management and leasing fees, and reimbursement of operating costs. See Note 12 to our consolidated financial statements included in this supplement for a discussion of the various related party transactions, agreements, and fees.

Conflicts of Interest

Our advisor is also a general partner in and advisor to various Wells Real Estate Funds. As such, there are conflicts of interest in which the advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with us in connection with property acquisitions or for tenants in similar geographic markets.

Financial Statements

Ernst & Young LLP

The consolidated financial statements of the Wells REIT, as of and for the year ended December 31, 2002, and Schedule III—Real Estate Assets and Accumulated Depreciation as of December 31, 2002, included in this supplement and elsewhere in the registration statement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Arthur Andersen LLP

The consolidated financial statements of the Wells REIT, as of December 31, 2001 and 2000, and for each of the two years in the period ended December 31, 2001, and Schedule III—Real Estate Investments and Accumulated Depreciation as of December 31, 2001, included in this supplement and elsewhere in the registration statement, were audited by Arthur Andersen LLP (Andersen), independent public accountants, as indicated in their report with respect thereto, and are included in this supplement in reliance upon the authority of said firm as experts in giving said report.

Andersen ceased operations during 2002 and, accordingly, has not reissued their report related to previously audited financial statements. Additionally, Andersen has not consented to the use of their report related to previously audited financial statements. Events arising out of the ceased operations of Andersen may adversely affect the ability of Andersen to satisfy any potential claims that may arise out of Andersen's audits of the financial statements contained in this supplement. In addition, our inability to obtain a consent from Andersen may also adversely affect your ability to pursue potential claims against Andersen.

Prior Performance Tables

The prior performance tables dated as of December 31, 2002, which are included in this supplement and elsewhere in the registration statement, have not been audited.

Unaudited Financial Statements

The pro forma balance sheet of the Wells REIT, as of December 31, 2002 and the pro forma statement of income for the year ended December 31, 2001, which are included in this supplement, have not been audited.

INDEX TO FINANCIAL STATEMENTS

Wells Real Estate Investment Trust, Inc. and Subsidiary

	Page
Audited Financial Statements	
Report of Independent Auditors—Ernst & Young LLP	18
Report of Independent Accountants—Arthur Andersen	19
Consolidated Balance Sheets as of December 31, 2002 and 2001	20
Consolidated Statements of Income for the years ended December 31, 2002, 2001 and 2000	22
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2002, 2001 and 2000	23
Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000	24
Notes to Consolidated Financial Statements	25
Schedule III—Real Estate Assets and Accumulated Depreciation as of December 31, 2002	55
Prior Performance Tables (Unaudited)	59
Wells Real Estate Investment Trust, Inc. and Subsidiary	
Unaudited Pro Forma Financial Statements	
Summary of Unaudited Pro Forma Financial Statements	69
Pro Forma Balance Sheet as of December 31, 2002 (unaudited)	70
Pro Forma Statement of Income for the year ended December 31, 2002 (unaudited)	72

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying consolidated balance sheet of Wells Real Estate Investment Trust, Inc. and subsidiaries as of December 31, 2002 and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. Our audit also included financial statement Schedule III—Real Estate Assets and Accumulated Depreciation as of December 31, 2002. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit. The financial statements and schedule of Wells Real Estate Investment Trust, Inc. and subsidiary as of December 31, 2001, and for the years ended December 31, 2001 and 2000 were audited by other auditors who have ceased operations, and whose report dated January 25, 2002 expressed an unqualified opinion on those financial statements and schedule before the restatement adjustments and disclosures described in Note 2.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wells Real Estate Investment Trust, Inc. and subsidiaries at December 31, 2002 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related 2002 financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed above, the financial statements of Wells Real Estate Investment Trust, Inc. and subsidiary as of December 31, 2001 and for the years ended December 31, 2001 and 2000 were audited by other auditors who have ceased operations. As described in Note 2, these financial statements have been restated. We audited the adjustments described in Note 2 that were applied to restate the 2001 and 2000 financial statements. Our procedures included (a) agreeing the amounts in the restatement adjustments columns to the corresponding accounts maintained in the underlying records of the Company, and (b) testing the application of the adjustments to the historical amounts. In our opinion, such adjustments are appropriate and have been properly applied. Additionally, as described in Note 2, these financial statements have been revised to include disclosure of the number of weighted average shares outstanding for the years ended December 31, 2001 and 2000 on the consolidated statements of income. Our audit procedures with respect to this disclosure included recalculating the number of weighted average shares outstanding for the years ended December 31, 2001 and 2000 by dividing the net income amount previously reported on the consolidated statements of income in 2001 and 2000 by the earnings per share amount previously reported on the consolidated statements of income in 2001 and 2000. In our opinion, the disclosure of the number of weighted average shares outstanding on the consolidated statements of income for the years ended December 31, 2001 and 2000 is appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 financial statements of Wells Real Estate Investment Trust, Inc. and subsidiary other than with respect to such restatement adjustments and disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 financial statements taken as a whole.

As discussed in Note 2, in 2002 the Company adopted Statement of Financial Accounting Standards No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets".

/s/ Ernst & Young LLP

Atlanta, Georgia
January 24, 2003

(The following is a copy of the audit report previously issued by Arthur Andersen LLP in connection with the consolidated financial statements of Wells Real Estate Investment Trust, Inc. (Wells REIT) included in the previous year's Form 10-K for the fiscal year ended December 31, 2001. This audit report has not been reissued by Arthur Andersen in connection with the filing of the Wells REIT Form 10-K for the fiscal year ended December 31, 2002.)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying consolidated balance sheets of **WELLS REAL ESTATE INVESTMENT TRUST, INC.** (a Maryland corporation) **AND SUBSIDIARY** as of December 31, 2001 and 2000 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wells Real Estate Investment Trust, Inc. and subsidiary as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule III—Real Estate Investments and Accumulated Depreciation as of December 31, 2001 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 25, 2002

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2002 and 2001

(in thousands, except share amounts)

ASSETS

	2002	2001
REAL ESTATE ASSETS, at cost:		
Land	**$ 279,185**	$ 86,247
Buildings and improvements, less accumulated depreciation of $63,594 and $24,814 at December 31, 2002 and 2001, respectively	**1,683,036**	472,383
Construction in progress	**42,746**	5,739
Total real estate assets	**2,004,967**	564,369
INVESTMENTS IN JOINT VENTURES	**83,915**	77,410
CASH AND CASH EQUIVALENTS	**45,464**	75,586
RENT RECEIVABLE	**19,321**	6,003
DEFERRED PROJECT COSTS	**1,494**	2,977
DUE FROM AFFILIATES	**1,961**	1,693
PREPAID EXPENSES AND OTHER ASSETS, net	**4,407**	718
DEFERRED LEASE ACQUISITION COSTS, net	**1,638**	1,525
INTANGIBLE LEASE ASSET	**12,060**	—
INVESTMENTS IN BONDS	**54,500**	22,000
Total assets	**$2,229,727**	$752,281

LIABILITIES AND SHAREHOLDERS' EQUITY

	2002	2001
LIABILITIES:		
Notes payable	**$ 248,195**	$ 8,124
Obligations under capital leases	**54,500**	22,000
Intangible lease liability	**32,697**	—
Accounts payable and accrued expenses	**24,580**	8,727
Due to affiliate	**15,975**	2,166
Dividends payable	**6,046**	1,059
Deferred rental income	**11,584**	662
Total liabilities	**393,577**	42,738
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	**200**	200
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 750,000,000 shares authorized, 217,790,874 shares issued, and 215,699,717 shares outstanding at December 31, 2002 and 125,000,000 shares authorized, 83,761,469 shares issued and 83,206,429 shares outstanding at December 31, 2001	**2,178**	838
Additional paid-in capital	**1,929,381**	738,236
Cumulative distributions in excess of earnings	**(74,310)**	(24,181)
Treasury stock, at cost, 2,091,157 shares at December 31, 2002 and 555,040 shares at December 31, 2001	**(20,912)**	(5,550)
Other comprehensive loss	**(387)**	—
Total shareholders' equity	**1,835,950**	709,343
Total liabilities and shareholders' equity	**$2,229,727**	$752,281

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002, 2001, AND 2000

(in thousands, except per share amounts)

	2002	2001	2000
REVENUES:			
Rental income	**$107,526**	$44,204	$20,505
Tenant reimbursements	**18,992**	6,830	2,318
Equity in income of joint ventures	**4,700**	3,721	2,294
Lease termination income	**1,409**	—	—
Interest and other income	**7,001**	1,521	574
	139,628	56,276	25,691
EXPENSES:			
Depreciation	**38,780**	15,345	7,743
Interest expense	**4,638**	4,181	4,200
Property operating costs	**26,949**	10,901	3,206
Management and leasing fees	**5,155**	2,507	1,310
General and administrative	**3,244**	1,169	439
Legal and accounting	**1,008**	449	240
	79,774	34,552	17,138
NET INCOME	**$ 59,854**	$21,724	$ 8,553
EARNINGS PER SHARE:			
Basic and diluted	**$ 0.41**	$ 0.43	$ 0.40
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic and diluted	**145,633**	51,082	21,616

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2002, 2001, AND 2000

(in thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock		Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				Shares	Amount		
BALANCE, December 31, 1999	13,471	$ 135	$ 117,738	$ (1,857)	$ —	—	$ —	$ —	$ 116,016
Issuance of common stock	18,039	180	180,207	—	—	—	—	—	180,387
Treasury stock purchased	—	—	—	—	—	(141)	(1,413)	—	(1,413)
Dividends ($0.73 per share)	—	—	—	(7,276)	(8,553)	—	—	—	(15,829)
Sales commissions and dealer manager fees	—	—	(17,003)	—	—	—	—	—	(17,003)
Other offering costs	—	—	(5,369)	—	—	—	—	—	(5,369)
Net income	—	—	—	—	8,553	—	—	—	8,553
BALANCE, December 31, 2000	31,510	315	275,573	(9,133)	—	(141)	(1,413)	—	265,342
Issuance of common stock	52,251	523	521,994	—	—	—	—	—	522,517
Treasury stock purchased	—	—	—	—	—	(414)	(4,137)	—	(4,137)
Dividends ($0.76 per share)	—	—	—	(15,048)	(21,724)	—	—	—	(36,772)
Sales commissions and dealer manager fees	—	—	(49,246)	—	—	—	—	—	(49,246)
Other offering costs	—	—	(10,085)	—	—	—	—	—	(10,085)
Net income	—	—	—	—	21,724	—	—	—	21,724
BALANCE, December 31, 2001	83,761	838	738,236	(24,181)	—	(555)	(5,550)	—	709,343
Issuance of common stock	**134,030**	**1,340**	**1,338,953**	**—**	**—**	**—**	**—**	**—**	**1,340,293**
Treasury stock purchased	**—**	**—**	**—**	**—**	**—**	**(1,536)**	**(15,362)**	**—**	**(15,362)**
Dividends ($0.76 per share)	**—**	**—**	**—**	**(50,129)**	**(59,854)**	**—**	**—**	**—**	**(109,983)**
Sales commissions and dealer manager fees	**—**	**—**	**(127,332)**	**—**	**—**	**—**	**—**	**—**	**(127,332)**
Other offering costs	**—**	**—**	**(20,476)**	**—**	**—**	**—**	**—**	**—**	**(20,476)**
Components of comprehensive income:									
Net income	**—**	**—**	**—**	**—**	**59,854**	**—**	**—**	**—**	**59,854**
Loss on interest rate swap	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(387)**	**(387)**
Comprehensive income									**59,467**
BALANCE, December 31, 2002	**217,791**	**$ 2,178**	**$ 1,929,381**	**$ (74,310)**	**$ —**	**(2,091)**	**$ (20,912)**	**$ (387)**	**$ 1,835,950**

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002, 2001, AND 2000

(in thousands)

	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 59,854**	$ 21,724	$ 8,553
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in income of joint ventures	**(4,700)**	(3,721)	(2,294)
Depreciation	**38,780**	15,345	7,743
Amortization of deferred financing costs	**845**	770	233
Amortization of deferred lease acquisition costs	**303**	303	351
Land received in lease termination	**(430)**	—	—
Write-off of deferred lease acquisition costs	**—**	62	—
Changes in assets and liabilities:			
Rent receivable	**(13,318)**	(2,222)	(2,458)
Due from affiliates	**(185)**	11	(436)
Prepaid expenses and other assets, net	**(3,248)**	3,246	(6,827)
Accounts payable and accrued expenses	**15,853**	6,561	1,942
Deferred rental income	**10,922**	280	146
Due to affiliates	**(104)**	(10)	367
Total adjustments	**44,718**	20,625	(1,233)
Net cash provided by operating activities	**104,572**	42,349	7,320
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in real estate assets	**(1,308,759)**	(227,934)	(231,518)
Contributions to joint ventures	**(8,910)**	(33,691)	(15,064)
Investment in intangible lease asset	**(12,060)**	—	—
Deferred project costs paid	**(39,797)**	(17,220)	(6,264)
Deferred lease acquisition costs paid	**(400)**	—	—
Distributions received from joint ventures	**7,388**	4,239	3,529
Net cash used in investing activities	**(1,362,538)**	(274,606)	(249,317)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable	**212,906**	110,243	187,633
Repayments of notes payable	**(62,835)**	(229,782)	(83,899)
Dividends paid to shareholders	**(104,996)**	(36,737)	(16,971)
Issuance of common stock	**1,340,293**	522,517	180,387
Treasury stock purchased	**(15,362)**	(4,137)	(1,413)
Sales commissions and dealer manager fees paid	**(127,332)**	(49,246)	(17,003)
Other offering costs paid	**(13,156)**	(9,313)	(5,369)
Deferred financing costs paid	**(1,674)**	—	—
Net cash provided by financing activities	**1,227,844**	303,545	243,365
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(30,122)**	71,288	1,368
CASH AND CASH EQUIVALENTS, beginning of year	**75,586**	4,298	2,930
CASH AND CASH EQUIVALENTS, end of year	**$ 45,464**	$ 75,586	$ 4,298

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002, 2001 AND 2000

1. Organization

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation that qualifies as a real estate investment trust ("REIT"). The Company was incorporated in 1997 and commenced operations on June 5, 1998.

The Company engages in the acquisition and ownership of commercial real estate properties, throughout the United States, including properties which are under construction, are newly constructed or have operating histories. At December 31, 2002, the Company has invested in commercial and industrial real estate assets, either directly or through joint ventures with 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., ("Wells OP"), a Delaware limited partnership, and its subsidiaries. Wells OP was formed to acquire, develop, own, lease, and operate real properties on behalf of the Company, either directly, through wholly-owned subsidiaries, or through joint ventures. The Company is the sole general partner in Wells OP and possesses full legal control and authority over the operations of Wells OP. In addition, the Company owns Wells REIT-Independence Square, LLC ("Wells REIT-Independence"), a single member Georgia limited liability company. Wells REIT-Independence was formed for the purpose of acquiring two office buildings located in Washington, D.C. (the "NASA Buildings"). Wells OP, and its subsidiaries, and Wells REIT-Independence comprise the Company's subsidiaries.

The Company has initiated four offerings of the Company's stock as follows:

Offering #	Date Commenced	Termination Date	Gross Proceeds	Shares Issued
1	January 30, 1998	December 19, 1999	$ 132.2 million	13.2 million
2	December 20, 1999	December 19, 2000	$ 175.2 million	17.5 million
3	December 20, 2000	July 26, 2002	$ 1,283.0 million	128.3 million
4	July 26, 2002	Offering will terminate on or before July 25, 2004	$ 587.5 million (through December 31, 2002)	58.8 million (through December 31, 2002)
Total as of December 31, 2002			$ 2,177.9 million	217.8 million

After payment of $75.5 million in acquisition and advisory fees and acquisition expenses to the Advisor, payment of $206.4 million in selling commissions, payment of $40.0 million in organization and offering expenses to the Advisor, investment in real estate assets and joint ventures of $1,808.5 million, and common stock redemptions of $20.9 million pursuant to the Company's share redemption program, the Company was holding net offering proceeds of approximately $26.6 million available for investment in properties at December 31, 2002.

The Company’s stock is not listed on a national exchange. However, the Company’s Articles of Incorporation currently require that, in the event that the Company’s stock is not listed on a national exchange by January 30, 2008, the Company must begin liquidating its investments and distributing the resulting proceeds to the shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company, Wells OP and its subsidiaries, and Wells REIT-Independence. The financial statements of the Company’s subsidiaries are prepared using accounting policies consistent with the Company. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Investments in Joint Ventures

The Company and its subsidiaries do not consolidate investments in ventures in which the Company or a subsidiary does not control the venture, including joint ventures requiring consent of both partners for all major decisions, regardless of whether the Company or a subsidiary owns a majority interest in the venture. These investments are accounted for using the equity method of accounting, whereby original investments are recorded at cost, and subsequently adjusted for contributions, distributions, and the investor’s share of income or losses of the joint ventures. Allocations of income and loss and distributions 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, which approximates economic ownership. Generally, cash distributions are made from the joint ventures to the investor on a quarterly basis.

Real Estate Assets

Real estate assets are stated at cost, less accumulated depreciation. Amounts capitalized to real estate assets consist of the cost of acquisition or construction, and any tenant improvements or major improvements and betterments which extend the useful life of the related asset. All repairs and maintenance are expensed as incurred. Additionally, the Company capitalizes interest when development of a real estate asset is in progress. Approximately $0.8 million, $0.1 million, and $0.2 million of interest was capitalized for the years ended December 31, 2002, 2001, and 2000, respectively.

The estimated useful lives of the Company’s real estate assets by class are as follows:

Building	25 years
Building improvements	10-25 years
Land improvements	20-25 years
Tenant Improvements	Lease term

Management continually monitors events and changes in circumstances that could indicate that carrying amounts of real estate assets may not be recoverable. When indicators of potential impairment are present, management assesses the recoverability of the assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future cash flows expected from the use and eventual disposition of the asset. In the event the expected undiscounted future cash flows do not exceed the carrying value, management adjusts the real estate assets to the fair value and recognizes an impairment loss. Management has determined that there has been no impairment in the carrying value of real estate assets held by the Company, its subsidiaries, and any unconsolidated joint ventures to date.

Effective January 1, 2002, the Company adopted the Statement of Financial Accounting Standards No. 144 *"Accounting for the Impairment or Disposal of Long Lived Assets"* ("SFAS 144"), which supersedes Statement of Financial Accounting Standards No. 121 *"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of"* ("SFAS 121") and Accounting Principles Board No. 30 *"Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual or Infrequently Occurring Events or Transactions,"* with regard to impairment assessment and discontinued operations respectively. In the current year, adoption of this standard did not have a significant impact on the Company, as SFAS 144 did not significantly change the measurement criteria for impairment under SFAS 121 and no properties were disposed of in the current year resulting in discontinued operations.

Cash and Cash Equivalents

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 consists of investments in money market accounts. At December 31, 2002 and 2001, there are no restrictions on the use of the Company's cash.

Rent Receivable

Receivables are recognized and carried at original amount earned less a provision for any uncollectible amounts, which approximates fair value. An allowance for uncollectible amounts is made when collection of the full amount is no longer probable. Bad debt expense was $0.1 million, $0.0 million, and $0.0 million for the years ended December 31, 2002, 2001, and 2000, respectively.

Deferred Project Costs

The Company pays certain fees to the Advisor with regard to the acquisition of properties which are capitalized to the cost of the properties and depreciated on the same basis and over the respective useful life of the related asset. Deferred project costs represent costs incurred for properties to be acquired.

Prepaid Expenses and Other Assets, net

Prepaid expenses and other assets include deferred financing costs, prepaid property operating expenses, earnest money amounts, and purchase price escrows. Deferred financing costs are capitalized and amortized to interest expense on a straight-line basis over the terms of the related financing arrangement. Accumulated amortization of deferred financing costs totaled $1.2 million and $1.0 million at December 31, 2002 and 2001, respectively.

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 lease. Accumulated amortization of deferred lease acquisition costs totaled $0.8 million and $0.5 million at December 31, 2002 and 2001, respectively. The related amortization expense for deferred lease acquisition costs was $0.3 million, $0.3 million and $0.4 million for the years ended December 31, 2002, 2001, and 2000, respectively, which is included in management and leasing fees in the consolidated statements of income.

Intangible Lease Asset/Liability

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 141 *"Business Combinations,"* and Statement of Financial Accounting Standards No. 142 *"Goodwill and Intangibles"*. These standards govern business combinations and asset acquisitions, and the accounting for acquired intangibles. As part of the acquisition of real estate assets, the Company determines whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of the real estate. As a result of adopting the standards, amounts totaling $12.1 million have been recorded as intangible lease assets and $32.7 million have been recorded as intangible lease liabilities, relating to above and below market lease arrangements for properties acquired in 2002. The intangible assets and liabilities are recorded at their estimated fair market values at the date of acquisition, and are amortized over the remaining term of the respective lease to rental income. The weighted average amortization period for the intangible lease assets and liabilities was approximately 10 years and 9 years, respectively. These intangibles will be amortized as follows:

For the year ending December 31:	Intangible Lease Asset (000s)	Intangible Lease Liability (000s)
2003	$ 1,909	$ 4,144
2004	1,909	4,144
2005	1,807	4,144
2006	677	3,602
2007	677	2,842
Thereafter	5,081	13,821
	$12,060	$32,697

Investments in Bonds and Obligations Under Capital Leases

As a result of certain purchase transactions, the Company has acquired investments in bonds and certain obligations under capital leases. The Company records the bonds and obligations under capital leases at the amounts the Company expects to pay and receive. Because the Company is obligated to pay the indebtedness evidenced by the bonds, the Company has recorded these obligations as liabilities; however, since the Company is also the owner of the bonds, the bonds are carried on the Company's books as assets. The related offsetting interest amounts are recorded as interest income and interest expense in the period that the amounts accrue. See Note 5 for a more detailed discussion of the bonds and obligations under capital leases.

Notes Payable

All loans are measured at the stated principal amount, which approximates fair value. Interest is charged to interest expense as it accrues, except for interest qualifying for capitalization relating to properties under development.

Dividends Payable and Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of the Company's taxable income. The Company intends to make regular quarterly distributions to shareholders. Currently, dividends are declared in advance of the quarter to which they relate based on a daily rate for the upcoming quarter. Thus, shareholders are entitled to receive dividends immediately upon purchase of shares.

Dividends to be distributed to the shareholders are determined by the board of directors of the Company and are dependent upon a number of factors relating to the Company, including funds available for payment of dividends, financial condition, the timing of property acquisitions, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Internal Revenue Code.

Offering and Related Costs

Offering costs are charged by the Advisor for costs incurred by the Advisor for raising capital for the Company. Such costs include legal and accounting fees, printing costs, sales, promotional, and other offering costs. Such costs, as well as sales commissions and dealer manager fees associated with the offering of shares, which are currently 7% and 2.5%, respectively, of gross offering proceeds, are accounted for as a reduction of equity.

Treasury Stock

The Company currently has a share redemption plan in place whereby the Company acquires shares from shareholders, subject to certain limitations. The Company accounts for these share repurchases using the treasury stock method.

Revenue Recognition

All leases on real estate assets held by the Company or its subsidiaries are classified as operating leases, and the related rental income is recognized on a straight-line basis over the terms of the respective leases. Tenant reimbursements are recognized as revenue in the period that the related operating cost is incurred and therefore contractually earned and billable pursuant to the terms of the underlying lease. Rents paid in advance, which do not qualify for revenue recognition, are deferred to future periods.

Revenues earned relating to lease termination agreements are recognized at the time the tenant loses the right to lease the space and when the Company has earned the right to receive such payments.

Stock-Based Compensation

The Company has adopted the disclosure provisions in Statement of Financial Accounting Standards No. 123 *"Accounting and Disclosure for Stock-Based Compensation"* ("SFAS 123"). As permitted by the provisions of SFAS 123, the Company applies Accounting Principles Board Opinion No. *25 "Accounting for Stock Issued to Employees"* ("APB 25") and the related interpretations in accounting for its stock option grants to members of the board of directors, and accordingly, does not recognize compensation cost in the consolidated statements of income but instead provides pro forma disclosure in the notes to the consolidated financial statements. For the years ended December 31, 2002, 2001, and 2000, stock option grants did not have any impact on the consolidated statements of income as the fair value at the date of issue for each grant is estimated at $0.

Earnings Per Share

Earnings per share are calculated based on the weighted average number of common shares outstanding during each period. The weighted average number of common shares outstanding is identical for basic and fully diluted earnings per share. Outstanding stock options and warrants have been excluded from the diluted earnings per share calculation as their impact would be anti-dilutive using the treasury stock method, as the exercise price of the options and warrants exceed the stock offering price.

Financial Instruments

The Company considers its cash, accounts receivable, accounts payable, bonds, obligations under capital leases, notes payable, and interest rate swaps to meet the definition of financial instruments. At December 31, 2002 and 2001, the carrying value of the Company's financial instruments approximated their fair value. Notes payable bear interest based on variable interest rates that periodically adjust to market or are fixed rate debt that is due within twelve months.

Interest Rate Swap Agreements

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133 *"Accounting for Derivative Instruments and Hedging Activities"* ("SFAS 133") as amended by Statement of Financial Accounting Standards No. 137 *"Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of SFAS 133"* and Statement of Financial Accounting Standards No. 138 *"Accounting for Certain Derivative Instruments and Certain Hedging Activities."* SFAS 133 requires recording all derivative instruments as assets or liabilities, measured at fair value in the consolidated balance sheet. The effect of adopting SFAS 133 did not have a material effect on the Company's consolidated financial statements.

The Company has entered into certain interest rate swap agreements to minimize the Company's exposure to increases in interest rates on certain variable interest rate agreements. At the time of entering into the agreement and on an ongoing basis, the Company considers effectiveness of the interest rate swap at hedging the Company's exposure to interest rate fluctuations. The Company recognizes interest rate swap agreements at fair value at each balance sheet date. If the agreement is deemed to effectively hedge the risk, the corresponding change in value is recorded as an adjustment to other comprehensive income. In the event that the swap is not effective, the corresponding change in fair value of the swap is recorded in the consolidated statements of income. Currently, each interest rate swap agreement entered into by the Company has been deemed effective and therefore reflected as a component of other comprehensive income, with no impact on the consolidated statements of income. The fair value of the swap agreements are included in prepaid and other assets or accounts payable and accrued expenses in the consolidated balance sheets. Net receipts and payments are recognized as adjustments to interest expense.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), and has operated as such beginning with its taxable year ended December 31, 1998. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90% (95% in 2000) of the REIT's ordinary taxable income to shareholders. As a REIT, the Company generally will not be subject to federal income tax on taxable 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 taxes 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 unless the Internal Revenue Service granted the Company relief under certain statutory provisions. Such an event could materially adversely affect the Company's net income and net cash available for distribution 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. No provision for federal income taxes has been made in the accompanying consolidated financial statements, as the Company made distributions in excess of its taxable income in the years ended December 31, 2002, 2001, and 2000.

Restatement Adjustments and Disclosures

The Company and its joint ventures have historically reported property operating costs net of reimbursements from tenants as an expense in its consolidated statements of income. These costs include property taxes, property insurance, utilities, repairs and maintenance, management fees and other expenses related to the ownership and operation of the Company's properties that are required to be reimbursed by the properties' tenants in accordance with the terms of their leases. In response to FASB Emerging Issues Task Force consensus reached in November 2001, the Company and its joint ventures will now present these reimbursements as revenue and the gross property operating costs as expenses. Consequently, the accompanying consolidated statements of income of the Company for the years ended December 31, 2001 and 2000 have been restated to reflect the effects of this revised presentation.

	2001			2000		
	As Previously Reported (000s)	Restatement Adjustments (000s)	As Restated (000s)	As Previously Reported (000s)	Restatement Adjustments (000s)	As Restated (000s)
Revenues:						
Rental income	$44,204	$ —	$44,204	$20,505	$ —	$20,505
Tenant reimbursements	—	**6,830**	6,830	—	**2,318**	2,318
Equity in income of joint ventures	3,721	—	3,721	2,294	—	2,294
Take out fee	138	**(138)**	—	—	—	—
Interest and other income	1,246	**275**	1,521	574	—	574
	49,309	**6,967**	56,276	23,373	**2,318**	25,691
Expenses:						
Depreciation	15,345	—	15,345	7,743	—	7,743
Interest expense	3,411	**770**	4,181	3,967	**233**	4,200
Amortization of deferred financing costs	770	**(770)**	—	233	**(233)**	—
Property operating costs	4,129	**6,772**	10,901	888	**2,318**	3,206
Management and leasing fees	2,507	—	2,507	1,310	—	1,310
General and administrative	974	**195**	1,169	439	—	439
Legal and accounting	449	—	449	240	—	240
	27,585	**6,967**	34,552	14,820	**2,318**	17,138
Net income	$21,724	$ —	$21,724	$8,553	$ —	$8,553

In addition, the condensed combined statements of income disclosed in Note 4 have also been restated to reflect the effects of this revised presentation.

Since this presentation does not impact the amount of reimbursements received or property operating costs incurred and requires equal adjustments to revenues and expenses, the adoption of this guidance will have no impact on the financial position, net income, earnings per share or cash flows of the Company.

Furthermore, the statements of income for the years ended December 31, 2001 and 2000 have been revised to include disclosure of the weighted average shares outstanding for the years ended December 31, 2001 and 2000.

3. REAL ESTATE ASSETS

The Company owns 100% interests in the following properties as of December 31, 2002. Operating results of the properties are included in the financial statements of the Company from the date of acquisition.

Property Name	Tenant	Lease Expiration	Property Location	Date Acquired	Purchase Price	Square Feet	Annual Rent
Nestle	Nestle USA, Inc.	8/2010	Glendale, CA	12/2002	$ 157,000,000	505,115	$ 14,844,799
Los Angeles (1)	Various other tenants						$ 29,065
Capital One	Capital One Services, Inc	3/2010	Glen Allen, VA	11/2002	$ 28,509,000	225,220	$ 786,573
Richmond (2)	Capital One Services, Inc	5/2004					913,076
	Capital One Services, Inc.	2/2010					940,249
Caterpillar	Caterpillar Financial Services Corporation	2/2015	Nashville, TN	11/2002	$ 61,525,000	312,297	$ 7,384,111
Nashville	Thoughtworks, Inc	5/2005					$ 162,944
	Highwoods Properties, Inc	9/2005					$ 129,946
NASA	National Aeronautics and Space Administration	7/2012	Washington, D.C.	11/2002	$ 345,000,000	948,800	$ 21,534,124
	Office of the Comptroller of the Currency	5/2006					$ 12,159,948
Daimler Chrysler Dallas	Daimler Chrysler Services North America LLC	12/2011	Westlake, TX	9/2002	$ 25,100,000	130,290	$ 2,389,517
Allstate	Allstate Insurance Company	8/2012	Indianapolis, IN	9/2002	$ 10,900,000	84,200	$ 1,246,164
Indianapolis	Holladay Property Services Midwest, Inc.	9/2006				5,756	$ 74,832
Intuit Dallas	Lacerte Software Corporation	6/2011	Plano, TX	9/2002	$ 26,500,000	166,238	$ 2,461,985
EDS Des Moines	EDS Information Services LLC	4/2012	Des Moines, IA	9/2002	$ 26,500,000	405,000	$ 2,389,500

Property Name	Tenant	Lease Expiration	Property Location	Date Acquired	Purchase Price	Square Feet	Annual Rent
Federal Express Colorado Springs	Federal Express Corporation	10/2016	Colorado Springs, CO	9/2002	$ 26,000,000	155,808	$ 2,248,309
KeyBank Parsippany	KeyBank U.S.A., N.A.	2/2016	Parsippany, NJ	9/2002	$ 101,350,000	200,000	$ 3,800,000
	Gemini Technology Services	12/2013				204,515	$ 5,726,420
IRS Long Island (3)	IRS Collection	8/2005	Holtsville, NY	9/2002	$ 50,975,000	128,000	$ 5,029,380
	IRS Compliance	12/2011				50,949	$ 1,663,200
	IRS Daycare Facility	9/2004				12,100	$ 486,799
AmeriCredit Phoenix (4) (5)	AmeriCredit Financial Services, Inc.	12/2013	Chandler, AZ	8/2002	$ 24,700,000	153,494	$ 1,609,315
Harcourt Austin	Harcourt, Inc.	6/2016	Austin, TX	8/2002	$ 39,000,000	195,230	$ 3,353,040
Nokia Dallas	Nokia, Inc.	7/2009	Irving, TX	8/2002	$ 119,550,000	228,678	$ 4,413,485
	Nokia, Inc.	12/2010				223,470	$ 4,547,614
	Nokia, Inc.	7/2009				152,086	$ 3,024,990
Kraft Atlanta	Kraft Foods North America, Inc.	1/2012	Suwanee, GA	8/2002	$ 11,625,000	73,264	$ 945,106
	Perkin Elmer Instruments, LLC	11/2016				13,955	$ 198,580
BMG Greenville (1)	BMG Direct Marketing, Inc.	12/2010	Duncan, SC	7/2002	$ 26,900,000	473,398	$ 1,394,156
	BMG Music	12/2009				313,380	$ 763,600
Kerr-McGee (1) (4) (5)	Kerr-McGee Oil & Gas Corporation	8/2014	Houston, TX	7/2002	$ 15,760,000	100,000	$ 1,655,000
PacifiCare San Antonio	PacifiCare Health Systems, Inc.	11/2010	San Antonio, TX	7/2002	$ 14,650,000	142,500	$ 1,471,700
ISS Atlanta (6)	Internet Security Systems, Inc.	5/2013	Atlanta, GA	7/2002	$ 40,500,000	238,600	$ 4,055,985
MFS Phoenix	Massachusetts Financial Services Company	7/2011	Phoenix, AZ	6/2002	$ 25,800,000	148,605	$ 2,347,959
TRW Denver	TRW, Inc.	9/2007	Aurora, CO	5/2002	$ 21,060,000	108,240	$ 2,871,069
Agilent Boston (7)	Agilent Technologies, Inc.	9/2011	Boxborough, MA	5/2002	$ 31,742,274	174,585	$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	10/2010	Allen, TX	5/2002	$ 35,150,000	292,700	$ 3,701,918
BellSouth Ft. Lauderdale (8)	BellSouth Advertising and Publishing Corporation	7/2008	Ft. Lauderdale, FL	4/2002	$ 6,850,000	47,400	$ 765,519
Agilent Atlanta (1)	Agilent Technologies, Inc.	9/2011	Alpharetta, GA	4/2002	$ 15,100,000	66,811	$ 1,368,289
	Koninklijke Philips Electronics N.V.	9/2011				34,396	$ 704,430
Travelers Express Denver	Travelers Express Company, Inc.	3/2012	Lakewood, CO	4/2002	$ 10,395,845	68,165	$ 1,012,250
Dana Kalamazoo (9)	Dana Corporation	10/2021	Kalamazoo, MI	3/2002	$ 41,950,000	147,004	$ 1,842,800
Dana Detroit (9)	Dana Corporation	10/2021	Farmington Hills, MI	3/2002	$ 41,950,000	112,480	$ 2,330,600
Novartis Atlanta (1)	Novartis Opthalmics, Inc.	7/2011	Duluth, GA	3/2002	$ 15,000,000	100,087	$ 1,454,765

Property Name	Tenant	Lease Expiration	Property Location	Date Acquired	Purchase Price	Square Feet	Annual Rent
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc. Newpark Drilling Fluids, Inc.	3/2011 10/2009	Houston, TX	3/2002	$ 22,000,000	103,260 52,731	$ 2,103,285 $ 1,153,227
Vertex Sarasota (formerly, Arthur Andersen) (10)	Vertex Tax Technology	10/2009	Sarasota, FL	1/2002	$ 21,400,000	157,700	$ 621,257
Windy Point I (11)	TCI Great Lakes, Inc. The Apollo Group, Inc. Global Knowledge Network Various other tenants	11/2009 7/2009 4/2010 Various	Schaumburg, IL	12/2001	$ 32,225,000	129,157 28,322 22,028 8,884	$ 2,128,503 $ 477,226 $ 393,776 $ 141,010
Windy Point II (11)	Zurich American Insurance	8/2011	Schaumburg, IL	12/2001	$ 57,050,000	300,034	$ 5,244,594
Convergys	Convergys Customer Management Group, Inc.	9/2011	Tamarac, FL	12/2001	$ 13,255,000	100,000	$ 1,279,397
Lucent	Lucent Technologies, Inc.	9/2011	Cary, NC	9/2001	$ 17,650,000	120,000	$ 1,854,000
Ingram Micro (6)	Ingram Micro, L.P.	9/2011	Millington, TN	9/2001	$ 21,050,000	701,819	$ 2,035,275
Nissan (1) (4) (5)	Nissan Motor Acceptance Corporation	3/2013	Irving, TX	9/2001	$ 42,259,000	268,290	$ 4,225,860
IKON	IKON Office Solutions, Inc.	4/2010	Houston, TX	9/2001	$ 20,650,000	157,790	$ 2,015,767
State Street	SSB Realty, LLC	3/2011	Quincy, MA	7/2001	$ 49,563,000	234,668	$ 6,922,706
Metris Minnesota (1)	Metris Direct, Inc.	12/2011	Minnetonka, MN	12/2000	$ 52,800,000	300,633	$ 4,960,445
Stone & Webster	Stone & Webster, Inc. SYSCO Corporation	12/2010 9/2008	Houston, TX	12/2000	$ 44,970,000	206,048 106,516	$ 4,533,056 $ 2,130,320
Motorola Plainfield (1)	Motorola, Inc.	10/2010	S. Plainfield, NJ	11/2000	$ 33,648,156	236,710	$ 3,324,428
Delphi (1)	Delphi Automotive Systems, LLC	4/2007	Troy, MI	6/2000	$ 19,800,000	107,193	$ 1,955,520
Avnet (1) (8)	Avnet, Inc.	4/2010	Tempe, AZ	6/2000	$ 13,250,000	132,070	$ 1,516,164
Motorola Tempe (8)	Motorola, Inc.	8/2005	Tempe, AZ	3/2000	$ 16,000,000	133,225	$ 2,054,329
ASML (1) (8)	ASM Lithography, Inc.	6/2013	Tempe, AZ	3/2000	$ 17,355,000	95,133	$ 1,927,788
Dial (1)	Dial Corporation	8/2008	Scottsdale, AZ	3/2000	$ 14,250,000	129,689	$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	1/2010	Tulsa, OK	2/2000	$ 12,700,000	101,100	$ 1,187,925
Cinemark (1)	Cinemark USA, Inc. The Coca-Cola Company	12/2009 11/2006	Plano, TX	12/1999	$ 21,800,000	65,521 52,587	$ 1,366,491 $ 1,406,268

Property Name	Tenant	Lease Expiration	Property Location	Date Acquired	Purchase Price	Square Feet	Annual Rent
Videojet Technologies Chicago (1)	Videojet Technologies, Inc.	11/2011	Wood Dale, IL	9/1999	$ 32,630,940	250,354	$ 3,376,743
Alstom Power Richmond (4) (1)	Alstom Power, Inc.	7/2007	Midlothian, VA	7/1999	$ 11,400,000	99,057	$ 1,244,501
Matsushita (4) (1)	Matsushita Avionics Systems Corporation	1/2007	Lake Forest, CA	3/1999	$ 18,431,206	144,906	$ 1,998,768
AT&T Pennsylvania (1)	Pennsylvania Cellular Telephone Corp.	11/2008	Harrisburg, PA	2/1999	$ 12,291,200	81,859	$ 1,468,529
Eisenhower Boulevard (formerly, PwC) (1)	IBM (formerly, PricewaterhouseCoopers, LLP)	12/2008	Tampa, FL	12/1998	$ 21,127,854	130,091	$ 2,093,382

(1) Property is security for a debt facility.

(2) The previous owner has provided a guarantee of the Capital One leases for a specified period subsequent to the acquisition of the buildings, whereby the previous owner agrees to pay any rental shortfall, but also has the right to repurchase one of the buildings under certain terms.

(3) Excludes space subject to earn-out agreement.

(4) Includes the actual costs incurred or estimate to be incurred by Company to develop and construct the building in addition to the purchase price of the land.

(5) The related lease agreement and annual rent for the Americredit Phoenix, Kerr McGee and Nissan Properties do not take effect until construction of the building is completed and the tenant is occupying the building.

(6) Property is subject to capital lease obligation.

(7) In connection with the acquisition of the property, the Company assumed the obligation as landlord to provide the tenant $3.4 million for tenant improvements, of which $1.1 million had not been incurred at December 31, 2002.

(8) Property is subject to operating ground lease obligation.

(9) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of $41,950,000.

(10) At December 31, 2002, 111,000 square feet, or approximately 70%, of the property was vacant and unleased as a result of the Company negotiating a lease termination agreement with the former tenant whereby the Company received approximately $1.0 million in cash and a 1.3 acre tract of land adjacent to the property which is used for parking.

(11) Windy Point I and Windy Point II were purchased for an aggregate purchase price of $89,275,000.

4. INVESTMENTS IN JOINT VENTURES

At December 31, 2002, the Company, through its ownership in Wells OP, owns interests in certain properties through joint ventures with affiliates as outlined below:

Joint Venture	Joint Venture Partners	Ownership Percentage	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells OP Wells Real Estate Fund XIII, L.P.	61%	AmeriCredit Building ADIC Buildings John Wiley Building
Fund XII-REIT Joint Venture	Wells OP Wells Real Estate Fund XII, L.P.	55%	Siemens Building AT&T Oklahoma Buildings Comdata Building
Fund XI-XII-REIT Joint Venture	Wells OP Wells Real Estate Fund XI, L.P. Wells Real Estate Fund XII, L.P.	57%	EYBL CarTex Building Sprint Building Johnson Matthey Building Gartner Building
Fund IX-X-XI-REIT Joint Venture	Wells OP Wells Real Estate Fund IX, L.P. Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.	4%	Alstom Power Knoxville Building Ohmeda Building Interlocken Building Avaya Building Iomega Building
Wells/Freemont Associates Joint Venture (the "Freemont Joint Venture")	Wells OP Fund X-XI Joint Venture	78%	Fairchild Building
Wells/Orange County Associates Joint Venture (the "Orange County Joint Venture")	Wells OP Fund X-XI Joint Venture	44%	Cort Building
Fund VIII-IX-REIT Joint Venture	Wells OP Fund VIII-IX Joint Venture	16%	Quest Building

Details of the properties owned by the Company through Wells OP's joint venture investments are as follows.

Property Name	Tenant	Lease Expiration	Property Location	Date Acquired	Purchase Price	Square Feet	Annual Rent
John Wiley Indianapolis (1)	John Wiley & Sons, Inc. United Student Aid Funds, Inc. Robert Half International, Inc.	10/2009 7/2005 4/2005	Fishers, IN	12/2002	$ 17,450,000	141,047	$ 1,940,892 $ 223,401 $ 55,500
ADIC (1)	Advanced Digital Information Corporation	10/2011	Parker, CO	12/2001	$ 12,954,213	148,204	$ 1,247,137
AmeriCredit (1)	AmeriCredit Financial Services Corporation	6/2011	Orange Park, FL	7/2001	$ 12,500,000	85,000	$ 1,336,200
Comdata (1)	Comdata Network, Inc.	5/2016	Brentwood, TN	5/2001	$ 24,950,000	201,237	$ 2,458,638
AT&T Oklahoma (1)	AT&T Corp. Jordan Associates, Inc.	8/2010 12/2008	Oklahoma City, OK	12/2000	$ 15,300,000	103,500 25,000	$ 1,242,000 $ 294,504
Quest (1)	Quest Software, Inc.	1/2004	Irvine, CA	7/2000	$ 7,193,000	65,006	$ 1,287,119
Siemens (1)	Siemens Automotive Corp.	8/2010	Troy, MI	5/2000	$ 14,265,000	77,054	$ 1,374,643
Gartner (1)	The Gartner Group, Inc.	1/2008	Ft. Myers, FL	9/1999	$ 8,320,000	62,400	$ 830,656
Johnson Matthey (1)	Johnson Matthey, Inc.	6/2007	Wayne, PA	8/1999	$ 8,000,000	130,000	$ 854,750
Sprint (1)	Sprint Communications Company, L.P.	5/2007	Leawood, KS	7/1999	$ 9,500,000	68,900	$ 1,102,400
EYBL CarTex (2)	EYBL CarTex, Inc.	—	Fountain Inn, SC	5/1999	$ 5,085,000	169,510	—
Cort Furniture (1)	Cort Furniture Rental Corporation	10/2003	Fountain Valley, CA	7/1998	$ 6,400,000	52,000	$ 834,888
Fairchild (1)	Fairchild Technologies U.S.A., Inc.	11/2004	Fremont, CA	7/1998	$ 8,900,000	58,424	$ 945,564
Avaya (1)	Avaya, Inc.	1/2008	Oklahoma City, OK	6/1998	$ 5,504,276	57,186	$ 536,977
Iomega (1)	Iomega Corporation	4/2009	Ogden, UT	7/1998	$ 5,025,000	108,250	$ 539,958
Interlocken (3)	GAIAM, Inc. ODS Technologies, L.P. Infocenter	5/2005 9/2003 5/2005	Broomfield, CO	3/1998	$ 8,275,000	51,975	$ 574,464 $ 205,835 $ 69,840
Ohmeda (1)	Ohmeda, Inc.	1/2005	Louisville, CO	2/1998	$ 10,325,000	106,750	$ 1,004,517
Alstom Power Knoxville (1)	Alstom Power, Inc.	11/2007	Knoxville, TN	3/1997	$ 7,900,000	84,404	$ 1,059,522

(1) Property is 100% leased as of December 31, 2002.
(2) The tenant vacated the space in November 2002 and filed for corporate dissolution in December 2002.
(3) Property is 75% leased as of December 31, 2002.

The investment objectives of each joint venture in which Wells OP is a partner are consistent with those of the Company. Wells OP is acting as the initial administrative venturer, as defined in the respective joint venture agreements, of each of the joint ventures included above, and as such, is responsible for establishing policies and operating procedures with respect to the business and affairs of each of these joint ventures. However, approval of the other joint venturers is required for any major decision or any action that materially affects these joint ventures or their real property investments.

Wells OP's investment balance and percentage ownership in joint ventures at December 31, 2002 and 2001 are summarized as follows:

	2002		2001	
	Amount (000s)	Percent	Amount (000s)	Percent
Fund VIII, IX, and REIT Joint Venture	**$ 1,089**	**16%**	$ 1,189	16%
Fund IX, X, XI, and REIT Joint Venture	**1,246**	**4**	1,290	4
Wells/Orange County Associates	**2,641**	**44**	2,740	44
Wells/Fremont Associates	**6,340**	**78**	6,576	78
Fund XI, XII, and REIT Joint Venture	**16,361**	**57**	17,188	57
Fund XII and REIT Joint Venture	**29,343**	**55**	30,300	55
Fund XIII and REIT Joint Venture	**26,895**	**61**	18,127	68
	$83,915		$77,410	

The following is a reconciliation of Wells OP's investment in joint ventures for the years ended December 31, 2002 and 2001:

	2002 (000s)	2001 (000s)
Investment in joint ventures, beginning of year	**$77,410**	$44,236
Equity in income of joint ventures	**4,700**	3,721
Contributions to joint ventures	**9,275**	35,086
Distributions from joint ventures	**(7,470)**	(5,633)
Investment in joint ventures, end of year	**$83,915**	$77,410

Condensed combined financial information for all joint ventures as of December 31, 2002 and 2001, and for the years ended December 31, 2002, 2001 and 2000 is as follows:

Condensed Combined Balance Sheets

	2002 (000s)	2001 (000s)
Assets:		
Real estate assets	**$178,637**	$166,507
Cash	**4,780**	4,827
Accounts receivable	**2,073**	2,139
Other assets	**556**	692
Total adjustments	**$186,046**	$174,165
Liabilities and partners' equity		
Accounts payable and accrued expenses	**1,071**	1,152
Distributions payable	**3,777**	3,968
Total liabilities	**4,848**	5,120
Partners' equity	**181,198**	169,045
Total liabilities and partners' equity	**$186,046**	$174,165

Condensed Combined Statements of Income

	2002 (000s)	2001 (000s)	2000 (000s)
Revenues:			
Rental income	$19,167	$15,931	$10,895
Tenant reimbursements (1)	1,849	2,251(1)	1,768(1)
Other income	46	105	79
Total revenues	**21,062**	18,287	12,742
Expenses:			
Depreciation	6,470	5,516	3,489
Operating expenses (1)	2,898	2,399(1)	1,774(1)
Management and leasing fees	1,123	978	675
Total expenses	**10,491**	8,893	5,938
Net Income	**$10,571**	$ 9,394	$ 6,804

(1) Amounts have been restated to reflect tenant reimbursements of $2,251,000 in 2001, and $1,768,000 in 2000 as revenue and gross operating costs as expenses as described in the Restatement Adjustments and Disclosures section of Note 2.

The Company has historically presented the condensed balance sheets, statements of income, statements of partners' capital, and statements of cash flows for each joint venture investment in the notes to the consolidated financial statements, although such disclosure is not required. In prior years, the joint venture investments had a more significant impact on the financial position and results of operations of the Company. However, with the continued acquisition of properties in the current year, the significance of the joint venture investments has been diluted. Management has determined that inclusion of the information presented in prior years is unnecessary due to the insignificance of the joint ventures as a percentage of total assets and net income.

5. INVESTMENTS IN BONDS AND OBLIGATIONS UNDER CAPITAL LEASES

In connection with the purchase of a ground leasehold interest in the Ingram Micro Distribution Facility pursuant to a Bond Real Property Lease dated December 20, 1995 (the "Ingram Bond Lease"), Wells OP acquired an Industrial Development Revenue Note (the "Ingram Bond") dated December 20, 1995 in the principal amount of $22 million. As part of the same transaction, Wells OP also acquired a Fee Construction Mortgage Deed of Trust Assignment of Rents and Leases (the "Ingram Bond Deed of Trust"), also dated December 20, 1995, which was executed by the Industrial Development Board in order to secure the Ingram Bond. The Ingram Bond Lease expires on December 31, 2026. Beginning in 2006, the Company has the option to purchase the land underlying the Ingram Micro Distribution Facility for $100 plus satisfaction of the indebtedness.

As part of the transaction to acquire a ground leasehold interest in the ISS Atlanta Buildings, Wells OP was assigned Development Authority of Fulton County Taxable Revenue Bonds totaling $32.5 million, which were originally issued in connection with the development of the ISS Atlanta Buildings (the "ISS Bonds"). The ISS Bonds entitle Wells OP to certain property tax abatement benefits. Upon payment of the outstanding balance on the ISS Bonds, on or before the expiration of the ground lease on December 1, 2015, fee title interest to the underlying land will be transferred to Wells OP.

The net carrying value of the ISS Atlanta Buildings and Ingram Micro Building is $62.4 million at December 31, 2002. Depreciation of the assets under capital leases is included with depreciation expense in the consolidated statements of income.

6. BORROWINGS

The Company has financed its investments, acquisitions, and developments through various lenders as described below. On December 31, 2002 and 2001, the Company had the following amounts outstanding:

Facility	2002 (000s)	2001 (000s)
$110 million Bank of America Line of Credit, accruing interest at LIBOR plus 175 basis points (3.31% at December 31, 2002), requiring interest payments monthly with principal due at maturity (May 11, 2004), collateralized by the Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Matsushita Building, the Metris Minnesota Building, the Motorola Plainfield Building, and the Delphi Building	$58,000	$ —
$98.138 million SouthTrust Bank Line of Credit, accruing interest at LIBOR plus 175 basis points (3.31% at December 31, 2002), requiring interest payments monthly and principal due at maturity (June 10, 2003); collateralized by the Novartis Building, the Cinemark Building, the Dial Building, the ASML Building, the Alstom Power Richmond Building, the Avnet Building, the Agilent Atlanta Building, and the Eisenhower Boulevard Building (formerly the PWC Building)	61,399	7,655
$90 million note payable to Landesbank Schleswig-Hostein Gironzentrale, Kiel, accruing interest at LIBOR plus 115 basis points, currently locked at 2.53% through July 2, 2003 (2.53% at December 31, 2002), requiring interest payments monthly, with principal due at maturity (December 20, 2006), collateralized by the Nestle Building	90,000	—

Facility	2002 (000s)	2001 (000s)
$34.2 million construction loan payable to Bank of America, accruing interest LIBOR plus 200 basis points (3.57% at December 31, 2002), requiring interest payments monthly and principal due at maturity (July 30, 2003), collateralized by the Nissan Property (1)	**23,149**	469
$13.7 million construction loan payable to Bank of America, accruing interest at LIBOR plus 200 basis points (3.57% at December 31, 2002), requiring interest payments monthly, with principal due at maturity (January 29, 2004), collateralized by the Kerr-McGee Property (1)	**4,038**	—
$8.8 million note payable to Prudential, accruing interest at 8%, requiring interest and principal payments monthly with any unamortized principal due at maturity (December 15, 2003), collateralized by the BMG Buildings	**8,709**	—
$2.9 million note payable to Prudential, accruing interest at 8.5%, requiring interest payments monthly with principal due at maturity (December 15, 2003), collateralized by the BMG Buildings	**2,900**	—
Total borrowings	**$248,195**	$8,124

(1) The Company has entered into an interest rate swap for this construction loan. Refer to Note 7 for details of the interest rate swap agreements.

The Company's weighted average interest rate at December 31, 2002 for the aforementioned borrowings was approximately 3.3%. Cash paid for interest, including amounts capitalized was $4.2 million for the year ended December 31, 2002.

The following table summarizes the scheduled aggregate principal repayments, for the five years subsequent to December 31, 2002:

For the year ending December 31:	Amount (000s)
2003	$ 96,157
2004	62,038
2005	—
2006	90,000
2007	—
Thereafter	—
Total	$248,195

The debt agreements contain requirements with regard to certain operating and financial covenants, including, but not limited to, maintaining insurance on the properties, distribution limits, and other financial ratios. For the year ended December 31, 2002, the Company was in violation of a debt covenant which limits the amount of the Company's dividend payments to the Company's funds from operations for the period. The lender provided a waiver for this violation for the year ended December 31, 2002. The Company's compliance with this covenant in periods subsequent to December 31, 2002 will be dependent upon the future operations and dividends of the Company. Management projects that distributions will not exceed funds from operations for the year ended December 31, 2003.

7. INTEREST RATE SWAP AGREEMENTS

The Company has entered into interest rate swap agreements with Bank of America in order to hedge its interest rate exposure on the Bank of America construction loans for the Nissan Property (the Nissan Loan) and the Kerr McGee Property (the Kerr McGee Loan). The interest rate swap agreements involve the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. The notional amount of both interest rate swaps is the balance outstanding on the construction loan on the payment date.

The interest rate swap for the Nissan Loan became effective January 15, 2002 and terminates on June 15, 2003. The Company, as the fixed rate payer, has an interest rate of 3.9%, plus 200 basis points. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 5.9% on the Nissan Loan.

The interest rate swap for the Kerr McGee Loan became effective September 15, 2002 and terminates on July 15, 2003. The Company as the fixed rate payer has an interest rate of 2.27%, plus 200 basis points. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 4.27% on the Kerr McGee Loan.

For the year ended December 31, 2002, the Company made interest payments totaling approximately $0.2 million under the terms of the interest rate swap agreements. At December 31, 2002, the combined estimated fair value of the interest rate swaps for the Nissan Loan and the Kerr McGee Loan was approximately $(0.4 million).

8. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

The Advisor and it's affiliates have developed a program (the "Wells Section 1031 Program") involving the acquisition by a subsidiary of Wells Management Company ("Wells Exchange") of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to Wells OP, and following approval of the potential property acquisition by the Company's board of directors, it is anticipated that Wells OP will enter into a take out purchase and escrow agreement or similar contract providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

Ford Motor Credit Transaction

As a part of the initial transaction in the Wells Section 1031 Program, and in consideration for the payment of a take out fee in the amount of $0.1 million to the Company, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001. However, Wells OP was not required to satisfy any of the requirements under the agreement as all co-tenancy interests were sold prior to the extended deadline. The pay off of the loan on April 12, 2002 by Wells Exchange-Federal Drive-Colorado Springs, LLC triggered the release of Wells OP from its prior obligations under the take out agreement. The $0.1 million take out fee was recognized as income in 2001.

Meadow Brook Corporate Park Transaction

The second transaction in the Section 1031 Exchange Program involves the acquisition by Wells Exchange-Meadow Brook Park, Birmingham, LLC ("Wells Exchange-Meadow Brook Park"), a wholly owned subsidiary of Wells Management Company, and resale of co-tenancy interests in two single tenant office buildings each containing approximately 98,216 rentable square feet located in Birmingham, Alabama ("Meadow Brook Corporate Park") currently under lease agreements with Allstate Insurance Company and Computer Sciences Corporation. Wells Exchange-Meadow Brook Park is currently engaged in the offer and sale of co-tenancy interests in the Meadow Brook Corporate Park to 1031 Participants.

In consideration for the payment of a take out fee in the amount of $0.2 million, which was recognized as income in the year ended December 31, 2002, Wells OP entered into a take out purchase and escrow Agreement relating to the Meadow Brook Corporate Park. Pursuant to the terms of the take out purchase and escrow agreement, Wells OP is obligated to acquire, at Wells Exchange-Meadow Brook Park's cost ($0.4 million in cash for each 2.9994% co-tenancy interest), any co-tenancy interests in the Meadow Brook Corporate Park that remain unsold on September 30, 2003.

The obligation of Wells OP under the Take Out Purchase and Escrow Agreement relating to Meadow Brook Corporate Park is secured by a line of credit with Bank of America, N.A. (BOA). If, for any reason, Wells OP fails to acquire any of the co-tenancy interests in the Meadow Brook Corporate Park which remain unsold as of September 30, 2003, or if there is otherwise an uncured default under the interim loan, BOA is authorized to draw down on Wells OP's line of credit in the amount necessary to pay the outstanding balance of the interim loan in full, in which event the appropriate amount of unsold co-tenancy interests in the Meadow Brook Corporate Park would be deeded to Wells OP. Wells OP's maximum economic exposure in the transaction is $14 million, in which event Wells OP would acquire the Meadow Brook Corporate Park for $14 million in cash plus assumption of the first mortgage financing in the amount of $13.9 million. If Wells Exchange-Meadow Brook Park successfully sells 100% of the co-tenancy interests to 1031 participants, Wells OP will not acquire any interest in the Meadow Brook Corporate Park. If some, but not all, of the co-tenancy interests are sold by Wells Exchange-Meadow Brook Park, Wells OP's exposure would be less, and it would end up owning an interest in the property in co-tenancy with 1031 Participants who had previously acquired co-tenancy interests in the Meadow Brook Corporate Park from Wells Exchange-Meadow Brook Park.

Letters of Credit

At December 31, 2002, Wells OP had three unused letters of credit totaling approximately $19.7 million outstanding from financial institutions, consisting of letters of credit of approximately $14.5 million; $4.8 million; and $0.4 million with expiration dates of February 28, 2004; August 12, 2003; and February 2, 2004; respectively. These amounts are not recorded in the accompanying consolidated balance sheet as of December 31, 2002. These letters of credit were required by three unrelated parties to ensure completion of the Company's obligations under certain earn-out and construction agreements. Management does not anticipate a need to draw on these letters of credit.

Properties Under Contract

At December 31, 2002, the Company has a contract to acquire a third building at the Company's ISS Atlanta Buildings development upon completion of construction for a fixed purchase price of $10.0 million. The property is currently under construction, with an expected completion date in June 2003.

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, the Company may be obligated to expend certain amounts of capital to expand an existing property, construct on adjacent property, or provide other expenditures for the benefit of the tenant, which would then be leased to the tenant upon completion, in favor of additional rental revenue. No such options have been exercised by tenants.

Properties Under Construction

Wells OP has entered into an agreement with an independent third-party general contractor for the purpose of designing and constructing a three-story office building containing 268,290 rentable square feet on the Nissan Property. The construction agreement provides that Wells OP will pay the contractor a fee of $25.3 million for the design and construction of the building, plus $5.6 million for acquisition of the land. Construction commenced in January 2002 and the building was completed in February 2003. Construction was funded through a construction loan with Bank of America (see Note 6). As of December 31, 2002, approximately $25.7 million of costs had been incurred to construct the property, with minimal additional costs incurred subsequently to complete the building.

Wells OP has entered into an agreement with an independent third-party general contractor for the purpose of developing, designing, and constructing the Kerr-McGee Building. The building's completion is projected for July 2003. Construction is being funded through the construction loan with Bank of America (see Note 6). The total anticipated aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr-McGee Property and the planning design, development, construction, and completion of the Kerr-McGee Building will total approximately $15.8 million, plus $2.1 million for acquisition of the land. At December 31, 2002, $5.4 million had been incurred.

Wells OP has entered into an agreement with an independent third-party general contractor for the purpose of designing and constructing the Americredit Phoenix Building. Construction commenced in September 2002 with budgeted costs of $24.7 million with scheduled completion in May 2003. The cost of the underlying land was $2.7 million. Construction is being funded through the use of investor proceeds. As of December 31, 2002, approximately $6.3 million of costs had been incurred to construct the property, with an additional $15.7 million of additional costs anticipated to compete the building.

Earn-out Agreements

As part of the acquisition of the IRS Building, the Company entered into an agreement whereby the Company is obligated to pay the seller an additional $14.5 million if the Company or the seller locates a suitable tenant and leases the vacant space of the building within 18 months after the date of acquisition of the property, or March 2004. If the space is not leased within this time, the Company is released from any obligation to pay this additional purchase consideration. The 26% of the building that was unleased at the time of acquisition remains unleased at December 31, 2002.

Leasehold Property Obligations

The ASML, Motorola Tempe, Avnet, and Bellsouth Ft. Lauderdale Buildings are subject to certain ground leases with expiration dates of 2082, 2082, 2083, and 2049, respectively. Required payments, under the terms of the leases are as follows at December 31, 2002, in thousands:

	Amount (000s)
2003	$ 726
2004	726
2005	726
2006	726
2007	726
Thereafter	92,366
Total	$95,996

Ground rent expense for the years ended December 31, 2002, 2001, and 2000 was approximately $0.7 million, $0.7 million, and $0.5 million, respectively. The net book value of the related land improvements subject to operating leases is $50.3 million at December 31, 2002.

Pending Litigation

In the normal course of business, the Company and its subsidiaries may become subject to litigation or claims. In November 2002, Shoreview Associates LLC ("Shoreview"), the owner of an office building located in Ramsey County, Minnesota that Wells OP had contracted to purchase, filed a lawsuit against Wells OP in state court in Minnesota alleging that Shoreview was entitled to the $750,000 in earnest money that Wells OP had deposited under the contract. Wells OP has filed a counterclaim in the case asserting that it is entitled to the $750,000 earnest money deposit. Procedurally, Wells OP had the case transferred to U.S. District Court in Minnesota, and Shoreview has moved to transfer the case back to state court. The dispute currently remains in litigation. After consultation with legal counsel, management does not believe that a reserve for a loss contingency is necessary.

9. SHAREHOLDERS' EQUITY

General

Under the Company's Articles of Incorporation, the total number of shares of stock authorized for issuance is 1 billion, consisting of 750 million common shares, 100 million preferred shares, and 150 million shares-in-trust, each as defined by the Company's Articles of Incorporation as amended and restated on June 26, 2002.

The common shares shall have a par value of $0.01 per share and shall entitle the holders to one vote per share on all matters upon which shareholders, subject to the express terms of any series preferred shares, are entitled to vote pursuant to the Articles of Incorporation.

The Company is authorized to issue one or more series of preferred shares. Prior to the issuance of such shares, the board of directors shall fix the number of shares outstanding to be included in each series, and the designation, preferences, terms, rights, restrictions, limitations and qualifications and terms and conditions of redemption of the shares of each class or series. As of December 31, 2002, the Company has not issued any preferred shares.

In order to ensure that certain ownership restrictions are not violated and the Company's REIT status is not violated, the Articles of Incorporation of the Company authorize the Company to issue certain shares-in-trust and exchange these for such shares causing violation. Such shares shall be deemed transferred to and held in a trust established on behalf of the violator and administered by the trustee, as defined in the Articles of Incorporation. Such shares-in-trust shall be issued and outstanding stock of the Company and are entitled to the same rights and privileges as all other shares of the same class or series, except that the trust will receive all distributions on such shares, the trustee will be entitled to the vote associated with the shares-in-trust, and shares-in-trust are not transferable. Upon liquidation, such shares-in-trust shall be treated consistently with all other shares of the same class or series. As of December 31, 2002, the Company has not issued any shares-in-trust.

2000 Employee Stock Option Plan

On June 28, 2000, the shareholders approved the 2000 Employee Stock Option Plan of Wells Real Estate Investment Trust, Inc. (the "Employee Option Plan"), which provides for grants of "non-qualified" stock options to be made to selected employees of Wells Capital and Wells Management, subject to the discretion of the Compensation Committee and the limitations of the Employee Option Plan. A total of 750,000 shares have been authorized and reserved for issuance under the Employee Option Plan. At December 31, 2002, no stock options have been granted or exercised under the Employee Stock Option Plan; therefore, 750,000 shares are available for issue.

The exercise price for the employee options shall be the greater of (1) $11.00 per share, or (2) the Fair Market Value, as defined in the Employee Option Plan, of the shares on the date the option is granted. The Compensation Committee has the authority to set the term and vesting period of the stock option except that no option shall have a term greater than five years from the later of (1) the date the Company's shares are listed on a national securities exchange, or (2) the date the stock option is granted. In the event that the Compensation Committee determines that the potential benefits of the stock options may be inappropriately diluted or enlarged as a result of a certain corporate transaction or event, the Compensation Committee may adjust the number and kind of shares or the exercise price with respect to any option. Upon exercise, the employee agrees to remain in the employment of Wells Capital or Wells Management for a period of one year after the date of grant. No stock option may be exercised if such exercise would jeopardize the Company's status as a REIT under the Internal Revenue Code. 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.

Independent Director Stock Option Plan

On June 16, 1999, the shareholders approved the Wells Real Estate Investment Trust, Inc. Independent Director Stock Option Plan ("the Independent Director Plan"), which provides for grants of stock to be made to independent non-employee directors of the Company. A total of 100,000 shares have been authorized and reserved for issuance under the Independent Director Plan. At December 31, 2002, 41,000 options have been granted, with 59,000 available to be granted.

Options to purchase 2,500 shares of common stock at the greater of (1) $12 per share or (2) the Fair Market Value, as defined in the Independent Director Plan, are granted upon initially becoming an independent director of the Company, or at the date of the approval of the Independent Stock Option Plan for existing independent directors. 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. Additionally, 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 are 100% exercisable at the completion of two years of service after the date of grant. All options granted under the Independent Director 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 independent director or if the independent director ceases to serve as a director. In the event that the potential benefits of the stock options may be inappropriately diluted or enlarged as a result of a certain corporate transaction or event, a corresponding adjustment to the consideration payable with respect to all stock options shall be made. No option 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.

A summary of the Company's stock option activity for the years ended December 31, 2002, 2001, and 2000 is as follows:

	Number	Exercise Price	Exercisable
Outstanding at December 31, 1999	17,500	$ 12	
Granted in 2000	7,000	12	
Outstanding at December 31, 2000	24,500	12	7,000
Granted in 2001	7,000	12	
Outstanding at December 31, 2001	31,500	12	10,500
Granted in 2002	9,500	12	
Outstanding at December 31, 2002	41,000	12	21,500

For SFAS 123 purposes, the fair value of each stock option for 2002, 2001, and 2000 has been estimated as of the date of the grant using the Black-Scholes minimum value method. The weighted average risk-free interest rates assumed for 2002, 2001 and 2000 were 4.57%, 5.05% and 6.45%, respectively. Projected future dividend yields of 7.0%, 7.8% and 7.3% were estimated for the options granted in 2002, 2001, and 2000, respectively. The expected life of an option was assumed to be six, six, and four years for 2002, 2001, and 2000, respectively. Based on these assumptions, the fair value of the options granted during the years ended December 31, 2002, 2001, and 2000 is $0. All options granted have an exercise price of $12 per share. The weighted average contractual remaining life for options that are exercisable at December 31, 2002 was approximately 8.7 years.

Independent Director Warrant Plan

The Independent Director Warrant Plan (the "Independent Director Warrant Plan"), was approved by the shareholders on June 28, 2000, providing for the issuance of one warrant to purchase common stock for every 25 shares of common stock purchased by the independent director. A total of 500,000 warrants have been authorized and reserved for issuance under the Independent Director Warrant Plan. The exercise price of the warrants shall be $12 per share. No warrant may be sold, pledged, assigned or transferred by an independent director in any manner other than by the laws of descent or distribution. At December 31, 2002, approximately 5,000 warrants have been earned under the Independent Director Warrant Plan, but no warrants have been issued under the Independent Director Warrant Plan.

Dividend Reinvestment Plan

During 1999, the Company's board of directors authorized a dividend reinvestment plan (the "DRP"), through which common shareholders may elect to reinvest an amount equal to the dividends declared on their common shares into additional shares of the Company's common stock in lieu of receiving cash dividends. The shares may be purchased at a fixed price per share and participants in the DRP may purchase fractional shares so that 100% of the dividends will be used to acquire shares of the Company's stock. With respect to such shares, the Company will pay selling commissions of 7%, a dealer manager fee of 2.5%, organization and offering costs of up to 3% of the reinvestment, acquisition and advisory fees and expenses of 3.5% of the purchase price, which is consistent with the costs paid in connection with the current offering of shares of the Company's common stock. The board of directors, by majority vote, may amend or terminate the DRP for any reason upon 10 days notice to the participants of the DRP.

Share Redemption Program

As the Company's stock is currently not listed on a national exchange, there is no market for the Company's stock. As a result, there is risk that a shareholder may not be able to sell the Company's stock at a time or price acceptable to the shareholder. During 2000, the Company's board of directors authorized a common stock redemption plan for investors who held the shares for more than one year, subject to the limitation that aggregate shares redeemed under the plan could not exceed the lesser of (i) the amount reinvested in the Company's common shares through the DRP, less shares already redeemed, or (ii) 3% of the average common shares outstanding during the preceding year. The Company has no obligation to repurchase shares under its share redemption program. Shares redeemed under the share redemption program are purchased by the Company at the amount contributed by the shareholder, including any commissions paid at issuance. During 2002, 2001, and 2000, the Company repurchased 1.5 million; 0.4 million; and 0.1 million of its own common shares at an aggregate cost of $15.3 million; $4.1 million; and $1.4 million, respectively. These transactions were funded with cash on hand and did not exceed any of the foregoing limitations. At the time of such redemption, Wells Investment Securities, Inc. ("WIS") has refunded to the Company the 2.5% commission earned upon the issuance of such shares. The board of directors, by majority vote, may amend or terminate the Company's share redemption program at any time.

Dealer Warrant Plan

Under the terms of each offering of the Company's stock, warrants to purchase shares of the Company's stock were delivered to WIS. Currently such warrants are issued in book form only and warrant certificates are not issued. For each warrant, the warrant-holder shall have the right to purchase one share from the Company at a price of $12 during the time period beginning one year from the effective date of the respective offering and ending on the date five years after the effective date. Warrants outstanding as of December 31, 2002 for the first, second, third, and fourth offerings to date are approximately 0.5 million, 0.7 million, 4.7 million, and 1.1 million, respectively. As of December 31, 2002, no warrants have been exercised under the plan.

10. SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES

Outlined below are significant non-cash transactions for the years ended December 31, 2002, 2001, and 2000:

	2002 (000s)	2001 (000s)	2000 (000s)
Deferred project costs applied to real estate assets	**$47,491**	$14,321	$5,114
Deferred project costs contributed to joint ventures	**$ 366**	$ 1,395	$ 628
Deferred project costs applied to lease acquisition costs	**$ 16**	$ —	$ —
Deferred project costs due to affiliate	**$ 7,708**	$ 1,114	$ 191
Deferred offering costs due to affiliate	**$ —**	$ —	$1,291
Reversal of deferred offering costs due to affiliate	**$ —**	$ 965	$ —
Other offering expenses due to affiliate	**$ 8,263**	$ 943	$ —
Assumption of obligation under capital lease and related bonds	**$32,500**	$22,000	$ —
Assumption of debt at property acquisition	**$90,000**	$ —	$ —

	2002 (000s)	2001 (000s)	2000 (000s)
Acquisition of intangible lease liability	**$ 32,697**	$ —	$ —
Dividends Payable	**$ 6,046**	$ 1,059	$1,025
Due from affiliates	**$ 1,774**	$ 1,693	$ 250
Write off fully amortized deferred financing costs	**$ 623**	$ —	$ —

11. INCOME TAX BASIS NET INCOME

The Company's income tax basis net income for the years ended December 31, 2002, 2001, and 2000 is calculated as follows:

	2002 (000s)	2001 (000s)	2000 (000s)
GAAP basis financial statement net income	**$59,854**	$21,724	$ 8,553
Increase (decrease) in net income resulting from:			
Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes	**17,160**	7,347	3,511
Rental income accrued for income tax purposes in excess of (less than) amounts for financial reporting purposes	**3,578**	(2,735)	(1,822)
Expenses deductible when paid for income tax purposes, accrued for financial reporting purposes	**(71)**	26	38
Income tax basis net income, prior to dividends paid deduction	**$80,521**	$26,362	$10,280

At December 31, 2002, the tax basis carrying value of the Company's total assets was approximately $2,237.2 million.

12. RELATED-PARTY TRANSACTIONS

Advisory Agreement

The Company has entered into an Advisory Agreement with the Advisor, which entitles the Advisor to specified fees upon the completion of certain services with regard to the offering of shares to the public and investment of funds in real estate projects. The current Advisory Agreement dated January 30, 2002 has been temporarily extended by the board of directors until May 19, 2003.

The Company pays a percentage of shareholder contributions to the Advisor for acquisition and advisory services and acquisition expenses. These payments, as stipulated in the Company's current offering prospectus, are limited to 3.5% of shareholder contributions, subject to certain overall operating expense limitations contained in the prospectus. Aggregate fees incurred through December 31, 2002 and 2001 were $75.5 million and $29.1 million, respectively, and approximated 3.5% of shareholder contributions received. As of December 31, 2002, $67.8 million had been paid to the Advisor through December 31, 2002, with $7.7 million payable to the Advisor.

Under the terms of the Advisory Agreement, the Company reimburses the Advisor for organization and offering costs not to exceed 3% of the offering proceeds raised. To the extent that organization and offering costs exceed 3% of gross offering proceeds, offering costs will be paid by the Advisor and not by the Company. As of December 31, 2002 the Advisor had paid fund to date organization and offering expenses on behalf of the Company in the aggregate amount of approximately $40.0 million, which did not exceed the 3% limitation. The Advisor had been reimbursed $31.7 million as of December 31, 2002.

Additionally, the Advisory Agreement provides that if the Advisor provides a substantial amount of the associated services, as determined by the Independent Directors, the Advisor shall earn a disposition fee in the event that properties are disposed of, in the amount of 50% of a competitive real estate commission or 3.0% of the sales price of the property. At December 31, 2002, no such fees had been paid to the Advisor as no properties had been disposed of to date. The disposition fee will be paid only if shareholders have received total dividends in an amount equal to the sum of their aggregate invested capital, plus an 8% return on invested capital.

The Advisory Agreement also provides that the Advisor shall earn an amount equal to 10% of the net sales proceeds remaining after shareholders have received dividends equal to the sum of the shareholders' invested capital plus an 8% return of invested capital. The Advisor will not earn this fee in the event that the Company's shares are listed on a national stock exchange. As of December 31, 2002, no such fees have been paid.

If the Company's shares are listed on a national stock exchange at any future date, the Advisor shall be entitled to an incentive fee in an amount equal to 10.0% of the amount by which (1) the market value of the outstanding stock of the Company as defined in the Advisory Agreement, exceeds (2) the sum of 100% of invested capital and the total dividends required to be paid to the shareholders in order to pay the shareholders an 8.0% return on invested capital from inception through the date of listing. No such amounts have been incurred as of December 31, 2002. In the event the fee is paid to the Advisor following listing, no other performance fee will be paid to the Advisor.

Administrative Services Reimbursement

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The related expenses are allocated among the Company and the various Wells Real Estate Funds based on time spent on each entity by individual administrative personnel. The Company was allocated salaries, wages, and other payroll related costs by the Advisor and Wells Management totaling $2.0 million, $0.7 million, and $0.2 million for the years ended December 31, 2002, 2001, and 2000, respectively. These amounts are included in general and administrative expenses in the consolidated statements of income.

Property Management and Leasing Agreements

The Company entered into a property management and leasing agreement with Wells Management. In consideration for supervising the management and leasing of the Company's properties, the Company will pay management and leasing fees to Wells Management equal to the lesser of (a) 4.5% of the gross revenues generally paid over the life of the lease or (b) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Company. These management and leasing fees are calculated on an annual basis plus a separate competitive fee for the one-time initial lease-up of newly constructed properties generally paid in conjunction with the receipt of the first month's rent. Management and leasing fees incurred for services provided by Wells Management were $5.0 million, $2.5 million, and $1.1 million for the years ended December 31, 2002, 2001, and 2000, respectively.

Dealer Manager Agreement

The Company has entered into a dealer manager agreement, whereby, WIS, performs the dealer manager function for the Company. For these services, WIS earns fees of 7% of the gross proceeds from the sale of the shares of the Company, which is reallocated to participating broker-dealers. Additionally, WIS earns a dealer manager fee of 2.5% of the gross offering proceeds at the time the shares are sold, of which up to 1.5% may be reallowed to the broker-dealer. WIS has elected, although is not obligated, to reduce the dealer manager fee amount in each period by 2.5% of the gross redemptions under the Company's redemption plan. The amount of such reduction was $0.4 million, $0.1 million, and $0.0 million for the years ended December 31, 2002, 2001, and 2000, respectively. During the years ended December 31, 2002, 2001, and 2000, the Company incurred commissions and dealer manager fees of $127.3 million, $49.2 million, and $17.0 million, respectively.

Due From Affiliates

Due from affiliates included in the consolidated balance sheets at December 31, 2002 and 2001 represents the Company's share of the cash to be distributed from its joint venture investments for the fourth quarter of 2002 and 2001 and other amounts payable to the Company from other related parties:

	2002 (000s)	2001 (000s)
Fund VIII, IX, and REIT Joint Venture	**$ 48**	$ 47
Fund IX, X, XI, and REIT Joint Venture	**21**	36
Wells/Orange County Associates	**85**	84
Wells/Fremont Associates	**168**	164
Fund XI, XII, and REIT Joint Venture	**361**	430
Fund XII and REIT Joint Venture	**688**	681
Fund XIII and REEIT Joint Venture	**403**	251
Affiliates of the Advisor	**187**	—
	$1,961	$1,693

Conflict of Interest

The Advisor also is a general partner in various Wells Real Estate Funds. As such, there are 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 Company in connection with property acquisitions or for tenants in similar geographic markets.

13. OPERATING LEASES

Virtually all of the Company's real estate assets are leased to tenants under operating leases for which the terms and expirations vary. The leases frequently have provisions to extend the lease agreement, options for early termination after paying a specified penalty, and other terms and conditions as negotiated. The Company retains substantially all of the risks and benefits of ownership of the real estate assets leased to tenants. Amounts required as security deposits vary depending upon the terms of the respective leases and the creditworthiness of the tenant, but generally are not significant amounts. Therefore exposure to credit risk is limited to the extent that the receivables exceed this amount. Security deposits related to tenant leases are included in accounts payable and accrued expenses in the consolidated balance sheets.

The future minimum rental income from the Company's investment in real estate assets under non-cancelable operating leases, excluding properties under development, at December 31, 2002 is as follows:

	Amount (000s)
Year ending December 31:	
2003	$ 195,677
2004	197,680
2005	197,852
2006	192,666
2007	183,494
Thereafter	759,559
	$1,726,928

No individual tenant accounted for greater than 10% of the rental income for the year ended December 31, 2002. At December 31, 2002, approximately 12% of the future rental amounts are attributable to one tenant, the National Aeronautics and Space Administration.

14. QUARTERLY RESULTS (UNAUDITED)

Presented below is a summary of the unaudited quarterly financial information for the years ended December 31, 2002 and 2001, in thousands, except per share data:

	2002 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues	**$23,608**	**$29,402**	**$ 34,913**	**$ 51,705**
Net income	**$10,780**	**$13,756**	**$ 15,285**	**$ 20,033**
Basic and diluted earnings per share (a)	**$ 0.11**	**$ 0.11**	**$ 0.09**	**$ 0.10**
Dividends per share (a)	**$ 0.19**	**$ 0.19**	**$ 0.19**	**$ 0.18**

	2001 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues	$12,232	$12,468	$ 13,839	$ 17,737
Net income	$ 3,275	$ 5,039	$ 6,109	$ 7,301
Basic and diluted earnings per share (a)	$ 0.10	$ 0.12	$ 0.11	$ 0.10
Dividends per share (a)	$ 0.19	$ 0.19	$ 0.19	$ 0.19

(a) The totals of the four quarterly amounts for the years ended December 31, 2002, and 2001, do not equal the totals for the years then ended. This difference results from rounding differences between quarters.

15. ECONOMIC DEPENDENCY

The Company is dependent on the Advisor for certain services which are essential to the Company, including the sale of the Company's shares of common stock available for issue, asset acquisition and disposition decisions and other general administrative responsibilities. Additionally, the Company is dependent upon Wells Management to provide certain property management and leasing services. In the event that these companies were unable to provide the respective services to the Company, the Company would be required to obtain such services from other sources.

The Company is dependent upon the ability of its current tenants to pay their contractual rent amounts as they become due. The inability of a tenant to pay future rental amounts would have a negative impact on the Company. One tenant, the National Aeronautics and Space Administration, represents approximately 12% of the future rental income under non-cancelable leases at December 31, 2002. No other tenants exceed 10% of future rental income. Except for the tenant that has filed for corporate dissolution as discussed in Note 4, the Company is not aware of any reason that its current tenants would not be able to pay their contractual rental amounts as they become due.

16. SUBSEQUENT EVENTS

Sale of Shares of Common Stock

From January 1, 2003 through January 24, 2003, the Company has raised approximately $84.6 million through the issuance of 8.5 million shares of common stock of the Company.

Redemptions of Common Stock

From January 1, 2003 through January 24, 2003, the Company has redeemed approximately 0.5 million shares of common stock of the Company at an aggregate cost of $4.8 million pursuant to its share redemption program. The Company's current plan allows for redemptions of approximately 4.0 million shares at an aggregate cost of $40.0 million for the year ending December 31, 2003. See Note 9 for a description of the limitations of the Company's share redemption plan.

Property Acquisitions

On January 9, 2003, Wells OP purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio, for a purchase price of $22.0 million, excluding closing costs and acquisition and advisory fees paid to the Advisor. The entire 102,484 rentable square feet of East Point I is leased to Progressive Casualty Insurance Company. East Point II contains approximately 85,251 rentable square feet, of which 70,585 is currently leased to Austin, Danaher Power Solutions LLC and Moreland Management Co. Approximately 14,666 rentable square feet (17%) of East Point II is vacant.

In connection with the acquisition of the property, the Company entered into an earn-out agreement whereby the Company is required to pay the seller certain amounts for each new lease fully executed after the date of acquisition of the property but on or before March 31, 2004, or on or before July 31, 2004, if the tenant thereunder is a leasing prospect as defined by the agreement. Payments shall be the anticipated first year's annual rent less operating expenses with the sum divided by 0.105 and the result reduced by tenant improvement costs related to the space.

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARIES
(A MARYLAND CORPORATION)
SCHEDULE III—REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002

(dollars in thousands)

				Initial Cost			Gross Amount at Which Carried at December 31, 2002							
Description	Location	Ownership Percentage	Encumbrances	Land	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Construction in Progress	Total	Accumulated Depreciation	Date of Construction	Date Acquired	Life on which Depreciation is Computed
EISENHOWER BLVD	Tampa, FL	100	(a)	$ 1,460	$19,839	$ 826	$ 1,521	$20,604	$ 0	$22,125	$3,294	1998	12/31/98	20 to 25 years
AT&T—PA	Harrisburg, PA	100	(b)	662	11,836	676	690	12,484	0	13,174	1,905	1998	2/4/99	20 to 25 years
VIDEOJET TECHNOLOGY	Wood Dale, IL	100	(b)	5,000	28,162	1,381	5,208	29,335	0	34,543	3,911	1991	9/10/99	20 to 25 years
CINEMARK	Plano, TX	100	(a)	1,456	20,377	908	1,517	21,224	0	22,741	2,618	1999	12/21/99	20 to 25 years
MATSUSHITA	Lake Forest, CA	100	(b)	4,577	0	13,965	4,768	13,774	0	18,542	3,072	1999	3/15/99	20 to 25 years
ALSTOM POWER —RICHMOND	Midlothian, VA	100	(a)	948	0	9,963	988	9,923	0	10,911	1,542	1999	7/22/99	20 to 25 years
METRIS—OK	Tulsa, OK	100	None	1,150	11,570	541	1,198	12,063	0	13,261	1,404	2000	2/11/00	20 to 25 years
DIAL	Scottsdale, AZ	100	(a)	3,500	10,785	736	3,646	11,375	0	15,021	1,276	1997	3/29/00	20 to 25 years
ASML	Tempe, AZ	100	(a)	0	17,393	731	0	18,124	0	18,124	2,040	1995	3/29/00	20 to 25 years
MOTOROLA TEMPE	Tempe, AZ	100	None	0	16,036	670	0	16,706	0	16,706	1,887	1998	3/29/00	20 to 25 years
AVNET	Tempe, AZ	100	(a)	0	13,272	551	0	13,823	0	13,823	1,421	2000	6/12/00	20 to 25 years
DELPHI	Troy, MI	100	(b)	2,160	16,776	1,811	2,250	18,497	0	20,747	2,117	2000	6/29/00	20 to 25 years
MOTOROLA—NJ	South Plainfield, NJ	100	(b)	9,653	20,495	5,857	10,055	25,950	0	36,005	3,020	2000	11/1/00	20 to 25 years
METRIS—MN	Minnetonka, MN	100	(b)	7,700	45,152	2,211	8,021	47,042	0	55,063	3,882	2000	12/21/00	20 to 25 years
STONE & WEBSTER	Houston, TX	100	None	7,100	37,915	1,889	7,396	39,508	0	46,904	3,260	1994	12/21/00	20 to 25 years
STATE STREET	Quincy, MA	100	None	10,600	38,963	4,348	11,042	40,933	1,936	53,911	2,438	1990	7/30/2001	20 to 25 years
IKON	Houston, TX	100	None	2,735	17,915	990	2,847	18,793	0	21,640	1,002	2000	9/7/2001	20 to 25 years
NISSAN PROPERTY	Irving, TX	100	23,149	5,546	0	25,727	5,567	0	25,706	31,273	0	2002	9/19/2001	20 to 25 years
INGRAM MICRO	Millington, TN	100	22,000	320	20,667	936	333	21,590	0	21,923	1,156	1997	9/26/2001	20 to 25 years
LUCENT	Cary, NC	100	None	7,000	10,650	1,110	7,276	11,484	0	18,760	612	2000	9/28/2001	20 to 25 years
CONVERGYS	Tamarac, FL	100	None	3,500	9,755	792	3,642	10,405	0	14,047	451	2001	12/21/2001	20 to 25 years
WINDY POINT I	Schaumburg, IL	100	None	4,360	29,299	2,735	4,537	31,857	0	36,394	1,380	1999	12/31/2001	20 to 25 years
WINDY POINT II	Schaumburg, IL	100	None	3,600	52,016	3,156	3,746	55,026	0	58,772	2,384	2001	12/31/2001	20 to 25 years
VERTEX SARASOTA	Sarasota, FL	100	None	1,700	19,866	1,291	2,203	20,654	0	22,857	821	1999	1/11/2002	20 to 25 years
TRANSOCEAN HOUSTON	Houston, TX	100	None	845	21,186	887	879	22,039	0	22,918	735	1999	3/15/2002	20 to 25 years
NOVARTIS ATLANTA	Duluth, GA	100	(a)	2,000	13,047	605	2,080	13,572	0	15,652	452	2001	3/28/2002	20 to 25 years
DANA DETROIT	Farmington Hills, MI	100	None	2,208	21,703	973	2,298	22,586	0	24,884	753	1999	3/29/2002	20 to 25 years
DANA KALAMAZOO	Kalamazoo, MI	100	None	963	13,318	753	1,002	14,032	0	15,034	608	1999	3/29/002	20 to 25 years
TRAVELERS EXPRESS	Lakewood, CO	100	None	1,487	9,076	430	1,548	9,445	0	10,993	283	2002	4/10/2002	20 to 25 years
AGILENT ATLANTA	Alpharetta, GA	100	(a)	1,500	13,652	616	1,561	14,207	0	15,768	426	2001	4/18/2002	20 to 25 years

				Initial Cost			Gross Amount at Which Carried at December 31, 2002							
Description	Location	Ownership Percentage	Encumbrances	Land	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Construction in Progress	Total	Accumulated Depreciation	Date of Construction	Date Acquired	Life on which Depreciation is Computed
BELLSOUTH FT. LAUDERDALE	Ft. Lauderdale, FL	100	None	$ 1,100	$ 5,792	$ 280	$ 1,145	$ 6,027	$ 0	$ 7,172	181	2001	4/18/2002	20 to 25 years
EXPERIAN/ TRW DALLAS	Allen, TX	100	None	4,000	31,695	1,453	4,163	32,985	0	37,148	880	1982	5/1/2002	20 to 25 years
AGILENT BOSTON	Boxborough, MA	100	None	3,500	31,751	1,296	3,642	29,498	3,407	36,547	787	2002	5/3/2002	20 to 25 years
TRW DENVER	Aurora, CO	100	None	1,325	14,570	6,069	1,397	20,567	0	21,964	548	1997	5/29/2002	20 to 25 years
MFS PHOENIX	Phoenix, AZ	100	None	2,500	23,381	1,054	2,602	24,333	0	26,935	568	2001	6/4/2002	20 to 25 years
ISS ATLANTA	Atlanta, GA	100	32,500	2,700	38,065	1,659	2,810	39,614	0	42,424	792	2001	7/1/2002	20 to 25 years
PACIFICARE SAN ANTONIO	San Antonio, TX	100	None	2,450	12,240	598	2,550	12,738	0	15,288	255	2000	7/12/2002	20 to 25 years
KERR MCGEE HOUSTON	Houston, TX	100	4,038	1,738	0	5,754	2,118	0	5,374	7,492	0	2003	7/29/2002	20 to 25 years
BMG GREENVILLE	Greenville, SC	100	11,609	1,600	25,601	1,087	1,665	26,623	0	28,288	522	1987	7/31/2002	20 to 25 years
KRAFT ATLANTA	Suwanee, GA	100	None	2,700	8,976	475	2,810	9,341	0	12,151	156	2001	7/31/2002	20 to 25 years
NOKIA DALLAS	Irving, TX	100	None	9,100	110,831	4,892	9,470	115,353	0	124,823	1,923	1999	8/15/2002	20 to 25 years
HARCOURT AUSTIN	Austin, TX	100	None	5,860	33,143	1,587	6,098	34,492	0	40,590	575	2001	8/15/2002	20 to 25 years
AMERICREDIT PHOENIX	Chandler, AZ	100	None	2,632	0	6,362	2,671	0	6,323	8,994	0	2003	9/12/2002	20 to 25 years
IRS LONG ISLAND	Holtsville, NY	100	None	4,200	38,716	2,104	4,374	40,646	0	45,020	643	200	9/16/2002	20 to 25 years
KEYBANK PARSIPPANY	Parsippany, NJ	100	None	8,700	92,944	4,137	9,053	96,728	0	105,781	1,290	1985	9/27/2002	20 to 25 years
FEDEX COLORADO SPRINGS	Colorado Springs, CO	100	None	2,100	23,988	1,061	2,185	24,964	0	27,149	333	2001	9/27/2002	20 to 25 years
EDS DES MOINES	Des Moines, IA	100	None	850	25,727	1,082	885	26,774	0	27,659	357	2002	9/27/2002	20 to 25 years
INTUIT DALLAS	Plano, TX	100	None	3,030	23,640	1,089	3,153	24,606	0	27,759	328	2001	9/27/2002	20 to 25 years
ALLSTATE INDIANAPOLIS	Indianapolis, IN	100	None	1,275	9,680	443	1,327	10,071	0	11,398	134	2001	9/27/2002	20 to 25 years
DAIMLER CHRYSLER DALLAS	Westlake, TX	100	None	2,585	22,588	1,010	2,689	23,494	0	26,183	313	2001	9/30/2002	20 to 25 years
NASA	Washington, DC	100	None	80,000	299,188	11,909	82,881	308,216	0	391,097	1,850	1991	11/22/2002	20 to 25 years
CATERPILLAR NASHVILLE	Nashville, TN	100	None	4,900	58,923	1,124	5,101	59,846	0	64,947	380	2000	11/26/2002	20 to 25 years
CAPITAL ONE RICHMOND	Glen Allen, VA	100	None	2,855	25,541	442	2,972	25,866	0	28,838	172	1999	11/26/2002	20 to 25 years
NESTLE LOS ANGELES	Glendale, CA	100	90,000	23,200	134,447	2,751	23,605	136,793	0	160,398	457	1990	12/20/2002	20 to 25 years
Total— 100% REIT Properties			$ 302,695	$268,630	$ 1,652,148	$ 147,783	$279,185	$ 1,746,630	$ 42,746	$2,068,561	$ 63,594			
ALSTOM POWER —KNOXVILLE	Knoxville, TN	4%	None	$ 583	$ 744	$ 6,745	$ 608	$ 7,464	$ 0	$ 8,072	$ 2,250	1997	3/26/97	20 to 25 years
AVAYA	Oklahoma City, OK	4	None	1,003	4,386	242	1,051	4,580	0	5,631	840	1998	6/24/98	20 to 25 years
360 INTERLOCKEN	Broomfield, CO	4	None	1,570	6,734	748	1,650	7,369	33	9,052	1,388	1996	3/20/98	20 to 25 years
IOMEGA	Ogden City, UT	4	None	597	4,675	876	642	5,506	0	6,148	963	1998	7/01/98	20 to 25 years
OHMEDA	Louisville, CO	4	None	2,614	7,762	528	2,747	8,157	0	10,904	1,604	1998	2/13/98	20 to 25 years
FAIRCHILD	Fremont, CA	78	None	2,130	6,853	374	2,219	7,138	0	9,357	1,285	1998	7/21/98	20 to 25 years
CORT FURNITURE	Fountain Valley, CA	44	None	2,100	4,464	288	2,188	4,664	0	6,852	838	1988	7/31/98	20 to 25 years
EYBL CARTEX	Fountain Inn, SC	57	None	330	4,792	213	344	4,991	0	5,335	732	1998	5/18/99	20 to 25 years
SPRINT	Leawood, KS	57	None	1,696	7,851	398	1,767	8,178	0	9,945	1,145	1998	7/2/99	20 to 25 years

				Initial Cost			Gross Amount at Which Carried at December 31, 2002							
Description	Location	Ownership Percentage	Encumbrances	Land	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Construction in Progress	Total	Accumulated Depreciation	Date of Construction	Date Acquired	Life on which Depreciation is Computed
JOHNSON MATTHEY	Tredyffrin, PA	57	None	$ 1,925	$ 6,131	$ 336	$ 2,005	$ 6,387	$ 0	$ 8,392	$ 873	1973	8/17/99	20 to 25 years
GARTNER	Ft. Myers, FL	57	None	896	7,452	347	933	7,762	0	8,695	1,035	1998	9/20/99	20 to 25 years
SIEMENS	Troy, MI	55	None	2,144	12,049	695	2,233	12,655	0	14,888	1,586	2000	5/10/00	20 to 25 years
QUEST	Irvine, CA	16	None	2,221	5,545	57	2,221	5,602	0	7,823	1,111	1997	7/1/00	20 to 25 years
AT&T—OK	Oklahoma City, OK	55	None	2,100	13,228	646	2,188	13,786	0	15,974	1,149	1999	12/28/00	20 to 25 years
COMDATA	Brentwood, TN	55	None	4,300	20,650	1,095	4,479	21,566	0	26,045	1,438	1986	5/15/2001	20 to 25 years
AMERICREDIT	Orange Park, FL	61	None	1,610	10,890	563	1,677	11,386	0	13,063	683	2001	7/16/2001	20 to 25 years
ADIC	Parker, CO	61	None	1,954	11,000	758	2,048	11,664	0	13,712	505	2001	12/21/2001	20 to 25 years
JOHN WILEY INDIANAPOLIS	Indianapolis, IN	61	None	1,300	15,042	723	1,354	15,711	0	17,065	56	1999	12/12/2002	20 to 25 years
Total – JV Properties			$ 0	$ 31,073	$ 150,248	$ 15,632	$ 32,354	$ 164,566	$ 33	$ 196,953	$ 19,481			
Total—All Properties			$302,695	$299,703	$ 1,802,396	$ 163,415	$311,539	$ 1,911,196	$42,779	$2,265,514	$ 83,075			

(a) These properties collateralize the $98.138 million SouthTrust Bank line of credit that accrues interest at LIBOR plus 175 basis points (3.31% at December 31, 2002) and requires interest payments monthly and principal due at maturity (June 10, 2003). The principal amount outstanding as of December 31, 2002 was $61.399 million.

(b) These properties collateralize the $110 million Bank of America line of credit that accrues interest at LIBOR plus 175 basis points (3.31% at December 31, 2002) and requires interest payments monthly and principal due at maturity (May 11, 2004). The principal amount outstanding as of December 31, 2002 was $58 million.

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARIES

(A Maryland Corporation)

SCHEDULE III—REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2002

(dollars in thousands)

	Cost	Accumulated Depreciation
BALANCE AT DECEMBER 31, 1999	$ 180,118	$ 5,732
2000 additions	293,450	11,232
BALANCE AT DECEMBER 31, 2000	473,568	16,964
2001 additions	294,740	20,821
BALANCE AT DECEMBER 31, 2001	768,308	37,785
2002 additions	1,497,206	45,290
BALANCE AT DECEMBER 31, 2002	**$2,265,514**	**$ 83,075**

PRIOR PERFORMANCE TABLES

The following Prior Performance Tables (Tables) provide information relating to real estate investment programs sponsored by Wells Capital, Inc., our advisor, and its affiliates (Wells Public Programs) which have investment objectives similar to Wells Real Estate Investment Trust, Inc. (Wells REIT). (See "Investment Objectives and Criteria.") Except for the Wells REIT, all of the Wells Public Programs have used capital, and no acquisition indebtedness, to acquire their properties.

Prospective investors should read these Tables carefully together with the summary information concerning the Wells Public Programs as set forth in the "Prior Performance Summary" section of this prospectus.

Investors in the Wells REIT will not own any interest in the other Wells Public Programs and should not assume that they will experience returns, if any, comparable to those experienced by investors in other Wells Public Programs.

Our advisor is responsible for the acquisition, operation, maintenance and resale of the real estate properties. For both the Wells REIT and other Wells Public Programs. The financial results of other Wells Public Programs, thus, may provide some indication of our advisor's performance of its obligations during the periods covered. However, general economic conditions affecting the real estate industry and other factors contribute significantly to financial results.

The following tables are included herein:

Table I—Experience in Raising and Investing Funds (As a Percentage of Investment)

Table II—Compensation to Sponsor (in Dollars)

Table III—Annual Operating Results of Wells Public Programs

Table IV (Results of completed programs) has been omitted since none of the Wells Public Programs have been liquidated.

Table V—Sales or Disposals of Property

Additional information relating to the acquisition of properties by the Wells Public Programs is contained in **Table VI**, which is included in Part II of the registration statement which the Wells REIT has filed with the Securities and Exchange Commission. Copies of any or all information will be provided to prospective investors at no charge upon request.

The following are definitions of certain terms used in the Tables:

"**Acquisition Fees**" shall mean fees and commissions paid by a Wells Public Program in connection with its purchase or development of a property, except development fees paid to a person not affiliated with the Wells Public Program or with a general partner or advisor of the Wells Public Program in connection with the actual development of a project after acquisition of the land by the Wells Public Program.

"**Organization Expenses**" shall include legal fees, accounting fees, securities filing fees, printing and reproduction expenses and fees paid to the sponsor in connection with the planning and formation of the Wells Public Program.

"**Underwriting Fees**" shall include selling commissions and wholesaling fees paid to broker-dealers for services provided by the broker-dealers during the offering.

TABLE I

EXPERIENCE IN RAISING AND INVESTING FUNDS (UNAUDITED)

This Table provides a summary of the experience of the sponsors of Wells Public Programs for which offerings have been completed since December 31, 1999. 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, 2002.

	Wells Real Estate Fund XII, L.P.	Wells Real Estate Investment Trust, Inc.
Dollar Amount Raised	$35,611,192(3)	$1,458,206,058(4)
Percentage Amount Raised	100%(3)	100%(4)
Less Offering Expenses		
Underwriting Fees	9.5%	9.5%
Organizational Expenses	3.0%	3.0%
Reserves(1)	0.0%	0.0%
Percent Available for Investment	87.5%	87.5%
Acquisition and Development Costs		
Prepaid Items and Fees related to Purchase of Property	0.0%	0.0%
Cash Down Payment	84.0%	81.7%
Acquisition Fees(2)	3.5%	3.5%
Development and Construction Costs	0.0%	2.3%
Reserve for Payment of Indebtedness	0.0%	0.0%
Total Acquisition and Development Cost	87.5%	87.5%
Percent Leveraged	0.0%	0.0%
Date Offering Began	03/22/99	(4)
Length of Offering	24 mo.	(4)
Months to Invest 90% of Amount Available for Investment (Measured from Beginning of Offering)	26 mo.	(4)
Number of Investors as of 12/31/02	1,337	37,270

(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 $70,000,000. Wells Real Estate Fund XII, L.P. closed its offering on March 21, 2001, and the total dollar amount raised was $35,611,192.

(4) This amount includes only the Wells Real Estate Investment Trust, Inc.'s second and third offerings. The total dollar amount registered and available to be offered in the second offering was $222,000,000. Wells Real Estate Investment Trust, Inc. began its second offering on December 20, 1999 and closed its second offering on December 19, 2000. It took Wells Real Estate Investment Trust, Inc. 10 months to invest 90% of the amount available for investment in the second offering. The total dollar amount raised in its second offering was $175,229,193. The total dollar amount registered and available to be offered in the third offering was $1,350,000,000. Wells Real Estate Investment Trust, Inc. began its third offering on December 20, 2000 and closed its third offering on July 26, 2002. It took Wells Real Estate Investment Trust, Inc. 21 months to invest 90% of the amount available for investment in the third offering. The total dollar amount raised in its third offering was $1,282,976,862.

TABLE II
COMPENSATION TO SPONSOR
(UNAUDITED)

The following sets forth the compensation received by Wells Capital, Inc., our advisor, and its affiliates, including compensation paid out of offering proceeds and compensation paid in connection with the ongoing operations of Wells Public Programs having similar or identical investment objectives the offerings of which have been completed since December 31, 1999. All figures are as of December 31, 2002.

	Wells Real Estate Fund XII, L.P.	Wells Real Estate Investment Trust, Inc.(1)	Other Public Programs(2)
Date Offering Commenced	03/22/99	12/20/99	—
Dollar Amount Raised	$35,611,192	$1,458,206,058	$284,902,808
Amount paid to Sponsor from Proceeds of Offering:			
Underwriting Fees(3)	$ 362,416	$ 59,280,729	$ 1,646,381
Acquisition Fees			
Real Estate Commissions	—	—	—
Acquisition and Advisory Fees(4)	$ 1,246,392	$ 51,037,212	$ 13,223,204
Dollar Amount of Cash Generated from Operations Before Deducting Payments to Sponsor(5)	$ 520,102	$ 113,853,928	$ 7,980,284
Amount Paid to Sponsor from Operations:			
Property Management Fee(2)	$ 158,647	$ 3,250,927	$ 2,342,594
Partnership Management Fee	—	—	—
Reimbursements	$ 205,071	$ 1,130,152	$ 3,186,612
Leasing Commissions	$ 158,647	$ 3,250,927	$ 2,342,594
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) This amount includes only the Wells Real Estate Investment Trust, Inc.'s second and third offerings. The total dollar amount registered and available to be offered in the second offering was $222,000,000. Wells Real Estate Investment Trust, Inc. closed its second offering on December 19, 2000, and the total dollar amount raised in its second offering was $175,229,193. The total dollar amount registered and available to be offered in the third offering was $1,350,000,000. Wells Real Estate Investment Trust, Inc. closed its third offering on July 26, 2002, and the total dollar amount raised in its third offering was $1,282,976,862.

(2) Includes compensation paid to the general partners from Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P., Wells Real Estate Fund VI, L.P., Wells Real Estate Fund VII, L.P., Wells Real Estate Fund VIII, L.P., Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P. during the past three years. In addition to the amounts shown, affiliates of the general partners of Wells Real Estate Fund I are entitled to certain property management and leasing fees but have elected to defer the payment of such fees until a later year on properties owned by Wells Real Estate Fund I. As of December 31, 2002, the aggregate amount of such deferred fees totaled $2,881,491.

(3) Includes net underwriting compensation and commissions paid to Wells Investment Securities, Inc. in connection with the offering which was not reallowed to participating broker-dealers.

(4) Fees paid to the general partners or their affiliates for acquisition and advisory services in connection with the review and evaluation of potential real property acquisitions.

(5) Includes $2,263 in net cash used in operating activities and $522,365 in payments to sponsor for Wells Real Estate Fund XII, L.P., $106,221,922 in net cash provided by operating activities and $7,632,006 in payments to sponsor for Wells Real Estate Investment Trust, Inc. and $108,482 in net cash provided by operating activities and $7,871,802 in payments to sponsor for other public programs.

TABLE III
(UNAUDITED)

The following two tables set forth operating results of Wells Public Programs the offerings of which have been completed since December 31, 1997. The information relates only to public programs with investment objectives similar to those of Wells Real Estate Investment Trust, Inc. All figures are as of December 31 of the year indicated.

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS
(UNAUDITED)
WELLS REAL ESTATE FUND XI, L.P.

	2002	2001	2000	1999	1998
Gross Revenues[1]	$ 839,691	$ 960,676	$ 975,850	$ 766,586	$ 262,729
Profit on Sale of Properties	—	—	—	—	—
Less: Operating Expenses[2]	92,876	90,326	79,861	111,058	113,184
Depreciation and Amortization[3]	0	0	—	25,000	6,250
Net Income GAAP Basis[4]	$ 746,815	$ 870,350	$ 895,989	$ 630,528	$ 143,295
Taxable Income: Operations	$ 965,422	$1,038,394	$ 944,775	$ 704,108	$ 177,692
Cash Generated (Used By):					
Operations	(105,148)	(128,985)	(72,925)	40,906	(50,858)
Joint Ventures	1,473,190	1,376,673	1,333,337	705,394	102,662
	$1,368,042	$1,247,688	$1,260,412	$ 746,300	$ 51,804
Less Cash Distributions to Investors:					
Operating Cash Flow	1,294,485	1,247,688	1,205,303	746,300	51,804
Return of Capital	—	4,809	—	49,761	48,070
Undistributed Cash Flow From Prior Year Operations	—	55,109	—	—	—
Cash Generated (Deficiency) after Cash Distributions	$ 73,557	$ (59,918)	$ 55,109	$ (49,761)	$ (48,070)
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	—	—	—	—	—
Increase in Limited Partner Contributions	—	—	—	—	16,532,801
	$ 73,557	$ (59,918)	$ 55,109	$ (49,761)	$16,484,731
Use of Funds:					
Sales Commissions and Offering Expenses	—	—	—	214,609	1,779,661
Return of Original Limited Partner's Investment	—	—	—	100	—
Property Acquisitions and Deferred Project Costs	—	—	—	9,005,979	5,412,870
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ 73,557	$ (59,918)	$ 55,109	$(9,270,449)	$ 9,292,200
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)	91	101	103	77	50
— Operations Class A Units	(168)	(158)	(155)	(112)	(77)
— Operations Class B Units	—	—	—	—	—
Capital Gain (Loss)					
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)	93	100	97	71	18
— Operations Class A Units	(109)	(100)	(112)	(73)	(17)
— Operations Class B Units	—	—	—	—	—
Capital Gain (Loss)					
Cash Distributions to Investors:					
Source (on GAAP Basis)					
— Investment Income Class A Units	90	97	90	60	8
— Return of Capital Class A Units	4	—	—	—	—
— Return of Capital Class B Units	—	—	—	—	—
Source (on Cash Basis)					
— Operations Class A Units	94	97	90	56	4
— Return of Capital Class A Units	—	—	—	4	4
— Operations Class B Units	—	—	—	—	—
Source (on a Priority Distribution Basis)[5]					
— Investment Income Class A Units	75	75	69	46	6
— Return of Capital Class A Units	19	22	21	14	2
— Return of Capital Class B Units	—	—	—	—	—

	2002	2001	2000	1999	1998
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%	100%			

(1) Includes $142,163 in equity in earnings of joint ventures and $120,566 from investment of reserve funds in 1998; $607,579 in equity in earnings of joint ventures and $159,007 from investment of reserve funds in 1999; $967,900 in equity in earnings of joint ventures and $7,950 from investment of reserve funds in 2000; $959,631 in equity in earnings of joint ventures and $1,045 from investment of reserve funds in 2001; and $837,509 in equity in earnings of joint ventures and $2,182 from investment of reserve funds in 2002. As of December 31, 2002, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $105,458 for 1998; $353,840 for 1999; $485,558 for 2000; $491,478 for 2001; and $492,404 for 2002.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $254,862 to Class A Limited Partners, $(111,067) to Class B Limited Partners and $(500) to General Partners for 1998; $1,009,368 to Class A Limited Partners, $(378,840) to Class B Limited Partners and $0 to the General Partners for 1999; $1,381,547 to Class A Limited Partners, $(485,558) to Class B Limited Partners and $0 to General Partners for 2000; $1,361,828 to Class A Limited Partners, $(491,478) to Class B Limited Partners and $0 to the General Partners for 2001; and $ 1,239,219 to Class A Limited Partners, $ (492,404) to Class B Limited Partners and $ 0 to the General Partners for 2002.

(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, 2002, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,057,338.

TABLE III
OPERATING RESULTS OF PRIOR PROGRAMS
(UNAUDITED)
WELLS REAL ESTATE FUND XII, L.P.

	2002	2001	2000	1999
Gross Revenues(1)	$1,727,330	$ 1,661,194	$ 929,868	$ 160,379
Profit on Sale of Properties	—	—	—	—
Less: Operating Expenses(2)	179,436	105,776	73,640	37,562
Depreciation and Amortization(3)	0	0	0	0
Net Income GAAP Basis(4)	$1,547,894	$ 1,555,418	$ 856,228	$ 122,817
Taxable Income: Operations	$1,929,381	$ 1,850,674	$ 863,490	$ 130,108
Cash Generated (Used By):				
Operations	(176,478)	(73,029)	247,244	3,783
Joint Ventures	2,824,519	2,036,837	737,266	61,485
	$2,648,041	$ 1,963,808	$ 984,510	$ 65,268
Less Cash Distributions to Investors:				
Operating Cash Flow	2,648,041	1,963,808	779,818	62,934
Return of Capital	—	—	—	—
Undistributed Cash Flow From Prior Year Operations	2,156	164,482	—	—
Cash Generated (Deficiency) after Cash Distributions	$ (2,156)	$ (164,482)	$ 204,692	$ 2,334
Special Items (not including sales and financing):				
Source of Funds:				
General Partner Contributions	—	—	—	—
Increase in Limited Partner Contributions	—	10,625,431	15,617,575	9,368,186
	$ (2,156)	$10,460,949	$15,822,267	$9,370,520
Use of Funds:				
Sales Commissions and Offering Expenses	—	1,338,556	1,952,197	1,171,024
Return of Original Limited Partner’s Investment	—	—	—	100
Property Acquisitions and Deferred Project Costs	—	9,298,085	16,246,485	5,615,262
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (2,156)	$ (175,692)	$ (2,376,415)	$2,584,134
Net Income and Distributions Data per $1,000 Invested:				
Net Income on GAAP Basis:				
Ordinary Income (Loss)				
— Operations Class A Units	94	98	89	50
— Operations Class B Units	(151)	(131)	(92)	(56)
Capital Gain (Loss)		—	—	—
Tax and Distributions Data per $1,000 Invested:				
Federal Income Tax Results:				
Ordinary Income (Loss)				
— Operations Class A Units	91	84	58	23
— Operations Class B Units	(95)	(74)	(38)	(25)
Capital Gain (Loss)		—	—	—
Cash Distributions to Investors:				
Source (on GAAP Basis)				
— Investment Income Class A Units	93	77	41	8
— Return of Capital Class A Units	—	—	—	—
— Return of Capital Class B Units	—	—	—	—
Source (on Cash Basis)				
— Operations Class A Units	93	77	41	8
— Return of Capital Class A Units	—	—	—	—
— Operations Class B Units	—	—	—	—
Source (on a Priority Distribution Basis)(5)				
— Investment Income Class A Units	70	55	13	6
— Return of Capital Class A Units	23	22	28	2
— Return of Capital Class B Units	—	—	—	—
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%	100%		

(1) Includes $124,542 in equity in earnings of joint ventures and $35,837 from investment of reserve funds in 1999; $664,401 in equity in earnings of joint ventures and $265,467 from investment of reserve funds in 2000; $1,577,523 in equity in earnings of joint ventures and $83,671 from investment of reserve funds in 2001; and $1,726,553 in equity in earnings of joint ventures and $777 from investment of reserve funds in 2002. As of December 31, 2002, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $72,427 for 1999; $355,210 for 2000; $1,035,609 for 2001; and $1,107,728 for 2002.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $195,244 to Class A Limited Partners, $(71,927) to Class B Limited Partners and $(500) to the General Partners for 1999; $1,209,438 to Class A Limited Partners, $(353,210) to Class B Limited Partners and $0 to General Partners for 2000; $2,591,027 to Class A Limited Partners, $(1,035,609) to Class B Limited Partners and $0 to the General Partners for 2001; and $2,655,622 to Class A Limited Partners, $(1,107,728) to Class B Limited Partners, $ 0 to General Partners for 2002.

(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, 2002, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,524,597.

TABLE V
SALES OR DISPOSALS OF PROPERTIES
(UNAUDITED)

The following Table sets forth sales or other disposals of properties by Wells Public Programs within the most recent three years. The information relates to only public programs with investment objectives similar to those of Wells Real Estate Investment Trust, Inc. All figures are as of December 31, 2002.

				Selling Price, Net Of Closing Costs And GAAP Adjustments					Cost Of Properties Including Closing And Soft Costs		
Property	Date Acquired	Date Of Sale	Cash Received Net Of Closing Costs	Mortgage Balance At Time Of Sale	Purchase Money Mortgage Taken Back By Program	Adjustments Resulting From Application Of GAAP	Total	Original Mortgage Financing	Total Acquisition Cost, Capital Improvement, Closing And Soft Costs(1)	Total	Excess (Deficiency) Of Property Operating Cash Receipts Over Cash Expenditures
3875 Peachtree Place, Atlanta, GA	12/1/85	08/31/00	$ 727,982	-0-	-0-	-0-	$ 727,982(2)	-0-	$ 582,337	$ 582,337	-0-
Crowe's Crossing Shopping Center, DeKalb County, GA	12/31/86	01/11/01	$ 6,487,000	-0-	-0-	-0-	$ 6,487,000(3)	-0-	$ 9,255,594	$ 9,255,594	-0-
Cherokee Commons Shopping Center, Cherokee County, GA	10/30/87	10/01/01	$ 8,434,089	-0-	-0-	-0-	$ 8,434,089(4)	-0-	$ 10,450,555	$ 10,450,555	-0-
Greenville Center, Greenville, SC	6/20/90	9/30/02	$ 2,271,187	-0-	-0-	-0-	$ 2,271,187(5)	-0-	$ 4,297,901	$ 4,297,901	-0-
Tanglewood Commons Outparcel, Clemmens, NC	5/30/95	10/07/02	$ 524,398	-0-	-0-	-0-	$ 524,398(6)	-0-	$ 506,326	$ 506,326	-0-

(1) Amount shown does not include *pro rata* share of original offering costs.

(2) Includes Wells Real Estate Fund I's share of taxable gain from this sale in the amount of $205,019, of which $205,019 is allocated to capital gain and $0 is allocated to ordinary gain.

(3) Includes taxable gain from this sale in the amount of $11,496, of which $11,496 is allocated to capital gain and $0 is allocated to ordinary gain.

(4) Includes taxable gain from this sale in the amount of $207,613, of which $207,613 is allocated to capital gain and $0 is allocated to ordinary gain.

(5) Includes taxable loss from this sale in the amount of $910,227.

(6) Includes taxable gain from this sale in the amount of $ 13,062 of which $13,062 is allocated to capital gain and $0 is allocated to ordinary gain.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2002. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of December 31, 2002 has been prepared to give effect to the first quarter 2003 acquisition of the East Point Buildings and the 150 West Jefferson Building (collectively, the "Recent Acquisitions") by Wells Operating Partnership, L.P. ("Wells OP") as if the acquisitions occurred on December 31, 2002.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the "2002 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the year ended December 31, 2002.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

DECEMBER 31, 2002

(in thousands, except share amounts)

(Unaudited)

ASSETS

		Pro Forma Adjustments			
			Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc. (e)	Other	East Point	150 West Jefferson	Pro Forma Total
REAL ESTATE ASSETS, at cost:					
Land	$ 279,185	$ 0	$ 2,163(c)	$ 9,375(c)	$ 291,196
			89(d)	384(d)	
Buildings, less accumulated depreciation of $63,594	1,683,036	0	19,916(c)	84,519(c)	1,791,746
			815(d)	3,460(d)	
Construction in progress	42,746	0	0	0	42,746
Total real estate assets	2,004,967	0	22,983	97,738	2,125,688
INVESTMENT IN JOINT VENTURES	83,915	0	0	0	83,915
CASH AND CASH EQUIVALENTS	45,464	380,046(a)	(22,079)(c)	(93,894)(c)	294,591
		(14,946)(b)			
RENT RECEIVABLE	19,321	0	0	0	19,321
DEFERRED PROJECT COSTS	1,494	14,946(b)	(904)(d)	(3,844)(d)	11,692
DUE FROM AFFILIATES	1,961	0	0	0	1,961
PREPAID EXPENSES AND OTHER ASSETS, NET	4,407	0	0	0	4,407
DEFERRED LEASE ACQUISITION COSTS, NET	1,638	0	0	0	1,638
INTANGIBLE LEASE ASSET	12,060	0	0	0	12,060
INVESTMENT IN BONDS	54,500	0	0	0	54,500
Total assets	$2,229,727	$380,046	$ 0	$ 0	$2,609,773

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

		Pro Forma Adjustments			
			Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc. (e)	Other	East Point	150 West Jefferson	Pro Forma Total
LIABILITIES:					
Notes payable	$ 248,195	$ 0	$ 0	$ 0	$ 248,195
Obligations under capital lease	54,500	0	0	0	54,500
Intangible lease liability	32,697	0	0	0	32,697
Accounts payable and accrued expenses	24,580	0	0	0	24,580
Due to affiliate	15,975	0	0	0	15,975
Dividends payable	6,046	0	0	0	6,046
Deferred rental income	11,584	0	0	0	11,584
Total liabilities	393,577	0	0	0	393,577
COMMITMENTS AND CONTINGENCIES					
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	0	0	0	200
SHAREHOLDERS' EQUITY:					
Common shares, $.01 par value; 750,000,000 shares authorized, 217,790,874 shares issued and 215,699,717 outstanding at December 31, 2002	2,178	427(a)	0	0	2,605
Additional paid-in capital	1,929,381	379,619(a)	0	0	2,309,000
Cumulative distributions in excess of earnings	(74,310)	0	0	0	(74,310)
Treasury stock, at cost, 2,091,157 shares at December 31, 2002	(20,912)	0	0	0	(20,912)
Other comprehensive loss	(387)	0	0	0	(387)
Total shareholders' equity	1,835,950	380,046	0	0	2,215,996
Total liabilities and shareholders' equity	$2,229,727	$380,046	$ 0	$ 0	$2,609,773

(a) Reflects capital raised through issuance of additional shares subsequent to December 31, 2002 through 150 West Jefferson acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.

(b) Reflects deferred project costs capitalized as a result of additional capital raised described in note (a) above.

(c) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(d) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(e) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments			
			Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc. (h)	2002 Acquisitions	East Point	150 West Jefferson	Pro Forma Total
REVENUES:					
Rental income	$ 107,526	$ 98,599(a)	$ 1,531(a)	$ 11,665(a)	$219,321
Tenant reimbursements	18,992	9,584(b)	63(b)	5,527(b)	34,166
Equity in income of joint ventures	4,700	648(c)	0	0	5,348
Lease termination income	1,409	0	0	0	1,409
Interest and other income	7,001	0	0	0	7,001
	139,628	108,831	1,594	17,192	267,245
EXPENSES:					
Depreciation	38,780	34,362(d)	829(d)	3,519(d)	77,490
Interest expense	4,638	9,657(e)	0	0	14,295
Property operating costs	26,949	25,244(f)	990(f)	7,752(f)	60,935
Management and leasing fees	5,155	3,196(g)	72(g)	774(g)	9,197
General and administrative	3,244	0	0	0	3,244
Legal and accounting	1,008	0	0	0	1,008
	79,774	72,459	1,891	12,045	166,169
NET INCOME	$ 59,854	$ 36,372	$ (297)	$ 5,147	$101,076
EARNINGS PER SHARE, basic and diluted	$ 0.41				$ 0.39
WEIGHTED AVERAGE SHARES, basic and diluted	145,633				257,084

(a) Rental income is recognized on a straight-line basis.

(b) Consists of operating costs reimbursements.

(c) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(d) Depreciation expense on the buildings is recognized using the straight-line method and a 25-year life.

(e) Represents interest expense on lines of credits used to acquire assets, which bear interest at approximately 3.99% for the year ended December 31, 2002 and assumed mortgages on the BMG Direct, BMG Music and Nestle Buildings, which bear interest at 8.5%, 8% and 3.39% for the year ended December 31, 2002, respectively.

(f) Consists of operating expenses.

(g) Management and leasing fees are calculated at 4.5% of rental income and tenant reimbursements.

(h) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUPPLEMENT NO. 7 DATED MAY 15, 2003 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, and Supplement No. 6 dated April 14, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

  (A) Acquisition of a three-story office building in Englewood Cliffs, New Jersey (Citicorp Englewood Cliffs, NJ Building);

  (B) Acquisition of a 32-story office building in Minneapolis, Minnesota (US Bancorp Minneapolis Building);

  (C) Acquisition of an 83-story office building in Chicago, Illinois (Aon Center Chicago Building); and

  (D) Acquisition of a three-story office building in Auburn Hills, Michigan (GMAC Detroit Building);

(3) Status of the development of the Nissan Project, the Kerr-McGee Property and the AmeriCredit Phoenix Building;

(4) Description of unsecured line of credit in the amount of $500 million;

(5) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(6) Unaudited financial statements of the Wells REIT for the three month period ended March 31, 2003;

(7) Financial statements relating to the recently acquired US Bancorp Minneapolis Building and the Aon Center Chicago Building; and

(8) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building, the Aon Center Chicago Building and the GMAC Detroit Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132.2 million in gross offering proceeds from the sale of 13.2 million shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175.2 million in gross offering proceeds from the sale of 17.5 million shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1.3 billion in gross offering proceeds from the sale of 128.3 million shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of May 15, 2003, we had received additional gross proceeds of approximately $1.3 billion from the sale of approximately 126.8 million shares in our fourth public offering. Accordingly, as of May 15, 2003, we had received aggregate gross offering proceeds of approximately $2.9 billion from the sale of approximately 285.9 million shares in all of our public offerings. After payment of approximately $98.6 million in acquisition and advisory fees and acquisition expenses, payment of $319.4 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately $42.7 million pursuant to our share redemption program, as of May 15, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $2.4 billion, out of which approximately $2.3 billion had been invested in real estate properties, and approximately $74.3 million remained available for investment in real estate properties.

Description of Properties

As of May 15, 2003, we had purchased interests in 78 real estate properties located in 23 states. Below is a description of our recent real property acquisitions.

Citicorp Englewood Cliffs, NJ Building

On April 30, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a three-story office building containing approximately 410,000 rentable square feet located on an approximately 27-acre tract of land at 111 Sylvan Avenue in Englewood Cliffs, New Jersey (Citicorp Englewood Cliffs, NJ Building) for a purchase price of $70.5 million. The Citicorp Englewood Cliffs, NJ Building was purchased from US Fund Sylvan Avenue, L.P., a Delaware limited partnership not in any way affiliated with the Wells REIT, Wells OP or Wells Capital, Inc., our advisor. In order to finance the acquisition of the Citicorp Englewood Cliffs, NJ Building, Wells OP obtained approximately $50 million in loan proceeds by drawing down on its existing line of credit with SouthTrust Bank, N.A.

The Citicorp Englewood Cliffs, NJ Building, which was originally built in 1953 and renovated in 1998, is leased under a net lease (i.e., operating costs and maintenance costs are paid by the tenant) entirely to Citicorp North America, Inc. (Citicorp North America), a wholly-owned subsidiary of Citicorp, Inc. (Citicorp). Citicorp, which is a guarantor of the Citicorp North America lease, is a financial services holding company whose four main business segments include consumer financial services, corporate and institutional financial services, investment management services, and private investment services. Citicorp provides its services in approximately 100 countries worldwide.

The Citicorp North America lease commenced in June 1998 and expires in November 2010. The current annual base rent payable under the Citicorp North America lease is approximately $6.0 million. Citicorp North America has the right, at its option, to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. Under the Citicorp North America lease, the tenant is responsible for maintaining the Citicorp Englewood Cliffs, NJ Building and for the payment of all operating expenses relating to the property and Wells OP, as the landlord, is responsible for maintaining and repairing the structural portions and mechanical systems of the Citicorp Englewood Cliffs, NJ Building.

Since the Citicorp Englewood Cliffs, NJ Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the lease, Citicorp, is more relevant to investors than financial statements of the property acquired.

Citicorp currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding Citicorp is taken from its previously filed public reports:

CONSOLIDATED STATEMENT OF OPERATIONS DATA:

	FOR THE FISCAL YEAR ENDED		
	12/31/2002	12/31/2001	12/31/2000
	(IN MILLIONS)		
Revenues	$66,401	$67,266	$64,503
Operating Income	$16,166	$15,221	$12,915
Net Income	$10,709	$ 9,642	$ 8,110

CONSOLIDATED BALANCE SHEET DATA:

	AS OF THE FISCAL YEAR ENDED		
	12/31/2002	12/31/2001	12/31/2000
	(IN MILLIONS)		
Total Assets	$727,337	$646,944	$551,607
Long-Term Debt	$ 78,372	$ 81,053	$ 80,335
Stockholders' Equity	$ 73,540	$ 63,453	$ 47,865

For more detailed financial information regarding Citicorp, please refer to the financial statements of Citicorp, Inc., which are publicly available with the SEC at http://www.sec.gov.

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will manage the Citicorp Englewood Cliffs, NJ Building on behalf of Wells OP and will be paid management and leasing fees in the amount of up to 4.5% of the gross revenues from the Citicorp Englewood Cliffs, NJ Building, subject to certain limitations.

US Bancorp Minneapolis Building

On May 1, 2003, Wells OP purchased a 32-story office building containing approximately 929,694 rentable square feet located at 800 Nicollet Mall, Minneapolis, Minnesota (US Bancorp Minneapolis Building) for a purchase price of $174 million from MN-Nicolet Mall, L.L.C. (Nicolet Mall), a Delaware limited liability company not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The US Bancorp Minneapolis Building was built in 2000 and is located on an approximately 1.2-acre tract of land in downtown Minneapolis, Minnesota. The US Bancorp Minneapolis Building is leased to 29 different tenants.

U.S. Bancorp Piper Jaffray Companies, Inc. (US Bancorp Piper Jaffray) leases approximately 718,171 rentable square feet of the US Bancorp Minneapolis Building (77.2%). US Bancorp Piper Jaffray is currently a wholly-owned subsidiary of U.S. Bancorp. U.S. Bancorp, which is a guarantor of the US Bancorp Piper Jaffray lease, is a financial services holding company having its corporate headquarters in Minneapolis, Minnesota. U.S. Bancorp reported a net worth, as of December 31, 2002, of approximately $18.1 billion. US Bancorp Piper Jaffray provides investment products and services, including securities, mutual funds and annuities, and insurance products, to individuals, institutions and businesses. In February 2003, U.S. Bancorp announced a plan to spin-off its capital markets business unit, including US Bancorp Piper Jaffray, in late 2003. In connection with the spin-off, shareholders of U.S. Bancorp will receive a stock dividend of the shares in US Bancorp Piper Jaffray, as a result of which US Bancorp Piper Jaffray will become an independent company and will no longer be a wholly-owned subsidiary of U.S. Bancorp. U.S. Bancorp will remain as a guarantor of the US Bancorp Piper Jaffray lease after the spin-off.

The US Bancorp Piper Jaffray lease commenced in June 2000 and expires in May 2014. The current annual base rent payable under the US Bancorp Piper Jaffray lease is approximately $10.8 million. US Bancorp Piper Jaffray has the right, at its option, to extend the initial term of its lease for one additional six-year period, and two additional five-year periods. US Bancorp Piper Jaffray also has options to lease additional available space in the US Bancorp Minneapolis Building in 2004, 2006, 2008, 2010, and 2012, as well as a right of first refusal to lease additional available space beginning in June 2003. Under the US Bancorp Piper Jaffray lease, US Bancorp Piper Jaffray is responsible for its pro rata share of operating and maintenance costs. Wells OP, as the landlord, is responsible for maintaining and repairing the structural portions and mechanical systems of the US Bancorp Minneapolis Building.

The other 28 tenants lease approximately 205,056 rentable square feet (22.1%) of the US Bancorp Minneapolis Building for an aggregate annual base rent payable of approximately $3.7 million. Approximately 6,467 rentable square feet (0.7%) of the US Bancorp Minneapolis Building is currently vacant.

Wells Management will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the US Bancorp Minneapolis Building, subject to certain limitations. Wells OP has entered into a two-year management agreement with Equity Office Management, L.L.C. (Equity Office Management), an affiliate of the seller of the US Bancorp Minneapolis Building, to serve as the on-site property manager for the US Bancorp Minneapolis Building. The property management fees payable to Equity Office Management will be paid out of or credited against the fees payable to Wells Management. Equity Office Management is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Aon Center Chicago Building

On May 9, 2003, Wells REIT—Chicago Center, Chicago, LLC (REIT—Chicago Center), a single member Delaware limited liability company wholly-owned by Wells OP, purchased an 83-story office building containing approximately 2,577,000 rentable square feet located at 200 East Randolph Street in Chicago, Illinois (Aon Center Chicago Building) for a purchase price of approximately $465.2 million, from BRE/Randolph Drive, L.L.C. (BRE/Randolph), a Delaware limited liability company. BRE/Randolph is not in any way affiliated with the Wells REIT, REIT—Chicago Center, Wells OP or our advisor. In order to finance the acquisition of the Aon Center Chicago Building, REIT—Chicago Center obtained (1) approximately $350 million in loan proceeds by having Wells OP draw down on its existing $500 million unsecured line of credit described below, and (2) approximately $112.3 million in seller financing from BRE/Randolph. The seller financing in favor of BRE/Randolph (a) was provided on an interest free basis, (b) is due and payable in full on January 31, 2004, (c) is secured by a first priority mortgage on the Aon Center Chicago Building, and (d) is guaranteed by Wells OP.

The Aon Center Chicago Building, which was built in 1972 and is located on an approximately 3.7-acre tract of land in downtown Chicago, is the third tallest building in North America. The Aon Center Chicago Building is leased or subleased to approximately 40 different tenants. BP Corporation North America Inc., Aon Corporation, Kirkland & Ellis, DDB & Needham Chicago Inc., Daniel J. Edelman, Inc., PricewaterhouseCoopers, Deloitte and Touche USA LLP, and Jones Lang LaSalle

Americas, Inc. lease or sublease, in the aggregate, approximately 1,759,000 rentable square feet (68.3%) of the Aon Center Chicago Building. The other tenants lease approximately 622,000 rentable square feet (24.1%) of the Aon Center Chicago Building for an aggregate annual base rent payable of approximately $7.9 million. Approximately 196,000 rentable square feet (7.6%) of the Aon Center Chicago Building is vacant. REIT—Chicago Center, as the landlord for the Aon Center Chicago Building, is responsible for maintaining and repairing the structural portions and mechanical systems of the Aon Center Chicago Building.

Approximately 775,796 rentable square feet of the Aon Center Chicago Building (30.1%) is leased to BP Corporation North America Inc. (BP Corporation) is a wholly-owned subsidiary of BP p.l.c. (BP), a British public limited company which is one of the leading oil companies in the world. BP Corporation controls operations in North America for BP.

The BP Corporation lease is a net lease which commenced in December 1998 and expires in December 2013. The current annual base rent payable under the BP Corporation lease is approximately $15.6 million. BP Corporation has the right, at its option, to extend the initial term of its lease for four additional five-year periods at 95% of the then-current market rental rate. BP Corporation also has an option to lease an additional floor in the Aon Center Chicago Building, as well as a right of first offer to lease additional available space, subject to various restrictions. Further, BP Corporation has a right of first offer to purchase the Aon Center Chicago Building upon a subsequent sale of the Aon Center Chicago Building by REIT—Chicago Center, subject to various restrictions.

BP Corporation has subleased approximately 515,083 rentable square feet of the Aon Center Chicago Building (20.0%) to Aon Corporation (Aon). The Aon sublease commenced in September 2001 and expires in December 2013. The current annual base rent payable to BP Corporation under the Aon sublease is approximately $6.9 million. Aon, which has its headquarters located in the Aon Center Chicago Building, is a holding company whose subsidiaries provide insurance brokerage, consulting, and insurance underwriting services. Aon has approximately 550 offices in 120 countries worldwide. Aon reported a net worth, as of December 31, 2002, of approximately $3.9 billion.

Approximately 351,243 rentable square feet of the Aon Center Chicago Building (13.6%) is leased to Kirkland & Ellis. Kirkland & Ellis is a law firm with approximately 900 attorneys and offices in Chicago, Washington, D.C., New York, Los Angeles, San Francisco, and London. Kirkland & Ellis handles matters of litigation, corporate, intellectual property and technology, bankruptcy, tax, and counseling for national and international clients.

The Kirkland & Ellis lease is a net lease which commenced in January 1987 and expires in December 2011. The current annual base rent payable under the Kirkland & Ellis lease is approximately $4.8 million. Kirkland & Ellis has the right, at its option, to extend the initial term of its lease for one additional ten-year period at the then-current market rental rate. Kirkland & Ellis also has an option to lease additional available space in the Aon Center Chicago Building, and a right of first offer to lease additional space on the 47th, 50th, 51st, 52nd, and 66th floors. Kirkland & Ellis has exercised a right of first offer to lease additional available space in the Aon Center Chicago Building on the 65th and 67th floors beginning in 2004 and 2005 respectively.

Approximately 263,978 rentable square feet of the Aon Center Chicago Building (10.2%) is leased to DDB & Needham Chicago Inc. (DDB), which has its corporate headquarters in the Aon Center Chicago Building. DDB is an advertising and marketing firm with offices in approximately 96 countries worldwide. DDB is a wholly-owned subsidiary of Omnicom Group, Inc. (Omnicom), which is a guarantor of the DDB lease. Omnicom is one of the largest advertising and corporate communications companies in the world. Omnicom reported a net worth, as of December 31, 2002, of approximately $2.57 billion.

The DDB lease is a net lease which commenced in July 1997 and expires in June 2018. The current annual base rent payable under the DDB lease is approximately $4.3 million. DDB has the right, at its option, to extend the initial term of its lease for one additional five-year period at the then-current market rental rate. DDB also has an option and a right of first offer to lease space on the 34th floor in the Aon Center Chicago Building. In addition, the DDB lease provides DDB with the right to reduce its leased space by between 10,000 and 50,000 square feet if DDB experiences reduced advertising account revenue.

Approximately 126,735 rentable square feet of the Aon Center Chicago Building (4.9%) is leased to Daniel J. Edelman, Inc. (Edelman), the parent company of Edelman Public Relations Worldwide. Edelman Public Relations Worldwide is a large privately held public relations firm with 38 offices worldwide and has its corporate headquarters in the Aon Center Chicago Building.

The Edelman lease is a net lease which commenced in March 1995 and expires in February 2010. The current annual base rent payable under the Edelman lease is approximately $1.9 million. Edelman has the right, at its option, to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate. Edelman also has a right of third offer to lease additional space on the 78th floor of the Aon Center Chicago Building.

Approximately 121,788 rentable square feet of the Aon Center Chicago Building (4.7%) is leased to PricewaterhouseCoopers (PwC), an accounting services firm with offices in approximately 142 countries worldwide. PwC’s five main business units include Audit, Assurance and Business Advisory Services; Business Process Outsourcing; Corporate Finance and Recovery Services; Human Resource Services; and Global Tax Services.

The PwC lease is a net lease which commenced in January 1994 and expires in December 2003. The current annual base rent payable under the PwC lease is approximately $1.7 million. PwC currently subleases its entire leased premises to Deloitte and Touche USA LLP (Deloitte), a professional services organization which provides assurance and advisory, tax, and consulting services in over 140 countries worldwide.

Deloitte’s sublease expires in December 2003 at the same time as the expiration of the PwC lease. Deloitte has entered into a new net lease for 134,966 rentable square feet, which commences on the earlier of (1) the termination of the PwC lease, or (2) January 1, 2004, and expires in June 2005. The initial annual base rent payable under the Deloitte lease will be approximately $3.9 million. Deloitte has the right, at its option, to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate.

Approximately 119,215 rentable square feet of the Aon Center Chicago Building (4.6%) is leased to Jones Lang LaSalle Americas, Inc. (Jones Lang), which has its corporate headquarters in the Aon Center Chicago Building. Jones Lang is a real estate services and investment company with offices in approximately 34 countries worldwide. Jones Lang’s operations include space acquisition and disposition, facilities and property management, project and development management services, leasing, buying and selling properties, consulting and capital markets expertise. Jones Lang reported a net worth, as of December 31, 2002, of approximately $367 million.

The Jones Lang lease is a net lease which commenced in March 1996 and expires in February 2006. The current annual base rent payable under the Jones Lang lease is approximately $1.4 million. Jones Lang has the right, at its option, to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. Jones Lang also has a right of first offer to lease additional space on the 42nd floor of the Aon Center Chicago Building.

Wells Management will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the Aon Center Chicago Building, subject to certain limitations. REIT—Chicago Center has entered into a five-year management agreement with Brea Property Management of Illinois, LLC (Brea) pursuant to which Brea will serve as the on-site property manager for the Aon Center Chicago Building.

Brea will be paid management fees out of or credited against the fees payable to Wells Management. Brea is not in any way affiliated with the Wells REIT, REIT—Chicago Center, Wells OP or our advisor.

GMAC Detroit Building

On May 9, 2003, Wells OP purchased a three-story office building containing approximately 119,122 rentable square feet located at 900 Squirrel Road in Auburn Hills, Michigan (GMAC Detroit Building) for a purchase price of approximately $17.8 million, from KDC-SW, Auburn Hills 1, L.P., a Texas limited partnership (KDC-SW). KDC-SW is not in any way affiliated with the Wells REIT, Wells OP or our advisor. KDC-SW is an affiliate of the sellers of the Federal Express Colorado Springs Building, the EDS Des Moines Building, and the Intuit Dallas Building, which were purchased by Wells OP in September 2002.

The GMAC Detroit Building was built in 2001 and is located on an approximately 7.3-acre tract of land in Auburn Hills, Michigan, 30 miles north of downtown Detroit. The GMAC Detroit Building is leased to General Motors Acceptance Corp and Delmia Corp. Approximately 16,182 rentable square feet (13.6%) of the GMAC Detroit Building is vacant. Wells OP entered into an earn-out agreement with the seller at closing, pursuant to which Wells OP is required to pay the seller certain amounts for each new lease executed before November 8, 2004 for any portion of the currently vacant space.

Approximately 60,034 rentable square feet of the GMAC Detroit Building (50.4%) is leased to General Motors Acceptance Corp (GMAC), a wholly-owned subsidiary of General Motors Corporation (GM). GMAC provides financing, mortgage and insurance services directly and through its subsidiaries to consumers and businesses on a global basis. GMAC reported a net worth, as of December 31, 2002, of approximately $17.8 billion.

The GMAC lease commenced in January 2002 and expires in March 2007. The current annual base rent payable under the GMAC lease is approximately $1.4 million. GMAC has the right, at its option, to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate. Under the GMAC lease, Wells OP, as the landlord, is responsible for maintaining and repairing the structural portions and mechanical systems of the GMAC Detroit Building and for paying operating expenses and maintenance costs relating to the GMAC Detroit Building, subject to reimbursement obligations described below. Beginning in the lease year after 95% of the GMAC Detroit Building is occupied, GMAC will be responsible for its pro rata share of increases in operating and maintenance costs which exceed the expenses incurred by Wells OP in the first lease year in which 95% of the GMAC Detroit Building is occupied.

Approximately 42,906 rentable square feet of the GMAC Detroit Building (36.0%) is leased to Delmia Corp. (Delmia). Delmia designs digital manufacturing software products for process planning, detailing, verification and simulation of digital factories. Delmia, which has its corporate headquarters in the GMAC Detroit Building, is a subsidiary of Dassault Systemes, S.A. (Dassault), a French corporation. Dassault, which is a guarantor of the Delmia lease, provides product lifecycle management software using three-dimensional digital technology. Dassault reported a net worth, as of December 31, 2002, of approximately $735 million.

The Delmia lease commenced in January 2003 and expires in July 2013. The initial annual base rent payable under the Delmia lease is approximately $0.9 million. Delmia has the right, at its option, to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate. Delmia also has a right of first refusal to lease additional available space in the GMAC Detroit Building during the first 2 years of the Delmia lease and a right of first offer on available space for the remainder of the Delmia lease. Delmia, at its option, may terminate the Delmia lease at the end of the 66th month by paying a termination fee of approximately $1 million plus other costs and commissions. Under the Delmia lease, Wells OP, as the landlord, is responsible for maintaining and repairing the structural portions and mechanical systems of the GMAC Detroit Building and for paying operating expenses and maintenance costs relating to the GMAC Detroit Building, subject to reimbursement obligations described below. Beginning in 2004, Delmia will be responsible for its pro rata share of increases in operating and maintenance costs which exceed the expenses incurred by Wells OP in 2003.

Wells Management will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the GMAC Detroit Building, subject to certain limitations. Wells OP has entered into an agreement with Trammell Crow Company (Trammell Crow) to serve as the on-site property manager for the GMAC Detroit Building. The property management fees payable to Trammel Crow will be paid out of or credited against the fees payable to Wells Management. Trammell Crow is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Status of the Nissan Building

In March 2003, the construction of the Nissan Building , a three-story approximately 268,290 rentable square foot office building in Irving, Texas, was substantially completed. The aggregate cost and expenses incurred by Wells OP with respect to the acquisition and construction of the Nissan Building totaled approximately $41.7 million, which is within the budgeted amount for the property. Nissan Motor Acceptance Corporation occupied the building under a net lease agreement commencing on April 1, 2003. The construction was financed through a loan that was paid off in March 2003, when the building was substantially completed.

Status of the AmeriCredit Phoenix Building

In April 2003, the construction of the AmeriCredit Phoenix Building, a three-story approximately 153,494 rentable square foot office building in Chandler, Arizona, was substantially completed. The aggregate cost and expenses incurred by Wells OP with respect to the acquisition and construction of the AmeriCredit Phoenix Building totaled approximately $25.6 million. The revised total cost, which reflects an increase of approximately $0.9 million from the budgeted amount for the property, is due to certain recently requested additional tenant improvements and requirements by the City of Chandler. AmeriCredit Financial Services, Inc. occupied the building under a net lease agreement commencing on April 15, 2003.

Status of the Kerr-McGee Building

As of May 15, 2003, Wells OP had expended approximately $11.0 million towards the construction of the four-story approximately 100,000 rentable square foot office building in Houston, Texas. The Kerr-McGee Building is approximately 65% complete and is currently expected to be completed in July 2003. We estimate that the aggregate cost and expenses to be incurred by Wells OP with respect to the acquisition and construction of the Kerr-McGee Building will total approximately $15.8 million, which is within the budgeted amount for the property.

Description of $500 Million Line of Credit

Wells OP established an unsecured secured line of credit in the amount of $500 million with Bank of America, N.A. (BOA) and a consortium of other financial institutions ($500 Million Line of Credit). This unsecured line of credit replaces the $110 million secured line of credit with BOA. The interest rate on the $500 Million Line of Credit is an annual variable rate equal to the London InterBank Offered Rate (LIBOR) for a 30-day period plus up to 1.625% or certain other alternative rates. Wells OP paid up-front commitment fees in an amount equal to approximately $2.3 million in connection with the $500 Million Line of Credit. In addition, Wells OP is required to pay a quarterly facility fee of .25% per annum on the entire amount of the $500 Million Line of Credit. As of May 15, 2003, the interest rate on the $500 Million Line of Credit was 4.4% per annum, and the outstanding principal balance on the $500 Million Line of Credit was $350 million.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in Supplement No. 6 dated April 14, 2003 and should also be read in conjunction with our accompanying financial statements and notes thereto.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

REIT Qualification

We have made an election under Section 856 of the Internal Revenue Code to be taxed as a REIT beginning with our taxable year ended December 31, 1998. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially, adversely affect our financial position and results of operations. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during the year ending December 31, 2003. In addition, we intend to continue to operate to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the three months ended March 31, 2003, we received aggregate gross offering proceeds of $426.8 million from the sale of 42.7 million shares of our common stock. After incurring costs of $14.4 million in acquisition and advisory fees and acquisition expenses, $45.0 million in selling commissions and organization and offering expenses and common stock redemptions of $12.9 million pursuant to our share redemption program, we raised net offering proceeds of $354.5 million during the three months ended March 31, 2003.

During the three months ended March 31, 2002, we received aggregate gross offering proceeds of $255.7 million from the sale of 25.7 million shares of our common stock. After incurring costs of $8.9 million in acquisition and advisory fees and acquisition expenses, $27.1 million in selling commissions and organizational and offering expenses and common stock redemptions of $3.0 million pursuant to our share redemption program, we raised net offering proceeds of $216.7 million during the three months ended March 31, 2002.

The significant increase in capital resources available to us is due to significantly increased sales of our common stock during the first quarter of 2003. After payment of the costs described above associated with the sale of shares of common stock and acquisitions of properties, we have $108.6 million available for investment in real estate assets as of March 31, 2003.

As of March 31, 2003, we owned interests in 74 real estate properties either directly or through our interests in joint ventures located throughout the United States. Our real estate investment policies are to identify and invest in high-grade commercial office and industrial buildings located in densely populated metropolitan markets which are newly constructed, under construction or which have been previously constructed and have operating histories. However, we are not limited to such investments. We expect to continue to acquire commercial properties which meet our standards of quality in terms of the real estate and the creditworthiness of the tenants.

We have developed specific standards for determining creditworthiness of potential tenants of our properties in order to reduce the risk of tenant default. Although 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 million or whose lease obligations are guaranteed by another corporation or entity with a net worth in excess of $100 million.

Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before entering into any commitment to buy a property. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders.

Dividends during the three months ended March 31, 2003, were $39.7 million compared to $17.6 million during the three months ended March 31, 2002. For each $10 share of our common stock, our board of directors declared dividends for the period December 16, 2002 through March 15, 2003, at an annualized percentage rate of return of 7.0% compared to an annualized percentage rate of return of 7.75% for the period December 16, 2001 through March 15, 2002. The reduction of the annualized percentage rate of return for the dividends resulted from the higher value placed on our type of properties and the additional time it now takes in the acquisition process for us to assess tenant creditworthiness and, therefore, invest proceeds in properties.

Our board of directors has declared dividends for the period March 16, 2003, through June 15, 2003, at an annualized percentage rate of return of 7.0%. Second quarter dividends are calculated on a daily record basis of $0.001902 (0.1902 cents) per day per share on the outstanding shares of our common stock payable to stockholders of record as shown on our books at the close of business on each day during the period commencing on March 16, 2003, and continuing on each day thereafter through and including June 15, 2003.

The payment of dividends in the future will generally be dependent upon the cash flows from operating the properties currently owned and acquired in future periods, our financial condition, amounts paid for properties acquired, the timing of property acquisitions, capital expenditure requirements and distribution requirements in order to maintain our REIT status under the Internal Revenue Code.

Subsequent to March 31, 2003, we obtained an additional variable rate unsecured line of credit in the amount of $500 million to provide us with increased flexibility for funding acquisitions at times when real estate investments are available at appropriate prices but sufficient offering proceeds to fund such acquisitions have not been raised.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $38.7 million and $13.5 million for the three months ended March 31, 2003 and 2002, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by $1.4 billion of additional properties acquired during 2002 and $115.8 million of properties acquired during the three months ended March 31, 2003. We do not recognize in operations the full effect from the properties during the year of acquisition, as the operations of the properties are only included in operations from the date of acquisition. Operating cash flows are expected to increase as we acquire additional properties in future periods and as we obtain the benefit of a full quarter of operations for properties acquired during the three months ended March 31, 2003.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $151.9 million and $112.2 million for the three months ended March 31, 2003 and 2002, respectively. The increase in net cash used in investing activities was due primarily to greater investments in properties and the payment of the related deferred project costs resulting from raising a greater amount of offering proceeds. Our investments in real estate assets and intangible lease assets and payment of acquisition and advisory costs totaled $153.6 million and $113.5 million for the three months ended March 31, 2003 and 2002, respectively. The cash outflow from the investments in properties and the payment of deferred project costs were partially offset by distributions from joint ventures of $1.8 million and $1.7 million during the three months ended March 31, 2003, and 2002, respectively. The increase in distributions from joint ventures is primarily due to additional investment in joint ventures during the fourth quarter of 2002.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $185.8 million and $210.1 million for the three months ended March 31, 2003 and 2002, respectively. The raising of additional capital increased to $426.8 million during the three months ended March 31, 2003, as compared to $255.7 million during the three months ended March 31, 2002. The amounts raised were partially offset by the payment of commissions and offering costs totaling $49.2 million and $27.9 million and redemptions of $13.0 million and $3.0 million during the three months ended March 31, 2003 and 2002, respectively.

Additionally, we obtained funds from debt financing arrangements totaling $5.2 million and $2.9 million and made debt repayments of $144.4 million and $0 during the three months ended March 31, 2003 and 2002, respectively, based on the availability and need of cash for investment in real estate assets during the period. Primarily as a result of the increased cash flow from operations, during the three months ended March 31, 2003 and 2002, we paid dividends of $39.7 million and $17.6 million, respectively.

Results of Operations

As of March 31, 2003, our 74 real estate properties were 98% leased. Our results of operations have changed significantly for the three months ended March 31, 2003, as compared to the three months ended March 31, 2002, generally as result of the acquisition of approximately $1.4 billion of real estate assets during the year ended December 31, 2002, and an additional $115.8 million of real estate assets acquired during the three months ended March 31, 2003. We expect that rental income, tenant reimbursements, depreciation expense, operating expenses, management and leasing fees and net income will each increase in future periods as a result of owning the assets acquired during the three months ended March 31, 2003, for an entire quarter and as a result of anticipated future acquisitions of real estate assets. Due to the average remaining terms of the long-term leases currently in place at our properties, management does not anticipate significant changes in near-term rental revenues from properties currently owned.

Rental income increased by $36.6 million, during the first quarter of 2003, from $16.7 million for the three months ended March 31, 2002, to $53.3 million for the three months ended March 31, 2003. Tenant reimbursements were $9.6 million and $4.4 million for the three months ended March 31, 2003 and 2002, respectively, for an increase of $5.2 million. The increases were primarily due to the rental income and tenant reimbursements for properties acquired subsequent to March 31, 2002, which totaled $35.0 million and $5.3 million, respectively, for the three months ended March 31, 2003. Revenues in future periods are expected to increase compared to historical periods as additional properties are acquired.

Our equity in income of joint ventures was $1.3 million and $1.2 million for the three months ended March 31, 2003 and 2002, respectively. Equity in income of joint ventures is not anticipated to change significantly in future periods unless we invest additional proceeds in future joint venture investments.

Depreciation expense for the three months ended March 31, 2003 and 2002, was $19.2 million and $5.7 million, respectively comprising approximately 36% and 34% of rental income for the respective three month periods. The change in the percentages between periods is generally due to a change in the applicable cost of the real estate assets compared to the revenues generated by the real estate assets. Depreciation expense relating to assets acquired after March 31, 2002, was $12.9 million. Depreciation expense is expected to increase in future periods as additional properties are acquired, however should remain consistent as a percentage of revenues unless the relationship between the cost of the assets and the revenues earned changes.

Property operating costs were $15.2 million and $5.0 million for the three months ended March 31, 2003 and 2002, respectively, representing approximately 24% of the sum of the rental income and tenant reimbursements for each three month period. Property operating costs for the properties acquired subsequent to March 31, 2002, were $9.1 million for the three months ended March 31, 2003. Property operating costs are expected to increase as more properties are acquired, but expenses should remain relatively consistent as a percentage of the sum of rental income and tenant reimbursements.

Management and leasing fees expenses were $2.3 million and $0.9 million for the three months ended March 31, 2003 and 2002, respectively, representing approximately 4% of the sum of the rental income and tenant reimbursements for each three month period. Management and leasing fees for properties acquired after March 31, 2002, were $1.3 million for the three months ended March 31, 2003. Management and leasing fees are expected to increase as additional properties are acquired but, as a percentage of the sum of rental income and tenant reimbursements, should remain relatively consistent with historical results.

General and administrative expenses increased from $0.5 million for the three months ended March 31, 2002, to $1.6 million for the three months ended March 31, 2003, representing approximately 2% of the total revenues for each three month period. General and administrative expenses are expected to increase in future periods as our assets continue to increase as additional properties are acquired, but are expected remain relatively constant as a percentage of total revenues.

Interest expense was $2.6 million and $0.6 million for the three months ended March 31, 2003 and 2002, respectively. Interest expense of $1.0 and $0.4 million for the three months ended March 31, 2003 and 2002, respectively, was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the interest income associated with the bonds, which results in no net impact on our operating results. The remaining $1.6 million and $0.2 million is due to the interest on our outstanding borrowings for each period. We had significantly more borrowings outstanding during the three months ended March 31, 2003, as compared to the three months ended March 31, 2002, resulting in a significant increase in the interest expense between the two periods. Interest expense in future periods will be dependent upon the amount of borrowings outstanding during those periods and current interest rates. Historical results may not be indicative of interest expense in future periods.

Earnings per share for the three months ended March 31, 2003, decreased to $0.10 per share compared to $0.11 per share for the three months ended March 31, 2002. This decrease is primarily a result of the higher cost of investments in real estate assets resulting in lower revenues and higher depreciation expense as a percentage of the cost of those assets, as described above.

Funds From Operations

Funds from Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with accounting principles generally accepted in the United States (GAAP) excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. Management believes that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions.

The following table reflects the calculation of FFO for the three month periods ended March 31, 2003 and 2002:

	For the three months ended March 31,	
	2003	**2002**
Funds from operations:		
Net income	**$ 24,364**	$ 10,780
Add:		
Depreciation of real estate assets	**19,218**	5,744
Amortization of deferred leasing costs	**78**	73
Depreciation and amortization—unconsolidated investments in joint ventures	**785**	706
Funds from operations (FFO)	**$ 44,445**	$ 17,303
Weighted average shares		
Basic and diluted	**233,247**	95,130

In order to recognize revenues on a straight line basis over the terms of the respective leases, we recognized straight line rental revenue of $0.8 million and $1.0 million during the three months ended March 31, 2003 and 2002, respectively.

Amortization of the intangible lease assets and liabilities resulted in a net increase in rental revenue of $0.5 million for the three months ended March 31, 2003.

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases, which would protect us from the impact of inflation. These provisions include reimbursement billings for operating expense pass-through 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. However, due to the long-term nature of the leases, the leases may not re-set frequently enough to cover inflation.

Application of Critical Accounting Policies

Our accounting policies have been established to conform with generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If management's judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

The critical accounting policies outlined below have been discussed with members of our audit committee. There have been no significant changes in the critical accounting policies, methodology, or assumptions in the current period.

Below is a discussion of the accounting policies that management considers to be critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Investment in Real Estate Assets

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income. The estimated useful lives of our assets by class are as follows:

Building	25 years
Building improvements	10-25 years
Land improvements	20-25 years
Tenant Improvements	Lease term

In the event that inappropriate useful lives or methods are used for depreciation, our net income would be misstated.

Valuation of Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate assets, both operating properties and properties under construction, in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present which indicate that the carrying amounts of real estate assets may not be recoverable, we assess the recoverability of the real estate assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we adjust the real estate assets to the fair value and recognize an impairment loss. We have determined that there has been no impairment in the carrying value of real estate assets held by us and any unconsolidated joint ventures at March 31, 2003.

Projections of expected future cash flows requires us to estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to re-lease the property and the number of years the property is held for investment. The use of inappropriate assumptions in the future cash flow analysis would result in an incorrect assessment of the property's future cash flows and fair value and could result in the overstatement of the carrying value of our real estate assets and net income.

Intangible Lease Asset/Liability

We determine whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of the real estate assets. The intangible assets and liabilities are recorded at their estimated fair market values at the date of acquisition and amortized over the remaining term of the respective lease to rental income.

The determination of the estimated fair values of the intangible lease asset or liability requires the use of significant assumptions with regard to the current market rental rates, rental growth rates, discount rates and other variables. If inappropriate estimates with regard to these variables are used, misclassification of assets or liabilities and incorrect calculation of depreciation amounts would occur, which would misstate our net income.

Commitments and Contingencies

Take Out Purchase and Escrow Agreement

Wells Capital, Inc., our advisor, and its affiliates have developed a program (Wells Section 1031 Program) involving the acquisition by a subsidiary of Wells Management Company (Wells Exchange) of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons (1031 Participants) who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to us and following approval of the potential property acquisition by our board of directors, it is anticipated that we will enter into a take out purchase and escrow agreement or similar contract providing that, if Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, we will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

In consideration for the payment of a take out fee in the amount of approximately $0.2 million, on December 31, 2002, Wells OP entered into a take out purchase and escrow agreement providing, among other things, that we would be obligated to acquire, at Wells Exchange's cost ($0.4 million in cash plus $0.4 million of assumed debt for each 2.9994% interest of co-tenancy interest unsold), any unsold co-tenancy interests in two buildings known as Meadow Brook Corporate Park located in Birmingham, Alabama, which remain unsold at the expiration of the offering of Wells Exchange on September 30, 2003.

Our obligations under the take out purchase and escrow agreement are secured by reserving against our existing line of credit with Bank of America, N.A. (Interim Lender). If, for any reason, we fail to acquire any of the co-tenancy interests in Meadow Brook Corporate Park which remain unsold as of September 30, 2003, or there is otherwise an uncured default under the interim loan or the line of credit documents, the Interim Lender is authorized to draw down our line of credit in the amount necessary to pay the outstanding balance of the interim loan in full, in which event the appropriate amount of co-tenancy interest in Meadow Brook Corporate Park would be deeded to us. Our maximum economic exposure in the transaction was initially $14.0 million in cash plus assumption of the first mortgage financing in the amount of $13.9 million. As of March 31, 2003, due to the number of co-tenancy interests sold in Meadow Brook Corporate Park through such date, our maximum exposure has been reduced to $6.7 million in cash plus the assumption of the first mortgage financing in the amount of $6.7 million.

Letters of Credit

At March 31, 2003, we had three unused letters of credit totaling approximately $19.7 million outstanding from financial institutions, consisting of letters of credit of approximately $14.5 million, $4.8 million and $0.4 million with expiration dates of February 28, 2004; August 12, 2003; and February 2, 2004, respectively. These amounts are not recorded in the accompanying consolidated balance sheet as of March 31, 2003. These letters of credit were required by three unrelated parties to ensure completion of our obligations under certain earn-out and construction agreements. We do not anticipate a need to draw on these letters of credit.

Properties Under Contract

At March 31, 2003, we have a contract to acquire a third building at our ISS Atlanta Buildings development upon completion of construction (expected in June 2003) for a fixed purchase price of $10.0 million.

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, we may be obligated to expend certain amounts of capital to expand an existing property, construct on adjacent property or provide other expenditures for the benefit of the tenant, in favor of additional rental revenue. At March 31, 2003, tenants have exercised no such options.

Properties Under Construction

As of March 31, 2003, we have executed construction agreements with unrelated third parties for the purpose of constructing two buildings. The table below details the status of the properties under construction as of March 31, 2003:

Property	Total Projected Cost	Construction Costs to Date	Expected Future Costs	Expected Completion Date	Primary Source of Funds
Kerr-McGee	$15.8 million	$ 9.7 million	$6.1 million	July 2003	Debt
AmeriCredit—Phoenix	$24.7 million	$18.9 million	$5.8 million	April 2003	Investor Proceeds

Earn-out Agreements

As part of the acquisition of the IRS Building, we entered into an agreement to pay the seller an additional $14.5 million if we or the seller locates a suitable tenant and leases the vacant space of the building within 18 months after the date of acquisition of the property, or March 2004. If the space is not leased within this time, we are released from any obligation to pay this additional purchase consideration. The 26% of the building that was unleased at the time of acquisition remains unleased at March 31, 2003.

In connection with the acquisition of East Point I and II Buildings, we entered into an earn-out agreement whereby we are required to pay the seller certain amounts for each new, fully executed lease after the date of acquisition of the property but on or before March 31, 2004. Payments shall be the anticipated first year's annual rent less operating expenses with the sum divided by 0.105 and the result reduced by tenant improvement costs related to the space.

Leasehold Property Obligations

The ASML, Motorola Tempe, Avnet, and Bellsouth Ft. Lauderdale Buildings are subject to certain ground leases with expiration dates of 2082, 2082, 2083 and 2049, respectively.

Pending Litigation

In the normal course of business, we may become subject to litigation or claims. In November 2002, we contracted to purchase an office building located in Ramsey County, Minnesota, from Shoreview Associates LLC (Shoreview), who filed a lawsuit against us in Minnesota state court alleging that Shoreview was entitled to the $0.8 million in earnest money that we had deposited under the contract. We have filed a counterclaim in the case asserting that we are entitled to the $0.8 million earnest money deposit. Procedurally, we had the case transferred to U.S. District Court in Minnesota, and Shoreview has moved to transfer the case back to state court. The dispute currently remains in litigation. After consultation with legal counsel, we do not believe that a reserve for a loss contingency is necessary.

Related Party Transactions and Agreements

We have entered into agreements with our advisor and its affiliates, whereby we pay certain fees or reimbursements to our advisor or its affiliates for acquisition and advisory fees and expenses, organization and offering costs, sales commissions dealer manager fees, property management and leasing fees and reimbursement of operating costs. See Note 5 to our consolidated financial statements included in this report for a discussion of the various related party transactions, agreements and fees.

Conflicts of Interest

Our advisor is also a general partner in and advisor to various Wells Real Estate Funds. As such, there are conflicts of interest where our advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with us in connection with property acquisitions or for tenants in similar geographic markets.

Subsequent Events

Sale of shares of our Common Stock

From April 1, 2003 through May 15, 2003, we raised approximately $271.6 million through the issuance of approximately 27.2 million shares of our common stock.

Property Acquisitions

On April 30, 2003, we purchased the Citicorp Englewood Cliffs, NJ Building, a three-story office building containing approximately 410,000 rentable square feet located in Englewood Cliffs, New Jersey, for a purchase price of $70.5 million, excluding closing costs and acquisition and advisory fees and expenses paid to our advisor. The building is leased entirely to Citicorp North America, Inc., a wholly-owned subsidiary of Citicorp, Inc.

On May 1, 2003, we purchased the US Bancorp Minneapolis Building, a 32-story office building containing approximately 929,694 rentable square feet located in Minneapolis, Minnesota, for a purchase price of $174 million, excluding closing costs and acquisition and advisory fees and expenses paid to our advisor. The building is approximately 99% leased under leases to various tenants with varying terms, including US Bancorp Piper Jaffray Companies, Inc. which leases approximately 77% of the building.

On May 9, 2003, we purchased the Aon Center Chicago Building, an 83-story office building containing approximately 2.6 million rentable square feet located in Chicago, Illinois, for a purchase price of $465.2 million, excluding closing costs and acquisition and advisory fees and expenses paid to our advisor. The building is approximately 92% leased under leases to various tenants with varying lease terms, including BP Corporation North America, Inc, DDB & Needham Chicago, Inc. and Kirkland & Ellis, which collectively lease approximately 54% of the building.

On May 9, 2003, we acquired the GMAC Detroit Building, a three-story office building containing approximately 119,122 square feet located in Auburn Hills, Michigan, for a purchase price of approximately $17.8 million, excluding closing costs and acquisition and advisory fees and expenses paid to our advisor. The building is approximately 86% leased to the GMAC Corporation and Delmia Corporation. For the remaining approximately 14% unleased portion of the building, we are required to pay the seller certain amounts for each new, fully executed lease entered into after the date of acquisition of the building but on or before November 8, 2004. Payments are calculated by dividing the sum of the anticipated first year's annual rent less operating expenses by 0.095 and the result reduced by tenant improvement costs related to the space.

Line of Credit

On April 23, 2003, we entered into the $500 Million Line of Credit, an unsecured revolving credit facility with a consortium of banks, including Bank of America, N.A. (BOA). The agreement expires in April 2005 and replaced the $110 million line of credit with BOA. We paid up-front commitment fees totaling $2.3 million to the lenders based on each financial institution's relative commitment level. The agreement contains alternative borrowing arrangements that provide for interest costs based on LIBOR plus up to 1.625% or certain other alternative rates. Additionally, we are required to pay a quarterly facility fee of .25% per annum on the entire amount of this credit facility.

Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the US Bancorp Minneapolis Building and the Aon Chicago Center Building for the year ended December 31, 2002, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The financial statements of the Wells REIT, as of March 31, 2003, and for the three month period ended March 31, 2003, which are included in this supplement, have not been audited.

The statements of revenues over certain operating expenses of the Aon Chicago Center Building for the three months ended March 31, 2003, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of March 31, 2003, the pro forma statement of income for the year ended December 31, 2002, and the pro forma statement of income for the three months ended March 31, 2003, which are included in this supplement, have not been audited.

INDEX TO FINANCIAL STATEMENTS

	Page
Wells Real Estate Investment Trust, Inc. and Subsidiaries	
Unaudited Financial Statements	
Consolidated Balance Sheets as of March 31, 2003 (unaudited) and December 31, 2002	21
Consolidated Statements of Income for the three months ended March 31, 2003 and March 31, 2002 (unaudited)	22
Consolidated Statements of Shareholders' Equity for the year ended December 31, 2002 and for the three months ended March 31, 2003 (unaudited)	23
Consolidated Statements of Cash Flows for the three months ended March 31, 2003 and March 31, 2002 (unaudited)	24
Condensed Notes to Consolidated Financial Statements March 31, 2003 (unaudited)	25
US Bancorp Minneapolis Building	
Report of Independent Auditors	35
Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 2002 (audited)	36
Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 2002 (audited)	37
Aon Center Chicago Building	
Report of Independent Auditors	39
Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the three months ended March 31, 2003 (unaudited)	40
Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the three months ended March 31, 2003 (unaudited)	41
Wells Real Estate Investment Trust, Inc. and Subsidiaries	
Unaudited Pro Forma Financial Statements	
Summary of Unaudited Pro Forma Financial Statements	43
Pro Forma Balance Sheet as of March 31, 2003 (unaudited)	44
Pro Forma Statement of Income for the year ended December 31, 2002 (unaudited)	46
Pro Forma Statement of Income for the three months ended March 31, 2003 (unaudited)	47

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	March 31, 2003	December 31, 2002
	(unaudited)	
Assets:		
Real estate assets, at cost:		
Land	**$ 291,140**	$ 279,185
Building and improvements, less accumulated depreciation of $82,812 at March 31, 2003, and $63,594 at December 31, 2002	**1,811,220**	1,683,036
Construction in progress	**24,102**	42,746
Total real estate assets	**2,126,462**	2,004,967
Investments in joint ventures	**83,286**	83,915
Cash and cash equivalents	**118,030**	45,464
Rents receivable	**19,928**	19,321
Deferred project costs	**5,124**	1,494
Due from affiliates	**2,167**	1,961
Prepaid expenses and other assets, net	**5,997**	4,407
Deferred lease acquisition costs, net	**1,561**	1,638
Intangible lease assets	**14,147**	12,060
Investment in bonds	**54,500**	54,500
Total assets	**$2,431,202**	$2,229,727
Liabilities, Minority Interest and Shareholders' Equity:		
Borrowings	**$ 108,986**	$ 248,195
Obligations under capital leases	**54,500**	54,500
Intangible lease liabilities	**32,033**	32,697
Accounts payable and accrued expenses	**23,131**	24,580
Due to affiliates	**5,292**	15,975
Dividends payable	**7,252**	6,046
Deferred rental income	**11,164**	11,584
Total liabilities	**242,358**	393,577
Minority interest of unit holder in operating partnership	**200**	200
Commitments and Contingencies	—	—
Shareholders' Equity:		
Common shares, $.01 par value; 750,000,000 shares authorized, 260,469,726 shares issued and 257,083,636 outstanding at March 31, 2003, and 750,000,000 shares authorized, 217,790,874 shares issued and 215,699,717 shares outstanding at December 31, 2002	**2,605**	2,178
Additional paid-in capital	**2,310,731**	1,929,381
Cumulative distributions in excess of earnings	**(90,802)**	(74,310)
Treasury stock, at cost, 3,386,090 shares at March 31, 2003 and 2,091,157 shares at December 31, 2002	**(33,860)**	(20,912)
Other comprehensive loss	**(30)**	(387)
Total shareholders' equity	**2,188,644**	1,835,950
Total liabilities, minority interest and shareholders' equity	**$2,431,202**	$2,229,727

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2003	**2002**
Revenues:		
Rental income	**$ 53,343**	$16,738
Tenant reimbursements	**9,601**	4,415
Equity in income of joint ventures	**1,261**	1,207
Interest income and other income	**1,154**	1,248
	65,359	23,608
Expenses:		
Depreciation	**19,218**	5,744
Property operating costs	**15,220**	5,040
Management and leasing fees	**2,333**	900
General and administrative	**1,576**	529
Interest expense	**2,648**	615
	40,995	12,828
Net income	**$ 24,364**	$10,780
Earnings per share		
Basic and diluted	**$ 0.10**	$ 0.11
Weighted average shares outstanding		
Basic and diluted	**233,247**	94,845
Dividends declared per share	**$ 0.18**	$ 0.19

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002
AND FOR THE THREE MONTHS ENDED MARCH 31, 2003 (UNAUDITED)
(in thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock		Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				Shares	Amount		
Balance, December 31, 2001	83,761	$ 838	$ 738,236	$ (24,181)	$ —	(555)	$ (5,550)	—	$ 709,343
Issuance of common stock	134,030	1,340	1,338,953	—	—	—	—	—	1,340,293
Treasury stock purchased	—	—	—	—	—	(1,536)	(15,362)	—	(15,362)
Dividends ($0.76 per share)	—	—	—	(50,129)	(59,854)	—	—	—	(109,983)
Sales commissions and dealer manager fees	—	—	(127,332)	—	—	—	—	—	(127,332)
Other offering costs	—	—	(20,476)	—	—	—	—	—	(20,476)
Components of comprehensive income:									
Net income	—	—	—	—	59,854	—	—	—	59,854
Change in value of interest rate swap	—	—	—	—	—	—	—	(387)	(387)
Comprehensive income									59,467
Balance, December 31, 2002	217,791	2,178	1,929,381	(74,310)	—	(2,091)	(20,912)	(387)	1,835,950
Issuance of common stock	**42,679**	**427**	**426,362**	**—**	**—**	**—**	**—**	**—**	**426,789**
Treasury stock purchased	**—**	**—**	**—**	**—**	**—**	**(1,295)**	**(12,948)**	**—**	**(12,948)**
Dividends ($0.18 per share)	**—**	**—**	**—**	**(16,492)**	**(24,364)**	**—**	**—**	**—**	**(40,856)**
Sales commissions and dealer manager fees	**—**	**—**	**(40,221)**	**—**	**—**	**—**	**—**	**—**	**(40,221)**
Other offering costs	**—**	**—**	**(4,791)**	**—**	**—**	**—**	**—**	**—**	**(4,791)**
Components of comprehensive income:									
Net income	**—**	**—**	**—**	**—**	**24,364**	**—**	**—**	**—**	**24,364**
Change in value of interest rate swap	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**357**	**357**
Comprehensive income									**24,721**
Balance, March 31, 2003	**260,470**	**$2,605**	**$2,310,731**	**$ (90,802)**	**—**	**(3,386)**	**$(33,860)**	**$ (30)**	**$2,188,644**

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2003	2002
Cash flows from operating activities:		
Net income	**$ 24,364**	$ 10,780
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	**(1,261)**	(1,207)
Depreciation	**19,218**	5,744
Amortization of deferred financing costs	**415**	175
Amortization of intangible lease assets/liabilities	**(485)**	—
Amortization of deferred lease acquisition costs	**78**	73
Changes in assets and liabilities:		
Rents receivable	**(607)**	(1,694)
Due from affiliates	**—**	(13)
Deferred rental income	**(420)**	906
Accounts payable and accrued expenses	**(1,449)**	(157)
Prepaid expenses and other assets, net	**(1,140)**	(1,092)
Due to affiliates	**(21)**	(1)
Net cash provided by operating activities	**38,692**	13,514
Cash flows from investing activities:		
Investment in real estate assets	**(129,981)**	(104,052)
Contributions to joint ventures	**(78)**	—
Investment in intangible lease assets	**(2,651)**	—
Deferred project costs paid	**(20,966)**	(9,461)
Distributions received from joint ventures	**1,786**	1,691
Deferred lease acquisition costs paid	**—**	(400)
Net cash used in investing activities	**(151,890)**	(112,222)
Cash flows from financing activities:		
Proceeds from borrowings	**5,151**	2,947
Repayment of borrowings	**(144,360)**	—
Dividends paid to shareholders	**(39,650)**	(17,556)
Issuance of common stock	**426,789**	255,703
Treasury stock purchased	**(12,952)**	(3,042)
Sales commissions and dealer manager fees paid	**(40,221)**	(24,580)
Other offering costs paid	**(8,993)**	(3,327)
Net cash provided by financing activities	**185,764**	210,145
Net increase in cash and cash equivalents	**72,566**	111,437
Cash and cash equivalents, beginning of year	**45,464**	75,586
Cash and cash equivalents, end of period	**$ 118,030**	$ 187,023

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2003

(UNAUDITED)

1. Organization

General

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation that qualifies as a real estate investment trust ("REIT"). The Company was incorporated in 1997 and commenced operations on June 5, 1998.

The Company engages in the acquisition and ownership of commercial real estate properties throughout the United States, including properties which are under construction, are newly constructed or have operating histories. At March 31, 2003, the Company has invested in commercial office and industrial real estate assets, either directly or through joint ventures with real estate limited partnership programs sponsored by Wells Capital, Inc. (the "Advisor") or its affiliates.

The Company's business is conducted through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership, and its subsidiaries, and Wells REIT-Independence Square, LLC ("Wells REIT-Independence"), a single member Georgia limited liability company. Wells OP was formed to acquire, develop, own, lease and operate properties on behalf of the Company, directly, through wholly-owned subsidiaries or through joint ventures. Wells REIT-Independence was formed to acquire the NASA building located in Washington, D.C. The Company is the sole general partner in Wells OP and the sole member of Wells REIT-Independence and possesses full legal control and authority over the operations of Wells OP and Wells REIT-Independence. Wells OP, and its subsidiaries, and Wells REIT-Independence comprise the Company's subsidiaries.

Four offerings of the Company's stock have been initiated as follows:

Offering #	Date Commenced	Termination Date	Gross Proceeds	Shares Issued
1	January 30, 1998	December 19, 1999	$ 132.2 million	13.2 million
2	December 20, 1999	December 19, 2000	$ 175.2 million	17.5 million
3	December 20, 2000	July 26, 2002	$ 1,283.0 million	128.3 million
4	July 26, 2002	Offering will terminate on or before July 25, 2004	$ 1,014.3 million (through March 31, 2003)	101.5 million (through March 31, 2003)
Total as of March 31, 2003			$ 2,604.7 million	260.5 million

After incurring costs from all offerings of $90.0 million in acquisition and advisory fees and expenses, $246.6 million in selling commissions, $44.8 million in organization and offering expenses to the Advisor, investment in real estate assets and joint ventures of $2,080.8 million and common stock redemptions pursuant to the Company's share redemption program of $33.9 million, the Company was holding net offering proceeds of approximately $108.6 million available for investment in properties at March 31, 2003.

The Company's stock is not listed on a national exchange. However, the Company's Articles of Incorporation currently require if the Company's stock is not listed on a national exchange by January 30, 2008, the Company must begin the process of liquidating its investments and distributing the resulting proceeds to the shareholders. The Company's Articles of Incorporation can only be amended by a proxy vote of the Company's shareholders.

Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and Article 10 of Regulation S-X and do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Independent auditors have not examined these quarterly statements, but in the opinion of management, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2002.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and has operated as such beginning with its taxable year ended December 31, 1998. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90% of the REIT's ordinary taxable income to shareholders. As a REIT, the Company generally will not be subject to federal income tax on taxable 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 taxes on its taxable income for four years following the year during which qualification is lost, unless the Internal Revenue Service grants the Company relief under certain statutory provisions. Such an event could materially adversely affect the Company's net income and net cash available for distribution 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 that the Company will remain qualified as a REIT for federal income tax purposes. No provision for federal income taxes has been made in the accompanying consolidated financial statements, as the Company made distributions in excess of its taxable income for the periods presented.

Recent Pronouncements

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 141 *"Business Combinations,"* and Statement of Financial Accounting Standards No. 142 "*Goodwill and Intangibles."* These standards govern business combinations, asset acquisitions and the accounting for acquired intangibles. The Company determines whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of real estate assets. The resulting intangible lease assets and liabilities are recorded at their estimated fair market values at the date of acquisition and amortized over the remaining term of the respective lease to rental income. Amortization of the intangible lease assets and liabilities resulted in a net increase in rental revenue of $0.5 million for the three months ended March 1, 2003.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 ("FIN 46"), *"Consolidation of Variable Interest Entities,"* which clarifies the application of Accounting Research Bulletin ("ARB") No. 51, *"Consolidated Financial Statements,"* relating to consolidation of certain entities. FIN 46 requires the identification of the Company's participation in variable interest entities ("VIEs"), which are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit them to operate on a stand alone basis, or whose equity holders lack certain characteristics of a controlling financial interest. For entities identified as VIEs, FIN 46 sets forth a model to evaluate potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to its expected losses, or stands to gain from a majority of its expected returns. FIN 46 is effective for all new VIEs created or acquired after January 31, 2003. For VIEs created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. FIN 46 also sets forth certain disclosures regarding interests in VIEs that are deemed significant, even if consolidation is not required. As the Company's joint ventures do not fall under the definition of VIEs provided above, we do not believe that the adoption of FIN 46 will result in the consolidation of any previously unconsolidated entities.

2. Real Estate Assets

Significant Events

During the three months ended March 31, 2003, the Company acquired ownership interests in two properties for a total purchase price of $115.8 million, exclusive of related closing costs and acquisition and advisory fees paid to the Advisor as described below.

East Point I & II Buildings

On January 9, 2003, the Company purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio, for a purchase price of $22.0 million. Progressive Casualty Insurance; Austin, Danaher Power Solutions; and Moreland Management Company occupy approximately 92% of the rentable square feet in the two buildings. The remaining approximately 8% of the rentable square feet is vacant. At closing, the Company entered into an earn-out agreement with the seller with regard to the vacant space that requires the Company to pay the seller certain amounts for each new, fully-executed lease after the date of acquisition but on or before March 31, 2004, relating to the vacant space. Payments are calculated by dividing the anticipated first year's annual rent less operating expenses 0.105, with the result being reduced by tenant improvement costs related to the space.

150 West Jefferson Detroit Building

On March 31, 2003, the Company purchased a 25-story office building containing approximately 505,417 rentable square feet located at 150 West Jefferson Avenue, downtown Detroit, Michigan, for a purchase price of $93.8 million. The building is 99% occupied under leases to various tenants with varying lease terms, including Miller, Canfield, Paddock, & Stone; Butzel Long PC; and MCN Energy Group, Inc., which collectively occupy approximately 62% of the building.

Nissan Building

In March 2003, the Company substantially completed the construction of the Nissan Building located in Dallas, Texas, and transferred total construction costs for the project from construction in progress to building and improvements. Nissan Motor Acceptance Corporation will occupy the building under a lease commencing on April 1, 2003. The construction was financed through a loan that was paid off in March 2003, when the building was substantially complete.

3. Investment in Joint Ventures

The information below summarizes the operations of the seven unconsolidated joint ventures that the Company, through Wells OP, had ownership interests as of March 31, 2003.

CONDENSED COMBINED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2003	2002
	(000s)	(000s)
Revenues:		
Rental income	**$5,284**	$4,728
Tenant reimbursements	**470**	641
Other income	**8**	13
Total revenues	**5,762**	5,382
Expenses:		
Depreciation	**1,768**	1,604
Operating expenses	**966**	831
Management and leasing fees	**329**	262
Total expenses	**3,063**	2,697
Net income	**$2,699**	$2,685
Net income allocated to the Company	**$1,261**	$1,207

4. Borrowings

The Company has financed certain investments, acquisitions and developments through various borrowings as described below. On March 31, 2003, and December 31, 2002, the Company had the following amounts outstanding:

Facility	March 31, 2003	December 31, 2002
	(000s)	(000s)
$110 million Bank of America Line of Credit; accruing interest at LIBOR plus 175 basis points (3.05% at March 31, 2003); requiring interest payments monthly with principal due at maturity (May 11, 2004); collateralized by the Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Matsushita Building, the Metris Minnesota Building, the Motorola Plainfield Building and the Delphi Building	**$ —**	$ 58,000
$98.1 million SouthTrust Bank Line of Credit; accruing interest at LIBOR plus 175 basis points (3.05 % at March 31, 2003); requiring interest payments monthly and principal due at maturity (June 10, 2003); collateralized by the Novartis Building, the Cinemark Building, the Dial Building, the ASML Building, the Alstom Power Richmond Building, the Avnet Building, the Agilent Atlanta Building and the Eisenhower Boulevard Building (formerly the PwC Building)	**—**	61,399
$90 million note payable to Landesbank Schleswig-Hostein Gironzentrale, Kiel; accruing interest at LIBOR plus 115 basis points; currently locked at 2.53% through July 2, 2003 (2.53% at March 31, 2003); requiring interest payments monthly, with principal due at maturity (December 20, 2006); collateralized by the Nestle Building	**90,000**	90,000
$34.2 million construction loan payable to Bank of America; accruing interest at LIBOR plus 200 basis points; requiring interest payments monthly and principal due at maturity (July 30, 2003); collateralized by the Nissan Building(1)	**—**	23,149
$13.7 million construction loan payable to Bank of America; accruing interest at LIBOR plus 200 basis points (3.30% at March 31, 2003); requiring interest payments monthly, with principal due at maturity (January 29, 2004); collateralized by the Kerr-McGee Property(2)	**7,435**	4,038
$8.8 million note payable to Prudential; accruing interest at 8%; requiring interest and principal payments monthly with any unamortized principal due at maturity (December 15, 2003); collateralized by the BMG Buildings	**8,651**	8,709

Facility	March 31, 2003	December 31, 2002
	(000s)	(000s)
$2.9 million note payable to Prudential; accruing interest at 8.5%; requiring interest payments monthly with principal due at maturity (December 15, 2003); collateralized by the BMG Buildings	**2,900**	2,900
Total borrowings	**$108,986**	$ 248,195

(1) The Company repaid this loan in March 2003, upon substantial completion of the construction of the property. At that time, the Company terminated the interest rate swap at a cost of $0.3 million, which was reclassified from other comprehensive income to interest expense.

(2) The Company has entered into an interest rate swap for this construction loan. The swap has the effect of fixing the interest rate at 4.27% through July 15, 2003.

5. Related-Party Transactions

Advisory Agreement

The Company has entered into an Advisory Agreement with the Advisor, which entitles the Advisor to specified fees upon the completion of certain services with regard to the offering of shares to the public and investment of funds in real estate projects. The current Advisory Agreement dated January 30, 2002, has been temporarily extended by the board of directors until May 19, 2003.

Under the terms of the agreement, the Advisor receives the following fees and reimbursements:

- Acquisition and advisory fees and expenses of 3.5% of gross offering proceeds, subject to certain limitations;
- Reimbursement of organization and offering costs paid on behalf of the Company, not to exceed 3% of gross offering proceeds;
- Disposition fee of 50% of the lesser of a competitive real estate commission or 3% of the sales price of the property, subordinated to the payment of dividends to shareholders equal to the sum of the shareholders' invested capital plus an 8% return on invested capital;
- Incentive fee of 10% of net sales proceeds remaining after shareholders have received dividends equal to the sum of the shareholders' invested capital plus an 8% return of invested capital; and
- Listing fee of 10% of the excess by which the market value of the stock plus dividends paid prior to listing exceeds the sum of 100% of the invested capital plus an 8% return on invested capital.

Acquisition and advisory fees and expenses incurred for the quarters ended March 31, 2003 and 2002, totaled $14.5 million and $8.8 million, respectively. Organizational and offering costs incurred for the quarters ended March 31, 2003 and 2002, totaled $4.8 million and $1.8 million, respectively. The Company incurred no disposition, incentive or listing fees during the quarters ended March 31, 2003 and 2002.

Administrative Services Reimbursement

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The related expenses are allocated among the Company and the various Wells Real Estate Funds based on time spent on each entity by individual administrative personnel. These expenses are included in general and administrative expenses in the consolidated statements of income. These expenses totaled $1.0 million and $0.3 million for the three months ended March 31, 2003 and 2002, respectively.

Property Management and Leasing Agreements

The Company has entered into a property management and leasing agreement with Wells Management. In consideration for supervising the management and leasing of the Company’s properties, the Company will pay management and leasing fees to Wells Management equal to the lesser of (a) 4.5% of the gross revenues generally paid over the life of the lease or (b) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Company. These management and leasing fees are calculated on an annual basis plus a separate competitive fee for the one-time initial lease-up of newly constructed properties generally paid in conjunction with the receipt of the first month’s rent. These expenses totaled $2.2 million and $0.8 million for the three months ended March 31, 2003 and 2002, respectively.

Dealer Manager Agreement

The Company has entered into a dealer manager agreement with Wells Investment Securities, Inc. (“WIS”), an affiliate of the Advisor, whereby WIS performs the dealer manager function for the Company. For these services, WIS earns fees of 7% of the gross proceeds from the sale of the shares of the Company, most of which are reallowed to participating broker-dealers. Additionally, WIS earns a dealer manager fee of 2.5% of the gross offering proceeds at the time the shares are sold, of which up to 1.5% may be reallowed to participating broker-dealers. WIS has elected, although is not obligated, to reduce the dealer manager fee amount in each period by 2.5% of the gross redemptions under the Company’s share redemption plan. During the three months ended March 31, 2003 and 2002, the Company incurred commissions of $29.9 million and $17.9 million, respectively, of which more than 99% was reallowed to participating broker-dealers. Dealer manager fees of $10.3 million and $6.3 million were incurred for the quarters ended March 31, 2003 and 2002, respectively. Of these amounts, $5.0 million and $2.0 million were reallowed to participating broker-dealers for the quarters ended March 31, 2003 and 2002, respectively.

Due From Affiliates

Due from affiliates included in the consolidated balance sheets primarily represents the Company’s share of the cash to be distributed from its joint venture investments for the first quarter of 2003 and the fourth quarter 2002 and other amounts payable to the Company from other related parties.

Conflicts of Interest

The Advisor also is a general partner in various Wells Real Estate Funds. As such, there are 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 Company in connection with property acquisitions or for tenants in similar geographic markets.

6. Consolidated Statement of Cash Flows Supplemental Information

	For the three months ended March 31,	
	2003	**2002**
SUPPLEMENTAL INFORMATION:		
Interest paid during the period, including amounts capitalized	**$ 3,188**	$ 493
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	**$ 10,853**	$ 4,080
Deferred project costs due to affiliate	**$ 1,224**	$ 496
Deferred offering costs due to affiliate	**$ —**	$ 245
Other offering expenses due to affiliate	**$ 4,061**	$ 142
Acquisition of intangible lease liability	**$ 385**	$ —
Dividends payable	**$ 7,252**	$ 3,657
Due from affiliates	**$ 1,968**	$ 1,805

7. Commitments and Contingencies

Take Out Purchase and Escrow Agreement

The Advisor and its affiliates have developed a program (the "Wells Section 1031 Program") involving the acquisition by a subsidiary of Wells Management Company ("Wells Exchange") of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to the Company and following approval of the potential property acquisition by the Company's board of directors, it is anticipated that the Company will enter into a take out purchase and escrow agreement or similar contract providing that, if Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, the Company will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

In consideration for the payment of a take out fee in the amount of approximately $0.2 million, on December 31, 2002, Wells OP entered into a take out purchase and escrow agreement providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost ($0.4 million in cash plus $0.4 million of assumed debt for each 2.9994% interest of co-tenancy interest unsold), any unsold co-tenancy interests in two buildings known as Meadow Brook Corporate Park located in Birmingham, Alabama, which remain unsold at the expiration of the offering of Wells Exchange on September 30, 2003.

The obligations of Wells OP under the take out purchase and escrow agreement are secured by reserving against Well OP's existing line of credit with Bank of America, N.A. (the "Interim Lender"). If, for any reason, Wells OP fails to acquire any of the co-tenancy interests in Meadow Brook Corporate Park which remain unsold as of September 30, 2003, or there is otherwise an uncured default under the interim loan or the line of credit documents, the Interim Lender is authorized to draw down Wells OP's line of credit in the amount necessary to pay the outstanding balance of the interim loan in full, in which event the appropriate amount of co-tenancy interest in Meadow Brook Corporate Park would be deeded to Wells OP. Wells OP's maximum economic exposure in the transaction was initially $14.0 million in cash plus assumption of the first mortgage financing in the amount of $13.9 million. As of March 31, 2003, due to the number of co-tenancy interests sold in Meadow Brook Corporate Park through such date, Wells OP's maximum exposure has been reduced to $6.7 million in cash plus the assumption of the first mortgage financing in the amount of $6.7 million.

Letters of Credit

At March 31, 2003, the Company had three unused letters of credit totaling approximately $19.7 million outstanding from financial institutions, consisting of letters of credit of approximately $14.5 million, $4.8 million and $0.4 million with expiration dates of February 28, 2004; August 12, 2003; and February 2, 2004, respectively. These amounts are not recorded in the accompanying consolidated balance sheet as of March 31, 2003. These letters of credit were required by three unrelated parties to ensure completion of the Company's obligations under certain earn-out and construction agreements. The Company does not anticipate a need to draw on these letters of credit.

Properties Under Contract

At March 31, 2003, the Company has a contract to acquire a third building at the ISS Atlanta Buildings development upon completion of construction (expected in June 2003) for a fixed purchase price of $10.0 million.

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, the Company may be obligated to expend certain amounts of capital to expand an existing property, construct on adjacent property or provide other expenditures for the benefit of the tenant, in favor of additional rental revenue. At March 31, 2003, no tenants have exercised such options.

Properties Under Construction

As of March 31, 2003, the Company had executed construction agreements with unrelated third parties for the purpose of constructing two buildings. The table below details the status of the properties under construction as of March 31, 2003:

Property	Total Projected Cost	Construction Costs to Date	Expected Future Costs	Expected Completion Date	Primary Source of Funds
Kerr-McGee	$15.8 million	$ 9.7 million	$6.1 million	July 2003	Debt
AmeriCredit—Phoenix	$24.7 million	$18.9 million	$5.8 million	April 2003	Investor Proceeds

Earn-out Agreements

As part of the acquisition of the IRS Building, the Company entered into an agreement to pay the seller an additional $14.5 million if the Company or the seller locates a suitable tenant and leases the vacant space of the building within 18 months after the date of acquisition of the property, or March 2004. If the space is not leased within this time, the Company is released from any obligation to pay this additional purchase consideration. The 26% of the building that was vacant at the time of acquisition remains unleased at March 31, 2003.

In connection with the acquisition of the East Point I and II Buildings, the Company entered into an earn-out agreement whereby the Company is required to pay the seller certain amounts for each new, fully executed lease after the date of acquisition of the property but on or before March 31, 2004. Payments shall be the anticipated first year's annual rent less operating expenses with the sum divided by 0.105 and the result reduced by tenant improvement costs related to the space.

Leasehold Property Obligations

The ASML, Motorola Tempe, Avnet and Bellsouth Ft. Lauderdale Buildings are subject to certain ground leases with expiration dates of 2082, 2082, 2083 and 2049, respectively.

Pending Litigation

In the normal course of business, the Company may become subject to litigation or claims. In November 2002, the Company contracted to purchase an office building located in Ramsey County, Minnesota, from Shoreview Associates LLC ("Shoreview"), who filed a lawsuit against the Company in Minnesota state court alleging that Shoreview was entitled to the $0.8 million in earnest money the Company had deposited under the contract. The Company has filed a counterclaim in the case asserting that the Company is entitled to the $0.8 million earnest money deposit. Procedurally, the Company had the case transferred to U.S. District Court in Minnesota, and Shoreview has moved to transfer the case back to state court. The dispute currently remains in litigation. After consultation with legal counsel, management does not believe that a reserve for a loss contingency is necessary.

8. Subsequent Events

Sale of Shares of Common Stock

From April 1, 2003 through April 30, 2003, the Company has raised approximately $179.2 million through the issuance of 17.9 million shares of common stock of the Company.

Property Acquisitions

On April 30, 2003, the Company purchased the Citicorp Englewood Cliffs, NJ Building, a three-story office building containing approximately 410,000 rentable square feet located in Englewood Cliffs, New Jersey, for a purchase price of $70.5 million, excluding closing costs and acquisition and advisory fees and expenses paid to the Advisor. The building is leased entirely to Citicorp North America, Inc., a wholly-owned subsidiary of Citicorp, Inc.

On May 1, 2003, the Company purchased the US Bancorp Minneapolis Building, a 32-story office building containing approximately 929,694 rentable square feet located in Minneapolis, Minnesota, for a purchase price of $174.0 million, excluding closing costs and acquisition and advisory fees and expenses paid to the Advisor. The building is approximately 99% leased under leases to various tenants with varying terms, including US Bancorp Piper Jaffray Companies, Inc., which leases approximately 77% of the building.

On May 9, 2003, the Company purchased the Aon Center Chicago Building, an 83-story office building containing approximately 2.6 million rentable square feet located in Chicago, Illinois, for a purchase price of approximately $465.2 million, excluding closing costs and acquisition and advisory costs paid to the Advisor. The building is approximately 92% leased under leases to various tenants with varying lease terms, including BP Corporation North American, Inc., DDB Needham Chicago, Inc. and Kirkland & Ellis, which collectively lease approximately 54% of the building.

On May 9, 2003, the Company acquired the GMAC Detroit Building, a three story office building containing approximately 119,122 square feet located in Auburn Hills, Michigan, for a purchase price of approximately $17.8 million, excluding closing costs and acquisition and advisory fees and expenses paid to the Advisor. The building is approximately 86% leased to the GMAC Corporation and Delmia Corporation. For the remaining approximately 14% of the building, the Company is required to pay the seller certain amounts for each new, fully executed lease entered into after the date of acquisition of the building but on or before November 8, 2004. Payments are calculated by dividing the sum of the anticipated first year's annual rent less operating expenses by 0.095, with the result being reduced by tenant improvement costs related to the space.

Line of Credit

On April 23, 2003, the Company entered into a $500 million unsecured revolving credit facility with a consortium of banks. The agreement expires in April 2005 and replaced the $110 million line of credit with Bank of America. The Company paid up-front commitment fees totaling $2.3 million to the lenders based on each financial institution's relative commitment level. The agreement contains alternative borrowing arrangements that provide for interest costs based on LIBOR plus up to 1.625%, or certain other alternative rates. Additionally, the Company is required to pay a quarterly facility fee of .25% per annum on the entire amount of this credit facility.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the US Bancorp Minneapolis Building for the year ended December 31, 2002. This statement is the responsibility of the US Bancorp Minneapolis Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the US Bancorp Minneapolis Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the US Bancorp Minneapolis Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia
May 5, 2003

US Bancorp Minneapolis Building

Statement of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
(in thousands)

Revenues:	
Base rent	$12,495
Tenant reimbursements	9,699
Parking revenues	980
Total revenues	23,174
Expenses:	
Real estate taxes	5,839
Other operating expenses	2,022
Utilities	1,476
Cleaning	971
Management fee	690
Administrative	646
Total expenses	11,644
Revenues over certain operating expenses	$11,530

See accompanying notes.

US Bancorp Minneapolis Building

Notes to Statement of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002

1. Description of Real Estate Property Acquired

On May 1, 2003, Wells Operating Partnership, L.P. ("Wells OP') acquired the US Bancorp Minneapolis Building, a 929,694 square foot Class A office tower located in Minneapolis, Minnesota, from MN-Nicollet Mall, LLC ("Nicollet Mall"). Total consideration for the acquisition was approximately $174 million, excluding acquisition costs. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statement of revenues over certain operating expenses is presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, this statement is not comparable to the statement of operations of the US Bancorp Minneapolis Building after its acquisition by Wells OP.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of recognized rentals over amounts due pursuant to lease terms is recorded as straight-line rent receivable. The impact of the straight-line rent adjustment increased revenue by approximately $1.6 million for the year ended December 31, 2002.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

US Bancorp Minneapolis Building

Notes to Statement of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002

4. Description of Leasing Arrangements

The office and retail space is leased to tenants under leases with terms that vary in length. Certain leases contain reimbursement clauses and renewal options. Nicollet Mall's interests in all lease agreements were assigned to Wells OP upon its acquisition of the US Bancorp Minneapolis Building.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 14,589
2004	14,645
2005	14,603
2006	13,890
2007	13,161
Thereafter	85,650
	$156,538

One tenant, US Bancorp Piper Jaffray Companies, Inc., contributed approximately 73% of rental income for the year ended December 31, 2002. Subsequent to December 31, 2002, this tenant will contribute approximately 86% of the future minimum rental income of those leases in place as of that date.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Aon Center Chicago Building for the year ended December 31, 2002. This statement is the responsibility of the Aon Center Chicago Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Aon Center Chicago Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Aon Center Chicago Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia
May 9, 2003

Aon Center Chicago Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the three months ended March 31, 2003 (unaudited)
(in thousands)

	2003	2002
	(unaudited)	
Revenues:		
Base rent	$ 9,478	$37,923
Tenant reimbursements	8,411	37,119
Parking revenues	436	1,679
Other revenues	526	1,332
Total revenues	18,851	78,053
Expenses:		
Real estate taxes	5,128	21,501
Other operating expenses	837	4,749
Cleaning	1,103	4,629
Security	682	4,143
Utilities	1,279	4,025
Administrative	635	2,965
HVAC	385	2,224
Total expenses	10,049	44,236
Revenues over certain operating expenses	$ 8,802	$33,817

See accompanying notes.

Aon Center Chicago Building

Notes to Statements of Revenues Over Certain Operating Expenses
For the year ended December 31, 2002
and the three months ended March 31, 2003 (unaudited)

1. Description of Real Estate Property Acquired

On May 9, 2003, Wells REIT-Chicago Center, Chicago LLC ("the Company") acquired the Aon Center Chicago Building, an approximately 2.6 million square foot Class A office tower located in Chicago, Illinois, from BRE/Randolph Drive, LLC ("Randolph Drive"). Total consideration for the acquisition was approximately $465.2 million. The Company, a Georgia limited liability company, was created on April 30, 2003. Wells Operating Partnership, L.P. ("Wells OP") is the sole member of the Company. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses is presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the Aon Center Chicago Building after its acquisition by the Company.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of recognized rentals over amounts due pursuant to lease terms is recorded as straight-line rent receivable. The impact of the straight-line rent adjustment increased revenue by approximately $1.7 million for the year ended December 31, 2002 and $195,000 for the three months ended March 31, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Aon Center Chicago Building

Notes to Statements of Revenues Over Certain Operating Expenses
For the year ended December 31, 2002
and the three months ended March 31, 2003 (unaudited)

4. Description of Leasing Arrangements

The office and retail space is leased to tenants under leases with terms that vary in length. Certain leases contain reimbursement clauses and renewal options. Randolph Drive's interests in all lease agreements were assigned to the Company upon its acquisition of the Aon Center Chicago Building.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 36,822
2004	39,539
2005	36,693
2006	32,778
2007	32,652
Thereafter	185,071
	$363,555

Two tenants, Amoco Corporation and Kirkland & Ellis, contributed approximately 46% and 11%, respectively, of rental income for the year ended December 31, 2002. At December 31, 2002, three tenants, Amoco Corporation, DDB Needham and Kirkland & Ellis, will contribute approximately 54%, 12% and 11%, respectively, of the future minimum rental income of those leases in place as of that date.

6. Interim Unaudited Financial Information

The financial statement for the three months ended March 31, 2003 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2002 and its quarterly report on Form 10-Q for the three months ended March 31, 2003. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of March 31, 2003 has been prepared to give effect to the second quarter 2003 acquisitions of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building and the GMAC Detroit Building by Wells Operating Partnership, L.P. ("Wells OP") and the acquisition of the Aon Center Chicago Building (collectively, the "Recent Acquisitions") by Wells REIT—Chicago Center, Chicago, LLC, a single member limited liability company of which Wells OP is the sole member, as if the acquisitions occurred on March 31, 2003.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

The following unaudited pro forma statement of income for the three months ended March 31, 2003 has been prepared to give effect to the first quarter 2003 acquisitions of the East Point Cleveland Buildings and the 150 West Jefferson Detroit Building (collectively, the "2003 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the "2002 Acquisitions"), the 2003 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002. The Kerr McGee Property and the AmeriCredit Phoenix Property had no operations during the year ended December 31, 2002.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the 2002 Acquisitions, 2003 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

MARCH 31, 2003

(in thousands, except share amounts)

(Unaudited)

ASSETS

		Pro Forma Adjustments					
			Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc.(a)	Other	Citicorp Englewood Cliffs, NJ	US Bancorp Minneapolis	Aon Center Chicago	GMAC Detroit	Pro Forma Total
REAL ESTATE ASSETS, at cost:							
Land	$ 291,140	$ 0	$ 10,300(d)	$ 10,700(d)	$ 23,258(d)	$ 1,900(d)	$ 337,948
			124(e)	438(e)	10(e)	78(e)	
Buildings, less accumulated depreciation of $82,812	1,811,220	0	60,587(d)	162,797(d)	445,956(d)	15,919(d)	2,504,723
			732(e)	6,665(e)	195(e)	652(e)	
Construction in progress	24,102	0	0	0	0	0	24,102
Total real estate assets	2,126,462	0	71,743	180,600	469,419	18,549	2,866,773
INVESTMENT IN JOINT VENTURES	83,286	0	0	0	0	0	83,286
CASH AND CASH EQUIVALENTS	118,030	192,164(b)	(20,929)(d)	(173,497)(d)	(7,833)(d)	(17,819)(d)	82,559
		(7,557)(c)					
RENT RECEIVABLE	19,928	0	0	0	0	0	19,928
DEFERRED PROJECT COSTS	5,124	7,557(c)	(856)(e)	(7,103)(e)	(205)(e)	(730)(e)	3,787
DUE FROM AFFILIATES	2,167	0	0	0	0	0	2,167
PREPAID EXPENSES AND OTHER ASSETS, NET	5,997	0	0	0	0	0	5,997
DEFERRED LEASE ACQUISITION COSTS, NET	1,561	0	0	0	0	0	1,561
INTANGIBLE LEASE ASSET	14,147	0	0	0	0	0	14,147
INVESTMENT IN BONDS	54,500	0	0	0	0	0	54,500
Total assets	$2,431,202	$192,164	$ 49,958	$ 0	$461,381	$ 0	$3,134,705

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

		Pro Forma Adjustments					
	Wells Real Estate Investment Trust, Inc.(a)		Recent Acquisitions				
		Other	Citicorp Englewood Cliffs, NJ	US Bancorp Minneapolis	Aon Center Chicago	GMAC Detroit	Pro Forma Total
LIABILITIES:							
Borrowings	$ 108,986	$ 0	$ 49,958(d)	$ 0	$461,381(d)	$ 0	$ 620,325
Obligations under capital lease	54,500	0	0	0	0	0	54,500
Intangible lease liability	32,033	0	0	0	0	0	32,033
Accounts payable and accrued expenses	23,131	0	0	0	0	0	23,131
Due to affiliate	5,292	0	0	0	0	0	5,292
Dividends payable	7,252	0	0	0	0	0	7,252
Deferred rental income	11,164	0	0	0	0	0	11,164
Total liabilities	242,358	0	49,958	0	461,381	0	753,697
COMMITMENTS AND CONTINGENCIES							
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	0	0	0	0	0	200
SHAREHOLDERS' EQUITY:							
Common shares, $.01 par value; 750,000,000 shares authorized, 217,790,874 shares issued and 215,699,717 outstanding at December 31, 2002	2,605	216(b)	0	0	0	0	2,821
Additional paid-in capital	2,310,731	191,948(b)	0	0	0	0	2,502,679
Cumulative distributions in excess of earnings	(90,802)	0	0	0	0	0	(90,802)
Treasury stock, at cost, 2,091,157 shares at December 31, 2002	(33,860)	0	0	0	0	0	(33,860)
Other comprehensive loss	(30)	0	0	0	0	0	(30)
Total shareholders' equity	2,188,644	192,164	0	0	0	0	2,380,808
Total liabilities and shareholders' equity	$2,431,202	$192,164	$ 49,958	$ 0	$461,381	$ 0	$3,134,705

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Reflects capital raised through issuance of additional shares subsequent to March 31, 2003 through GMAC Detroit acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.

(c) Reflects deferred project costs capitalized as a result of additional capital raised described in note (b) above.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed.

(e) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments						
				Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc.(a)	2002 Acquisitions	2003 Acquisitions	Citicorp Englewood Cliffs, NJ	US Bancorp Minneapolis	Aon Center Chicago	GMAC Detroit	Pro Forma Total
REVENUES:								
Rental income	$ 107,526	$ 98,599(b)	$ 13,196(b)	$ 6,359(b)	$ 13,665(b)	$ 42,592(b)	$1,336(b)	$283,273
Tenant reimbursements	18,992	9,584(c)	5,590(c)	14(c)	9,699(c)	37,119(c)	39(c)	81,037
Equity in income of joint ventures	4,700	648(d)	0	0	0	0	0	5,348
Lease termination income	1,409	0	0	0	0	0	0	1,409
Interest and other income	7,001	0	0	0	0	0	0	7,001
	139,628	108,831	18,786	6,373	23,364	79,711	1,375	378,068
EXPENSES:								
Depreciation	38,780	34,362(e)	4,348(e)	2,453(e)	6,778(e)	17,846(e)	663(e)	105,230
Interest expense	4,638	9,657(f)	0	1,993(f)	0	22,414(i)	0	38,702
Property operating costs	26,949	25,244(g)	8,742(g)	63(g)	10,955(g)	45,627(g)	609(g)	118,189
Management and leasing fees	5,155	3,196(h)	846(h)	287(h)	1,051(h)	3,587(h)	62(h)	14,184
General and administrative	3,244	0	0	0	0	0	0	3,244
Legal and accounting	1,008	0	0	0	0	0	0	1,008
	79,774	72,459	13,936	4,796	18,784	89,474	1,334	280,557
NET INCOME	$ 59,854	$ 36,372	$ 4,850	$ 1,577	$ 4,580	$ (9,763)	$ 41	$ 97,511
EARNINGS PER SHARE, basic and diluted	$ 0.41							$ 0.35
WEIGHTED AVERAGE SHARES, basic and diluted	145,633							278,027

(a) Historical financial information derived from annual report on Form 10-K.

(b) Rental income is recognized on a straight-line basis.

(c) Consists of operating costs reimbursements.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(e) Depreciation expense is recognized using the straight-line method and a 25-year life.

(f) Represents interest expense on lines of credits used to acquire assets, which bear interest at approximately 3.99% for the year ended December 31, 2002 and assumed mortgages on the BMG Direct, BMG Music and Nestle Buildings, which bear interest at 8.5%, 8% and 3.39% for the year ended December 31, 2002, respectively.

(g) Consists of operating expenses.

(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

(i) Represents interest expense on loan used to acquire Aon Center Chicago Building, which bears interest at approximately 4.858% for the year ended December 31, 2002.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
PRO FORMA STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2003

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments					
			Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (a)	2003 Acquisitions	Citicorp Englewood Cliffs, NJ	US Bancorp Minneapolis	Aon Center Chicago	GMAC Detroit	Pro Forma Total
REVENUES:							
Rental income	$ 53,343	$ 2,941(b)	$ 1,590(b)	$ 3,421(b)	$ 10,855(b)	$ 563(b)	$ 72,713
Tenant reimbursements	9,601	1,378(c)	6(c)	2,799(c)	8,411(c)	23(c)	22,218
Equity in income of joint ventures	1,261	0	0	0	0	0	1,261
Interest and other income	1,154	0	0	0	0	0	1,154
	65,359	4,319	1,596	6,220	19,266	586	97,346
EXPENSES:							
Depreciation	19,218	888(d)	613(d)	1,694(d)	4,462(d)	166(d)	27,041
Property operating costs	15,220	1,946(f)	74(f)	2,682(f)	10,572(f)	270(f)	30,764
Management and leasing fees	2,333	194(g)	72(g)	280(g)	867(g)	26(g)	3,772
General and administrative	1,576	0	0	0	0	0	1,576
Interest expense	2,648	0	388(e)	0	5,075(h)	0	8,111
	40,995	3,028	1,147	4,656	20,976	462	71,264
NET INCOME	$ 24,364	$ 1,291	$ 449	$ 1,564	$ (1,710)	$ 124	$ 26,082
EARNINGS PER SHARE, basic and diluted	$ 0.10						$ 0.09
WEIGHTED AVERAGE SHARES, basic and diluted	233,247						278,027

(a) Historical financial information derived from quarterly report on Form 10-Q.
(b) Rental income is recognized on a straight-line basis.
(c) Consists of operating costs reimbursements.
(d) Depreciation expense is recognized using the straight-line method and a 25-year life.
(e) Represents interest expense on lines of credits used to acquire assets, which bear interest at approximately 3.106% for the three months ended March 31, 2003.
(f) Consists of operating expenses.
(g) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.
(h) Represents interest expense on loan used to acquire Aon Center Chicago Building, which bears interest at approximately 4.40% for the three months ended March 31, 2003.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 8 DATED JUNE 15, 2003 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, and Supplement No. 7 dated May 15, 2003 . When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The declaration of dividends for the third quarter of 2003; and

(3) Notice received from the NASD of its determination to institute an enforcement action against Wells Investment Securities, Inc. (Wells Investment Securities), our Dealer Manager, and Leo F. Wells, III for alleged NASD Rule violations relating to the educational and due diligence conferences sponsored by Wells Investment Securities in 2001 and 2002.

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 $132.2 million in gross offering proceeds from the sale of 13.2 million shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175.2 million in gross offering proceeds from the sale of 17.5 million shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1.3 billion in gross offering proceeds from the sale of 128.3 million shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of May 31, 2003, we had received additional gross proceeds of approximately $1.4 billion from the sale of approximately 137.3 million shares in our fourth public offering. Accordingly, as of May 31, 2003, we had received aggregate gross offering proceeds of approximately $3.0 billion from the sale of approximately 296.3 million shares in all of our public offerings. After payment of approximately $102.2 million in acquisition and advisory fees and acquisition expenses, payment of $329.2 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately $43.6 million pursuant to our share redemption program, as of May 31, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $2.5 billion, out of which approximately $2.0 billion had been invested in real estate properties, and approximately $50.6 million remained available for investment in real estate properties.

Dividends

On June 11, 2003, our board of directors declared dividends for the third quarter of 2003 in the amount of a 7.0% annualized percentage rate return on an investment of $10.00 per share to be paid in September 2003. Our third quarter dividends are calculated on a daily record basis of $0.001902 (0.1902 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on June 16, 2003, and continuing on each day thereafter through and including September 15, 2003.

NASD Enforcement Action

On June 6, 2003, the enforcement division of NASD, Inc. (NASD) informed Wells Investment Securities, our Dealer Manager, and Leo F. Wells, III, our President and a director, that the NASD has made a determination to institute disciplinary proceedings against both Wells Investment Securities and Mr. Wells, as registered principal of Wells Investment Securities, for alleged violations of various NASD Conduct Rules entirely related to providing non-cash compensation of more than $100 to associated persons of NASD member firms in connection with their attendance at the annual educational and due diligence conferences sponsored by Wells Investment Securities in 2001 and 2002.

While the NASD has not yet instituted a formal action against Wells Investment Securities or Mr. Wells and, in its notice, only cited alleged rule violations in general terms, Wells Investment Securities and Mr. Wells are in the process of ascertaining the specific factual details forming the basis for these allegations. Based upon what we know at this time, however, we believe that these alleged rule violations will relate primarily to (1) the failure to obtain full reimbursement from some of the registered representatives for travel expenses of guests and the cost of golf in connection with attendance at our 2001 educational conference, and (2) the payment for meals of guests of attendees at our 2001 and 2002 educational conferences. We are unable to predict at this time the potential outcome of any such enforcement action against Wells Investment Securities and Mr. Wells or the potential effect such an enforcement action may have on the operations of Wells Capital, Inc., our advisor, and, accordingly, on our operations, if any.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 9 DATED AUGUST 27, 2003 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, and Supplement No. 8 dated June 15, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Settlement of the NASD enforcement action against Wells Investment Securities, Inc. (Wells Investment Securities), our Dealer Manager, and Leo F. Wells, III, our president and chairman of our board of directors;

(3) Revisions to the "Management—Executive Officers and Directors" section of the prospectus to describe the addition of W. Wayne Woody as a newly appointed independent director and a member of our Audit Committee;

(4) Revisions to the "Management—Compensation of Directors" section of the prospectus;

(5) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

(A) Acquisition of a six-story office building and a two-story office building in Reston, Virginia (IBM Reston Buildings);

(B) Acquisition of a three-story office building in Atlanta, Georgia (ISS Atlanta III Building);

(C) Acquisition of two four-story office buildings in Rockville, Maryland (Lockheed Martin Rockville Buildings);

(D) Acquisition of a 19-story office building in Atlanta, Georgia (Cingular Atlanta Building); and

(E) Acquisition of an eight-story office building in Bridgewater, New Jersey (Aventis Northern NJ Building);

(6) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus to include information for the quarter ended June 30, 2003;

(7) Changes to the "Plan of Distribution – Underwriting Compensation and Terms" section of the prospectus to reflect an additional volume discount available for purchases of 500,000 or more shares;

(8) Description of committees of the board of directors;

(9) Unaudited financial statements of the Wells REIT for the period ended June 30, 2003;

(10) Statements of Revenues Over Certain Operating Expenses for the recently acquired Lockheed Martin Rockville Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building; and

(11) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the IBM Reston Buildings, the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132.2 million in gross offering proceeds from the sale of approximately 13.2 million shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175.2 million in gross offering proceeds from the sale of approximately 17.5 million shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1.3 billion in gross offering proceeds from the sale of approximately 128.3 million shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 15, 2003, we had received additional gross proceeds of approximately $1.974 billion from the sale of approximately 197.4 million shares in our fourth public offering. Accordingly, as of August 15, 2003, we had received aggregate gross offering proceeds of approximately $3.565 billion from the sale of approximately 3.565 million shares in all of our public offerings. After payment of approximately $122.7 million in acquisition and advisory fees and acquisition expenses, payment of approximately $389.0 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately $59.4 million pursuant to our share redemption program, as of August 15, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $2.994 billion, out of which approximately $2.955 billion had been invested in real estate properties, and approximately $38.8 million remained available for investment in real estate properties.

Redemptions of Common Stock under our Share Redemption Plan

Our current share redemption plan allows for the redemption of approximately 4.37 million shares at an aggregate cost of $43.7 million for the year ending December 31, 2003. From January 1, 2003 through August 15, 2003, we had redeemed approximately 3.85 million shares of common stock available for redemption for the year at an aggregate cost of approximately $38.5 million. We anticipate that the remaining shares eligible for redemption during the year ending December 31, 2003 will be exhausted in the very near future. All other requests for potential redemption will not be eligible for redemption on a first come, first served

basis until after January 1, 2004, subject to our board's ability to change or terminate our share redemption program at any time in its discretion.

Settlement of NASD Enforcement Action

As described in more detail in Supplement No. 8 dated June 15, 2003, in a letter dated June 6, 2003, Wells Investment Securities, our Dealer Manager, and Leo F. Wells, III, registered principal of Wells Investment Securities and our president and chairman of our board of directors, were informed that the NASD had made a determination to institute certain disciplinary proceedings against them. On August 26, 2003, Wells Investment Securities and Mr. Wells settled this contemplated NASD enforcement action against them by entering into a Letter of Acceptance, Waiver and Consent (AWC) with the NASD which contained findings by the NASD that Wells Investment Securities and Mr. Wells had violated certain of its Conduct Rules related to providing non-cash compensation of more than $100 to associated persons of NASD member firms in connection with their attendance at the annual educational conferences sponsored by Wells Investment Securities in 2001 and 2002.

Without admitting or denying the allegations and findings against them, Wells Investment Securities and Mr. Wells consented in the AWC to various findings by the NASD which are summarized in the following paragraph:

In 2001 and 2002, Wells Investment Securities sponsored conferences attended by registered representatives who sold its real estate investment products. Wells Investment Securities also paid for certain expenses of guests of the registered representatives who attended the conferences. In 2001, Wells Investment Securities paid the costs of travel to the conference and meals for many of the guests, and paid the costs of playing golf for some of the registered representatives and their guests. Wells Investment Securities later invoiced registered representatives for the cost of golf and for travel expenses of guests, but was not fully reimbursed for such. In 2002, Wells Investment Securities paid for meals for the guests. Wells Investment Securities also conditioned most of the 2001 conference invitations on attainment by the registered representatives of a predetermined sales goal for Wells Investment Securities products. This conduct violated the prohibitions against payment and receipt of non-cash compensation in connection with the sales of these products contained in NASD's Conduct Rules 2710, 2810, and 3060. In addition, Wells Investment Securities and Mr. Wells failed to adhere to all of the terms of their written undertaking made in March 2001 not to engage in the conduct described above, and thereby engaged in conduct that was inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of NASD Conduct Rule 2110.

Wells Investment Securities consented to a censure and Mr. Wells consented to suspension from acting in a principal capacity with an NASD member firm for one year. Wells Investment Securities and Mr. Wells also agreed to the imposition of a joint and several fine in the amount of $150,000. Although Mr. Wells is now prohibited from acting in a principal capacity with Wells Investment Securities and has, therefore, resigned from all relevant positions in that regard, he will continue to engage in selling efforts on behalf of Wells Investment Securities and other non-principal activities. Mr. Wells will also continue to serve as our president and chairman of our board of directors and as the president of both Wells Capital, Inc., our advisor, and Wells Management Company, Inc., our property manager.

Management

Executive Officers and Directors

The following information should be read in conjunction with the "Management – Executive Officers and Directors" section beginning on page 34 of the prospectus to include background information on W. Wayne Woody. On July 15, 2003, our board of directors unanimously approved an increase in the number of our directors from 10 to 11 and elected W. Wayne Woody as a new independent director to fill the vacancy. Mr. Woody was also appointed as a member of our Audit Committee. Of our 11 directors, nine are considered independent of Wells Capital, Inc. (Wells Capital), our advisor.

W. Wayne Woody served as the Interim Chief Financial Officer for Legacy Investment Group, a boutique investment firm, from 2000 to 2001 where he was responsible for guiding the company through a transition in accounting and reporting.

From 1968 until his retirement in 1999, Mr. Woody was employed by KMPG LLP and its predecessor firms, Peat Marwick Mitchell & Co. and Peat Marwick Main. As a Senior Partner, he served in a number of key positions in the firm, including Securities and Exchange Commission Reviewing Partner and Partner-in-Charge of Professional Practice and Firm Risk Management for the southeastern United States and Puerto Rico. Mr. Woody was also a member of the Board of Directors of KMPG LLP from 1990 through 1994. Prior to joining KMPG, Mr. Woody was the Principal Budget Analyst for the State of Georgia Office of Planning and Budget where he reviewed, analyzed and presented the Governor’s budget proposals to the state legislature.

Mr. Woody currently serves as Chairman of the Audit Committee for the City of Atlanta. He is also a director and the Chairman of the Audit Committee of the Metropolitan Atlanta Chapter of the American Red Cross. Mr. Woody is a member of the Board of Directors for the Metropolitan Atlanta Chapter of the American Heart Association. In addition, he is a trustee and the Chairman of the Finance Committee for the Georgia State University Foundation. Mr. Woody previously served a three-year term as Chairman of the Board of Trustees for the Georgia Center for the Visually Impaired.

Mr. Woody received a Bachelor of Science degree from Middle Tennessee State University and a Masters of Business Administration degree from Georgia State University. He is a Certified Public Accountant in the states of Georgia and North Carolina.

Compensation of Directors

The paragraph contained in the “Management – Compensation of Directors” section of the prospectus on page 38 should be replaced by the following paragraph to reflect a change in the manner in which we compensate our independent directors:

We pay each of our independent directors an annual retainer of $12,000, $2,500 per regularly scheduled board meeting attended, $1,500 per regularly scheduled committee meeting attended (committee chairpersons receive an additional $500 per committee meeting for serving in that capacity) and $250 per special board meeting attended whether held in person or by telephone conference. Members of our Audit Committee will receive $2,500 per meeting attended for each of the four meetings necessary to review our quarterly and annual financial statements. 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.

Description of Properties

As of August 20, 2003, we had purchased interests in 83 real estate properties located in 24 states. Below is a description of our recent real property acquisitions.

IBM Reston Buildings

On June 27, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a six-story office building and a two-story office building containing approximately 141,000 aggregate rentable square feet located on an approximately 4.56-acre tract of land at 11107 & 11109 Sunset Hills Road in Reston, Virginia (IBM Reston Buildings) for a purchase price of approximately $28.6 million, plus closing costs. The IBM Reston Buildings were purchased from Sunset Hills, LLC, a Delaware limited liability company not in any way affiliated with the Wells REIT, Wells OP or Wells Capital, Inc. (Advisor).

The IBM Reston Buildings, which were built in 1984 and 1985, respectively, are leased to International Business Machines Corporation (IBM) (approximately 71%) and Tellabs Reston, Inc. (Tellabs) (approximately 29%).

IBM, a company whose shares are publicly traded on the New York Stock Exchange (NYSE), manufactures and sells computer services, hardware and software and is the most diversified provider of computer products and services in the United States. IBM reported a net worth, as of December 31, 2002, of approximately $22.8 billion. The current annual base rent payable under the IBM lease, which expires in 2012, is approximately $2.4 million. In addition, IBM has the right to terminate the IBM lease (1) in 2007 by paying an approximately $2.3 million termination fee, or (2) in 2009 by paying an approximately $1.1 million termination fee.

Tellabs is a wholly-owned subsidiary of Tellabs, Inc., a company whose shares are publicly traded on NASDAQ which designs, manufactures, markets and services optical networking, broadband access and voice-quality enhancement solutions. The current annual base rent payable under the Tellabs lease, which expires in 2011, is approximately $1.2 million. In addition, Tellabs has obtained an approximately $2.5 million letter of credit from Silicon Valley Bank to serve as additional security for payments under the lease.

ISS Atlanta III Building

On July 1, 2003, Wells OP purchased a three-story office building containing approximately 50,400 rentable square feet (ISS Atlanta III Building) located at 859 Mount Vernon Highway in Atlanta, Georgia for a purchase price of $10.0 million, plus closing costs. The ISS Atlanta III Building was purchased from Spring Creek Partners, LLC, a Georgia limited liability company not in any way affiliated with the Wells REIT, Wells OP or our Advisor. The ISS Atlanta III Building is the third building in a three building complex. In 2002, Wells OP purchased two five-story office buildings containing approximately 238,600 aggregate rentable square feet which are immediately adjacent to the ISS Atlanta III Building.

The entire rentable area of the ISS Atlanta III Building is leased to Internet Security Systems, Inc., a Georgia corporation (ISS). The ISS Atlanta lease is guaranteed by the parent of ISS, Internet Security Systems, Inc., a Delaware corporation (ISS, Inc.), whose shares are traded on NASDAQ. ISS, Inc. provides computer security solutions to networks, servers and desktop computers for organizational customers, including corporate customers and governmental units. ISS, Inc. reported a net worth, as of December 31, 2002, of approximately $464.6 million.

The ISS Atlanta III lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) that expires in 2013. The current annual base rent payable under the ISS Atlanta III lease is approximately $1.0 million. In addition, ISS has obtained a $2.5 million letter of credit from Wachovia Bank, N.A. to serve as additional security for payments under the lease. ISS has the right to apply to the Development Authority of Fulton County (Development Authority) for tax abatement benefits in connection with the recent construction of the ISS Atlanta III Building, which, if successful, will result in Wells OP transferring fee simple title to the land and improvements to the Development Authority in connection with the issuance of Development Authority of Fulton County Taxable Revenue Bonds (Bonds) and retaining ownership of an interest in the ISS Atlanta III Building by taking back a ground lease on the land and improvements. Fee title interest to the land and improvements will be transferred back to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease. Pursuant to the ISS Atlanta III lease, ISS is required to pay all costs associated with the application for tax abatement benefits.

Since the ISS Atlanta III Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the lease, ISS, Inc., is more relevant to investors than financial statements of the property acquired.

ISS, Inc. currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding ISS, Inc. is taken from its previously filed public reports:

	For the Fiscal Year Ended		
Consolidated Statements of Operations	12/31/2002	12/31/2001	12/31/2000
		(in thousands)	
Revenues	$243,285	$223,559	$194,975
Operating Income	$ 8,023	$ (24,158)	$ 20,569
Net Income	$ 1,779	$ (15,458)	$ 18,315

	As of the Fiscal Year Ended		
Consolidated Balance Sheet	12/31/2002	12/31/2001	12/31/2000
		(in thousands)	
Total Assets	$546,568	$500,984	$240,240
Stockholders' Equity	$464,556	$426,935	$188,389

For more detailed financial information regarding ISS, Inc., please refer to the financial statements of Internet Security Systems, Inc., which are publicly available with the SEC at http://www.sec.gov.

Lockheed Martin Rockville Buildings

On July 30, 2003, Wells OP purchased all of the membership interest in Meridian/Northwestern Shady Grove North, LLC (North), a Delaware limited liability company, which owns two four-story office buildings containing approximately 231,000 aggregate rentable square feet located on an approximately 8.91-acre tract of land at 9211 & 9221 Corporate Boulevard in Rockville, Maryland (Lockheed Martin Rockville Buildings) for a purchase price of approximately $51.6 million, plus closing costs. The Lockheed Martin Rockville Buildings were purchased from Meridian/Northwestern Shady Grove Holdings, LLC (Holdings), a Delaware limited liability company which owned the entire membership interest in North. Neither North nor Holdings is in any way affiliated with the Wells REIT, Wells OP or our Advisor.

The entire rentable square feet of the Lockheed Martin Rockville Buildings are leased under two separate lease agreements to Lockheed Martin Corporation (Lockheed Martin). Lockheed Martin, a company whose shares are publicly traded on the NYSE, is a technology company formed in March of 1995 with the merger of two other technology companies, Lockheed Corporation and Martin Marietta Corporation. Lockheed Martin is principally engaged in the research, design, development, manufacture and integration of advanced technology systems, products and services. Lockheed Martin reported a net worth, as of December 31, 2002, of approximately $5.9 billion. The current aggregate annual base rent payable under the Lockheed Martin leases, which expire in 2009, is approximately $4.7 million.

Cingular Atlanta Building

On August 1, 2003, Wells OP purchased a 19-story office building containing approximately 413,000 aggregate rentable square feet located on an approximately 5.2-acre tract of land at 5565 Glenridge Connector, N.E. in Atlanta, Georgia (Cingular Atlanta Building) for a purchase price of approximately $83.9 million, plus closing costs. The Cingular Atlanta Building was purchased from Teachers Insurance and Annuity Association of America, a New York corporation not in any way affiliated with the Wells REIT, Wells OP or our Advisor.

The Cingular Atlanta Building, which was built in 2000, is primarily leased to Cingular Wireless, LLC (Cingular) (approximately 76%). Approximately 21% of the Cingular Atlanta Building is leased to four additional tenants, and approximately 3% of the Cingular Atlanta Building is currently vacant.

Cingular is a joint venture between the domestic wireless divisions of SBC Communications, Inc. and BellSouth Corporation. Cingular serves more than 22 million voice and data customers across the United States, provides cellular/PCS service in 43 of the top 50 markets nationwide, and provides corporate e-mail and other advanced data services. Cingular reported a net worth, as of December 31, 2002, of approximately $7.5 billion.

The current annual base rent payable under the Cingular lease, which expires in 2010, is approximately $8.9 million. Cingular has the right to terminate the Cingular lease in 2008 by paying a termination fee equal to all unamortized tenant improvement allowances and leasing commissions incurred by the landlord in connection with the Cingular lease, which is currently estimated to be approximately $2.7 million. The Cingular lease prohibits Wells OP from leasing any space in the Cingular Atlanta Building to another tenant in the telecommunications business.

The current aggregate annual base rent for the remaining four tenants is approximately $2.0 million.

Aventis Northern NJ Building

On August 14, 2003, Wells Bridgewater I, LLC (Wells Bridgewater), a Georgia limited liability company wholly-owned by Wells OP, purchased an eight-story office building containing approximately 297,000 rentable square feet located on an approximately 10.47 acre tract of land at 200 Crossing Boulevard in Bridgewater, New Jersey (Aventis Northern NJ Building) for a purchase price of $96.3 million, plus closing costs, from PGC Bridgewater, LLC, a Delaware limited liability company not in any way affiliated with the Wells REIT, Wells OP, Wells Bridgewater or our Advisor.

The entire Aventis Northern NJ Building is leased to Aventis, Inc. (Aventis), the U.S. pharmaceuticals division and a subsidiary of Aventis SA, a French company whose shares are publicly traded on the NYSE. Aventis Pharma AG, an affiliate of Aventis and a subsidiary of Aventis SA is a guarantor of the Aventis lease. Aventis develops pharmaceutical products in areas such as oncology, cardiology, diabetes, respiratory/allergy and anti-infectives. The current annual net base rent payable under the Aventis lease, which expires in 2012, is approximately $7.3 million.

Property Management

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our Advisor, will manage the IBM Reston Buildings, the ISS Atlanta III Building, the Lockheed Martin Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building on behalf of Wells OP. Wells Management will be paid asset and property management fees in the amount of up to 4.5% of the gross revenues from the IBM Reston Buildings, the ISS Atlanta III Building, the Lockheed Martin Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building, subject to certain limitations. Hines Interests Limited Partnership (Hines) is the current on-site property manager of the Aventis Northern NJ Building and Wells OP anticipates entering into a new management agreement with Hines to continue to serve as the on-site property manager. The property management fees payable to Hines will be paid out of or credited against the fees payable to Wells Management. Hines is not in any way affiliated with the Wells REIT, Wells OP, Wells Bridgewater or our Advisor.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in Supplement No. 6 dated April 14, 2003 and Supplement No. 7 dated May 15, 2003 and should also be read in conjunction with our accompanying financial statements and notes thereto.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

REIT Qualification

We have made an election under Section 856 of the Internal Revenue Code to be taxed as a REIT beginning with our taxable year ended December 31, 1998. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially, adversely affect our financial position and results of operations. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during the year ending December 31, 2003. In addition, we intend to continue to operate to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the six months ended June 30, 2003, we received aggregate gross offering proceeds of $1.04 billion from the sale of 104.4 million shares of our common stock. After incurring costs of $35.5 million in acquisition and advisory fees and acquisition expenses, $108.9 million in selling commissions and organization and offering expenses and common stock redemptions of $31.0 million pursuant to our share redemption program, we raised net offering proceeds of $868.9 million during the six months ended June 30, 2003.

The significant increase in capital resources available to us is due to significantly increased sales of our common stock during the first half of 2003. After payment of the costs described above associated with the sale of shares of common stock and acquisitions of properties, we had approximately $44.0 million available for investment in real estate assets as of June 30, 2003.

As of June 30, 2003, we owned interests in 79 real estate properties either directly or through our interests in joint ventures located throughout the United States. Our real estate investment policies are to identify and invest in high-grade commercial office and industrial buildings located in densely populated metropolitan markets which are newly constructed, under construction or which have been previously constructed and have operating histories. However, we are not limited to such investments. We expect to continue to acquire commercial properties that meet our standards of quality in terms of the real estate and the creditworthiness of the tenants.

We have developed specific standards for determining creditworthiness of potential tenants of our properties in order to reduce the risk of tenant default. Although 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 million or whose lease obligations are guaranteed by another corporation or entity with a net worth in excess of $100 million.

Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before entering into any commitment to buy a property. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders.

Dividends paid during the six months ended June 30, 2003 were $87.6 million compared to $40.9 million during the six months ended June 30, 2002. For each $10 share of our common stock, our board of directors declared dividends for the period December 16, 2002 through June 15, 2003, at an annualized percentage rate of return of 7.0%, compared to an annualized percentage rate of return of 7.75% for the period December 16, 2001 through June 15, 2002. The reduction of the annualized percentage rate of return for the dividends resulted from the higher value placed on our type of properties and the additional time it now takes in the acquisition process for us to assess tenant creditworthiness and, therefore, invest proceeds in properties.

Our board of directors has declared dividends for the period June 16, 2003, through September 15, 2003, at an annualized percentage rate of return of 7.0%. Third quarter dividends are calculated on a daily record basis of $0.001902 (0.1902 cents) per day per share on the outstanding shares of our common stock payable to stockholders of record as shown on our books at the close of business on each day during the period commencing on June 16, 2003, and continuing on each day thereafter through and including September 15, 2003.

The payment of dividends in the future will generally be dependent upon the cash flows from operating the properties currently owned and acquired in future periods, our financial condition, amounts paid for properties acquired, the timing of property acquisitions, capital expenditure requirements and distribution requirements in order to maintain our REIT status under the Internal Revenue Code.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $88.5 million and $33.1 million for the six months ended June 30, 2003 and 2002, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by $1.4 billion of additional properties acquired during 2002 and an additional $871.9 million of real estate assets acquired and $76.8 million in build-to-suit projects completed during the six months ended June 30, 2003. We do not recognize in income the full effect from the properties during the year of acquisition, as the operations of the properties are only included in income from the date of acquisition. Operating cash flows are expected to increase as we acquire additional properties in future periods and as we obtain the benefit of a full quarter of operations for properties acquired during the six months ended June 30, 2003.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $829.6 million and $278.4 million for the six months ended June 30, 2003 and 2002, respectively. The increase in net cash used in investing activities was due primarily to greater investments in properties and the payment of the related deferred project costs resulting from raising a greater amount of offering proceeds. Our investments in real estate assets, lease acquisitions and intangible lease assets and payment of acquisition and advisory costs totaled $833.6 million and $281.9 million for the six months ended June 30, 2003 and 2002, respectively. The cash outflow from the investments in properties and the payment of deferred project costs were partially offset by distributions from joint ventures of $4.0 million and $3.5 million during the six months ended June 30, 2003, and 2002, respectively. The increase in distributions from joint ventures is primarily due to additional investment in joint ventures during the fourth quarter of 2002.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $754.7 million and $511.6 million for the six months ended June 30, 2003 and 2002, respectively. Capital fund raising increased to $1.04 billion during the six months ended June 30, 2003, as compared to $618.3 million during the six months ended June 30, 2002. The amounts raised were partially offset by the payment of commissions and offering costs totaling $114.8 million and $65.8 million and redemptions of $31.0 million and $6.7 million during the six months ended June 30, 2003 and 2002, respectively.

Additionally, we obtained funds from financing arrangements totaling $549.3 million and $7.5 million and made repayments of borrowings of $601.1 million and $0 during the six months ended June 30, 2003 and 2002, respectively, based on the availability and need of cash for investment in real estate assets during the period. Related to the acquisition of new financing facilities we incurred deferred financing costs of $4.4 million and $0.9 million during the six months ended June 30, 2003 and 2002. Primarily as a result of the increased cash flow from operations, during the six months ended June 30, 2003 and 2002, we paid dividends of $87.6 million and $40.9 million, respectively.

Results of Operations

As of June 30, 2003, our 79 real estate properties were approximately 97% leased. Our results of operations have changed significantly for the three and six months ended June 30, 2003, as compared to the three and six months ended June 30, 2002, generally as result of the acquisition of approximately $1.4 billion of real estate assets during the year ended December 31, 2002, and an additional $871.9 million of real estate assets acquired and $76.8 million in build-to-suit projects completed during the six months ended June 30, 2003. We expect that rental income, tenant reimbursements, depreciation expense, operating expenses, asset and property management and leasing fees and net income will each increase in future periods as a result of owning the assets acquired during the six months ended June 30, 2003, for an entire period and as a result of anticipated future acquisitions of real estate assets. Due to the average remaining terms of the long-term leases currently in place at our properties, management does not anticipate significant changes in near-term rental revenues from properties currently owned.

Three months ended June 30, 2003 vs. three months ended June 30, 2002

Rental income increased by $47.1 million, during the second quarter of 2003, from $21.8 million for the three months ended June 30, 2002, to $69.0 million for the three months ended June 30, 2003. Tenant reimbursements were $16.5 million and $4.8 million for the three months ended June 30, 2003 and 2002, respectively, for an increase of $11.7 million. The increases were primarily due to the rental income and tenant reimbursements for properties acquired subsequent to March 31, 2002, which totaled $49.5 million and $12.1 million, respectively, for the three months ended June 30, 2003 and $2.4 million and $1.1 million for the three months ended June 30, 2002. Revenues in future periods are expected to increase compared to historical periods as additional properties are acquired.

Our equity in income of joint ventures was $1.1 million and $1.3 million for the three months ended June 30, 2003 and 2002, respectively. Equity in income of joint ventures is not anticipated to change significantly in future periods unless we invest additional proceeds in future joint venture investments or dispose of joint venture investments.

Depreciation expense for the three months ended June 30, 2003 and 2002, was $25.1 million and $7.2 million, respectively comprising approximately 36% and 33% of rental income for the respective three month periods. The change in the percentages between periods is generally due to a change in the applicable cost of the real estate assets compared to the revenues generated by the real estate assets. Depreciation expense relating to assets acquired after March 31, 2002, was $18.4 million and $0.9 million for the three months ended June 30, 2003 and June 30, 2002, respectively. Depreciation expense is expected to increase in future periods as additional properties are acquired, however should remain consistent as a percentage of revenues unless the relationship between the cost of the assets and the revenues earned changes.

Property operating costs were $25.8 million and $6.2 million for the three months ended June 30, 2003 and 2002, respectively, representing 30% and 23% of the sum of the rental income and tenant reimbursements for each respective three month period. The increase of property operating costs as a percentage of the sum of the rental income and tenant reimbursements is primarily due to the recent acquisition of certain full service properties that have a higher ratio of property operating costs to revenues. Property operating costs for the properties acquired subsequent to March 31, 2002 were $19.7 million and $1.1 million for the three months ended June 30, 2003 and 2002, respectively. Property operating costs are expected to increase as more properties are acquired, but expenses should remain relatively consistent as a percentage of the sum of rental income and tenant reimbursements.

Asset and property management and leasing fees expenses were $3.2 million and $1.0 million for the three months ended June 30, 2003 and 2002, respectively, representing approximately 4% of the sum of the rental income and tenant reimbursements for each three month period. Asset and property management fees for properties acquired after March 31, 2002, were $1.9 million and $0.1 million for the three months ended June 30, 2003 and 2002, respectively. Asset and property management fees are expected to increase as additional properties are acquired but, as a percentage of the sum of rental income and tenant reimbursements, should remain relatively consistent with historical results.

General and administrative expenses increased from $0.6 million for the three months ended June 30, 2002, to $0.9 million for the three months ended June 30, 2003, representing approximately 2% and 1% of the total revenues for each respective three month period. The decrease from the prior period is primarily due to greater efficiencies resulting from economies of scale. General and administrative expenses are expected to increase in future periods as additional properties are acquired, but are expected remain relatively constant as a percentage of total revenues.

Interest expense was $4.8 million and $0.7 million for the three months ended June 30, 2003 and 2002, respectively. Interest expense of $1.0 and $0.4 million for the three months ended June 30, 2003 and 2002, respectively, was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the interest income associated with the bonds, which results in no net impact on our operating results. The remaining $3.8 million and $0.3 million is due to the interest on our outstanding borrowings and amortization of deferred financing costs for each period. We had significantly more borrowings outstanding during the three months ended June 30, 2003, as compared to the three months ended June 30, 2002, resulting in a significant increase in the interest expense between the two periods. Additionally, in the period ending June 30, 2003, we wrote-off approximately $0.5 million of deferred financing costs associated with the Bank of America $110.0 million line of credit termination (See Note 4 of our consolidated financial statements for further information). Interest expense in future periods will be dependent upon the amount of borrowings outstanding during those periods and current interest rates. Historical results may not be indicative of interest expense in future periods.

Earnings per share for the three months ended June 30, 2003, decreased to $0.10 per share compared to $0.11 per share for the three months ended June 30, 2002. This decrease is primarily a result of the higher cost of investments in real estate assets relative to returns on those investments.

Six months ended June 30, 2003 vs. six months ended June 30, 2002

Rental income increased by $83.7 million, during the first half of 2003, from $38.6 million for the six months ended June 30, 2002, to $122.3 million for the six months ended June 30, 2003. Tenant reimbursements were $26.1 million and $9.2 million for the six months ended June 30, 2003 and 2002, respectively, for an increase of $16.9 million. The increases were primarily due to the rental income and tenant reimbursements for properties acquired subsequent to December 31, 2001, which totaled $89.3 million $17.9 million, respectively, for the six months ended June 30, 2003, and $6.0 million and $1.3 million for the first half of 2002. Revenues in future periods are expected to increase compared to historical periods as additional properties are acquired.

Our equity in income of joint ventures was $2.4 million and $2.5 million for the six months ended June 30, 2003 and 2002, respectively. Equity in income of joint ventures is not anticipated to change significantly in future periods unless we invest additional proceeds in future joint venture investments or dispose of joint venture investments.

Depreciation expense for the six months ended June 30, 2003 and 2002, was $44.3 million and $12.9 million, respectively comprising approximately 36% and 33% of rental income for the respective six month periods. The increase in the percentages between periods is generally due to an increase in the applicable cost of the real estate assets compared to the revenues generated by the real estate assets. Depreciation expense relating to assets acquired after December 31, 2001, was $33.1 million and $2.3 million for the six months ended June 30, 2003 and 2002, respectively. Depreciation expense is expected to increase in future periods as additional properties are acquired, however should remain consistent as a percentage of revenues unless the relationship between the cost of the assets and the revenues earned changes.

Property operating costs were $41.0 million and $11.2 million for the six months ended June 30, 2003 and 2002, respectively, representing approximately 28% and 24% of the sum of the rental income and tenant reimbursements for each respective six month period. The increase in the property operating costs as a percentage of the sum of the rental income and tenant reimbursements is primarily due to operating costs of the recently acquired full service properties as a percentage of revenues. Property operating costs for the properties acquired subsequent to December 31, 2001, were $30.1 million and $1.7 million for the six months ended June 30, 2003 and 2002, respectively. Property operating costs are expected to increase as more properties are acquired, but expenses should remain relatively consistent as a percentage of the sum of rental income and tenant reimbursements.

Management and leasing fees expenses were $5.5 million and $1.9 million for the six months ended June 30, 2003 and 2002, respectively, representing approximately 4% of the sum of the rental income and tenant reimbursements for each six month period. Management and leasing fees for properties acquired after June 30, 2002, were $3.5 million and $0.2 million for the six months ended June 30, 2003 and 2002, respectively. Management and leasing fees are expected to increase as additional properties are acquired; however, as a percentage of the sum of rental income and tenant reimbursements, should remain relatively consistent with historical results.

General and administrative expenses increased from $1.1 million for the six months ended June 30, 2002, to $2.5 million for the six months ended June 30, 2003, representing approximately 2% of the total revenues for each respective six month period. General and administrative expenses are expected to increase in future periods as our assets continue to increase as additional properties are acquired, but are expected remain relatively constant as a percentage of total revenues.

Interest expense was $7.4 million and $1.3 million for the six months ended June 30, 2003 and 2002, respectively. Interest expense of $1.9 and $0.9 million for the six months ended June 30, 2003 and 2002, respectively, was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the interest income associated with the bonds, which results in no net impact on our operating results. The remaining $5.5 million and $0.4 million, respectively, is due to the interest on our outstanding borrowings for each period and amortization of deferred finance costs. We had significantly more borrowings outstanding during the six months ended June 30, 2003, as compared to the six months ended June 30, 2002, resulting in a significant increase in the interest expense between the two periods. Additionally, in the period ending June 30, 2003, we wrote-off approximately $0.5 million of deferred costs associated with the Bank of America $110.0 million line of credit termination (See Note 4 of our consolidated financial statements for further information). Interest expense in future periods will be dependent upon the amount of borrowings outstanding during those periods and current interest rates. Historical results may not be indicative of interest expense in future periods.

Earnings per share for the six months ended June 30, 2003, decreased to $0.20 per share compared to $0.22 per share for the six months ended June 30, 2002. This decrease is primarily a result of the higher cost of investments in real estate assets relative to returns on those investments resulting in lower returns.

Funds From Operations

Funds from Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with accounting principles generally accepted in the United States (GAAP) excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. Management believes that FFO is helpful to investors as a measure of the performance of an equity REIT.

However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions.

The following table reflects the calculation of FFO for the three and six month periods ended June 30, 2003 and 2002:

	For the three months ended June 30,		For the six months ended June 30,	
	2003	2002	2003	2002
FUNDS FROM OPERATIONS:				
Net income	$ 27,985	$ 13,756	$ 52,349	$ 24,536
Add:				
Depreciation of real estate assets	25,060	7,159	44,278	12,903
Amortization of deferred leasing costs	271	78	349	151
Depreciation & amortization—unconsolidated investments in joint assets	779	701	1,565	1,407
Funds from Operations (FFO)	$ 54,095	$ 21,694	$ 98,541	$ 38,997
WEIGHTED AVERAGE SHARES				
BASIC AND DILUTED	283,903	126,038	258,575	110,886

In order to recognize revenues on a straight line basis over the terms of the respective leases, we recognized straight line rental revenue of $4.3 million and $2.1 million during the three months ended June 30, 2003 and 2002, respectively. For the six months ended June 30, 2003 and 2002, we recognized straight line rental revenue of $5.1 million and $3.2 million, respectively.

Amortization of the intangible lease assets and liabilities resulted in a net increase in rental revenue of $0.6 million and $1.1 million, respectively for the three and six months periods ended June 30, 2003.

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases, which would protect us from the impact of inflation. These provisions include reimbursement billings for operating expense pass-through 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. However, due to the long-term nature of the leases, the leases may not re-set frequently enough to cover inflation.

Application of Critical Accounting Policies

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If management's judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

The critical accounting policies outlined below have been discussed with members of our Audit Committee. There have been no significant changes in the critical accounting policies, methodology, or assumptions in the current period.

Below is a discussion of the accounting policies that management considers to be critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Investment in Real Estate Assets

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income. The estimated useful lives of our assets by class are as follows:

Building	25 years
Building improvements	10-25 years
Land improvements	20-25 years
Tenant Improvements	Lease term

In the event that inappropriate useful lives or methods are used for depreciation, our net income would be misstated.

Valuation of Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate assets, both operating properties and properties under construction, in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present which indicate that the carrying amounts of real estate assets may not be recoverable, we assess the recoverability of the real estate assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we adjust the real estate assets to the fair value and recognize an impairment loss. We have determined that there has been no impairment in the carrying value of real estate assets held by us and any unconsolidated joint ventures at June 30, 2003.

Projections of expected future cash flows requires us to estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to re-lease the property and the number of years the property is held for investment. The use of inappropriate assumptions in the future cash flow analysis would result in an incorrect assessment of the property's future cash flows and fair value and could result in the overstatement of the carrying value of our real estate assets and net income.

Intangible Lease Asset/Liability

We determine whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of the real estate assets. The intangible assets and liabilities are recorded at their estimated fair market values at the date of acquisition and amortized over the remaining term of the respective lease to rental income.

The determination of the estimated fair values of the intangible lease asset or liability requires the use of significant assumptions with regard to the current market rental rates, rental growth rates, discount rates and other variables. If inappropriate estimates with regard to these variables are used, misclassification of assets or liabilities and incorrect calculation of depreciation amounts would occur, which would misstate our net income.

Commitments and Contingencies

Take Out Purchase and Escrow Agreement

Wells Management Company has developed a program (Wells Section 1031 Program) involving the acquisition by a subsidiary of Wells Management Company (Wells Exchange) of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons (1031 Participants) who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Service Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to us and following approval of the potential property acquisition by our board of directors, it is anticipated that we will enter into a take out purchase and escrow agreement or similar contract providing that, if Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, we will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

See Note 7 to our consolidated financial statements included in this supplement for discussion of this potential obligation.

Letters of Credit

At June 30, 2003, we had three unused letters of credit as required by other parties to ensure completion of our obligations under certain contracts. See Note 7 to our consolidated financial statements included in this supplement for further discussion of the letters of credit.

Commitments Under Existing Lease Agreements

We entered into lease agreements with tenants that may include provisions that, at the option of the tenant, may require us to incur certain capital costs. See Note 7 to our consolidated financial statements included in this supplement for further discussion of these potential obligations.

Earn-out Agreements

We entered into certain purchase agreements containing various earn-out clauses that may result in Wells REIT being obligated to pay additional amounts to the seller of a property. See Note 7 to our consolidated financial statements included in this supplement for a more detailed discussion of these potential obligations.

Leasehold Property Obligations

We own certain properties that are subject to ground leases and require us to pay rent in future years. See Note 7 to our consolidated financial statements included in this supplement for further discussion of the lease terms and required payments.

Pending Litigation

We have certain pending litigation related to a dispute over the right to an approximately $0.8 million escrow deposit for a property that was not acquired. See Note 7 to our consolidated financial statements included in this supplement for further discussion of the litigation.

NASD Enforcement Action

On June 6, 2003, the enforcement division of NASD, Inc. (NASD) informed Wells Investment Securities, Inc., our Dealer Manager, and Leo F. Wells, III, our president and a director, that the NASD has made a determination to institute disciplinary proceedings against both Wells Investment Securities and Mr. Wells, as registered principal of Wells Investment Securities, for alleged violations of various NASD Conduct Rules. Please see the "Settlement of NASD Enforcement Action" section of this supplement for a discussion of the settlement with the NASD.

Related Party Transactions and Agreements

We have entered into agreements with our Advisor and its affiliates, whereby we pay certain fees or reimbursements to our Advisor or its affiliates for acquisition and advisory fees and expenses, organization and offering costs, sales commissions dealer manager fees, asset and property management fees and reimbursement of operating costs. See Note 5 to our consolidated financial statements included in this supplement for a discussion of the various related party transactions, agreements and fees.

Conflicts of Interest

Our Advisor is also a general partner in and advisor to various Wells Real Estate Funds. As such, there are conflicts of interest where our Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with us in connection with property acquisitions or for tenants in similar geographic markets.

Subsequent Events

Sale of Shares of Common Stock

From July 1, 2003 through August 15, 2003, Wells REIT has raised approximately $342.4 million through the issuance of approximately 34.2 million shares of common stock of Wells REIT. At August 15, 2003 approximately 111.1 million shares remain available under the current offering of Wells REIT's stock, excluding shares available under our dividend reinvestment plan.

Redemptions of Common Stock under our Share Redemption Plan

Our current share redemption plan allows for the redemption of approximately 4.37 million shares at an aggregate cost of $43.7 million for the year ending December 31, 2003. From January 1, 2003 through August 15, 2003, we had redeemed approximately 3.85 million shares of common stock available for redemption for the year at an aggregate cost of approximately $38.5 million. We anticipate that the remaining shares eligible for redemption during the year ending December 31, 2003 will be exhausted in the very near future. All other requests for potential redemption will not be eligible for redemption on a first come, first served basis until after January 1, 2004, subject to our board’s ability to change or terminate our share redemption program at any time in its discretion.

Property Acquisitions

ISS Atlanta III

On July 1, 2003, Wells REIT purchased the third Internet Security Systems (ISS) Building, a five-story building containing approximately 50,400 rentable square feet located in Atlanta, Georgia for a purchase price of approximately $10.0 million. The building is 100% leased to ISS. The first two ISS Buildings were purchased in July 2002. The three-building project now totals approximately 289,000 rentable square feet.

Lockheed Martin Rockville

On July 30, 2003, Wells REIT purchased all the membership interest in Meridian/Northwestern Shady Grove North, LLC, a Delaware limited liability company, which owns two four-story office buildings containing approximately 231,000 aggregate rentable square feet located in Rockville, Maryland, for a purchase price of approximately $51.6 million. The buildings are 100% leased to Lockheed Martin.

Cingular Atlanta

On August 1, 2003, Wells REIT purchased the Cingular Atlanta Building, a 19-story building containing approximately 413,000 rentable square feet located in Atlanta, Georgia, for a purchase price of $83.9 million. The building is 97% leased under leases to various tenants with varying terms, including Cingular Wireless, LLC, which leases 76% of the building.

Aventis Northern NJ Building

On August 14, 2003, Wells Bridgewater purchased an eight-story office building containing approximately 297,000 rentable square feet located in Bridgewater, New Jersey for a purchase price of $96.3 million. The building is 100% leased to Aventis, Inc.

Underwriting Compensation and Terms

Notwithstanding the volume discount table contained in the first paragraph on page 148 in the “Plan of Distribution—Underwriting Compensation and Terms” section of the prospectus, the Wells REIT is offering a volume discount reduction of 6.0% for sales of 500,000 or more shares of the Wells REIT through the end of this offering. Therefore, purchasers of 500,000 or more shares will pay only 1% sales commissions resulting in a purchase price of $9.40 per share. The net proceeds to the Wells REIT will not be affected by use of this volume discount available to purchasers of 500,000 or more shares.

Board of Director Committees

The Audit Committee

The Audit Committee's primary function is to assist our board of directors in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the stockholders and others, the system of internal controls which our management has established and our audit and financial reporting process. In performing this function, the Audit Committee shall maintain free and open communications among our board of directors, our independent accountants and our financial management team. The Audit Committee's members are as follows:

BOARD COMMITTEE	MEMBERS
Audit Committee	Walter W. Sessoms (Chairman) William H. Keogler, Jr. Donald S. Moss Neil H. Strickland W. Wayne Woody

The Compensation Committee

The primary function of the Compensation Committee is to administer the granting of stock options to selected employees of our Advisor and Wells Management Company, 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. The Compensation Committee's members are as follows:

BOARD COMMITTEE	MEMBERS
Compensation Committee	John L. Bell Richard W. Carpenter Bud Carter William H. Keogler, Jr. Donald S. Moss Walter W. Sessoms Neil H. Strickland

The Directors Nominating and Compensation Committee

The Directors Nominating and Compensation Committee was created in 2003, and the primary function of the Directors Nominating and Compensation Committee is to make recommendations to the board of directors regarding the size of the board of directors and its makeup in terms of specific areas of expertise and diversity and to make recommendations to the board of directors regarding director compensation. The Directors Nominating and Compensation Committee also nominates candidates to fill any vacancies on the board of directors and will consider nominees recommended by stockholders. The Directors Nominating and Compensation Committee members are as follows:

BOARD COMMITTEE	MEMBERS
Directors Nominating and Compensation Committee	Donald S. Moss (Chairman) John L. Bell Michael R. Buchanan Richard W. Carpenter Bud Carter William H. Keogler, Jr. Walter W. Sessoms Neil H. Strickland W. Wayne Woody

The Asset Management Committee

The Asset Management Committee was created in 2003, and the primary function of the Asset Management Committee is to review and advise the board of directors on investment criteria and acquisition policies, general economic environment in various real estate markets, existing or prospective properties or tenants, and portfolio diversification goals. The Asset Management Committee members are as follows:

BOARD COMMITTEE	MEMBERS
Asset Management Committee	Michael R. Buchanan (Chairman) John L. Bell Richard W. Carpenter Walter W. Sessoms

The Shareholder Relations, Communication and Development Committee

The Shareholder Relations, Communication and Development Committee was created in 2003, and the primary function of the Shareholder Relations, Communication and Development Committee is to advise the board of directors on various stockholders' issues including market conditions, communications with stockholders, and investor support programs. The Shareholder Relations, Communication and Development Committee members are as follows:

BOARD COMMITTEE	MEMBERS
Shareholder Relations, Communications and Development Committee	Bud Carter (Chairman) William H. Keogler, Jr. Donald S. Moss Neil H. Strickland

The Finance and Planning Committee

The Finance and Planning Committee was created in 2003, and the primary function of the Finance and Planning Committee is to review and advise the board of directors on the overall financial performance of the Wells REIT which includes issues related to net proceeds raised, fees and expenses, operating earnings, dividends, capital structure and budgetary and reporting processes. The Finance and Planning Committee members are as follows:

BOARD COMMITTEE	MEMBERS
Finance and Planning Committee	Richard W. Carpenter (Chairman) Michael R. Buchanan Bud Carter John L. Bell

Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building for the year ended December 31, 2002, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The financial statements of the Wells REIT, as of June 30, 2003, and for the six month periods ended June 30, 2003 and June 30, 2002, which are included in this supplement, have not been audited.

The statements of revenues over certain operating expenses of the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building and the Aventis Northern NJ Building for the six months ended June 30, 2003, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of June 30, 2003, the pro forma statement of income for the year ended December 31, 2002, and the pro forma statement of income for the six months ended June 30, 2003, which are included in this supplement, have not been audited.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

Page

Wells Real Estate Investment Trust, Inc. and Subsidiaries

Unaudited Financial Statements

Consolidated Balance Sheets as of June 30, 2003 (unaudited) and December 31, 2002 (audited) 24

Consolidated Statements of Income for the six months ended June 30, 2003 and June 30, 2002 (unaudited) 25

Consolidated Statements of Shareholders' Equity for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited) 26

Consolidated Statements of Cash Flows for the six months ended June 30, 2003 and June 30, 2002 (unaudited) 27

Condensed Notes to Consolidated Financial Statements June 30, 2003 (unaudited) 28

Lockheed Martin Rockville Buildings

Report of Independent Auditors 38

Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited) 39

Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited) 40

Cingular Atlanta Building

Report of Independent Auditors 42

Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited) 43

Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited) 44

Aventis Northern NJ Building

Report of Independent Auditors 46

Statements of Revenues Over Certain Operating Expenses For the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited) 47

Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited) 48

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

Page

Wells Real Estate Investment Trust, Inc. and Subsidiaries

Unaudited Pro Forma Financial Statements

Summary of Unaudited Pro Forma Financial Statements 50

Pro Forma Balance Sheet as of June 30, 2003 (unaudited) 51

Pro Forma Statement of Income for the year ended December 31, 2002(unaudited) 53

Pro Forma Statement of Income for the six months ended June 30, 2003 (unaudited) 54

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	June 30, 2003 (unaudited)	December 31, 2002
ASSETS:		
Real estate assets, at cost:		
Land	$ 342,885	$ 279,185
Building and improvements, less accumulated depreciation of $107,872 at June 30, 2003, and $63,594 at December 31, 2002	2,575,249	1,683,036
Construction in progress	532	42,746
Total real estate assets	2,918,666	2,004,967
Investments in joint ventures	82,513	83,915
Cash and cash equivalents	59,105	45,464
Rents receivable	26,814	19,321
Deferred project costs	1,864	1,494
Due from affiliates	1,807	1,961
Prepaid expenses and other assets, net	12,656	4,407
Deferred lease acquisition costs, net	11,880	1,638
Intangible lease assets	22,839	12,060
Investment in bonds	54,500	54,500
Total assets	$3,192,644	$2,229,727
LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY:		
Borrowings	$ 308,765	$ 248,195
Obligations under capital leases	54,500	54,500
Intangible lease liabilities	46,249	32,697
Accounts payable and accrued expenses	57,013	24,580
Due to affiliates	5,061	15,975
Dividends payable	9,532	6,046
Deferred rental income	9,379	11,584
Total liabilities	490,499	393,577
Minority interest of unit holder in operating partnership	200	200
COMMITMENTS AND CONTINGENCIES	—	—
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 750,000,000 shares authorized, 322,219,052 shares issued and 317,026,812 outstanding at June 30, 2003, and 750,000,000 shares authorized, 217,790,874 shares issued and 215,699,717 shares outstanding at December 31, 2002	3,222	2,178
Additional paid-in capital	2,863,705	1,929,381
Cumulative distributions in excess of earnings	(113,052)	(74,310)
Treasury stock, at cost, 5,192,240 shares at June 30, 2003 and 2,091,157 shares at December 31, 2002	(51,922)	(20,912)
Other comprehensive loss	(8)	(387)
Total shareholders' equity	2,701,945	1,835,950
Total liabilities, minority interest and shareholders' equity	$3,192,644	$2,229,727

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
REVENUES:				
Rental income	$ 68,969	$ 21,834	$122,312	$ 38,572
Tenant reimbursements	16,457	4,762	26,058	9,177
Equity in income of joint ventures	1,131	1,271	2,392	2,478
Interest income and other income	1,161	1,535	2,315	2,648
Take out fee	—	—	—	134
	87,718	29,402	153,077	53,009
EXPENSES:				
Depreciation	25,060	7,159	44,278	12,903
Property operating costs	25,819	6,201	41,039	11,241
Management and leasing fees	3,155	1,004	5,488	1,903
General and administrative	947	592	2,523	1,121
Interest expense	4,752	690	7,400	1,305
	59,733	15,646	100,728	28,473
NET INCOME	$ 27,985	$ 13,756	$ 52,349	$ 24,536
EARNINGS PER SHARE				
Basic and diluted	$ 0.10	$ 0.11	$ 0.20	$ 0.22
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic and diluted	283,903	126,038	258,575	110,886
DIVIDENDS DECLARED PER SHARE	$ 0.18	$ 0.19	$ 0.35	$ 0.39

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002
AND FOR THE SIX MONTHS ENDED JUNE 30, 2003 (UNAUDITED)
(in thousands, except per share amounts)

	Common Stock					Treasury Stock			
	Shares	Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Shares	Amount	Other Comprehensive Income	Total Shareholders' Equity
BALANCE, December 31, 2001	83,761	$ 838	$ 738,236	$ (24,181)	$ —	(555)	$ (5,550)	—	$ 709,343
Issuance of common stock	134,030	1,340	1,338,953	—	—	—	—	—	1,340,293
Treasury stock purchased	—	—	—	—	—	(1,536)	(15,362)	—	(15,362)
Dividends ($0.76 per share)	—	—	—	(50,129)	(59,854)	—	—	—	(109,983)
Sales commissions and dealer manager fees	—	—	(127,332)	—	—	—	—	—	(127,332)
Other offering costs	—	—	(20,476)	—	—	—	—	—	(20,476)
Components of comprehensive income:									
Net income	—	—	—	—	59,854	—	—	—	59,854
Change in value of interest rate swap	—	—	—	—	—	—	—	(387)	(387)
Comprehensive income									59,467
BALANCE, December 31, 2002	217,791	2,178	1,929,381	(74,310)	—	(2,091)	(20,912)	(387)	1,835,950
Issuance of common stock	104,428	1,044	1,043,236	—	—	—	—	—	1,044,280
Treasury stock purchased	—	—	—	—	—	(3,101)	(31,010)	—	(31,010)
Dividends ($0.35 per share)	—	—	—	(38,742)	(52,349)	—	—	—	(91,091)
Sales commissions and dealer manager fees	—	—	(98,423)	—	—	—	—	—	(98,423)
Other offering costs	—	—	(10,489)	—	—	—	—	—	(10,489)
Components of comprehensive income:									
Net income	—	—	—	—	52,349	—	—	—	52,349
Change in value of interest rate swap	—	—	—	—	—	—	—	379	379
Comprehensive income									52,728
BALANCE, June 30, 2003	322,219	$3,222	$2,863,705	$(113,052)	—	(5,192)	$(51,922)	$ (8)	$2,701,945

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 52,349	$ 24,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(2,392)	(2,478)
Depreciation	44,278	12,903
Amortization of deferred financing costs	1,524	425
Amortization of intangible lease assets/liabilities	(1,095)	—
Amortization of deferred lease acquisition costs	349	151
Changes in assets and liabilities:		
Rents receivable	(7,493)	(4,706)
Deferred rental income	(2,205)	352
Accounts payable and accrued expenses	7,961	3,113
Prepaid expenses and other assets, net	(4,799)	(1,018)
Due to/from affiliates	34	(140)
Net cash provided by operating activities	88,511	33,138
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate assets	(770,657)	(259,536)
Contributions to joint ventures	(79)	—
Investment in intangible lease assets	(12,112)	—
Deferred project costs paid	(40,521)	(22,008)
Distributions received from joint ventures	4,009	3,497
Deferred lease acquisition costs paid	(10,234)	(400)
Net cash used in investing activities	(829,594)	(278,447)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	549,297	7,534
Repayment of borrowings	(601,074)	—
Dividends paid to shareholders	(87,605)	(40,867)
Issuance of common stock	1,044,285	618,276
Treasury stock purchased	(31,010)	(6,673)
Sales commissions and dealer manager fees paid	(96,037)	(58,959)
Other offering costs paid	(18,753)	(6,819)
Deferred financing costs paid	(4,379)	(860)
Net cash provided by financing activities	754,724	511,632
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,641	266,323
CASH AND CASH EQUIVALENTS, beginning of period	45,464	75,586
CASH AND CASH EQUIVALENTS, end of period	$ 59,105	$ 341,909

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003
(unaudited)

1. ORGANIZATION

General

Wells Real Estate Investment Trust, Inc. ("Wells REIT") is a Maryland corporation that qualifies as a real estate investment trust ("REIT"). Wells REIT was incorporated in 1997 and commenced operations on June 5, 1998.

Wells REIT engages in the acquisition and ownership of commercial real estate properties throughout the United States, including properties that are under construction, are newly constructed or have operating histories. At June 30, 2003, Wells REIT has invested in commercial office and industrial real estate assets, either directly or through joint ventures with real estate limited partnership programs sponsored by Wells Capital, Inc. (the "Advisor") or its affiliates.

Wells REIT's business is conducted through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership, and its subsidiaries, and Wells REIT-Independence Square, LLC ("Wells REIT-Independence"), a single member Georgia limited liability company. Wells OP was formed to acquire, develop, own, lease and operate properties on behalf of Wells REIT, directly, through wholly-owned subsidiaries or through joint ventures. Wells REIT-Independence was formed to acquire the NASA building located in Washington, D.C. Wells REIT is the sole general partner in Wells OP and the sole member of Wells REIT-Independence and possesses full legal control and authority over the operations of Wells OP and Wells REIT-Independence. Wells OP, and its subsidiaries, and Wells REIT-Independence comprise Wells REIT's subsidiaries.

Four offerings of Wells REIT stock have been initiated as follows:

Offering #	Date Commenced	Termination Date	Gross Proceeds	Shares Issued
1	January 30, 1998	December 19, 1999	$132.2 million	13.2 million
2	December 20, 1999	December 19, 2000	$175.2 million	17.5 million
3	December 20, 2000	July 26, 2002	$ 1,283.0 million	128.3 million
4	July 26, 2002	Offering will terminate on or before July 25, 2004	$ 1,631.8 million (through June 30, 2003)	163.2 million (through June 30, 2003)
Total as of June 30, 2003			$ 3,222.2 million	322.2 million

After incurring costs from all offerings of $111.0 million in acquisition and advisory fees and expenses, $304.8 million in selling commissions, $50.5 million in organization and offering expenses to the Advisor, investment in real estate assets and joint ventures of $2,660.0 million and common stock redemptions pursuant to Wells REIT's share redemption program of $51.9 million, Wells REIT was holding net offering proceeds of approximately $44.0 million available for investment in properties at June 30, 2003.

Wells REIT's stock is not listed on a national exchange. However, the Wells REIT's Articles of Incorporation currently require the Wells REIT to begin the process of liquidating its investments and distributing the resulting proceeds to the shareholders if its shares are not listed on a national exchange by January 30, 2008 Wells REIT Articles of Incorporation can only be amended by a proxy vote of Wells REIT's shareholders.

Basis of Presentation

The consolidated financial statements of Wells REIT have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, including the instructions to Form 10-Q and Article 10 of Regulation S-X, and do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Independent auditors have not examined these quarterly statements, but in the opinion of management, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Wells REIT's Form 10-K for the year ended December 31, 2002.

Income Taxes

Wells REIT has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and has operated as such beginning with its taxable year ended December 31, 1998. To qualify as a REIT, Wells REIT must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90% of the REIT's ordinary taxable income to shareholders. As a REIT, Wells REIT generally will not be subject to federal income tax on taxable income that it distributes to its shareholders. If Wells REIT fails to qualify as a REIT in any taxable year, it will then be subject to federal income taxes on its taxable income for four years following the year during which qualification is lost, unless the Internal Revenue Service grants Wells REIT relief under certain statutory provisions. Such an event could materially adversely affect Wells REIT's net income and net cash available for distribution to shareholders. However, Wells REIT 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 that Wells REIT will remain qualified as a REIT for federal income tax purposes. No provision for federal income taxes has been made in the accompanying consolidated financial statements, as Wells REIT made distributions in excess of its taxable income for the periods presented.

Recent Pronouncements

On January 1, 2002, Wells REIT adopted Statement of Financial Accounting Standards No. 141 *"Business Combinations,"* and Statement of Financial Accounting Standards No. 142 "*Goodwill and Intangibles."* These standards govern business combinations, asset acquisitions and the accounting for acquired intangibles. Wells REIT determines whether an intangible asset or liability related to above or below market leases was acquired as part of the acquisition of real estate assets. The resulting intangible lease assets and liabilities are recorded at their estimated fair market values at the date of acquisition and amortized over the remaining term of the respective lease to rental income. Amortization of the intangible lease assets and liabilities resulted in a net increase in rental revenue of $0.6 million and $1.1 million for the three and six months ended June 30, 2003, respectively.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 ("FIN 46"), *"Consolidation of Variable Interest Entities,"* which clarifies the application of Accounting Research Bulletin ("ARB") No. 51, *"Consolidated Financial Statements,"* relating to consolidation of certain entities. FIN 46 requires the identification of Wells REIT's participation in variable interest entities ("VIEs"), which are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit them to operate on a stand alone basis, or whose equity holders lack certain characteristics of a controlling financial interest. For entities identified as VIEs, FIN 46 sets forth a model to evaluate potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to its expected losses, or stands to gain from a majority of its expected returns. FIN 46 is effective for all new VIEs created or acquired after January 31, 2003. For VIEs created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. FIN 46 also sets forth certain disclosures regarding interests in VIEs that are deemed significant, even if consolidation is not required. As Wells REIT's joint ventures do not fall under the definition of VIEs provided above, we do not believe that the adoption of FIN 46 will result in the consolidation of any previously unconsolidated entities.

2. REAL ESTATE ASSETS

Acquisitions

During the six months ended June 30, 2003, Wells REIT acquired ownership interests in seven properties for a total purchase price of $871.9 million, exclusive of related closing costs and acquisition and advisory fees paid to the Advisor as described below.

East Point I & II

On January 9, 2003, Wells REIT purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio, for a purchase price of approximately $22.0 million. Progressive Casualty Insurance; Austin, Danaher Power Solutions; and Moreland Management Company occupy approximately 92% of the rentable square feet in the two buildings. The remaining approximately 8% of the rentable square feet is vacant as of June 30, 2003. At closing, Wells REIT entered into an earn-out agreement with the seller with regard to the vacant space that requires Wells REIT to pay the seller certain amounts for each new, fully-executed lease after the date of acquisition but on or before March 31, 2004, relating to the vacant space. Payments are calculated by dividing the anticipated first year's annual rent less operating expenses 0.105, with the result being reduced by tenant improvement costs related to the space.

150 West Jefferson Detroit

On March 31, 2003, Wells REIT purchased a 25-story office building containing approximately 505,417 rentable square feet located at 150 West Jefferson Avenue, downtown Detroit, Michigan, for a purchase price of approximately $93.8 million. The building is 99% occupied under leases to various tenants with varying lease terms, including Miller, Canfield, Paddock, & Stone; Butzel Long PC; and MCN Energy Group, Inc., which collectively occupy approximately 62% of the building.

Citicorp Englewood Cliffs

On April 30, 2003, Wells REIT purchased the Citicorp Englewood Cliffs, NJ Building, a three-story office building containing approximately 410,000 rentable square feet located in Englewood Cliffs, New Jersey, for a purchase price of $70.5 million. The building is leased entirely to Citicorp North America, Inc., a wholly-owned subsidiary of Citicorp, Inc.

US Bancorp

On May 1, 2003, Wells REIT purchased the US Bancorp Minneapolis Building, a 32-story office building containing approximately 929,694 rentable square feet located in Minneapolis, Minnesota, for a purchase price of $174.0 million. The building is approximately 99% leased under leases to various tenants with varying terms, including US Bancorp Piper Jaffray Companies, Inc., which leases approximately 77% of the building.

AON Center Chicago

On May 9, 2003, Wells REIT purchased the AON Center Chicago Building, an 83-story office building containing approximately 2.6 million rentable square feet located in Chicago, Illinois, for a purchase price of approximately $465.2 million. The building is approximately 92% leased under leases to various tenants with varying lease terms, including BP Corporation North American, Inc., DDB Needham Chicago, Inc., and Kirkland & Ellis which collectively lease approximately 54% of the building.

GMAC Detroit

On May 9, 2003, Wells REIT acquired the GMAC Detroit Building, a three-story office building containing approximately 119,122 square feet located in Auburn Hills, Michigan, for a purchase price of approximately $17.8 million. The building is approximately 86% leased to the GMAC Corporation and Delmia Corporation. For the remaining approximately 14% of the building, Wells REIT is required to pay the seller certain amounts for each new, fully executed lease entered into after the date of acquisition of the building but on or before November 8, 2004. Payments are calculated by dividing the sum of the anticipated first year's annual rent less operating expenses by 0.095, with the result being reduced by tenant improvement costs related to the space.

IBM Reston I & II

On June 30, 2003, Wells REIT purchased the IBM Reston Buildings, one six-story and one two-story office building containing approximately 140,994 aggregate rentable square feet located in Reston, Virgina for a purchase price of approximately $28.6 million. The buildings are 100% occupied by the IBM Corporation and Tellabs Reston, Inc.

Build-to-Suit Projects

During the six month period ended June 30, 2003, Wells REIT completed three build-to-suit projects with a total investment amount totaling approximately $76.8 million as discussed below.

Nissan

In March 2003, Wells REIT substantially completed the construction of the Nissan Building located in Dallas, Texas, and transferred total construction costs of approximately $41.8 million for the project from construction in progress to building and improvements. Nissan Motor Acceptance Corporation occupied the building under a lease commencing on April 1, 2003. The construction was financed through a loan that was paid off in March 2003, when the building was substantially complete.

AmeriCredit

In April 2003, Wells REIT substantially completed the construction of the AmeriCredit Building located in Phoenix, Arizona, and transferred total construction costs of approximately $23.5 million for the project from construction in progress to building and improvements. AmeriCredit Corporation occupied the building under a lease commencing on April 15, 2003. The entire construction was financed completely with investor proceeds.

Kerr-McGee

In June 2003, Wells REIT substantially completed the construction of the Kerr-McGee located in Houston, Texas, and transferred total construction costs of approximately $11.5 million for the project from construction in progress to building and improvements. Kerr-McGee Corporation will occupy the building under a lease commencing on July 1, 2003. The construction of this property was financed through a loan that was paid off in July 2003.

3. INVESTMENT IN JOINT VENTURES

The information below summarizes the operations of the seven unconsolidated joint ventures that Wells REIT, through Wells OP, had ownership interests as of June 30, 2003.

CONDENSED COMBINED STATEMENTS OF INCOME

	Three months ended June 30,		Six months ended June 30,	
	2003 (000s)	2002 (000s)	2003 (000s)	2002 (000s)
REVENUES:				
Rental income	$ 5,134	$ 4,859	$ 10,280	$ 9,587
Tenant reimbursements	551	373	1,021	1,015
Other income	3	12	11	24
Total revenues	5,688	5,244	11,312	10,626
EXPENSES:				
Depreciation	1,751	1,592	3,519	3,196
Operating expenses	1,107	513	1,934	1,344
Management and leasing fees	322	287	651	549
TOTAL EXPENSES	3,180	2,392	6,104	5,089
NET INCOME	$ 2,508	$ 2,852	$ 5,208	$ 5,537
NET INCOME ALLOCATED TO WELLS REIT	$ 1,131	$ 1,271	$ 2,392	$ 2,478

4. BORROWINGS

Wells REIT has financed certain investments, acquisitions and developments through various borrowings as described below. On June 30, 2003, and December 31, 2002, Wells REIT had the following amounts outstanding:

Facility	June 30, 2003 (000s)	December 31, 2002 (000s)
$110 million line of credit; accruing interest at LIBOR plus 175 basis points; requiring interest payments monthly with principal due at maturity; collateralized by various buildings(1)	$ —	$ 58,000
$98.1 million line of credit; accruing interest at LIBOR plus 175 basis points (2.87 % at June 30, 2003); requiring interest payments monthly and principal due at maturity (September 2003); collateralized by various buildings	65,500	61,399
$500 million unsecured revolving line of credit; accruing interest at various rates of interest based on LIBOR plus up to 1.625% (2.43% at June 30, 2003); requiring interest payments monthly and principal payments due at maturity (May 2005) (2)	20,000	—
$50 million line of credit; accruing interest at LIBOR plus 175 basis points; requiring interest payments monthly with principal due at maturity (May 2005); collateralized by various buildings(3)	—	—
$90 million note payable; accruing interest at LIBOR plus 115 basis points; currently locked at 2.53% through July 2, 2003 (2.53% at June 30, 2003); requiring interest payments monthly, with principal due at maturity (December 2006); subject to certain prepayment penalties; collateralized by the Nestle Building	90,000	90,000
$112.3 million note payable; seller financed interest free loan incurred upon purchase of AON Center in May 2003; Principal balance due upon maturity (January 2004); collateralized by the AON Center Building	112,347	—
$34.2 million construction loan payable; accruing interest at LIBOR plus 200 basis points; requiring interest payments monthly and principal due at maturity (July 2003); collateralized by the Nissan Building(4)	—	23,149
$13.7 million construction loan payable; accruing interest at LIBOR plus 200 basis points (3.12% at June 30, 2003); requiring interest payments monthly, with principal due at maturity (January 2004); collateralized by the Kerr-McGee Building(5)	9,426	4,038
$8.8 million note payable; accruing interest at 8%; requiring interest and principal payments monthly with any unamortized principal due at maturity (December 2003); subject to certain prepayment penalties; collateralized by the BMG Buildings	8,592	8,709
$2.9 million note payable; accruing interest at 8.5%; requiring interest payments monthly with principal due at maturity (December 2003); subject to certain prepayment penalties; collateralized by the BMG Buildings	2,900	2,900
Total borrowings	$308,765	$ 248,195

(1) Wells REIT terminated this credit facility upon execution of the $500 million line of credit in April 2003.

(2) Wells REIT entered into this revolving credit facility in April 2003. Additionally, Wells REIT is required to pay a quarterly facility fee of 0.25% per annum on the entire amount of the credit facility.

(3) Wells REIT entered into this credit agreement in June 2003.

(4) Wells REIT repaid this loan in March 2003, upon substantial completion of the construction of the property. At that time, Wells REIT terminated the interest rate swap at a cost of $0.3 million, which was reclassified from other comprehensive income to interest expense.

(5) Wells REIT has entered into an interest rate swap for this construction loan. The swap has the effect of fixing the interest rate at 4.27% through July 15, 2003.

5. RELATED-PARTY TRANSACTIONS

Advisory Agreement

Wells REIT has entered into an Advisory Agreement with the Advisor, which entitles the Advisor to specified fees in consideration for certain services with regard to the offering of shares to the public and investment of funds in real estate projects. The current Advisory Agreement expires January 30, 2004.

Under the terms of the agreement, the Advisor receives the following fees and reimbursements:

- Acquisition and advisory fees and acquisitions expenses of 3.5% of gross offering proceeds, subject to certain limitations;
- Reimbursement of organization and offering costs paid on behalf of Wells REIT, not to exceed 3% of gross offering proceeds;
- Disposition fee of 50% of the lesser of a competitive real estate commission or 3% of the sales price of the property, subordinated to the payment of dividends to shareholders equal to the sum of the shareholders' invested capital plus an 8% return on invested capital;
- Incentive fee of 10% of net sales proceeds remaining after shareholders have received distributions equal to the sum of the shareholders' invested capital plus an 8% return of invested capital; and
- Listing fee of 10% of the excess by which the market value of the stock plus dividends paid prior to listing exceeds the sum of 100% of the invested capital plus an 8% return on invested capital.

The Advisor has elected, but is not obligated, to reduce the acquisition and advisory fees and organizational and offering costs by the amounts attributable to shares redeemed under the share redemption program for shares redeemed through June 30, 2003.

Acquisition and advisory fees and expenses incurred for the three months ended June 30, 2003 and 2002, totaled $21.0 million and $12.6 million, respectively. Organizational and offering costs incurred for the three months ended June 30, 2003 and 2002, totaled $5.7 million and $3.6 million, respectively.

Acquisition and advisory fees and acquisition expenses incurred for the six months ended June 30, 2003 and 2002, totaled $35.5 million and $21.4 million, respectively. Organizational and offering costs incurred for the six months ended June 30, 2003 and 2002, totaled $10.5 million and $5.4 million, respectively. Wells REIT incurred no disposition, incentive or listing fees during the six months ended June 30, 2003 or 2002.

Administrative Services Reimbursement

Wells REIT has no direct employees. The employees of the Advisor and Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for Wells REIT. The related expenses are allocated among Wells REIT and the various Wells Real Estate Funds based on time spent on each entity by individual administrative personnel. These expenses are included in general and administrative expenses in the consolidated statements of income. These expenses totaled $1.0 million and $0.4 million for the three months ended June 30, 2003 and 2002, respectively. Administrative services reimbursements totaled $2.0 million and $0.7 million for the six months ended June 30, 2003 and 2002, respectively.

Asset and Property Management Agreement

Wells REIT has entered into an asset and property management agreement with Wells Management. In consideration for asset management services and for supervising the management and leasing of Wells REIT's properties, Wells REIT will pay asset and property management fees to Wells Management equal to the lesser of (a) 4.5% of the gross revenues generally paid over the life of the lease or (b) 0.6% of the net asset value of the properties (excluding vacant properties) owned by Wells REIT. These asset and property management fees are calculated on an annual basis plus a separate competitive fee for the one-time initial lease-up of newly constructed properties generally paid in conjunction with the receipt of the first month's rent. These expenses totaled $2.9 million and $1.0 million for the three months ended June 30, 2003 and 2002, respectively, and $5.1 million and $1.9 million for the six months ended June 30, 2003 and 2002, respectively.

Dealer Manager Agreement

Wells REIT has entered into a dealer manager agreement with Wells Investment Securities, Inc. ("WIS"), an affiliate of the Advisor, whereby WIS performs the dealer manager function for Wells REIT. For these services, WIS earns fees of 7% of the gross proceeds from the sale of the shares of Wells REIT, most of which are reallowed to participating broker-dealers. Additionally, WIS earns a dealer manager fee of 2.5% of the gross offering proceeds at the time the shares are sold, of which up to 1.5% may be reallowed to participating broker-dealers. WIS has elected, although is not obligated, to reduce the dealer manager fee by 2.5% of the gross redemptions under Wells REIT's share redemption plan for shares redeemed through June 30, 2003. During the three months ended June 30, 2003 and 2002, Wells REIT incurred commissions of $43.2 million and $25.8 million, respectively, of which more than 99% was reallowed to participating broker-dealers. Dealer manager fees of $15.0 million and $9.0 million were incurred for the three months ended June 30, 2003 and 2002, respectively. Of these amounts, $7.1 million and $5.1 million were reallowed to participating broker-dealers for the three months ended June 30, 2003 and 2002, respectively. For the six months ended June 30, 2003 and 2002, Wells REIT incurred commissions of $73.1 million and $43.3 million, respectively, of which more than 99% was reallowed to participating broker-dealers. Dealer manager fees of $25.3 million and $15.3 million were incurred for the six months ended June 30, 2003 and 2002. Of these amounts, $12.1 million and $7.1 million were reallowed to participating broker-dealers.

Due From Affiliates

Due from affiliates included in the consolidated balance sheets primarily represents Wells REIT's share of the cash to be distributed from its joint venture investments and other amounts payable to Wells REIT from other related parties.

Conflicts of Interest

The Advisor also is a general partner in various Wells Real Estate Funds. As such, there are conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with Wells REIT in connection with property acquisitions or for tenants in similar geographic markets.

6. CONSOLIDATED STATEMENT OF CASH FLOWS SUPPLEMENTAL INFORMATION

	For the six months ended June 30,	
	2003	2002
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to investments	$ 35,094	$10,068
Deferred project costs due to affiliate	$ 2,651	$ 512
Other offering expenses due to affiliate	$ 2,390	$ 1,595
Acquisition of intangible lease liability	$ 15,980	$ —
Dividends payable	$ 9,532	$ 4,539
Joint venture distributions applied to investment	$ 3,872	$ 3,799
Seller financed debt arrangement obtained at acquisition of property	$112,347	$ —
Other liabilities assumed at acquisition of property	$ 19,064	$ —
Capital expenditure accrued	$ 5,408	$ —

7. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

The Advisor and its affiliates have developed a program (the “Wells Section 1031 Program”) involving the acquisition by a subsidiary of Wells Management Company (“Wells Exchange”) of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons (“1031 Participants”) who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Service Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to Wells REIT and following approval of the potential property acquisition by Wells REIT’s board of directors, it is anticipated that Wells REIT will enter into a take out purchase and escrow agreement or similar contract providing that, if Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells REIT will purchase, at Wells Exchange’s cost, any co-tenancy interests remaining unsold at the end of the offering period.

In consideration for the payment of a take out fee in the amount of approximately $0.2 million, on December 31, 2002, Wells OP entered into a take out purchase and escrow agreement providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange’s cost ($0.4 million in cash plus $0.4 million of assumed debt for each 2.9994% interest of co-tenancy interest unsold), any unsold co-tenancy interests in two buildings known as Meadow Brook Corporate Park located in Birmingham, Alabama, which remain unsold at the expiration of the offering of Wells Exchange on September 30, 2003.

The obligations of Wells OP under the take out purchase and escrow agreement were secured by reserving against Well OP’s existing line of credit with Bank of America, N.A. (the “Interim Lender”). However, in April 2003, Wells Exchange repaid the loan amount in full to the Interim Lender and now Wells OP is obligated to pay Wells Exchange for any unsold units. Wells OP’s maximum economic exposure in the transaction was initially $14.0 million in cash plus assumption of the first mortgage financing in the amount of $13.9 million. As of June 30, 2003, due to the number of co-tenancy interests sold in Meadow Brook Corporate Park through such date, Wells OP’s maximum exposure has been reduced to $2.8 million in cash plus the assumption of the first mortgage financing in the amount of $2.8 million.

Letters of Credit

At June 30, 2003, Wells REIT had three unused letters of credit totaling approximately $19.7 million outstanding from financial institutions, consisting of letters of credit of approximately $14.5 million, $4.8 million and $0.4 million with expiration dates of February 28, 2004; August 12, 2003; and February 2, 2004, respectively. These amounts are not recorded in the accompanying consolidated balance sheet as of June 30, 2003 or December 31, 2002. These letters of credit were required by three unrelated parties to ensure completion of Wells REIT's obligations under certain earn-out and construction agreements. Wells REIT does not anticipate a need to draw on these letters of credit.

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, Wells REIT may be obligated to expend certain amounts of capital to expand an existing property, construct on adjacent property or provide other expenditures for the benefit of the tenant, in favor of additional rental revenue. At June 30, 2003, no tenants have exercised such options.

Earn-out Agreements

As part of the acquisition of the IRS Building, Wells REIT entered into an agreement to pay the seller an additional $14.5 million if Wells REIT or the seller locates a suitable tenant and leases the vacant space of the building within 18 months after the date of acquisition of the property, or March 2004. If the space is not leased within this time, Wells REIT is released from any obligation to pay this additional purchase consideration. The 26% of the building that was vacant at the time of acquisition remains unleased at June 30, 2003. As of June 30, 2003, no payments have been made under this agreement.

In connection with the acquisition of the East Point I and II Buildings, Wells REIT entered into an earn-out agreement whereby Wells REIT is required to pay the seller certain amounts for each new, fully executed lease after the date of acquisition of the property but on or before June 30, 2004. Payments shall be the anticipated first year's annual rent less operating expenses with the sum divided by 0.105 and the result reduced by tenant improvement costs related to the space. As of June 30, 2003, no payments have been made under this agreement.

As part of the acquisition of the GMAC Detroit Building, Wells REIT entered into an agreement to pay the seller certain amounts for each new, fully executed lease entered into after the date of acquisition of the building but on or before November 8, 2004. Payments are calculated by dividing the sum of the anticipated first year's annual rent less operating expenses by 0.095, with the result being reduced by tenant improvement costs related to the space. As of June 30, 2003, no payments have been made under this agreement.

Leasehold Property Obligations

The ASML, Motorola Tempe, Avnet and Bellsouth Ft. Lauderdale Buildings are subject to certain ground leases with expiration dates of 2082, 2082, 2083 and 2049, respectively.

Pending Litigation

In the normal course of business, Wells REIT may become subject to litigation or claims. In November 2002, Wells REIT contracted to purchase an office building located in Ramsey County, Minnesota, from Shoreview Associates LLC ("Shoreview"), who filed a lawsuit against Wells REIT in Minnesota state court alleging that Shoreview was entitled to approximately $0.8 million in earnest money Wells REIT had deposited under the contract. Wells REIT has filed a counterclaim in the case asserting that Wells REIT is entitled to the earnest money deposit. Procedurally, Wells REIT had the case transferred to U.S. District Court in Minnesota, and Shoreview has moved to transfer the case back to state court. The dispute currently remains in litigation. After consultation with legal counsel, management does not believe that a reserve for a loss contingency is necessary.

NASD Enforcement Action

On June 6, 2003, the enforcement division of NASD, Inc. (NASD) informed Wells Investment Securities, the Wells REIT Dealer Manager, and Leo F. Wells, III, President and a director of Wells REIT, that the NASD has made a determination to institute disciplinary proceedings against both Wells Investment Securities and Mr. Wells, as registered principal of Wells Investment Securities, for alleged violations of various NASD Conduct Rules entirely related to providing non-cash compensation of more than $100 to associated persons of NASD member firms in connection with their attendance at the annual educational and due diligence conferences sponsored by Wells Investment Securities in 2001 and 2002.

Management is unable to predict at this time the potential outcome of any such enforcement action against Wells Investment Securities and Mr. Wells or the potential effect such an enforcement action may have on the operations of the Advisor, and, accordingly, on the operations of Wells REIT, if any.

8. SUBSEQUENT EVENTS

Sale of Shares of Common Stock

From July 1, 2003 through July 31, 2003, Wells REIT has raised approximately $233.5 million through the issuance of approximately 23.5 million shares of common stock of Wells REIT. At July 31, 2003 approximately 130.5 million shares remain available under the current offering of Wells REIT's stock.

Redemptions of Common Stock

Wells REIT's current share redemption plan allows for the redemption of approximately 4.0 million shares at an aggregate cost of $40.0 million for the year ending December 31, 2003. From January 1, 2003 through July 31, 2003, Wells REIT had redeemed 3.6 million shares of common stock available for redemption for the year at an aggregate cost of approximately $36.0 million. Wells REIT anticipates that the remaining shares eligible for redemption during the year ending December 31, 2003 will be exhausted in the very near future. All other requests for potential redemption will be eligible on a first come first serve basis beginning in the first quarter 2004, subject to the Board's ability to change or terminate the Wells REIT's share redemption program at any time in its discretion.

Property Acquisitions

Internet Security Systems Atlanta

On July 1, 2003, Wells REIT purchased the third Internet Security Systems (ISS) Building, a five-story building containing approximately 50,400 rentable square feet located in Atlanta, Georgia for a purchase price of approximately $10.0 million. The building is 100% leased to ISS. The first two ISS Buildings were purchased in July 2002. The three-building project now totals approximately 289,000 rentable square feet.

Lockheed Martin Rockville

On July 30, 2003, Wells REIT purchased all the membership interest in Meridian/Northwestern Shady Grove North, LLC, a Delaware limited liability company, which owns two four-story office buildings containing approximately 231,000 aggregate rentable square feet located in Rockville, Maryland, for a purchase price of approximately $51.6 million. The buildings are 100% leased by Lockheed Martin.

Cingular Atlanta

On August 1, 2003, Wells REIT purchased the Cingular Atlanta Building, a 19-story building containing approximately 413,279 rentable square feet located in Atlanta, Georgia, for a purchase price of $83.9 million. The building is 97% leased under leases to various tenants with varying terms, including Cingular Wireless, LLC, which leases 76% of the building.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Lockheed Martin Rockville Buildings for the year ended December 31, 2002. This statement is the responsibility of the Lockheed Martin Rockville Buildings' management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Lockheed Martin Rockville Buildings' revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Lockheed Martin Rockville Buildings for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

Atlanta, Georgia
August 14, 2003

/s/ Ernst & Young LLP

Lockheed Martin Rockville Buildings

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

(in thousands)

	2003	2002
	(Unaudited)	
Revenues:		
Base rent	$ 2,739	$4,727
Tenant reimbursements	96	159
Total revenues	2,835	4,886
Expenses:		
Other operating expenses	224	519
Real estate taxes	199	398
Cleaning	105	208
Utilities	90	200
Management fees	90	177
Total expenses	708	1,502
Revenues over certain operating expenses	$ 2,127	$3,384

See accompanying notes.

Lockheed Martin Rockville Buildings

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

1. Description of Real Estate Property Acquired

On July 30, 2003, Wells Operating Partnership, L.P. (“Wells OP”) acquired all of the membership interest in Meridian/Northwestern Shady Grove North, LLC, a Delaware limited liability company, which owns the Lockheed Martin Rockville Buildings, two four-story office buildings containing approximately 230,000 square feet located in Rockville, Maryland, from Meridian/Northwestern Shady Grove Holdings, LLC (“Holdings”). Total consideration for the acquisition was approximately $51.6 million. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the Lockheed Martin Rockville Buildings after their acquisition by Wells OP.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of recognized rental income over amounts due pursuant to lease terms is recorded as straight-line rent receivable. The impact of the straight-line rent adjustment increased revenue by approximately $0 for the year ended December 31, 2002 and $375,000 for the six months ended June 30, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Lockheed Martin Rockville Buildings

Notes to Statements of Revenues Over Certain Operating Expenses (continued)

For the year ended December 31, 2002 and the six months ended June 30, 2003 (unaudited)

4. Description of Leasing Arrangements

The Lockheed Martin Rockville Buildings are 100% leased to Lockheed Martin Corporation ("Lockheed") under leases ("Lockheed Leases") that commenced in February 1999 and expire in January 2009. The Lockheed Leases were amended in March 2003 to extend the lease expiration dates to January 2009 and increase base rents. Under the Lockheed Leases, Lockheed is required to pay, as additional rent, any increases in operating expenses, excluding electricity, and real estate taxes over a base year amount. Lockheed will be billed directly by Wells OP for annual electrical costs. Holdings' interests in all lease agreements were assigned to Wells OP upon its acquisition of the Lockheed Martin Rockville Buildings.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 4,727
2004	5,573
2005	5,831
2006	6,036
2007	6,246
Thereafter	7,004
	$35,417

6. Interim Unaudited Financial Information

The statement of revenues over certain operating expenses for the six months ended June 30, 2003 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Cingular Atlanta Building for the year ended December 31, 2002. This statement is the responsibility of the Cingular Atlanta Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Cingular Atlanta Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Cingular Atlanta Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

Atlanta, Georgia
August 8, 2003

/s/ Ernst & Young LLP

Cingular Atlanta Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

(in thousands)

	2003	2002
	(Unaudited)	
Revenues:		
Base rent	$ 5,183	$10,364
Tenant reimbursements	87	137
Parking revenue	9	13
Total revenues	5,279	10,514
Expenses:		
Other operating expenses	485	912
Real estate taxes	515	908
Utilities	263	603
Cleaning	191	356
Management fees	125	250
Security	125	221
Total expenses	1,704	3,250
Revenues over certain operating expenses	$ 3,575	$ 7,264

See accompanying notes.

Cingular Atlanta Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

1. Description of Real Estate Property Acquired

On August 1, 2003, Wells Operating Partnership, L.P. ("Wells OP") acquired the Cingular Atlanta Building, a 19-story office building containing approximately 413,000 square feet located in Atlanta, Georgia, from Teachers Insurance and Annuity Association of America ("Teachers"). Total consideration for the acquisition was approximately $84 million. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the Cingular Atlanta Building after its acquisition by Wells OP.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of recognized rental income over amounts due pursuant to lease terms is recorded as straight-line rent receivable. The impact of the straight-line rent adjustment increased revenue by approximately $1.9 million for the year ended December 31, 2002, due to recognition of rent abatements in the first two years of the lease which will not recur on an ongoing basis, and decreased revenue by approximately $0.2 million for the six months ended June 30, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cingular Atlanta Building

Notes to Statements of Revenues Over Certain Operating Expenses (continued)

For the year ended December 31, 2002 and the six months ended June 30, 2003 (unaudited)

4. Description of Leasing Arrangements

The office and retail space is leased to tenants under leases with terms that vary in length. Certain leases contain reimbursement clauses and renewal options. Teachers' interests in all lease agreements were assigned to Wells OP upon its acquisition of the Cingular Atlanta Building.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$10,743
2004	10,927
2005	11,290
2006	11,491
2007	10,784
Thereafter	36,063
	$91,298

Two tenants, Cingular Wireless, LLC and Habif, Arogeti & Wynne, LLP contributed approximately 81% and 13%, respectively, of rental income for the year ended December 31, 2002. Subsequent to December 31, 2002, these tenants will contribute approximately 81% and 12%, respectively, of the future minimum rental income of those leases in place as of that date.

6. Interim Unaudited Financial Information

The statement of revenues over certain operating expenses for the six months ended June 30, 2003 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Report of Independent Auditors

Shareholders and Board of Directors
Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the Aventis Northern NJ Building for the year ended December 31, 2002. This statement is the responsibility of the Aventis Northern NJ Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Aventis Northern NJ Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Aventis Northern NJ Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

Atlanta, Georgia
August 20, 2003

/s/ Ernst & Young LLP

Aventis Northern NJ Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

(in thousands)

	2003	2002
	(Unaudited)	
Revenues:		
Base rent	$ 3,888	$7,129
Tenant reimbursements	1,167	2,264
Total revenues	5,055	9,393
Expenses:		
Other operating expenses	370	613
Real estate taxes	398	567
Utilities	245	561
Management fees	127	266
Salaries & wages	118	257
Total expenses	1,258	2,264
Revenues over certain operating expenses	$ 3,797	$7,129

See accompanying notes.

Aventis Northern NJ Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

1. Description of Real Estate Property Acquired

On August 14, 2003, Wells Bridgewater I, LLC (“the Company”) acquired the Aventis Northern NJ Building, an eight-story office building containing approximately 297,000 square feet located in Bridgewater, New Jersey, from PGC Bridgewater, LLC (“PGC Bridgewater”). Total consideration for the acquisition was approximately $96.3 million. The Company, a Georgia limited liability company, was created on August 8, 2003. Wells Operating Partnership, L.P. (“Wells OP”) is the sole member of the Company. Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the Aventis Northern NJ Building after its acquisition by the Company.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of recognized rental income over amounts due pursuant to lease terms is recorded as straight-line rent receivable. The impact of the straight-line rent adjustment increased revenue by approximately $450,000 for the year ended December 31, 2002 and by approximately $246,000 for the six months ended June 30, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Aventis Northern NJ Building

Notes to Statements of Revenues Over Certain Operating Expenses (continued)

For the year ended December 31, 2002 and the six months ended June 30, 2003 (unaudited)

4. Description of Leasing Arrangements

The Aventis Northern NJ Building is 100% leased to Aventis, Inc. ("Aventis") under a net lease ("Aventis Lease") that commenced in February 2002 and expires in March 2012. Under the Aventis Lease, Aventis is required to pay, as additional rent, the costs of electrical energy consumed, its proportionate share of operating expenses and a management fee equal to 3% of gross revenue. PGC Bridgewater's interest in the Aventis lease agreement was assigned to the Company upon its acquisition of the Aventis Northern NJ Building.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 7,286
2004	7,286
2005	7,286
2006	7,286
2007	8,171
Thereafter	35,072
	$72,387

6. Interim Unaudited Financial Information

The statement of revenues over certain operating expenses for the six months ended June 30, 2003 is unaudited, however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2002 and its quarterly report on Form 10-Q for the six months ended June 30, 2003. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of June 30, 2003 has been prepared to give effect to the third quarter 2003 acquisitions of the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building by Wells Operating Partnership, L.P. ("Wells OP") and the Aventis Northern NJ Building (collectively, the "Recent Acquisitions") by Wells Bridgewater I, LLC, of which Wells OP is the sole member, as if the acquisitions occurred on June 30, 2003.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

The following unaudited pro forma statement of income for the six months ended June 30, 2003 has been prepared to give effect to the first quarter 2003 acquisitions of the East Point Cleveland Buildings and the 150 West Jefferson Detroit Building, the second quarter 2003 acquisitions of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building, the Aon Center Chicago Building, the GMAC Detroit Building and the IBM Reston Buildings (collectively, the "2003 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the "2002 Acquisitions"), the 2003 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002. The Kerr McGee Property, the AmeriCredit Phoenix Property and the ISS Atlanta III Building had no operations during the year ended December 31, 2002.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the 2002 Acquisitions, 2003 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2003

(in thousands, except share amounts)

(Unaudited)

ASSETS

		Pro Forma Adjustments					
			Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (a)	Other	ISS Atlanta III	Lockheed Martin Rockville	Cingular Atlanta	Aventis Northern NJ	Pro Forma Total
REAL ESTATE ASSETS, at cost:							
Land	$ 342,885	$ 0	$ 950 (d)	$ 5,800 (d)	$ 6,400 (d)	$ 8,000 (d)	$ 364,755
			39 (e)	237 (e)	262 (e)	182 (e)	
Buildings, less accumulated depreciation of $107,872	2,575,249	0	8,906 (d)	45,427 (d)	77,615 (d)	88,668 (d)	2,803,283
			365 (e)	1,860 (e)	3,178 (e)	2,015 (e)	
Construction in progress	532	0	0	0	0	0	532
Total real estate assets	2,918,666	0	10,260	53,324	87,455	98,865	3,168,570
INVESTMENT IN JOINT VENTURES	82,513	0	0	0	0	0	82,513
CASH AND CASH EQUIVALENTS	59,105	297,883 (b)	(9,856) (d)	(51,227) (d)	(52,015) (d)	(53,668) (d)	178,638
		(11,584) (c)					
RENT RECEIVABLE	26,814	0	0	0	0	0	26,814
DEFERRED PROJECT COSTS	1,864	11,584 (c)	(404) (e)	(2,097) (e)	(3,440) (e)	(2,197) (e)	5,310
DUE FROM AFFILIATES	1,807	0	0	0	0	0	1,807
PREPAID EXPENSES AND OTHER ASSETS, NET	12,656	0	0	0	0	0	12,656
DEFERRED LEASE ACQUISITION COSTS, NET	11,880	0	0	0	0	0	11,880
INTANGIBLE LEASE ASSET	22,839	0	0	0	0	0	22,839
INVESTMENT IN BONDS	54,500	0	0	0	0	0	54,500
Total assets	$ 3,192,644	$ 297,883	$ 0	$ 0	$ 32,000	$ 43,000	$ 3,565,527

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

		Pro Forma Adjustments					
			Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (a)	Other	ISS Atlanta III	Lockheed Martin Rockville	Cingular Atlanta	Aventis Northern NJ	Pro Forma Total
LIABILITIES:							
Borrowings	$ 308,765	$ 0	$ 0	$ 0	$ 32,000 (d)	$ 43,000 (d)	$ 383,765
Obligations under capital lease	54,500	0	0	0	0	0	54,500
Intangible lease liability	46,249	0	0	0	0	0	46,249
Accounts payable and accrued expenses	57,013	0	0	0	0	0	57,013
Due to affiliate	5,061	0	0	0	0	0	5,061
Dividends payable	9,532	0	0	0	0	0	9,532
Deferred rental income	9,379	0	0	0	0	0	9,379
Total liabilities	490,499	0	0	0	32,000	43,000	565,499
COMMITMENTS AND CONTINGENCIES							
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	0	0	0	0	0	200
SHAREHOLDERS' EQUITY:							
Common shares, $.01 par value; 750,000,000 shares authorized, 322,219,052 shares issued and 317,026,812 outstanding at June 30, 2003	3,222	331 (b)	0	0	0	0	3,553
Additional paid-in capital	2,863,705	297,552 (b)	0	0	0	0	3,161,257
Cumulative distributions in excess of earnings	(113,052)	0	0	0	0	0	(113,052)
Treasury stock, at cost, 5,192,240 shares at June 30, 2003	(51,922)	0	0	0	0	0	(51,922)
Other comprehensive loss	(8)	0	0	0	0	0	(8)
Total shareholders' equity	2,701,945	297,883	0	0	0	0	2,999,828
Total liabilities and shareholders' equity	$ 3,192,644	$ 297,883	$ 0	$ 0	$ 32,000	$ 43,000	$ 3,565,527

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Reflects capital raised through issuance of additional shares subsequent to June 30, 2003 through Aventis Northern NJ acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.

(c) Reflects deferred project costs capitalized as a result of additional capital raised described in note (b) above.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed, net of any purchase price adjustments.

(e) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments					
				Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (a)	2002 Acquisitions	2003 Acquisitions	Lockheed Martin Rockville	Cingular Atlanta	Aventis Northern NJ	Pro Forma Total
REVENUES:							
Rental income	$ 107,526	$ 98,599 (b)	$ 77,148 (b)	$ 4,727 (b)	$ 11,062 (b)	$ 7,129 (b)	$ 306,191
Tenant reimbursements	18,992	9,584 (c)	52,461 (c)	159 (c)	137 (c)	2,271 (c)	83,604
Equity in income of joint ventures	4,700	648 (d)	0	0	0	0	5,348
Lease termination income	1,409	0	0	0	0	0	1,409
Interest and other income	7,001	0	0	0	0	0	7,001
	139,628	108,831	129,609	4,886	11,199	9,400	403,553
EXPENSES:							
Depreciation	38,780	34,362 (e)	32,088 (e)	1,891 (e)	3,232 (e)	3,627 (e)	113,980
Interest expense	4,638	9,657 (f)	24,407 (f)	0	1,277 (f)	1,716 (f)	41,695
Property operating costs	26,949	25,244 (g)	65,996 (g)	1,326 (g)	3,001 (g)	1,998 (g)	124,514
Management and leasing fees	5,155	3,196 (h)	5,833 (h)	220 (h)	504 (h)	423 (h)	15,331
General and administrative	3,244	0	0	0	0	0	3,244
Legal and accounting	1,008	0	0	0	0	0	1,008
	79,774	72,459	128,324	3,437	8,014	7,764	299,772
NET INCOME	$ 59,854	$ 36,372	$ 1,285	$ 1,449	$ 3,185	$ 1,636	$ 103,781
EARNINGS PER SHARE, basic and diluted	$ 0.41						$ 0.30
WEIGHTED AVERAGE SHARES, basic and diluted	145,633						349,381

(a) Historical financial information derived from annual report on Form 10-K.

(b) Rental income is recognized on a straight-line basis.

(c) Consists of operating costs reimbursements.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(e) Depreciation expense is recognized using the straight-line method and a 25-year life.

(f) Represents interest expense on lines of credits used to acquire assets, which bore interest at approximately 3.99% for the year ended December 31, 2002, interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.858% for the year ended December 31, 2002 and assumed mortgages on the two BMG Greenville Buildings and the Nestle Los Angeles Building which bore interest at 8.5%, 8% and 3.39% for the year ended December 31, 2002, respectively.

(g) Consists of operating expenses.

(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2003

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments					
			Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (a)	2003 Acquisitions	ISS Atlanta III	Lockheed Martin Rockville	Cingular Atlanta	Aventis Northern NJ	Pro Forma Total
REVENUES:							
Rental income	$ 122,312	$ 27,355 (b)	$ 43 (b)	$ 2,739 (b)	$ 5,534 (b)	$ 3,888 (b)	$ 161,871
Tenant reimbursements	26,058	17,050 (c)	0	96 (c)	87 (c)	1,188 (c)	44,479
Equity in income of joint ventures	2,392	0	0	0	0	0	2,392
Interest and other income	2,315	0	0	0	0	0	2,315
	153,077	44,405	43	2,835	5,621	5,076	211,057
EXPENSES:							
Depreciation	44,278	10,898 (d)	32 (d)	945 (d)	1,616 (d)	1,814 (d)	59,583
Property operating costs	41,039	21,206 (e)	24 (e)	619 (e)	1,579 (e)	1,131 (e)	65,598
Management and leasing fees	5,488	1,998 (f)	2 (f)	128 (f)	253 (f)	228 (f)	8,097
General and administrative	2,523	0	0	0	0	0	2,523
Interest expense	7,400	7,655 (g)	0	0	526 (g)	707 (g)	16,288
	100,728	41,757	58	1,692	3,974	3,880	152,089
NET INCOME	$ 52,349	$ 2,648	$ (15)	$ 1,143	$ 1,647	$ 1,196	$ 58,968
EARNINGS PER SHARE, basic and diluted	$ 0.20						$ 0.17
WEIGHTED AVERAGE SHARES, basic and diluted	258,575						349,381

(a) Historical financial information derived from quarterly report on Form 10-Q.
(b) Rental income is recognized on a straight-line basis.
(c) Consists of operating costs reimbursements.
(d) Depreciation expense is recognized using the straight-line method and a 25-year life.
(e) Consists of operating expenses
(f) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.
(g) Represents interest expense on lines of credits used to acquire assets, which bore interest at approximately 3.29% for the six months ended June 30, 2003 and interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.40% for the six months ended June 30, 2003

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 10 DATED SEPTEMBER 15, 2003 TO THE PROSPECTUS
DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, Supplement No. 8 dated June 15, 2003, and Supplement No. 9 dated August 27, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

(A) Acquisition of a five-story office building in Pasadena, California (Applera Pasadena Building);

(B) Acquisition of a three-story office building in Brea, California (Continental Casualty Orange County Building); and

(C) Acquisition of a 10-story office building in Lyndhurst, New Jersey (Polo Ralph Lauren Newark Building); and

(3) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisitions of the Applera Pasadena Building, the Continental Casualty Orange County Building and the Polo Ralph Lauren Newark Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately $132.2 million in gross offering proceeds from the sale of approximately 13.2 million shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175.2 million in gross offering proceeds from the sale of approximately 17.5 million shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1.3 billion in gross offering proceeds from the sale of approximately 128.3 million shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of September 10, 2003, we had received additional gross proceeds of approximately $2.2 billion from the sale of approximately 217.0 million shares in our fourth public offering. Therefore, there were approximately $914 million in shares (91.4 million shares) remaining available for sale to the public under the fourth public offering, which excludes shares available under our dividend reinvestment plan.

Accordingly, as of September 10, 2003, we had received aggregate gross offering proceeds of approximately $3.8 billion from the sale of approximately 376.0 million shares in all of our public offerings. After payment of approximately $129.5 million in acquisition and advisory fees and acquisition expenses, payment of approximately $408.6 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately $60.4 million pursuant to our share redemption program, as of September 10, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $3.2 billion, out of which approximately $3.1 billion had been invested in real estate properties, and approximately $38.7 million remained available for investment in real estate properties.

Description of Properties

As of September 10, 2003, we had purchased interests in 86 real estate properties located in 24 states. Below is a description of our recent real property acquisitions.

Applera Pasadena Building

On August 21, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, through a wholly-owned subsidiary, purchased a five-story office building containing approximately 176,000 aggregate rentable square feet located on an approximately 1.9-acre tract of land at 1055 East Colorado Boulevard in Pasadena, California (Applera Pasadena Building) for a purchase price of approximately $37.9 million, plus closing costs. Wells OP formed Wells REIT – Pasadena, CA, L.P., a Delaware limited partnership, to purchase the Applera Pasadena Building from KN Colorado, LLC, a Delaware limited liability company not in any way affiliated with the Wells REIT, Wells OP, Wells REIT – Pasadena, CA, L.P. or Wells Capital, Inc., our advisor (Advisor). Wells OP previously purchased four buildings from an affiliate of KN Colorado, LLC (the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building and the GMAC Detroit Building).

The Applera Pasadena Building, which was built in 2001, is primarily leased to Paracel, Inc. (Paracel) (approximately 48%). Approximately 28% of the Applera Pasadena Building is leased to six additional tenants, and approximately 24% of the Applera Pasadena Building is currently vacant.

Paracel, a wholly-owed subsidiary of Applera Corporation (Applera), is a provider of high-performance genomic data and text analysis systems for the pharmaceutical, biotechnology, academic and government markets. Applera, the guarantor of the Paracel lease, is a worldwide life sciences and genomics company with headquarters in Norwalk, Connecticut. Applera provides technology and information solutions to scientists through its two business units, Applied Biosystems Group and Celera Genomics Group. Applera reported a net worth, as of March 31, 2003, of approximately $2.25 billion.

The current annual base rent payable under the Paracel lease, which expires in 2011, is approximately $2.6 million. Paracel is actively marketing a majority of its current space for sublease. Paracel and Applera will remain liable for any subleased space in the Applera Pasadena Building.

The current aggregate annual base rent for the remaining six tenants in the Applera Pasadena Building is approximately $1.5 million.

Continental Casualty Orange County Building

On August 29, 2003, Wells OP purchased a three-story office building containing approximately 134,000 aggregate rentable square feet located on a approximately 7.8-acre tract of land at 675 Placentia Avenue in Brea, California (Continental Casualty Orange County Building) for a purchase price of approximately $25.6 million, plus closing costs. The Continental Casualty Orange County Building was purchased from Fairway II-VEF III, LLC, a Delaware limited liability company not in any way affiliated with the Wells REIT, Wells OP or our Advisor.

The Continental Casualty Orange County Building, which was built in 2003, is entirely leased to Continental Casualty Company (Continental Casualty) (approximately 84%) and Phoenix American Insurance Group, Inc. (Phoenix) (approximately 16%).

Continental Casualty, which has its corporate headquarters in Chicago, Illinois, is a subsidiary of CNA Financial Corporation (CNA). CNA is a global insurance organization providing businesses and individuals with a wide range of insurance products and insurance-related services. Continental Casualty, along with other CNA affiliates, conducts the property and casualty insurance operations of CNA.

The current annual base rent payable under the Continental Casualty lease, which expires in 2013, is approximately $2.7 million. Continental Casualty has the right to terminate the Continental Casualty lease in 2010 by paying a termination fee equal to various unamortized allowances, commissions, fees and concessions incurred by the landlord in connection with the Continental Casualty lease, which is currently estimated to be approximately $2.7 million. The Continental Casualty lease prohibits Wells OP from leasing any space in the Continental Casualty Orange County Building to 22 competitor insurance companies. In addition, Continental Casualty has various expansion options and a right of first refusal to lease additional space in the Continental Casualty Orange County Building.

Phoenix is an independent service contract and mechanical breakdown insurance administrator with corporate offices in Miami, Florida. Phoenix provides comprehensive insurance coverage for automobiles, motorcycles, recreational vehicles, travel trailers, and marine craft to individual consumers, car dealers, credit unions, and lending institutions.

The current annual base rent payable under the Phoenix lease, which expires in 2008, is approximately $0.5 million.

Polo Ralph Lauren Newark Building

On September 5, 2003, Wells OP purchased a 10-story office building containing approximately 268,000 aggregate rentable square feet located on an approximately 6.15-acre tract of land at 9 Polito Avenue in Lyndhurst, New Jersey (Polo Ralph Lauren Newark Building) for a purchase price of approximately $46.6 million, plus closing costs. The Polo Ralph Lauren Newark Building was purchased from Utah State Retirement Investment Fund, a Utah Common Trust Fund not in any way affiliated with the Wells REIT, Wells OP or our Advisor.

The Polo Ralph Lauren Newark Building, which was built in 1986, is primarily leased to Polo Ralph Lauren Corporation (Polo) (approximately 60%) and Scandinavian Airlines of North America, Inc. (Scandinavian) (approximately 13%). Approximately 19% of the Polo Ralph Lauren Newark Building is leased to nine additional tenants, and approximately 8% of the Polo Ralph Lauren Newark Building is currently vacant.

Polo designs, manufactures, and distributes premium lifestyle products, including apparel, accessories, fragrances, and home products. Polo, a company whose shares are publicly traded on the New York Stock Exchange (NYSE), operates through numerous brand names, including “Polo,” “Polo Sport,” “Ralph Lauren,” and “Chaps.” Polo reported a net worth, as of June 28, 2003, of approximately $1.2 billion. Polo’s senior unsecured debt is currently rated by S&P as BBB and by Moody’s as Baa2. The current annual base rent payable under the Polo lease, which expires in 2008, is approximately $3.0 million. In addition, Polo has a right of first refusal to lease additional space in the Polo Ralph Lauren Newark Building should space become available.

Scandinavian is a wholly-owned subsidiary of Scandinavian Airlines System (SAS), which has its corporate headquarters in Stockholm, Sweden. SAS operates Scandinavian Airlines, as well as several affiliated airlines, and other airline-related businesses. Ownership interests of SAS are traded on stock exchanges in Stockholm, Oslo, and Copenhagen. SAS reported a net worth, as of June 30, 2003, of approximately $1.65 billion. The current annual base rent payable under the Scandinavian lease, which expires in 2007, is approximately $1.0 million.

The current aggregate annual base rent for the remaining nine tenants in the Polo Ralph Lauren Newark Building is approximately $1.3 million.

Property Management

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our Advisor, will manage the Applera Pasadena Building, the Continental Casualty Orange County Building and the Polo Ralph Lauren Newark Building on behalf of Wells OP. Wells Management will be paid asset and property management fees in the amount of up to 4.5% of the gross revenues from the Applera Pasadena Building, the Continental Casualty Orange County Building and the Polo Ralph Lauren Newark Building, subject to certain limitations.

Financial Statements

Unaudited Financial Statements

The pro forma balance sheet of the Wells REIT, as of June 30, 2003, the pro forma statement of income for the year ended December 31, 2002, and the pro forma statement of income for the six months ended June 30, 2003, which are included in this supplement, have not been audited.

	Page
Wells Real Estate Investment Trust, Inc. and Subsidiaries	
Unaudited Pro Forma Financial Statements	
Summary of Unaudited Pro Forma Financial Statements	6
Pro Forma Balance Sheet as of June 30, 2003 (unaudited)	7
Pro Forma Statement of Income for the year ended December 31, 2002 (unaudited)	9
Pro Forma Statement of Income for the six months ended June 30, 2003 (unaudited)	10

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2002 and its quarterly report on Form 10-Q for the six months ended June 30, 2003. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of June 30, 2003 has been prepared to give effect to the third quarter 2003 acquisitions of the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings and the Cingular Atlanta Building by Wells Operating Partnership, L.P. ("Wells OP") and the Aventis Northern NJ Building by Wells Bridgewater I, LLC, of which Wells OP is the sole member, (collectively, the "Other Recent Acquisitions") and the acquisitions of the Continental Casualty Orange County Building and the Polo Ralph Lauren Newark Building by Wells OP, and the Applera Pasadena Building by Wells REIT – Pasadena, CA, L.P., a Delaware limited partnership wholly-owned by Wells OP, (collectively, the "Recent Acquisitions") as if the acquisitions occurred on June 30, 2003.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with the accompanying pro forma financial statements of Wells REIT.

The following unaudited pro forma statement of income for the six months ended June 30, 2003 has been prepared to give effect to the first quarter 2003 acquisitions of the East Point Cleveland Buildings and the 150 West Jefferson Detroit Building, the second quarter 2003 acquisitions of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building, the Aon Center Chicago Building, the GMAC Detroit Building and the IBM Reston Buildings (collectively, the "2003 Acquisitions") and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the "2002 Acquisitions"), the 2003 Acquisitions and the Recent Acquisitions as if the acquisitions occurred on January 1, 2002. The Kerr McGee Property, the AmeriCredit Phoenix Property, the ISS Atlanta III Building and the Continental Casualty Orange County Building had no operations during the year ended December 31, 2002.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the 2002 Acquisitions, 2003 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2003

(in thousands, except share amounts)

(Unaudited)

ASSETS

		Pro Forma Adjustments				
			Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (a)	Other	Applera Pasadena	Continental Casualty Orange County	Polo Ralph Lauren Newark	Pro Forma Total
REAL ESTATE ASSETS, at cost:						
Land	$ 342,885	$ 21,150(b)	$ 6,240(b)	$ 6,830(b)	$ 6,700(b)	$ 385,334
		720(c)	255(c)	280(c)	274(c)	
Buildings, less accumulated depreciation of $107,872	2,575,249	220,616(b)	31,470(b)	18,849(b)	39,956(b)	2,897,253
		7,418(c)	1,288(c)	771(c)	1,636(c)	
Construction in progress	532	0	0	0	0	532
Total real estate assets	2,918,666	249,904	39,253	26,730	48,566	3,283,119
INVESTMENT IN JOINT VENTURES	82,513	0	0	0	0	82,513
CASH AND CASH EQUIVALENTS	59,105	(141,766)(b)	(37,710)(b)	(25,679)(b)	(46,656)(b)	236,858
		447,148(d)				
		(17,584)(e)				
RENT RECEIVABLE	26,814	0	0	0	0	26,814
DEFERRED PROJECT COSTS	1,864	(8,138)(c)	(1,543)(c)	1,051(c)	(1,910)(c)	6,806
		17,584(e)				
DUE FROM AFFILIATES	1,807	0	0	0	0	1,807
PREPAID EXPENSES AND OTHER ASSETS, NET	12,656	0	0	0	0	12,656
DEFERRED LEASE ACQUISITION COSTS, NET	11,880	0	0	0	0	11,880
INTANGIBLE LEASE ASSET	22,839	0	0	0	0	22,839
INVESTMENT IN BONDS	54,500	0	0	0	0	54,500
Total assets	$ 3,192,644	$ 547,148	$ 0	$ 0	$ 0	$ 3,739,792

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

		Pro Forma Adjustments				
			Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (a)	Other	Applera Pasadena	Continental Casualty Orange County	Polo Ralph Lauren Newark	Pro Forma Total
LIABILITIES:						
Borrowings	$ 308,765	$100,000(b)	$ 0	$ 0	$ 0	$ 408,765
Obligations under capital lease	54,500	0	0	0	0	54,500
Intangible lease liability	46,249	0	0	0	0	46,249
Accounts payable and accrued expenses	57,013	0	0	0	0	57,013
Due to affiliate	5,061	0	0	0	0	5,061
Dividends payable	9,532	0	0	0	0	9,532
Deferred rental income	9,379	0	0	0	0	9,379
Total liabilities	490,499	100,000	0	0	0	590,499
COMMITMENTS AND CONTINGENCIES						
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	0	0	0	0	200
SHAREHOLDERS' EQUITY:						
Common shares, $.01 par value; 750,000,000 shares authorized, 322,219,052 shares issued and 317,026,812 outstanding at June 30, 2003	3,222	502(d)	0	0	0	3,724
Additional paid-in capital	2,863,705	446,646(d)	0	0	0	3,310,351
Cumulative distributions in excess of earnings	(113,052)	0	0	0	0	(113,052)
Treasury stock, at cost, 5,192,240 shares at June 30, 2003	(51,922)	0	0	0	0	(51,922)
Other comprehensive loss	(8)	0	0	0	0	(8)
Total shareholders' equity	2,701,945	447,148	0	0	0	3,149,093
Total liabilities and shareholders' equity	$3,192,644	$547,148	$ 0	$ 0	$ 0	$3,739,792

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed, net of any purchase price adjustments.

(c) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(d) Reflects capital raised through issuance of additional shares subsequent to June 30, 2003 through Polo Ralph Lauren Newark acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.

(e) Reflects deferred project costs capitalized as a result of additional capital raised described in note (d) above.

The accompanying notes are an integral part of this statement.

Table of Contents

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments					
					Recent Acquisitions		
	Wells Real Estate Investment Trust, Inc. (a)	2002 Acquisitions	2003 Acquisitions	Other	Applera Pasadena	Polo Ralph Lauren Newark	Pro Forma Total
REVENUES:							
Rental income	$ 107,526	$ 98,599(b)	$ 77,148(b)	$22,918(b)	$ 3,457(b)	$ 5,253(b)	$ 314,901
Tenant reimbursements	18,992	9,584(c)	52,461(c)	2,567(c)	50(c)	1,608(c)	85,262
Equity in income of joint ventures	4,700	648(d)	0(d)	0(d)	0	0	5,348
Lease termination income	1,409	0	0	0	0	0	1,409
Interest and other income	7,001	0	0	0	0	0	7,001
	139,628	108,831	129,609	25,485	3,507	6,861	413,921
EXPENSES:							
Depreciation	38,780	34,362(e)	32,088(e)	8,750(e)	1,310(e)	1,664(e)	116,954
Interest expense	4,638	9,657(f)	24,407(f)	3,990(f)	0	0	42,692
Property operating costs	26,949	25,244(g)	65,996(g)	6,325(g)	1,029(g)	2,235(g)	127,778
Management and leasing fees	5,155	3,196(h)	5,833(h)	1,147(h)	158(h)	309(h)	15,798
General and administrative	3,244	0	0	0	0	0	3,244
Legal and accounting	1,008	0	0	0	0	0	1,008
	79,774	72,459	128,324	20,212	2,497	4,208	307,474
NET INCOME	$ 59,854	$ 36,372	$ 1,285	$ 5,273	$ 1,010	$ 2,653	$ 106,447
EARNINGS PER SHARE, basic and diluted	$ 0.41						$ 0.29
WEIGHTED AVERAGE SHARES, basic and diluted	145,633						366,418

(a) Historical financial information derived from annual report on Form 10-K.

(b) Rental income is recognized on a straight-line basis.

(c) Consists of operating costs reimbursements.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(e) Depreciation expense is recognized using the straight-line method and a 25-year life.

(f) Represents interest expense on lines of credits used to acquire assets, which bore interest at approximately 3.99% for the year ended December 31, 2002, interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.858% for the year ended December 31, 2002 and assumed mortgages on the BMG Greenville Buildings and Nestle Los Angeles Building, which bore interest at 8.5%, 8% and 3.39% for the year ended December 31, 2002, respectively.

(g) Consists of operating expenses.

(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2003

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments					
				Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (a)	2003 Acquisitions	Other	Applera Pasadena	Continental Casualty Orange County	Polo Ralph Lauren Newark	Pro Forma Total
REVENUES:							
Rental income	$ 122,312	$ 27,355(b)	$12,204(b)	$ 1,952(b)	$ 1,044(b)	$ 2,662(b)	$ 167,529
Tenant reimbursements	26,058	17,050(c)	1,371(c)	23(c)	0	987(c)	45,489
Equity in income of joint ventures	2,392	0	0	0	0	0	2,392
Interest and other income	2,315	0	0	0	0	0	2,315
	153,077	44,405	13,575	1,975	1,044	3,649	217,725
EXPENSES:							
Depreciation	44,278	10,898(d)	4,407(d)	655(d)	392(d)	832(d)	61,462
Property operating costs	41,039	21,206(e)	3,353(e)	669(e)	416(e)	1,202(e)	67,885
Management and leasing fees	5,488	1,998(f)	611(f)	89(f)	47(f)	164(f)	8,397
General and administrative	2,523	0	0	0	0	0	2,523
Interest expense	7,400	7,655(g)	1,645(g)	0	0	0	16,700
	100,728	41,757	10,016	1,413	855	2,198	156,967
NET INCOME	$ 52,349	$ 2,648	$ 3,559	$ 562	$ 189	$ 1,451	$ 60,758
EARNINGS PER SHARE, basic and diluted	$ 0.20						$ 0.17
WEIGHTED AVERAGE SHARES, basic and diluted	258,575						366,418

(a) Historical financial information derived from quarterly report on Form 10-Q.
(b) Rental income is recognized on a straight-line basis.
(c) Consists of operating costs reimbursements.
(d) Depreciation expense is recognized using the straight-line method and a 25-year life.
(e) Consists of operating expenses.
(f) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.
(g) Represents interest expense on lines of credits used to acquire assets, which bore interest at approximately 3.29% for the six months ended June 30, 2003 and interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.40% for the six months ended June 30, 2003.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 11 DATED SEPTEMBER 25, 2003 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, Supplement No. 8 dated June 15, 2003, Supplement No. 9 dated August 27, 2003, and Supplement No. 10 dated September 15, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Status of our Share Redemption Program;

(3) Formation of Wells Real Estate Investment Trust II, Inc. (Wells REIT II), a recently formed REIT which is also sponsored and advised by Wells Capital, Inc. (Wells Capital), our advisor;

(4) Revisions to the "Conflicts of Interest" section of the prospectus describing potential conflicts of interest related to the common directors of the Wells REIT and Wells REIT II;

(5) Revisions to the "Management – The Advisor" section of the prospectus describing the addition of Donald A. Miller as a newly appointed Senior Vice President of Wells Capital; and

(6) Revisions to the "Management – Affiliated Companies – Dealer Manager" section of the prospectus describing the election of Philip M. Taylor, Douglas P. Williams and Randall D. Fretz as officers and directors of Wells Investment Securities, Inc., our dealer manager.

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 $132.2 million in gross offering proceeds from the sale of approximately 13.2 million shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately $175.2 million in gross offering proceeds from the sale of approximately 17.5 million shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately $1.3 billion in gross offering proceeds from the sale of approximately 128.3 million shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of September 19, 2003, we had received additional gross proceeds of approximately $2.2 billion from the sale of approximately 223.8 million shares in our fourth public offering. Therefore, as of September 19, 2003, there were approximately $847.1 million in shares (84.7 million shares) remaining available for sale to the public under our fourth public offering, exclusive of shares available under our dividend reinvestment plan.

Accordingly, as of September 19, 2003, we had received aggregate gross offering proceeds of approximately $3.8 billion from the sale of approximately 382.8 million shares in all of our public offerings. After payment of approximately $131.9 million in acquisition and advisory fees and acquisition expenses, payment of approximately $415.4 million in selling commissions and organization and offering expenses, and common stock redemptions of approximately $60.5 million pursuant to our share redemption program, as of September 19, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $3.2 billion, substantially all of which has been invested in real estate properties.

Status of our Share Redemption Program

Our current share redemption program allows for the redemption of approximately 4.37 million shares at an aggregate cost of approximately $43.7 million for the year ending December 31, 2003. From January 1, 2003 through September 19, 2003, we had redeemed approximately 4.06 million shares of common stock available for redemption for the year at an aggregate cost of approximately $40.6 million and, accordingly, there are approximately 310,000 shares remaining for redemption for the year ending December 31, 2003.

On September 19, 2003, our board of directors voted to reserve the approximately 310,000 shares of our common stock remaining under the share redemption program which may be repurchased during the calendar year ending December 31, 2003 exclusively for the following types of share repurchases:

(1) repurchase of shares following the death of a stockholder; and

(2) repurchase of shares necessary to fund minimum distribution requirements for stockholders who own their shares through IRAs or other qualified retirement plans and are over the age of 70 ½.

All other requests for potential redemption will not be eligible for redemption until after January 1, 2004, unless our board of directors decides to terminate our share redemption program prior to that time and subject, in all cases, to our board’s ability to change or terminate our share redemption program at any time in its discretion.

Formation of Wells REIT II

Wells REIT II is a recently formed REIT also sponsored and advised by Wells Capital, our advisor, which has investment objectives substantially identical to ours. Several of our directors (namely Leo F. Wells, III, Douglas P. Williams, Richard W. Carpenter, Bud Carter, Donald S. Moss, Walter W. Sessoms and Neil H. Strickland) are also directors of Wells REIT II. Wells REIT II has filed a registration statement with the Securities and Exchange Commission (SEC) for the sale of up to $6 billion in common stock, which has not yet been declared effective by the SEC. Since Wells REIT II is in a different stage of its life cycle from our REIT, the potential for conflicts of interest resulting from these members of our board of directors also serving on the board of directors of Wells REIT II may be lessened; however, please consider and analyze the additional risk factors described below relating to the potential conflicts of interest which may arise as a result of several of our directors also serving as directors of Wells REIT II.

Conflicts of Interest – Common Directors of Wells REIT II

The following information should be read in conjunction with the "Conflicts of Interest" section beginning on page 54 of the prospectus to include conflicts of interest related to the common directors between the Wells REIT and Wells REIT II.

Our board of directors may face additional conflicts of interest in making decisions and taking actions resulting from certain members of our board of directors also serving on the board of directors of Wells REIT II.

The individuals serving on our board of directors who also serve on the board of directors of Wells REIT II will have statutory and fiduciary obligations to our stockholders and the stockholders of Wells REIT II. Therefore, the loyalties of these members of our board of directors to Wells REIT II may influence the judgment of our board when considering issues for us that may affect Wells REIT II, such as the following:

- Our board of directors must evaluate the performance of Wells Capital with respect to whether Wells Capital is presenting to us our fair share of investment opportunities or otherwise performing its duties under our advisory agreement. If Wells Capital is not performing its duties for us as our advisor or is giving preferential treatment to Wells REIT II, the divided loyalties of the members of our board who also serve on the board of directors of Wells REIT II could adversely affect our board's willingness to enforce our rights under the terms of the advisory agreement or to seek a new advisor.
- Our board of directors may have to make a similar evaluation with respect to the performance of Wells Management Company, Inc. (Wells Management), as our property manager. If Wells Management is not performing well as a property manager because of the similar services it provides for Wells REIT II, the divided loyalties of the members of our board who also serve on the board of directors of Wells REIT II could adversely affect our board's willingness to enforce our rights under the terms of the asset/property management agreement or to seek a new property manager.
- Our board of directors approves every property acquisition we make. Decisions of our board regarding whether we should purchase a property may be influenced by the divided loyalties of the members of our board who also serve on the board of directors of Wells REIT II based on the potential that Wells Capital would present the opportunity to Wells REIT II if we did not pursue it.
- We may enter into transactions with Wells REIT II, such as property sales and acquisitions, joint ventures or financing arrangements. Decisions of our board regarding the terms of those transactions may be influenced by the divided loyalties of the members of our board who also serve on the board of directors of Wells REIT II.

Management

The Advisor

The following information should be read in conjunction with the "Management—The Advisor" section beginning on page 43 of the prospectus to include background information on Donald A. Miller as a newly appointed Senior Vice President of Wells Capital.

Donald A. Miller is a Senior Vice President of Wells Capital. Mr. Miller is responsible for directing the efforts of our advisor's acquisitions, dispositions, property management, construction and leasing groups. Mr. Miller joined Wells in August 2003 and has more than 16 years of experience in the real estate industry. He is the former Head of Real Estate Operations for Lend Lease Corporation Limited, which he joined in 1994. Prior to his role as the Head of Real Estate Operations, Mr. Miller ran Lend Lease's Midwest Region and Hotel Investment Group. Prior to joining Lend Lease, Mr. Miller worked at Prentiss Properties Realty Advisors, Inc. and in pension investment management at Delta Air Lines, Inc.

Affiliated Companies

Dealer Manager

The information contained in the third paragraph in the "Management—Affiliated Companies—Dealer Manager" section of the prospectus is revised as of the date of this supplement by the deletion of that paragraph in its entirety and the insertion of the following paragraphs in lieu thereof:

The directors and executive officers of Wells Investment Securities are as follows:

Name	*Age*	*Positions*
Philip M. Taylor	60	President and Director
Douglas P. Williams	52	Vice President, CFO, Treasurer and Director
Randall D. Fretz	50	Vice President and Director

The background of Mr. Williams is described in the "Management—Executive Officers and Directors" section on page 35 of the prospectus, and the background of Mr. Fretz is described in Supplement No. 4 to the prospectus dated December 10, 2002.

Philip M. Taylor is President and a director of Wells Investment Securities, Inc. Mr. Taylor joined Wells in March 2001 and supervises and directs the national sales effort. Prior to joining Wells, Mr. Taylor was Vice President, Sales and Project Operations for Atlantech International, Inc. from 1991 to 2000. During a twenty-one year tenure with Ingersoll-Rand Company Limited, Mr. Taylor held progressively more responsible positions in sales, marketing and management. He also served for five years as an Army Officer. Mr. Taylor holds NASD series 7, 24 and 63 licenses. Mr. Taylor earned a Bachelor's degree in Industrial Management from East Tennessee State University and a Masters of Business Administration in Finance/Management from the University of Oregon.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 12 DATED OCTOBER 25, 2003 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, Supplement No. 8 dated June 15, 2003, Supplement No. 9 dated August 27, 2003, Supplement No. 10 dated September 15, 2003, and Supplement No. 11 dated September 25, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Description of a legal proceeding involving the Wells REIT;

(3) Status of our share redemption program;

(4) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following real property acquisitions;

  (A) Acquisition of an eight-story office building in Irvine, California (1901 Main Irvine Building);

  (B) Acquisition of an interest in a four-story office building in Hoffman Estates, Illinois (AIU Chicago Building); and

  (C) Acquisition of five multi-story office buildings in Beaverton, Oregon (IBM Portland Buildings);

(5) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the sale of the Cort Furniture Building;

(6) Revisions to the "Management – Executive Officers and Directors" section of the prospectus describing the resignation of John L. Bell as one of our independent directors;

(7) Revisions to the "Management – The Advisor" section of the prospectus describing the addition of Ron D. Ford as a newly appointed Senior Vice President of Wells Capital, Inc., our advisor, and the resignation of Claire C. Janssen as Vice President of Wells Capital;

(8) Statements of Revenues Over Certain Operating Expenses for the recently acquired AIU Chicago Building; and

(9) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisitions of the 1901 Main Irvine Building, the AIU Chicago Building, and the IBM Portland Buildings, and the sale of the Cort Furniture Building.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998, which terminated on December 19, 1999, our second public offering of common stock on December 20, 1999, which terminated on December 19, 2000, and our third public offering of common stock on December 20, 2000, which terminated on July 26, 2002. We received approximately $1.59 billion in aggregate gross offering proceeds from the sale of approximately 159.0 million shares in these three prior public offerings.

Pursuant to the prospectus, we commenced our fourth public offering of $3 billion in shares (300 million shares) of common stock on July 26, 2002. As of October 25, 2003, we had received additional gross proceeds of approximately $2.4 billion from the sale of approximately 241.6 million shares in our fourth public offering. Accordingly, as of October 25, 2003, there were approximately $583.6 million in shares (58.4 million shares) remaining available for sale to the public under our fourth public offering, exclusive of shares available under our dividend reinvestment plan.

As of October 25, 2003, we had received aggregate gross offering proceeds of approximately $4.1 billion from the sale of approximately 412.5 million shares in all of our public offerings. After payment of approximately $142.1 million in acquisition and advisory fees and acquisition expenses, payment of approximately $444.9 million in selling commissions and organization and offering expenses, and aggregate common stock redemptions of approximately $64.4 million pursuant to our share redemption program, as of October 25, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $3.48 billion out of which approximately $3.23 billion had been invested in real estate properties, and approximately $244.7 million remained available for investment in real estate properties.

Legal Proceedings

On October 9, 2003, Stephen L. Flood, the Luzerne County Controller, and the Luzerne County Retirement Board (Luzerne Board) on behalf of the Luzerne County Employee Retirement System (Plan) filed a lawsuit in the U.S. District Court, Middle District of Pennsylvania against 26 separate defendants including the Wells REIT, Wells Investment Securities, Inc., our dealer manager, and Wells Real Estate Funds, Inc., the parent company of Wells Investment Securities, Inc. (Wells Defendants) (Wells Real Estate Funds, Inc. is also the parent company of Wells Capital, Inc., our advisor). The complaint alleges (1) that certain former members of the Luzerne Board named as defendants breached their fiduciary duties to the Plan by, among other things, permitting the investment of the Plan's funds in investments not suitable for the Plan because they were long-term illiquid investments, permitting the Plan to pay excessive fees and commissions to co-defendants, and accepting political contributions in exchange for awarding advisory and management agreements, (2) that the other defendants (including the Wells Defendants) aided and abetted such breaches of fiduciary duty, (3) that all defendants violated the Racketeer Influenced and Corrupt Organizations Act (RICO) by engaging in and conspiring to engage in an improper scheme to intentionally defraud the Plan for their own monetary benefit, and (4) that certain defendants (including the Wells Defendants) were unjustly enriched by the fees and commissions paid in connection with the Plan's investments.

The complaint specifically alleges, among other things, (1) that certain former board member defendants invested $10 million in the Wells REIT on behalf of the Plan, (2) that the investment was not approved by a majority of the Luzerne Board at a public meeting and, consequently, the investment was an inappropriate and void action, (3) that the Wells Defendants and others knew or should have known that the investment, and the fees and commissions associated with the investment, was not a proper investment for the Plan because it was a long-term illiquid investment, and (4) that the Wells Defendants and others knew or should have known that certain Luzerne Board members and certain investment advisors and managers were breaching their fiduciary duties to the Plan.

The Plan is seeking damages of not less than $25 million, treble damages and punitive damages from all defendants on a joint and several liability basis. The Wells REIT believes that this lawsuit is without merit with respect to the Wells Defendants and intends to vigorously defend this lawsuit.

Status of our Share Redemption Program

Our current share redemption program allowed for the redemption of approximately 4.37 million shares at an aggregate cost of approximately $43.7 million for the year ending December 31, 2003. From January 1, 2003 through October 25, 2003, we had redeemed the entire 4.37 million shares of common stock available for redemption for the year at an aggregate cost of approximately $43.7 million and, accordingly, there are no remaining shares available for redemption for the year ending December 31, 2003.

Requests for potential redemption will not be eligible for redemption until after January 1, 2004, subject, in all cases, to our board's ability to change or terminate our share redemption program at any time in its discretion.

Description of Real Estate Investments

As of October 20, 2003, we had purchased and own interests in 88 real estate properties located in 25 states, exclusive of properties sold. Below is a description of our recent real property acquisitions.

1901 Main Irvine Building

On September 17, 2003, Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased an eight-story office building containing approximately 172,000 aggregate rentable square feet located on an approximately 4.8-acre tract of land at 1901 Main Street in Irvine, California (1901 Main Irvine Building) for a purchase price of $45.5 million, plus closing costs. The 1901 Main Irvine Building was purchased from Main & Mac II, L.P., which is not in any way affiliated with the Wells REIT, Wells OP or Wells Capital, Inc., our advisor (Advisor). Wells OP previously purchased five buildings from affiliates of Main & Mac II, L.P. (the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the GMAC Detroit Building and the Applera Pasadena Building).

The 1901 Main Irvine Building, which was built in 2001, is leased to BNC Mortgage, Inc. (BNC) (approximately 43%), Aon Service Corporation (Aon) (approximately 26%), General Electric Capital Corporation (GE Capital) (approximately 13%), Citigroup Global Markets Inc. (Citigroup) (approximately 13%) and Alliance Bank (Alliance) (approximately 5%).

BNC is a privately-held corporation engaged in the business of originating, purchasing and selling non-conforming residential mortgage loans. BNC originates loans through a nationwide network of independent mortgage brokers through its full service branch offices and is currently ranked as one of the nation's top 100 mortgage lenders according to National Mortgage News. The current annual base rent payable under the BNC lease, which expires in 2008, is approximately $2.0 million. In addition, BNC has a right of first refusal to lease additional space in the 1901 Main Irvine Building should space become available, subject to certain expansion rights and rights of first offer of Aon, GE Capital, Citigroup and Alliance.

Aon is a wholly owned subsidiary of Aon Corporation which has its headquarters located in the Aon Center Chicago Building and is a holding company whose subsidiaries provide insurance brokerage, consulting, and insurance underwriting services. Aon Corporation, the guarantor on the Aon lease, has approximately 550 offices in 120 countries worldwide. The current annual base rent payable under the Aon lease, which expires in 2012, is approximately $1.4 million. Aon has the right to terminate the Aon lease in 2009 by paying a termination fee equal to all unamortized tenant improvement allowances and leasing commissions incurred by the landlord in connection with the Aon lease, which is currently estimated to be approximately $0.65 million. In addition, Aon has expansion options and a right of first offer to lease additional space in the 1901 Main Irvine Building should space become available.

The current aggregate annual base rent for GE Capital, Citigroup and Alliance, the remaining three tenants in the 1901 Main Irvine Building, is approximately $1.6 million.

AIU Chicago Building

On September 19, 2003, Wells Fund XIII – REIT Joint Venture Partnership (Wells Fund XIII-REIT Joint Venture), a joint venture partnership between Wells Real Estate Fund XIII, L.P. (Wells Fund XIII) and Wells OP, purchased a four-story office building on a 2.7 acre tract of land located at 5550 Prairie Stone Parkway in Hoffman Estates, Illinois (AIU Chicago Building) from Two Park Center, L.L.C. (Two Park) for a purchase price of $26.3 million, plus closing costs. Two Park is not in any way affiliated with the Wells Fund XIII-REIT Joint Venture, Wells OP, the Wells REIT or our Advisor.

Wells OP contributed approximately $24.0 million and Wells Fund XIII contributed $3 million to the Wells Fund XIII – REIT Joint Venture for their respective shares of the acquisition costs for the AIU Chicago Building. Subsequent to the acquisition of the AIU Chicago Building, Wells OP held an equity percentage interest in the Wells Fund XIII – REIT Joint Venture of approximately 71.89%, and Wells Fund XIII held an equity percentage interest in the Wells Fund XIII – REIT Joint Venture of approximately 28.11%.

The AIU Chicago Building, which was completed in 1999, contains approximately 193,700 rentable square feet and is primarily leased under a net lease (i.e., operating costs and maintenance costs are paid by the tenants) to American Intercontinental University, Inc. (AIU) (approximately 66%). Approximately 31% of the AIU Chicago Building is leased to four additional tenants, and approximately 3% of the AIU Chicago Building is currently vacant.

AIU is a wholly owned subsidiary of EduTrek International, Inc., which is a wholly owned subsidiary of Career Education Corporation (Career Education), a company whose shares are publicly traded on NASDAQ. AIU provides post-secondary education at campuses in Los Angeles, Houston, Fort Lauderdale, London and Atlanta. AIU also provides an online Internet degree program. Career Education, the guarantor of the AIU lease, provides private for-profit post-secondary education at over 75 schools, colleges and universities worldwide. Career Education reported a net worth, as of June 30, 2003, of approximately $473.6 million.

The AIU lease commenced in May 2002 and expires in June 2008, except for approximately 48,933 rentable square feet of the AIU lease (Expansion Space) which expires in December 2010. The current annual base rent payable under the AIU lease is approximately $1.7 million. AIU has the right, at its option, to extend the initial term of its lease, excluding the Expansion Space, for one additional five-year period at the then-current market rental rate. The AIU lease prohibits the Wells Fund XIII – REIT Joint Venture from leasing any space in the AIU Chicago Building to any business which offers post-high school or corporate training as its primary function.

The current aggregate annual base rent for the remaining four tenants in the AIU Chicago Building is approximately $0.8 million.

IBM Portland Buildings

On October 9, 2003, Wells OP purchased four multi-story office buildings and one industrial building containing approximately 364,000 aggregate rentable square feet on an approximately 20.9-acre tract of land (IBM Portland Buildings) and an additional adjacent 31.8-acre tract of land (IBM Land) in Beaverton, Oregon for an aggregate purchase price of approximately $38.2 million, plus closing costs. The IBM Portland Buildings and IBM Land were purchased from International Business Machines Corporation (IBM), which is not in any way affiliated with the Wells REIT, Wells OP or our Advisor.

Three of the five IBM Portland Buildings, located at 15300 SW Koll Parkway, 15350 SW Koll Parkway and 15400 SW Koll Parkway, which were built between 1988 and 1990 and contain an aggregate of approximately 220,000 rentable square feet, are entirely leased under three separate net leases to IBM. The remaining two buildings located at 1345 SW Burlington Drive and 15757 SW Jay Street are currently vacant.

IBM, a company whose shares are publicly traded on the New York Stock Exchange (NYSE), manufactures and sells computer services, hardware and software and is the most diversified provider of computer products and services in the United States. IBM reported a net worth, as of June 30, 2003, of approximately $26.6 billion. The current aggregate annual base rent payable under the IBM leases, which expire in 2008, 2010 and 2012 respectively, is approximately $2.9 million.

Property Management

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells Fund XIII – REIT Joint Venture, the Wells REIT and our Advisor, will manage the 1901 Main Irvine Building and the IBM Portland Buildings on behalf of Wells OP and the AIU Chicago Building on behalf of the Wells Fund XIII – REIT Joint Venture. Wells Management will be paid asset and property management fees in the amount of up to 4.5% of the gross revenues from the 1901 Main Irvine Building, the AIU Chicago Building and the IBM Portland Buildings, subject to certain limitations.

Sale of the Cort Furniture Building

On September 11, 2003, Wells/Orange County Associates (Cort Joint Venture), a joint venture partnership between Wells OP and Fund X and Fund XI Associates, sold a warehouse and office building containing approximately 52,000 rentable square feet located in Fountain Valley, California (Cort Furniture Building) for a $5.77 million sales price.

Wells OP holds an approximately 43.6% equity percentage interest in the Cort Joint Venture. The net sale proceeds allocable to Wells OP as a result of the sale of the Cort Furniture Building were approximately $2.4 million. Wells OP recognized a loss of approximately $165,000 from the sale of the Cort Furniture Building.

Management

The following information should be read in conjunction with the "Management" section beginning on page 31 of the prospectus, as updated in Supplement No. 11, to reflect the following changes.

Executive Officers and Directors

On September 23, 2003, John L. Bell resigned as one of our independent directors. As a result, our current board of directors is comprised of Leo F. Wells, III, Douglas P. Williams and eight independent directors.

The Advisor

On October 20, 2003, Claire C. Janssen resigned as Vice President of Wells Capital. Ron D. Ford is a newly appointed Senior Vice President of Wells Capital. Mr. Ford's background information is below.

Ron D. Ford, Ph.D. is a Senior Vice President of Wells Capital. Mr. Ford is responsible for all of the finance, risk management, accounting and reporting activities of Wells Capital. Prior to joining Wells in 2003, Mr. Ford was Chief Executive Officer at Media Arts Group, Inc. during 2002. From 1998 to 2001, he was Chief Financial Officer and then President of OneCoast Network, Inc., a sales and marketing company in the wholesale gift segment of consumer goods. From 1995 to 1998, Mr. Ford was with Curtis 1000, a supplier of office business products, as Chief Financial Officer/Chief Information Officer. Mr. Ford has more than 20 years of experience in senior management. He has extensive experience in sales, operations, financial management, information technology and organizational development. Mr. Ford received his undergraduate degree in Business Administration with a magna cum laude from the University of Tennessee. He completed his MBA at Vanderbilt University and earned a doctorate in executive management from the Weatherhead School of Management at Case Western Reserve University. Mr. Ford is a certified public accountant.

Financial Statements

Audited Financial Statements

The statement of revenues over certain operating expenses of the AIU Chicago Building for the year ended December 31, 2002, which is included in this supplement, has been audited by Ernst & Young LLP, independent auditors, as set forth in their report appearing elsewhere herein, and is included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The statement of revenues over certain operating expenses of the AIU Chicago Building for the six months ended June 30, 2003, which is included in this supplement, has not been audited.

The pro forma balance sheet of the Wells REIT, as of June 30, 2003, the pro forma statement of income for the year ended December 31, 2002, and the pro forma statement of income for the six months ended June 30, 2003, which are included in this supplement, have not been audited.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

	Page
AIU Chicago Building	
Report of Independent Auditors	8
Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited)	9
Notes to Statements of Revenues Over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited)	10
Wells Real Estate Investment Trust, Inc. and Subsidiaries	
Unaudited Pro Forma Financial Statements	
Summary of Unaudited Pro Forma Financial Statements	12
Pro Forma Balance Sheet as of June 30, 2003 (unaudited)	13
Pro Forma Statement of Income for the year ended December 31, 2002 (unaudited)	15
Pro Forma Statement of Income for the six months ended June 30, 2003 (unaudited)	16

Report of Independent Auditors

Joint Ventures Partners
Wells Fund XIII – REIT Joint Venture Partnership:

We have audited the accompanying statement of revenues over certain operating expenses of the AIU Chicago Building for the year ended December 31, 2002. This statement is the responsibility of the AIU Chicago Building's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues over certain operating expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the AIU Chicago Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the AIU Chicago Building for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

Atlanta, Georgia
September 19, 2003

/s/Ernst & Young LLP

AIU Chicago Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

(in thousands)

	2003	2002
	(Unaudited)	
Revenues:		
Base rent	$ 836	$1,506
Tenant reimbursements	855	1,143
Other revenue	719	27
Total revenues	2,410	2,676
Expenses:		
Real estate taxes	401	780
Other operating expenses	167	284
General and administrative	126	258
Utilities	100	189
Cleaning	105	152
Management fees	74	80
Total expenses	973	1,743
Revenues over certain operating expenses	$ 1,437	$ 933

See accompanying notes.

Table of Contents

AIU Chicago Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

1. Description of Real Estate Property Acquired

On September 19, 2003, the Wells Fund XIII – REIT Joint Venture Partnership ("Wells Fund XIII – REIT") acquired the AIU Chicago Building, a four-story office building containing approximately 194,000 square feet located in Hoffman Estates, Illinois, from Two Park Center, L.L.C. ("Two Park Center"), an unrelated third-party. Total consideration for the acquisition was approximately $26.3 million. Wells Fund XIII – REIT is a joint venture partnership between Wells Real Estate Fund XIII, L.P. and Wells Operating Partnership, L.P. ("Wells OP"). Wells OP is a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc., a Maryland corporation. As the sole general partner of Wells OP, Wells Real Estate Investment Trust, Inc. possesses full legal control and authority over the operations of Wells OP.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the AIU Chicago Building after its acquisition by Wells Fund XIII – REIT.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of rental income recognized over the amounts due pursuant to lease terms is recorded as straight-line rent receivable. The adjustment to straight-line rent receivable increased revenue by approximately $36,000 for the year ended December 31, 2002 and approximately $40,000 for the six months ended June 30, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AIU Chicago Building

Notes to Statements of Revenues Over Certain Operating Expenses
(continued)

For the year ended December 31, 2002
and the six months ended June 30, 2003 (unaudited)

4. Description of Leasing Arrangements

Two Park Center's interests in all lease agreements were assigned to Wells Fund XIII – REIT upon its acquisition of the AIU Chicago Building. The office space is leased to tenants under leases with terms that vary in length. Certain leases contain reimbursement clauses and renewal options. One tenant, Hartford Computer Group, Inc. ("Hartford"), terminated its lease for approximately 49,000 square feet in March 2003. Hartford paid Two Park Center a termination fee of $700,000, which is included in Other Revenue for the six months ended June 30, 2003.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2003	$ 1,976
2004	2,557
2005	2,632
2006	2,621
2007	2,445
Thereafter	3,106
	$15,337

Four tenants, Hartford, American Intercontinental University, Inc. ("AIU"), Future Electronics Corporation ("Future") and Philips Electronics North America Corporation ("Philips") contributed approximately 45%, 15%, 14% and 13%, respectively, of rental income for the year ended December 31, 2002. AIU, Philips, Hartford and Future contributed approximately 35%, 25%, 14% and 13%, respectively, of rental income for the six months ended June 30, 2003. Subsequent to December 31, 2002, AIU and Philips will contribute approximately 74% and 13%, respectively, of the future minimum rental income of those leases in place as of that date.

6. Interim Unaudited Financial Information

The statement of revenues over certain operating expenses for the six months ended June 30, 2003 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2002 and its quarterly report on Form 10-Q for the six months ended June 30, 2003. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of June 30, 2003 has been prepared to give effect to the third quarter 2003 acquisitions of the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building, the Applera Pasadena Building, the Continental Casualty Orange County Building and the Polo Ralph Lauren Newark Building by Wells Operating Partnership, L.P. ("Wells OP") and the Aventis Northern NJ Building by Wells Bridgewater I, LLC, of which Wells OP is the sole member, (the "Other Recent Acquisitions") and the 1901 Main Building and the IBM Portland Buildings by Wells OP and the AIU Chicago Building by Wells Fund XIII-REIT Joint Venture Partnership ("Wells Fund XIII-REIT), a joint venture partnership between Wells Real Estate Fund XIII, L.P and Wells OP, (collectively, the "Recent Acquisitions") and the disposition of the Cort Furniture Building by Wells/Orange County Associates, a joint venture partnership between Fund X and Fund XI Associates and Wells OP, as if the acquisitions and disposition occurred on June 30, 2003. Wells OP's ownership percentage in Wells Fund XIII-REIT increased from 61.28% to 71.89% as a result of its disproportionate contribution, which was used to partially fund the acquisition of the AIU Chicago Building. Wells OP held an interest of approximately 43.67% in the Cort Furniture Building through its indirect equity interest in Wells/Orange County Associates.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with those of Wells REIT.

The following unaudited pro forma statement of income for the six months ended June 30, 2003 has been prepared to give effect to the first quarter 2003 acquisitions of the East Point Cleveland Buildings and the 150 West Jefferson Detroit Building, the second quarter 2003 acquisitions of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building, the Aon Center Chicago Building, the GMAC Detroit Building and the IBM Reston Buildings (collectively, the "2003 Acquisitions"), the Recent Acquisitions and the disposition of the Cort Furniture Building as if the acquisitions and disposition occurred on January 1, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the "2002 Acquisitions"), the 2003 Acquisitions, the Recent Acquisitions and the disposition of the Cort Furniture Building as if the acquisitions and disposition occurred on January 1, 2002. The Kerr McGee Property, the AmeriCredit Phoenix Property, the ISS Atlanta III Building and the Continental Casualty Orange County Building had no operations during the year ended December 31, 2002.

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 2002 Acquisitions, 2003 Acquisitions, the Recent Acquisitions and the disposition of the Cort Furniture Building been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2003

(in thousands, except share amounts)

(Unaudited)

ASSETS

		Pro Forma Adjustments					
		Recent Acquisitions				Disposition	
	Wells Real Estate Investment Trust, Inc. (a)	Other	1901 Main Irvine	AIU Chicago	IBM Portland	Cort Furniture	Pro Forma Total
REAL ESTATE ASSETS, at cost:							
Land	$ 342,885	$ 40,920(b)	$ 6,000(b)	$ 0	$ 9,437(b)	$ 0	$ 401,403
		1,529(c)	246(c)	0	386(c)	0	
Buildings, less accumulated depreciation of $107,872	2,575,249	310,891(b)	39,587(b)	0	28,998(b)	0	2,968,645
		11,113(c)	1,620(c)	0	1,187(c)	0	
Construction in progress	532	0	0	0	0	0	532
Total real estate assets	2,918,666	364,453	47,453	0	40,008	0	3,370,580
INVESTMENT IN JOINT VENTURES	82,513	0	0	24,360(f)	0	(2,599)(i)	104,274
CASH AND CASH EQUIVALENTS	59,105	(251,811)(b)	(45,587)(b)	(23,402)(g)	(38,435)(b)	2,430(j)	374,032
		699,230(d)					
		(27,498)(e)					
RENT RECEIVABLE	26,814	0	0	0	0	0	26,814
DEFERRED PROJECT COSTS	1,864	(12,642)(c)	(1,866)(c)	(958)(h)	(1,573)(c)	0	12,323
		27,498(e)					
DUE FROM AFFILIATES	1,807	0	0	0	0	0	1,807
PREPAID EXPENSES AND OTHER ASSETS, NET	12,656	0	0	0	0	0	12,656
DEFERRED LEASE ACQUISITION COSTS, NET	11,880	0	0	0	0	0	11,880
INTANGIBLE LEASE ASSETS	22,839	0	0	0	0	0	22,839
INVESTMENT IN BONDS	54,500	0	0	0	0	0	54,500
Total assets	$3,192,644	$ 799,230	$ 0	$ 0	$ 0	$ (169)	$3,991,705

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

		Pro Forma Adjustments					
		Recent Acquisitions				Disposition	
	Wells Real Estate Investment Trust, Inc. (a)	Other	1901 Main Irvine	AIU Chicago	IBM Portland	Cort Furniture	Pro Forma Total
LIABILITIES:							
Borrowings	$ 308,765	$100,000(b)	$ 0	$ 0	$ 0	$ 0	$ 408,765
Obligations under capital lease	54,500	0	0	0	0	0	54,500
Intangible lease liability	46,249	0	0	0	0	0	46,249
Accounts payable and accrued expenses	57,013	0	0	0	0	0	57,013
Due to affiliate	5,061	0	0	0	0	0	5,061
Dividends payable	9,532	0	0	0	0	0	9,532
Deferred rental income	9,379	0	0	0	0	0	9,379
Total liabilities	490,499	100,000	0	0	0	0	590,499
COMMITMENTS AND CONTINGENCIES							
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	0	0	0	0	0	200
SHAREHOLDERS' EQUITY:							
Common shares, $.01 par value; 750,000,000 shares authorized, 322,219,052 shares issued and 317,026,812 outstanding at June 30, 2003	3,222	786(d)	0	0	0	0	4,008
Additional paid-in capital	2,863,705	698,444(d)	0	0	0	(169)(k)	3,561,980
Cumulative distributions in excess of earnings	(113,052)	0	0	0	0	0	(113,052)
Treasury stock, at cost, 5,192,240 shares at June 30, 2003	(51,922)	0	0	0	0	0	(51,922)
Other comprehensive loss	(8)	0	0	0	0	0	(8)
Total shareholders' equity	2,701,945	699,230	0	0	0	(169)	3,401,006
Total liabilities and shareholders' equity	$3,192,644	$799,230	$ 0	$ 0	$ 0	$ (169)	$3,991,705

(a) Historical financial information derived from quarterly report on Form 10-Q.
(b) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the land, building and liabilities assumed, net of any purchase price adjustments.
(c) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.
(d) Reflects capital raised through issuance of additional shares subsequent to June 30, 2003 through the IBM Portland acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.
(e) Reflects deferred project costs capitalized as a result of additional capital raised described in note (d) above.
(f) Reflects Wells Real Estate Investment Trust, Inc.'s proportionate share of the cost to acquire the AIU Chicago Building.
(g) Reflects Wells Real Estate Investment Trust, Inc.'s contribution to Wells Fund XIII-REIT, which increased its interest in the joint venture from 61.28% to 71.89%.
(h) Reflects deferred project costs applied to Wells Fund XIII-REIT at approximately 4.094% of purchase price.
(i) Reflects the portion of Wells Real Estate Investment Trust, Inc.'s investment in Wells/Orange County Associates, which is attributable to the Cort Furniture Building.
(j) Reflects Wells Real Estate Investment Trust, Inc.'s proportionate share of the Cort Furniture Building net sales proceeds.
(k) Reflects Wells Real Estate Investment Trust, Inc.'s proportionate share of the loss recognized on the sale of the Cort Furniture Building.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002
(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments							
				Recent Acquisitions				Disposition	
	Wells Real Estate Investment Trust, Inc. (a)	2002 Acquisitions	2003 Acquisitions	Other	1901 Main Irvine	AIU Chicago	IBM Portland	Cort Furniture	Pro Forma Total
REVENUES:									
Rental income	$ 107,526	$ 98,599(b)	$ 77,148(b)	$31,628(b)	$ 2,555(b)	$ 0	$3,154(b)	$ 0	$320,610
Tenant reimbursements	18,992	9,584(c)	52,461(c)	4,225(c)	0(c)	0	2,138(c)	0	87,400
Equity in income of joint ventures	4,700	648(d)	0	0	0	(145)(d)	0	(237)(i)	4,966
Lease termination income	1,409	0	0	0	0	0	0	0	1,409
Interest and other income	7,001	0	0	0	0	0	0	0	7,001
	139,628	108,831	129,609	35,853	2,555	(145)	5,292	(237)	421,386
EXPENSES:									
Depreciation	38,780	34,362(e)	32,088(e)	11,724(e)	1,648(e)	0	1,207(e)	0	119,809
Interest expense	4,638	9,657(f)	24,407(f)	3,990(f)	0(f)	0	0	0	42,692
Property operating costs	26,949	25,244(g)	65,996(g)	9,589(g)	1,361(g)	0	2,371(g)	0	131,510
Management and leasing fees	5,155	3,196(h)	5,833(h)	1,614(h)	115(h)	0	231(h)	0	16,144
General and administrative	3,244	0	0	0	0	0	0	0	3,244
Legal and accounting	1,008	0	0	0	0	0	0	0	1,008
	79,774	72,459	128,324	26,917	3,124	0	3,809	0	314,407
NET INCOME	$ 59,854	$ 36,372	$ 1,285	$ 8,936	$ (569)	$ (145)	$1,483	$ (237)	$106,979
EARNINGS PER SHARE, basic and diluted	$ 0.41								$ 0.27
WEIGHTED AVERAGE SHARES, basic and diluted	145,633								394,462

(a) Historical financial information derived from annual report on Form 10-K.

(b) Rental income is recognized on a straight-line basis.

(c) Consists of operating costs reimbursements.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building and the AIU Chicago Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(e) Depreciation expense is recognized using the straight-line method and a 25-year life.

(f) Represents interest expense on lines of credit used to acquire assets, which bore interest at approximately 3.99% for the year ended December 31, 2002, interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.858% for the year ended December 31, 2002 and assumed mortgages on the BMG Greenville Buildings and Nestle Los Angeles Building, which bore interest at 8.5%, 8% and 3.39% for the year ended December 31, 2002, respectively.

(g) Consists of operating expenses.

(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

(i) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells/Orange County Associates related to the Cort Furniture Building. The pro forma adjustment results from gross revenues less operating expenses, management fees, administrative costs, depreciation and amortization.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2003

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments						
			Recent Acquisitions				Disposition	
	Wells Real Estate Investment Trust, Inc. (a)	2003 Acquisitions	Other	1901 Main Irvine	AIU Chicago	IBM Portland	Cort Furniture	Pro Forma Total
REVENUES:								
Rental income	$ 122,312	$ 27,355(b)	$17,862(b)	$ 2,029(b)	$ 0	$1,577(b)	$ 0	$171,135
Tenant reimbursements	26,058	17,050(c)	2,381(c)	43(c)	0	1,069(c)	0	46,601
Equity in income of joint ventures	2,392	0	0	0	615(h)	0	(114)(i)	2,893
Interest and other income	2,315	0	0	0	0	0	0	2,315
	153,077	44,405	20,243	2,072	615	2,646	(114)	222,944
EXPENSES:								
Depreciation	44,278	10,898(d)	6,286(d)	824(d)	0	604(d)	0	62,890
Property operating costs	41,039	21,206(e)	5,640(e)	1,045(e)	0	1,185(e)	0	70,115
Management and leasing fees	5,488	1,998(f)	911(f)	93(f)	0	116(f)	0	8,606
General and administrative	2,523	0	0	0	0	0	0	2,523
Interest expense	7,400	7,655(g)	1,645	0	0	0	0	16,700
	100,728	41,757	14,482	1,962	0	1,905	0	160,834
NET INCOME	$ 52,349	$ 2,648	$ 5,761	$ 110	$ 615	$ 741	$ (114)	$ 62,110
EARNINGS PER SHARE, basic and diluted	$ 0.20							$ 0.16
WEIGHTED AVERAGE SHARES, basic and diluted	258,575							394,462

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Rental income is recognized on a straight-line basis.

(c) Consists of operating costs reimbursements.

(d) Depreciation expense is recognized using the straight-line method and a 25-year life.

(e) Consists of operating expenses.

(f) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

(g) Represents interest expense on lines of credit used to acquire assets, which bore interest at approximately 3.29% for the six months ended June 30, 2003 and interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.40% for the six months ended June 30, 2003.

(h) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the AIU Chicago Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(i) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells/Orange County Associates related to the Cort Furniture Building. The pro forma adjustment results from gross revenues less operating expenses, management fees, administrative costs, depreciation and amortization.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 13 DATED DECEMBER 11, 2003 TO THE PROSPECTUS DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, Supplement No. 4 dated December 10, 2002, Supplement No. 5 dated January 15, 2003, Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, Supplement No. 8 dated June 15, 2003, Supplement No. 9 dated August 27, 2003, Supplement No. 10 dated September 15, 2003, Supplement No. 11 dated September 25, 2003, and Supplement No. 12 dated October 25, 2003. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) Revisions to the "Plan of Distribution" section of the prospectus;

(3) Revisions to the "Description of Real Estate Investments" section of the prospectus to describe the following acquisitions;

(A) Acquisition of a partnership interest in an entity which owns a 50-story office building in Chicago, Illinois (Leo Burnett Chicago Building);

(B) Acquisition of all of the outstanding common stock of a real estate investment trust (Washington Properties REIT), which owns interests in three office buildings in the Washington, DC area (Washington, DC REIT Buildings); and

(C) Acquisition of all of the membership interest in a limited liability company which owns a 14-story office building in Arlington, Virginia (4250 North Fairfax Arlington Building);

(4) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(5) Unaudited financial statements of the Wells REIT for the period ended September 30, 2003; and

(6) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisitions of interests in the Leo Burnett Chicago Building, and the 4250 North Fairfax Arlington Building, and the common stock of the Washington Properties REIT.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998, which terminated on December 19, 1999, our second public offering of common stock on December 20, 1999, which terminated on December 19, 2000, and our third public offering of common stock on December 20, 2000, which terminated on July 26, 2002. We received approximately $1.59 billion in aggregate gross offering proceeds from the sale of approximately 159.0 million shares in these three prior public offerings.

Pursuant to the prospectus, we commenced our fourth public offering of $3 billion in shares (300 million shares) of common stock on July 26, 2002. As of December 8, 2003, we had received aggregate gross offering proceeds of approximately $4.5 billion from the sale of approximately 453.5 million shares in all of our public offerings. After payment of approximately $156.5 million in acquisition and advisory fees and acquisition expenses, payment of approximately $486.0 million in selling commissions and organization and offering expenses, and aggregate common stock redemptions of approximately $64.4 million pursuant to our share redemption program, as of December 8, 2003, we had raised aggregate net offering proceeds available for investment in properties of approximately $3.8 billion out of which approximately $3.6 billion had been invested in real estate properties, and approximately $223.2 million remained available for investment in real estate properties.

As of December 11 2003, there were no shares remaining available for sale to the public under our fourth public offering, exclusive of (1) shares available for sale to current stockholders of the Wells REIT pursuant to our dividend reinvestment plan, and (2) shares reserved to complete requests for transfer of asset transactions which were received on or before November 21, 2003.

Plan of Distribution

The following information should be read in conjunction with the "Plan of Distribution - General" section beginning on page 146 of the prospectus.

Of the maximum 300 million shares offered for sale to the public pursuant to our fourth public offering, there are no remaining shares available for sale to the public, exclusive of the approximately 3.6 million shares reserved to complete requests for transfer of asset transactions received by us on or before November 21, 2003. Of the maximum 30 million shares offered for sale pursuant to our dividend reinvestment plan, as of December 11, 2003, approximately 11.8 million shares had been sold and approximately 18.2 million shares remained available to be sold to our current stockholders through our dividend reinvestment plan. We intend to continue to offer the remaining shares available pursuant to our dividend reinvestment plan until the earlier of (1) the date of sale of all 30 million shares, or (2) the termination of this offering on July 25, 2004.

Description of Real Estate Investments

As of December 10, 2003, we had purchased and own interests in 102 real estate properties located in 26 states, exclusive of properties sold. Below is a description of our recent real property acquisitions.

Acquisition of Leo Burnett Chicago Building

On November 6, 2003, Wells 35 W. Wacker, LLC, a single member Delaware limited liability company wholly owned by Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership formed to acquire, own, lease and operate real properties on behalf of the Wells REIT, purchased a 97.9396% general partnership interest in VV City-Buck Venture, L.P. (VV City), a Delaware limited partnership, which is the owner of a 96.5007% general partnership interest in 35 W. Wacker Venture, L.P. (Wacker Venture), which owns a 50-story office building containing approximately 1.1 million aggregate rentable square feet at 35 W. Wacker Drive in Chicago, Illinois (Leo Burnett Chicago Building), for a purchase price of approximately $267.5 million, plus closing costs. As a result of this two-tier partnership structure, Wells OP indirectly acquired a 94.5124% interest in the Leo Burnett Chicago Building. Wells OP received a credit against the purchase price paid at closing in the amount of approximately $139.3 million representing Wells OP's pro rata portion of the existing first mortgage loan against the Leo Burnett Chicago Building in the amount of approximately $147.4 million. Buck 35 Wacker, L.L.C. (Buck) retained a 2.0604% limited partnership interest in VV City, and Leo Burnett USA, Inc. (Leo Burnett) retained a 3.4993% limited partnership interest in Wacker Venture. The partnership interest in VV City was purchased from VV USA City, L.P. (VV USA), a Delaware limited partnership. VV USA, Buck, and Leo Burnett are not in any way affiliated with the Wells REIT, Wells OP or Wells Capital, Inc., our advisor (Advisor).

The existing indebtedness secured by a first mortgage loan against the Leo Burnett Chicago Building is in favor of New York Life Insurance Company and Teachers Insurance and Annuity Association of America, bears interest at the rate of 7.25% per annum, requires monthly payments of principal and interest in the amount of approximately $1.2 million, and matures on March 1, 2006.

In exchange for certain concessions given as part of this transaction, Wells OP entered into an amendment to the current partnership agreement of Wacker Venture to extend and modify certain restrictions contained in the partnership agreement relating to a future sale or refinance of the Leo Burnett Chicago Building prior to December 31, 2012. In addition, Wells OP agreed to guarantee certain tax indemnification payments required to be made to compensate Leo Burnett from adverse tax consequences resulting from a future sale or refinancing of the Leo Burnett Chicago Building. As a result, unless Wells OP obtains the prior consent of Leo Burnett to the transaction, Wells OP will be required to make a tax indemnity payment to Leo Burnett upon any sale or refinancing of the Leo Burnett Chicago Building prior to December 2012 which will result in an adverse tax impact on Leo Burnett. The maximum potential liability to Wells OP of such tax indemnification obligation is $6.5 million, which decreases over time to $1.0 million in 2012. In addition, at closing, Wells OP amended the partnership agreement of VV City to change the name of VV City to Wells-Buck Venture, L.P.

The Leo Burnett Chicago Building, which was built in 1989, is primarily leased under net leases (i.e., operating costs and maintenance costs are paid by the tenants) to Leo Burnett and Winston & Strawn LLP, which together lease approximately 89% of the Leo Burnett Chicago Building. Various other tenants lease an additional approximately 9% of the Leo Burnett Chicago Building, and approximately 2% of the Leo Burnett Chicago Building is currently vacant.

Leo Burnett is a worldwide advertising company with U.S. corporate headquarters in Chicago, Illinois. Leo Burnett operates 98 different full service advertising agencies in 85 countries worldwide. It also operates several specialized agencies and marketing services. Leo Burnett is a subsidiary of Publicis Group S.A. (Publicis), a French company with corporate headquarters in Paris. The current annual base rent payable under the Leo Burnett lease, which expires in 2012, is approximately $10.6 million. Leo Burnett has the right, at its option, to extend the initial term of its lease for four additional five-year periods at 95% of the then-current market rental rate. In addition, Leo Burnett has expansion options and a right of first refusal to lease additional space in the Leo Burnett Chicago Building. Further, Leo Burnett has certain limited rental space contraction options in 2005 and 2010, subject to certain restrictions.

Winston and Strawn LLP is a full-service law firm with offices in Chicago, New York, Los Angeles, San Francisco, Washington, Geneva, London and Paris. Winston & Strawn LLP's practice areas include litigation, corporate, employment, real estate, tax, intellectual property and environmental law. Winston & Strawn LLP has approximately 900 attorneys. The current annual base rent payable under the Winston & Strawn LLP lease, which expires in 2009, is approximately $10.0 million. Winston & Strawn LLP has the right, at its option, to extend the initial term of its lease for one additional 10-year period at the then-current market rental rate. In addition, Winston & Strawn LLP has expansion options should space become available in the Leo Burnett Chicago Building.

The current aggregate annual base rent for the remaining tenants in the Leo Burnett Chicago Building is approximately $2.3 million.

Acquisition of Washington, DC Portfolio

On November 19, 2003, Wells OP acquired: (1) all of the outstanding common stock in BCSP II Washington Properties, Inc. (Washington Properties REIT), a Maryland corporation qualifying as a real estate investment trust, which owns interests in three office buildings in the Washington, DC area (Washington, DC REIT Buildings), through its ownership in various operating entities; and (2) all of the membership interest in 4250 North Fairfax Property LLC (Fairfax Property LLC), a Delaware limited liability company which owns a 14-story office building located in Arlington, Virginia (4250 North Fairfax Arlington Building) (collectively, the Washington, DC Portfolio). The Washington, DC Portfolio was acquired from Beacon Capital Strategic Partners II, L.P. (Beacon Capital Partners), a Delaware limited partnership, for an aggregate purchase price of approximately $347.0 million. Beacon Capital Partners is not in any way affiliated with the Wells REIT, Wells OP or our Advisor. At closing, the name of the Washington Properties REIT was changed to Wells Washington Properties, Inc.

Washington, DC REIT Buildings

The Washington, DC REIT Buildings consist of an eight-story office building located at 400 Virginia Avenue (400 Virginia Building); a 12-story office building located at 1201 Eye Street (US Park Service Building); and a 12-story office building located at 1225 Eye Street (1225 Eye Street Building). Wells OP received a credit against the purchase price paid at closing in the amount of approximately $115.6 million consisting of (1) approximately $115.2 million representing the amount of the existing indebtedness secured by the US Park Service Building and the 1225 Eye Street Building held by Metropolitan Life Insurance Company (MetLife); and (2) the liquidation price of the Series A Preferred Stock (Washington Properties REIT Preferred Stock) of Washington Properties REIT, plus dividends payable to the holders of such stock from November 20, 2003 until December 31, 2003, in the amount of approximately $0.4 million. 369 shares of Washington Properties REIT Preferred Stock remained outstanding to various stockholders at closing. The Washington Properties REIT has the right to redeem any or all of the outstanding Washington Properties REIT Preferred Stock on or after December 31, 2003 for an aggregate redemption price of approximately $0.4 million.

400 Virginia Building

The Washington Properties REIT owns all of the membership interest in 400 Virginia Avenue LLC (Virginia Avenue LLC), a Delaware limited liability company which owns the 400 Virginia Building containing approximately 213,000 aggregate rentable square feet. The 400 Virginia Building, which was completed in 1985, is leased to various agencies of the United States government (approximately 37%), Lockheed Martin Corporation (approximately 22%), and 12 additional tenants (approximately 41%), with the weighted average lease term remaining of approximately four years. The current aggregate annual base rent for the 14 tenants in the 400 Virginia Building is approximately $7.4 million.

US Park Service Building

The Washington Properties REIT owns all of the membership interest in 1201 Equity LLC, a Delaware limited liability company which owns a 49.5% membership interest in 1201 Eye Street, N.W. Associates LLC (1201 Associates), a Delaware limited liability company which owns the US Park Service Building containing approximately 269,000 aggregate rentable square feet. Approximately 50.0% of 1201 Associates is owned by One Franklin Plaza, LLC (One Franklin), a Delaware limited liability company, and the remaining approximately 0.5% of 1201 Associates is owned by six additional owners. Neither One Franklin nor any of the other owners of membership interests in 1201 Associates are affiliated in any way with the Wells REIT, Wells OP, or our Advisor.

The US Park Service Building, which was completed in 2001, is primarily leased to the United States of America on behalf of the United States National Park Service (approximately 82%). Approximately 18% of the US Park Service Building is leased to four additional tenants.

The United States National Park Service (US Park Service) is a bureau of the Department of the Interior of the United States government. The Park Service administers natural, historical, and recreational areas that are set aside as such by the United States government. The US Park Service manages approximately 83 million acres in 49 states, the District of Columbia, American Samoa, Guam, Puerto Rico, Saipan, and the Virgin Islands. The current annual base rent payable under the US Park Service lease, which expires in 2012, is approximately $8.2 million. The current aggregate annual base rent for the remaining four tenants in the US Park Service Building is approximately $2.1 million.

1201 Associates has three outstanding mortgage loans having an aggregate outstanding principal balance, as of November 19, 2003, of approximately $96.9 million. The first mortgage loan is held by MetLife and had an outstanding principal balance, as of November 19, 2003, of approximately $67.6 million. The outstanding principal balance of the second mortgage loan, as of November 19, 2003, was approximately $7.5 million and is held by TZO Lending LLC (TZO), a Delaware limited liability company which is wholly owned by Washington Properties REIT. The outstanding principal balance of the third mortgage loan, as of November 19, 2003, was approximately $21.9 million and is held by 1215 ESDI LLC (ESDI), a Delaware limited liability company which is wholly owned by TZO.

The first mortgage loan held by MetLife secured by the US Park Service Building bears interest at the rate of 4.4% per annum, requires monthly payments of interest only in the amount of approximately $0.3 million, and matures on November 1, 2007. The MetLife loan documents impose certain restrictions on the transfer of the US Park Service Building and upon the transfer of the ownership of entities owning interests in the US Park Service Building. The second and third mortgage loans secured by the US Park Service Building provide for base interest in the amount of 15% per annum plus additional interest currently equal to 95% of the excess cash flow, if any, generated by the US Park Service Building. The second and third mortgage loans secured by the US Park Service Building mature on November 20, 2017, and contain substantial prepayment penalties except in conjunction with prepayments made pursuant to the provisions described in the following paragraph.

1201 Associates is prohibited from selling the US Park Service Building without the consent of One Franklin prior to November 1, 2007, and from prepaying the outstanding balance of the first mortgage loan held by MetLife, except that the MetLife loan may be replaced by substantially similar non-recourse debt in an amount not less than the then current outstanding principal balance of the MetLife loan and so long as the maturity date of such debt is not prior to November 1, 2007. Thereafter, 1201 Associates is required to use commercially reasonable efforts to maintain similar non-recourse debt through December 31, 2011. 1201 Associates has a right to prepay up to 50% of the outstanding principal balance of the second mortgage loan, which is required to be exercised during specific time periods in 2004 through 2006. If 1201 Associates exercises such prepayment right, TZO has the option to acquire up to 50% of the membership interest in 1201 Associates. In addition, 1201 Associates has a right to prepay up to 50% of the outstanding principal balance of the third mortgage loan, which is also required to be exercised during specific time periods in 2004 through 2006. If 1201 Associates exercises such prepayment right, ESDI has the option to acquire up to 50% of the membership interest in 1201 Associates.

1225 Eye Street Building

The Washington Properties REIT owns all of the membership interest in 1225 Equity LLC, a Delaware limited liability company which owns a 49.5% membership interest in 1225 Eye Street, N.W. Associates LLC (1225 Associates), a Delaware limited liability company which owns the 1225 Eye Street Building containing approximately 218,000 aggregate rentable square feet. Approximately 50.0% of 1225 Associates is owned by One Franklin, and the remaining approximately 0.5% of 1225 Associates is owned by seven additional owners. None of the other owners of membership interests in 1225 Associates are affiliated in any way with the Wells REIT, Wells OP, or our Advisor.

The 1225 Eye Street Building, which was completed in 1985, is approximately 93% leased to 24 tenants, and approximately 7% of the 1225 Eye Street Building is currently vacant. The current aggregate annual base rent for the 24 tenants in the 1225 Eye Street Building is approximately $6.6 million. The current weighted average remaining lease term of the 24 tenants is five years.

1225 Associates has two outstanding mortgage loans for an aggregate outstanding principal balance, as of November 19, 2003, of approximately $67.8 million. The first mortgage loan is held by MetLife and had an outstanding principal balance, as of November 19, 2003, of approximately $47.6

million. The outstanding principal balance of the second mortgage loan, as of November 19, 2003, was approximately $20.2 million and is held by TTF Lending LLC (TTF), a Delaware limited liability company which is wholly owned by Washington Properties REIT.

The first mortgage loan held by MetLife secured by the 1225 Eye Street Building bears interest at the rate of 4.4% per annum, requires monthly payments of interest only in the amount of approximately $0.2 million, and matures on November 1, 2007. The MetLife loan documents impose certain restrictions on the transfer of the 1225 Eye Street Building and upon the transfer of the ownership of entities owning interests in the 1225 Eye Street Building. The second mortgage loan secured by the 1225 Eye Street Building held by TTF provides for base interest in the amount of 15% per annum plus additional interest currently equal to 96% of the excess cash flow generated by the 1225 Eye Street Building. The second mortgage loan held by TTF matures on October 31, 2017, and contains substantial prepayment penalties except in conjunction with prepayments made pursuant to the provisions described in the following paragraph.

1225 Associates is prohibited from selling the 1225 Eye Street Building without the consent of One Franklin prior to November 1, 2007, and from prepaying the outstanding balance of the first mortgage loan held by MetLife, except that the MetLife loan may be replaced by substantially similar non-recourse debt in an amount not less than the then current outstanding principal balance of the MetLife loan and so long as the maturity date of such debt is not prior to November 1, 2007. Thereafter, 1225 Associates is required to use commercially reasonably efforts to maintain similar non-recourse debt through December 31, 2011. 1225 Associates has a right to prepay up to 50% of the outstanding principal balance of the second mortgage loan, which is required to be exercised during specific time periods in 2004 through 2006. If 1201 Associates exercises such prepayment right, TTF has the option to acquire up to 50% of the membership interest in 1201 Associates.

4250 North Fairfax Arlington Building

As a part of the same transaction involving the acquisition of all of the common stock of the Washington Properties REIT, on November 19, 2003, Wells OP acquired all of the membership interest in Fairfax Property LLC, which owns the 4250 North Fairfax Arlington Building, a 14-story office building containing approximately 304,000 aggregate rentable square feet located at 4250 North Fairfax Street in Arlington, Virginia.

The 4250 North Fairfax Arlington Building, which was completed in 1998, is approximately 53% leased to Qwest Communications Corporation. Approximately 46% of the 4250 North Fairfax Arlington Building is leased to four additional tenants, and approximately 1% of the 4250 North Fairfax Arlington Building is currently vacant.

Quest Communications Corporation (Qwest) is a wholly-owned subsidiary of Qwest Communications International, Inc. (Qwest Intl.), which provides long distance, wireless, data and video services in the western and mid-western United States to residential and business customers. The current annual base rent payable under the Qwest lease, which expires in 2014, is approximately $3.0 million. Qwest has obtained a $4.2 million letter of credit from U.S. Bank, N.A., which expires in June 2004, to serve as security for payments under the lease. The Qwest lease contains a right of first offer provision with respect to a future sale of the 4250 North Fairfax Arlington Building. In addition, Qwest, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate. The current aggregate annual base rent for the remaining six tenants in the 4250 North Fairfax Arlington Building is approximately $1.5 million.

Property Management

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and the Advisor, will manage the Leo Burnett Chicago Building, the 1225 Eye Street Building and the 4250 North Fairfax Arlington Building. Wells Management will be paid asset and property management fees in the amount of up to 4.5% of the gross revenues from the Leo Burnett Chicago Building, the 1225 Eye Street Building, and the 4250 North Fairfax Arlington Building, subject to certain limitations. The Buck Management Group, Inc. (Buck Management), an affiliate of Buck 35 Wacker, L.L.C., The John Akridge Management Company (John Akridge), an affiliate of One Franklin, and Trammell Crowe Company (Trammell Crowe) are the current on-site property managers for the Leo Burnett Chicago Building, the 1225 Eye Street Building, and the 4250 North Fairfax Arlington Building, respectively. The property management fees payable to Buck Management, John Akridge, and Trammell Crowe will be paid out of or credited against the fees payable to Wells Management.

John Akridge was retained to serve as the property manager for the US Park Service Building. Trammell Crowe was retained to serve as the property manager for the 400 Virginia Building. Neither Buck Management, John Akridge nor Trammell Crowe are in any way affiliated with the Wells REIT, Wells OP or our Advisor.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in Supplement No. 6 dated April 14, 2003, Supplement No. 7 dated May 15, 2003, and Supplement No. 9 dated August 27, 2003, and should also be read in conjunction with our accompanying financial statements and notes thereto.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to stockholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

REIT Qualification

We have made an election under Section 856 of the Internal Revenue Code to be taxed as a REIT beginning with our taxable year ended December 31, 1998. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially, adversely affect our financial position and results of operations. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during the year ending December 31, 2003. In addition, we intend to continue to operate to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the nine months ended September 30, 2003, we received aggregate gross offering proceeds of $1,782.5 million from the sale of 178.2 million shares of our common stock. After incurring costs of $61.0 million in acquisition and advisory fees and acquisition expenses, $183.1 million in selling commissions and organization and offering expenses and common stock redemptions of $41.2 million pursuant to our share redemption program, we raised net offering proceeds of $1,497.2 million during the nine months ended September 30, 2003.

The significant increase in capital resources available to us is due to significantly increased sales of our common stock during the first nine months of 2003. After payment of the costs described above associated with the sale of shares of common stock and acquisitions of properties, we had approximately $146.0 million available for investment in real estate assets as of September 30, 2003.

As of September 30, 2003, we owned interests in 87 real estate properties either directly or through our interests in joint ventures located throughout the United States. Our real estate investment policies are to identify and invest in high-grade commercial office and industrial buildings located in densely populated metropolitan markets which are newly constructed, under construction or which have been previously constructed and have operating histories. However, we are not limited to such investments. We expect to continue to acquire commercial properties that meet our standards of quality in terms of the real estate and the creditworthiness of the tenants.

We have developed specific standards for determining creditworthiness of potential tenants of our properties in order to reduce the risk of tenant default. Although 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 million or whose lease obligations are guaranteed by another corporation or entity with a net worth in excess of $100 million.

Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before entering into any commitment to buy a property. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our shareholders.

Dividends paid during the nine months ended September 30, 2003, were $147.0 million compared to $71.4 million during the nine months ended September 30, 2002. For each $10 share of our common stock, our board of directors declared dividends for the period December 16, 2002 through September 15, 2003, at an annualized percentage rate of return of 7.0%, compared to an annualized percentage rate of return of 7.75% for the period December 16, 2001 through September 15, 2002. The reduction of the annualized percentage rate of return for the dividends resulted from the higher value placed on our type of properties and the additional time it now takes in the acquisition process for us to assess tenant creditworthiness and, therefore, invest proceeds in properties.

Our board of directors has declared dividends for the period September 16, 2003, through December 15, 2003, at an annualized percentage rate of return of 7.0%. Fourth quarter dividends are calculated on a daily record basis of $0.001923 (0.1923 cents) per day per share on the outstanding shares of our common stock payable to shareholders of record as shown on our books at the close of business on each day during the period commencing on September 16, 2003, and continuing on each day thereafter through and including December 15, 2003.

The payment of dividends in the future will generally be dependent upon the cash flows from operating the properties currently owned and acquired in future periods, our financial condition, amounts paid for properties acquired, the timing of property acquisitions, capital expenditure requirements and distribution requirements in order to maintain our REIT status under the Internal Revenue Code.

Cash Flows From Operating Activities

Our net cash provided by operating activities was $150.3 million and $68.2 million for the nine months ended September 30, 2003 and 2002, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by $1.4 billion of additional properties acquired during 2002 and an additional $1.3 billion of real estate assets acquired and $80.9 million in build-to-suit projects completed during the nine months ended September 30, 2003. We do not recognize in income the full effect from the properties during the year of acquisition, as the operations of the properties are only included in income from the date of acquisition. Operating cash flows are expected to increase as we acquire additional properties in future periods and as we obtain the benefit of a full quarter of operations for properties acquired during the quarter ended September 30, 2003.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was $1,275.9 million and $826.9 million for the nine months ended September 30, 2003 and 2002, respectively. The increase in net cash used in investing activities was due primarily to greater investments in properties and the payment of the related deferred project costs resulting from raising a greater amount of offering proceeds. Our investments in real estate and related assets and payment of acquisition and advisory costs totaled $1,283.6 million and $832.2 million for the nine months ended September 30, 2003 and 2002, respectively. The cash outflow from the investments in properties and the payment of deferred project costs were partially offset by distributions from joint ventures of $7.7 million and $5.3 million during the nine months ended September 30, 2003, and 2002, respectively. The increase in distributions from joint ventures is primarily due to the distribution of proceeds from the disposition of the Cort property.

Cash Flows From Financing Activities

Our net cash provided by financing activities was $1,260.9 million and $827.1 million for the nine months ended September 30, 2003 and 2002, respectively. Capital fund raising increased to $1,782.5 million during the nine months ended September 30, 2003, as compared to $988.5 million during the nine months ended September 30, 2002. The amounts raised were partially offset by the payment of commissions and offering costs totaling $182.0 million and $105.0 million and redemptions of $41.2 million and $11.6 million during the nine months ended September 30, 2003 and 2002, respectively.

Additionally, we obtained funds from financing arrangements totaling $649.3 million and $27.7 million and made repayments of borrowings of $796.1 million and $0.04 million during the nine months ended September 30, 2003 and 2002, respectively, based on the availability and need of cash for investment in real estate assets during those periods. We incurred deferred financing costs related to new financing facilities of $4.6 million and $1.1 million during the nine months ended September 30, 2003 and 2002. Primarily as a result of the increased cash flow from operations, during the nine months ended September 30, 2003 and 2002, we paid dividends of $147.0 million and $71.4 million, respectively.

Results of Operations

As of September 30, 2003, our 87 real estate properties were approximately 97% leased. Our results of operations have changed significantly for the three and nine months ended September 30, 2003, as compared to the three and nine months ended September 30, 2002, generally as result of the acquisition of approximately $1.4 billion of real estate assets during the year ended December 31, 2002, and an additional $1.3 billion of real estate assets acquired and $80.9 million in build-to-suit projects completed during the nine months ended September 30, 2003. We expect that rental income, tenant reimbursements, depreciation expense, operating expenses, asset and property management and leasing fees and net income will each increase in future periods as a result of owning the assets acquired during the nine months ended September 30, 2003, for an entire period and as a result of anticipated future acquisitions of real estate assets. Due to the average remaining terms of the long-term leases currently in place at our properties, management does not anticipate significant changes in near-term rental revenues from properties currently owned.

Three months ended September 30, 2003 vs. three months ended September 30, 2002

Rental income increased by $52.4 million, during the third quarter of 2003, from $27.5 million for the three months ended September 30, 2002, to $79.9 million for the three months ended September 30, 2003. Tenant reimbursements were $25.5 million and $3.7 million for the three months ended September 30, 2003 and 2002, respectively, for an increase of $21.8 million. The increases were primarily due to the rental income and tenant reimbursements for properties acquired subsequent to June 30, 2002, which totaled $56.2 million and $20.3 million, respectively, for the three months ended September 30, 2003 and $4.8 million and $0.9 million for the three months ended September 30, 2002. Revenues in future periods are expected to increase compared to historical periods as additional properties are acquired.

Our equity in income of joint ventures was $1.1 million and $1.3 million for the three months ended September 30, 2003 and 2002, respectively. The decrease is primarily due to the loss related to the sale of the Cort property in September 2003. Equity in income of joint ventures is not anticipated to change significantly in future periods unless we invest additional proceeds in future joint venture investments or dispose of joint venture investments.

Depreciation expense for the three months ended September 30, 2003 and 2002, was $29.0 million and $10.3 million, respectively comprising approximately 36% and 37% of rental income for the respective three month periods. The increase in depreciation expense is primarily due to the acquisitions of properties since June 30, 2002. Depreciation expense relating to assets acquired after June 30, 2002, was $20.7 million and $2.7 million for the three months ended September 30, 2003 and September 30, 2002, respectively. Depreciation expense is expected to increase in future periods as additional properties are acquired, however should remain relatively consistent as a percentage of revenues unless the relationship between the cost of the assets and the revenues earned changes.

Property operating costs were $34.6 million and $5.9 million for the three months ended September 30, 2003 and 2002, respectively, representing 33% and 19% of the sum of the rental income and tenant reimbursements for each respective three month period. The increase of property operating costs as a percentage of the sum of the rental income and tenant reimbursements is primarily due to the recent acquisition of certain full service properties that have a higher ratio of property operating costs to revenues. Property operating costs for the properties acquired subsequent to June 30, 2002 were $27.5 million and $0.8 million for the three months ended September 30, 2003 and 2002, respectively. Property operating costs are expected to increase as more properties are acquired, but expenses should remain relatively consistent as a percentage of the sum of rental income and tenant reimbursements.

Asset and property management and leasing fees expenses were $3.9 million and $1.4 million for the three months ended September 30, 2003 and 2002, respectively, representing approximately 4% of the sum of the rental income and tenant reimbursements for each three month period. Asset and property management fees for properties acquired after June 30, 2002, were $2.7 million and $0.2 million for the three months ended September 30, 2003 and 2002, respectively. Asset and property management fees are expected to increase as additional properties are acquired but as a percentage of the sum of rental income and tenant reimbursements, should remain relatively consistent with historical results.

General and administrative expenses increased from $0.7 million for the three months ended September 30, 2002, to $1.6 million for the three months ended September 30, 2003, representing approximately 2% of the total revenues for each respective three month period. General and administrative expenses are expected to increase in future periods as additional properties are acquired, but are expected to remain relatively constant as a percentage of total revenues.

Interest expense was $3.8 million and $1.3 million for the three months ended September 30, 2003 and 2002, respectively. Interest expense of $1.0 million for both the three months ended September 30, 2003 and 2002, was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the interest income associated with the bonds, which results in no net impact on our operating results. The remaining $2.8 million and $0.3 million is due to the interest on our outstanding borrowings and amortization of deferred financing costs for each period. We had significantly more borrowings outstanding during the three months ended September 30, 2003, as compared to the three months ended September 30, 2002, resulting in a significant increase in the interest expense between the two periods. Interest expense in future periods will be dependent upon the amount of borrowings outstanding during those periods and current interest rates. Historical results may not be indicative of interest expense in future periods.

Earnings per share for the three months ended September 30, 2003, increased to $0.10 per share compared to $0.09 per share for the three months ended September 30, 2002. In 2003, a higher percentage of investor proceeds raised were invested in income producing real estate assets than during the same period in 2002, which resulted in increased earnings in 2003 relative to 2002. This increase in earnings is partially offset by higher costs of investment.

Nine months ended September 30, 2003 vs. nine months ended September 30, 2002

Rental income increased by $136.1 million, during the first nine months of 2003, from $66.1 million for the nine months ended September 30, 2002, to $202.2 million for the nine months ended September 30, 2003. Tenant reimbursements were $51.5 million and $12.9 million for the nine months ended September 30, 2003 and 2002, respectively, for an increase of $38.6 million. The increases were primarily due to the rental income and tenant reimbursements for properties acquired subsequent to December 31, 2001, which totaled $152.0 million and $38.9 million, respectively, for the nine months ended September 30, 2003, and $17.5 million and $1.8 million for the first nine months of 2002. Revenues in future periods are expected to increase compared to historical periods as additional properties are acquired.

Our equity in income of joint ventures was $3.5 million and $3.7 million for the nine months ended September 30, 2003 and 2002, respectively. The decrease is primarily due to the loss related to the sale of the Cort property in September 2003. Equity in income of joint ventures is not anticipated to change significantly in future periods unless we invest additional proceeds in future joint venture investments or dispose of joint venture investments.

Depreciation expense for the nine months ended September 30, 2003 and 2002, was $73.2 million and $23.2 million, respectively comprising approximately 36% and 35% of rental income for the respective nine month periods. Depreciation expense relating to assets acquired after December 31, 2001, was $56.4 million and $7.3 million for the nine months ended September 30, 2003 and 2002, respectively. Depreciation expense is expected to increase in future periods as additional properties are acquired, however should remain relatively consistent as a percentage of revenues unless the relationship between the cost of the assets and the revenues earned changes.

Property operating costs were $75.6 million and $17.1 million for the nine months ended September 30, 2003 and 2002, respectively, representing approximately 30% and 22% of the sum of the rental income and tenant reimbursements for each respective nine month period. The increase in the property operating costs as a percentage of the sum of the rental income and tenant reimbursements is primarily due to operating costs of the recently acquired full service properties as a percentage of revenues. Property operating costs for the properties acquired subsequent to December 31, 2001, were $58.9 million and $2.7 million for the nine months ended September 30, 2003 and 2002, respectively. Property operating costs are expected to increase as more properties are acquired, but expenses should remain relatively consistent as a percentage of the sum of rental income and tenant reimbursements.

Asset and property management and leasing fees expenses were $9.1 million and $3.1 million for the nine months ended September 30, 2003 and 2002, respectively, representing approximately 4% of the sum of the rental income and tenant reimbursements for each nine month period. Management and leasing fees for properties acquired after December 31, 2002, were $6.4 million and $0.7 million for the nine months ended September 30, 2003 and 2002, respectively. Management and leasing fees are expected to increase as additional properties are acquired; however, as a percentage of the sum of rental income and tenant reimbursements should remain relatively consistent with historical results.

General and administrative expenses increased from $1.9 million for the nine months ended September 30, 2002, to $4.2 million for the nine months ended September 30, 2003, representing approximately 2% of the total revenues for each respective nine month period. General and administrative expenses are expected to increase in future periods as our assets continue to increase as additional properties are acquired, but are expected to remain relatively constant as a percentage of total revenues.

Interest expense was $11.2 million and $2.6 million for the nine months ended September 30, 2003 and 2002, respectively. Interest expense of $2.9 million and $1.8 million for the nine months ended September 30, 2003 and 2002, respectively, was attributable to interest on the bonds related to the Ingram Micro and ISS Buildings, which is offset by the interest income associated with the bonds, which results in no net impact on our operating results. The remaining $8.3 million and $0.8 million, respectively, is due to the interest on our outstanding borrowings for each period and amortization of deferred financing costs. We had significantly more borrowings outstanding during the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, resulting in a significant increase in the interest expense between the two periods. Additionally, in the period ending September 30, 2003, we wrote-off approximately $0.5 million of deferred costs associated with the Bank of America $110.0 million line of credit termination (See Note 4 of our consolidated financial statements for further information). Interest expense in future periods will be dependent upon the amount of borrowings outstanding during those periods and current interest rates. Historical results may not be indicative of interest expense in future periods.

Earnings per share for the nine months ended September 30, 2003, decreased to $0.30 per share compared to $0.31 per share for the nine months ended September 30, 2002. This decrease is primarily a result of the higher cost of investments in the real estate assets we acquired in 2003 relative to returns on those investments resulting in lower per share earnings in 2003.

Funds From Operations

Funds from Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with accounting principles generally accepted in the United States (GAAP) excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. Management believes that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT’s definition, may not be comparable to similarly titled measures presented by other REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions.

The following table reflects the calculation of FFO for the three and nine month periods ended September 30, 2003 and 2002:

	For the three months ended September 30,		For the nine months ended September 30,	
	2003	2002	2003	2002
FUNDS FROM OPERATIONS:				
Net income	$ 33,820	$ 15,285	$ 86,169	$ 39,821
Add:				
Depreciation of real estate assets	28,963	10,282	73,241	23,185
Amortization of deferred leasing costs	895	78	1,244	229
Depreciation & amortization—unconsolidated investments in joint venture assets	805	708	2,370	2,115
Funds from Operations (FFO)	$ 64,483	$ 26,353	$163,024	$ 65,350
WEIGHTED AVERAGE SHARES BASIC AND DILUTED	350,741	163,395	289,521	128,541

In order to recognize revenues on a straight line basis over the terms of the respective leases, we recognized straight line rental revenue of $5.7 million and $2.1 million during the three months ended September 30, 2003 and 2002, respectively. For the nine months ended September 30, 2003 and 2002, we recognized straight line rental revenue of $10.8 million and $5.3 million, respectively.

Amortization of the intangible lease assets included in deferred leasing costs in the accompanying consolidated balance sheets resulted in an increase in amortization of deferred leasing costs of approximately $0.6 million for the nine months ended September 30, 2003. Amortization of the other intangible lease assets and liabilities resulted in a net decrease in rental revenue of $1.3 million and $0.2 million for the three and nine months ended September 30, 2003, respectively.

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases, which would protect us from the impact of inflation. These provisions include reimbursement billings for operating expense pass-through 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. However, due to the long-term nature of the leases, the leases may not re-set frequently enough to cover inflation.

Application of Critical Accounting Policies

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If management's judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

Investment in Real Estate Assets

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income. The estimated useful lives of our assets by class are as follows:

Building	25 years
Building improvements	10-25 years
Land improvements	20-25 years
Tenant improvements	Lease term
Intangible lease assets	Lease term

In the event that inappropriate useful lives or methods are used for depreciation, our net income would be misstated.

Allocation of Purchase Price of Acquired Assets

On January 1, 2002, we adopted Statement of Financial Accounting Standards No. 141 *"Business Combinations,"* ("FAS 141") and Statement of Financial Accounting Standards No. 142 "*Goodwill and Intangibles"* ("FAS 142"). These standards govern business combinations, asset acquisitions and the accounting for acquired intangibles.

Upon the acquisition of real properties, it is our policy to allocate the purchase price of properties to acquired tangible assets, consisting of land and building, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, and the value of in-place leases, based in each case on their fair values.

The fair values of the tangible assets of an acquired property (which includes land and building) are determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and building based on management's determination of the relative fair value of these assets. We determine the as-if vacant fair value of a property using methods similar to those used by independent appraisers. Factors we considered in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance, and other operating expenses during the expected lease-up periods based on current market demand. We estimate costs to execute similar leases including leasing commissions, and other related costs.

The fair values of above-market and below-market in-place leases are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) our estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining term of the leases. The capitalized above-market and below-market lease values are amortized as an adjustment to rental income over the remaining terms of the respective leases.

The fair values of in-place leases include direct costs associated with obtaining a new tenant, opportunity costs associated with lost rentals which are avoided by acquiring an in-place lease, and tenant relationships. Direct costs associated with obtaining a new tenant include commissions, tenant improvements and other direct costs and are estimated based on our consideration of current market costs to execute a similar lease. These direct costs are included in deferred leasing costs in the accompanying consolidated balance sheets and are amortized to expense over the remaining terms of the respective leases. The value of opportunity costs is calculated using the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. Customer relationships are valued based on expected renewal of a lease or the likelihood of obtaining a particular tenant for other locations. These lease intangibles are included in intangible lease assets in the accompanying consolidated balance sheets and are amortized to rental income over the remaining term of the respective leases.

Estimates of the fair values of the tangible and intangible assets requires us to estimate market lease rates, property operating expenses, carrying costs during lease-up periods, discount rates, market absorption periods and the number of years the property is held for investment. The use of inappropriate estimates would result in an incorrect assessment of our purchase price allocations, which could impact the amount of our reported net income.

Valuation of Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate assets, both operating properties and properties under construction, in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present which indicate that the carrying amounts of real estate assets may not be recoverable, we assess the recoverability of the real estate assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we adjust the real estate assets to the fair value and recognize an impairment loss. We have determined that there has been no impairment in the carrying value of real estate assets held by us and any unconsolidated joint ventures at September 30, 2003.

Commitments and Contingencies

We are subject to certain contingent liabilities and commitments with regard to certain transactions. Refer to Notes 7 and 8 to our consolidated financial statements for further explanation. Examples of such commitments and contingencies include:

- Take Out Purchase and Escrow Agreements
- Letters of Credit
- Commitments Under Existing Lease Agreements
- Earn-out Agreements
- Leasehold Property Obligations
- Pending Litigation
- NASD Enforcement Action

Related Party Transactions and Agreements

We have entered into agreements with the Advisor and its affiliates, whereby we pay certain fees or reimbursements to the Advisor or its affiliates for acquisition and advisory fees and expenses, organization and offering costs, sales commissions dealer manager fees, asset and property management fees and reimbursement of operating costs. See Note 5 to our consolidated financial statements included in this report for a discussion of the various related party transactions, agreements and fees.

Conflicts of Interest

The Advisor is also a general partner in and advisor to various Wells Real Estate Funds. As such, there are conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with us in connection with property acquisitions or for tenants in similar geographic markets.

Additionally, certain members of the board also serve on the board of another REIT sponsored by the Advisor and will encounter certain conflicts of interest regarding investment and operations decisions.

Subsequent Events

Sale of Shares of Common Stock

From October 1, 2003 through December 8, 2003, we had raised approximately $574.7 million through the issuance of approximately 57.5 million shares of our common stock. As of December 11, 2003, there were no shares remaining available for sale to the public under our fourth public offering, exclusive of (1) shares available for sale to current stockholders of the Wells REIT pursuant to our dividend reinvestment plan and (2) shares reserved to complete requests for transfer of asset transactions which were received on or before November 21, 2003.

Status of our Share Redemption Program

Our share redemption program allowed for the redemption of approximately 4.37 million shares at an aggregate cost of approximately $43.7 million for the year ending December 31, 2003. From January 1, 2003 through October 31, 2003, we had redeemed the entire 4.37 million shares of common stock available for redemption for the year at an aggregate cost of approximately $43.7 million and, accordingly, there are no remaining shares available for redemption for the year ending December 31, 2003. Requests for potential redemption will not be eligible for redemption until after January 1, 2004, subject, in all cases, to the board's ability to change or terminate our share redemption program at any time in its discretion.

Legal Proceedings

On October 9, 2003, Stephen L. Flood, the Luzerne County Controller, and the Luzerne County Retirement Board (Luzerne Board) on behalf of the Luzerne County Employee Retirement System (Plan) filed a lawsuit in the U.S. District Court, Middle District of Pennsylvania against 26 separate defendants including the Wells REIT, Wells Investment Securities, Inc., the dealer manager, and Wells Real Estate Funds, Inc., the parent company of both the Advisor and Wells Investment Securities, Inc. (Wells Defendants). The complaint alleges, among other things, (1) that certain former members of the Luzerne Board named as defendants invested $10 million in the Wells REIT on behalf of the Plan, (2) that certain former board member defendants breached their fiduciary duties to the Plan by, among other things, permitting the investment of the Plan's funds in investments not suitable for the Plan because they were long-term illiquid investments, permitting the Plan to pay excessive fees and commissions to co-defendants, and accepting political contributions in exchange for awarding advisory and management agreements, (3) that the Wells Defendants and others knew or should have known that the investment, and the fees and commissions associated with the investment, was not a proper investment for the Plan because it was a long-term illiquid investment, (4) that the Wells Defendants and others knew or should have known that certain Luzerne Board members and certain investment advisors and managers were breaching their fiduciary duties to the Plan, (5) that the defendants engaged in and conspired to engage in an improper scheme to intentionally defraud the Plan, and (6) that the investment was not approved by a majority of the Luzerne Board at a public meeting and, consequently, the investment was an inappropriate and void action. The Plan is seeking damages of not less than $25 million, treble damages and punitive damages from all defendants on a joint and several liability basis. The Wells REIT believes that this lawsuit is without merit with respect to the Wells Defendants. While it is too early to determine the likely outcome of this lawsuit, after consultation with legal counsel, management does not believe that a reserve for a loss contingency is necessary.

Property Acquisitions

IBM Portland

On October 9, 2003, Wells REIT purchased four multi-story office buildings and one industrial building containing approximately 364,000 aggregate rentable square feet on an approximately 20.9-acre tract of land (IBM Portland Buildings) and an additional adjacent 31.8-acre tract of land in Beaverton, Oregon, for an aggregate purchase price of approximately $38.2 million, plus closing costs. Three of the five IBM Portland Buildings contain approximately 220,000 aggregate rentable square feet, are entirely leased under three separate net leases to IBM. The remaining two buildings contain approximately 144,000 aggregate rentable square footage are currently vacant.

Leo Burnett Chicago

On November 6, 2003, Wells 35 W. Wacker, LLC, a single member Delaware limited liability company wholly owned by Wells OP, purchased a 97.9396% general partnership interest in VV City-Buck Venture, L.P. (VV City), a Delaware limited partnership, which is the owner of a 96.5007% general partnership interest in 35 W. Wacker Venture, L.P. (Wacker Venture), which owns a 50-story office building containing approximately 1.1 million aggregate rentable square feet at 35 W. Wacker Drive in Chicago, Illinois (Leo Burnett Chicago Building) for a purchase price of approximately $267.5 million, plus closing costs. As a result of this two-tier partnership structure, Wells OP indirectly acquired a 94.5124% interest in the Leo Burnett Chicago Building. Wells OP received a credit against the purchase price at closing in the amount of approximately $139.3 million representing its pro rata portion of the existing indebtedness against the Leo Burnett Chicago Building in the amount of approximately $147.4 million. Buck 35 Wacker, L.L.C. retained a 2.0604% limited partnership interest in VV City, and Leo Burnett USA, Inc. (Leo Burnett) retained a 3.4993% limited partnership interest in Wacker Venture. The Leo Burnett Chicago Building is primarily leased to Leo Burnett and Winston & Strawn LLP, which together lease approximately 89% of the Leo Burnett Chicago Building. Various other tenants lease an additional approximately 9% of the Leo Burnett Chicago Building, and approximately 2% of the Leo Burnett Chicago Building is currently vacant.

Acquisition of Washington, DC Portfolio

On November 19, 2003, Wells OP acquired: (1) all of the common stock in BCSP II Washington Properties, Inc., a Maryland corporation qualifying as a real estate investment trust, which owns interests in three office buildings in the Washington, DC area (Washington, DC REIT Buildings), through its ownership in various operating entities; and (2) all of the membership interest in 4250 North Fairfax Property LLC (Fairfax Property LLC), a Delaware limited liability company which owns a 14-story office building located in Arlington, Virginia (4250 North Fairfax Arlington Building) (collectively, Washington, DC Portfolio). The Washington, DC Portfolio was acquired from Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership, for an aggregate purchase price of approximately $347.0 million.

Financial Statements

Unaudited Financial Statements

The financial statements of the Wells REIT, as of September 30, 2003, and for the three month and nine month periods ended September 30, 2003, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of September 30, 2003, the pro forma statement of income for the year ended December 31, 2002, and the pro forma statement of income for the nine months ended September 30, 2003, which are included in this supplement, have not been audited.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

	Page
Wells Real Estate Investment Trust, Inc. and Subsidiaries	
Consolidated Balance Sheets as of September 30, 2003 (unaudited) and December 31, 2002	19
Consolidated Statements of Income for the three months and nine months ended September 30, 2003 and 2002 (unaudited)	20
Consolidated Statements of Shareholders' Equity for the year ended December 31, 2002 and the nine months ended September 30, 2003 (unaudited)	21
Consolidated Statements of Cash Flows for the nine months ended September 30, 2003 and 2002 (unaudited)	22
Condensed Notes to Consolidated Financial Statements (unaudited)	23
Unaudited Pro Forma Financial Statements	
Summary of Unaudited Pro Forma Financial Statements	37
Pro Forma Balance Sheet as of September 30, 2003 (unaudited)	38
Pro Forma Statement of Income for the year ended December 31, 2002 (unaudited)	40
Pro Forma Statement of Income for the nine months ended September 30, 2003 (unaudited)	41

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	September 30, 2003	December 31, 2002
	(unaudited)	
ASSETS:		
Real estate assets, at cost:		
Land	$ 393,014	$ 279,185
Building and improvements, less accumulated depreciation of $136,835 at September 30, 2003, and $63,594 at December 31, 2002	2,777,415	1,683,036
Intangible lease assets, net	120,873	12,060
Construction in progress	943	42,746
Total real estate assets	3,292,245	2,017,027
Investments in joint ventures	104,098	83,915
Cash and cash equivalents	180,641	45,464
Rents receivable	35,889	19,321
Deferred project costs	5,724	1,494
Due from affiliates	2,083	1,961
Prepaid expenses and other assets, net	17,657	4,407
Deferred leasing costs, net	49,198	1,638
Investment in bonds	54,500	54,500
Total assets	$3,742,035	$2,229,727
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Borrowings	$ 213,779	$ 248,195
Obligations under capital leases	54,500	54,500
Intangible lease liabilities, net	44,713	32,697
Accounts payable and accrued expenses	54,531	24,780
Due to affiliates	10,188	15,975
Dividends payable	11,179	6,046
Deferred rental income	24,559	11,584
Total liabilities	413,449	393,777
COMMITMENTS AND CONTINGENCIES	—	—
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 750,000,000 shares authorized, 396,036,430 shares issued and 389,829,812 outstanding at September 30, 2003, and 750,000,000 shares authorized, 217,790,874 shares issued and 215,699,717 shares outstanding at December 31, 2002	3,960	2,178
Additional paid-in capital	3,527,007	1,929,381
Cumulative distributions in excess of earnings	(140,315)	(74,310)
Treasury stock, at cost, 6,206,618 shares at September 30, 2003 and 2,091,157 shares at December 31, 2002	(62,066)	(20,912)
Other comprehensive loss	—	(387)
Total shareholders' equity	3,328,586	1,835,950
Total liabilities and shareholders' equity	$3,742,035	$2,229,727

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
REVENUES:				
Rental income	$ 79,884	$ 27,549	$202,196	$ 66,121
Tenant reimbursements	25,473	3,677	51,531	12,854
Equity in income of joint ventures	1,101	1,259	3,493	3,738
Interest income and other income	1,130	2,428	3,445	5,210
	107,588	34,913	260,665	87,923
EXPENSES:				
Depreciation	28,963	10,282	73,241	23,185
Property operating costs	34,563	5,868	75,602	17,109
Asset and property management and leasing fees	3,921	1,367	9,060	3,119
Amortization of deferred leasing costs	895	78	1,244	229
General and administrative	1,648	745	4,171	1,867
Interest expense	3,778	1,288	11,178	2,593
	73,768	19,628	174,496	48,102
NET INCOME	$ 33,820	$ 15,285	$ 86,169	$ 39,821
EARNINGS PER SHARE				
Basic and diluted	$ 0.10	$ 0.09	$ 0.30	$ 0.31
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic and diluted	350,741	163,395	289,521	128,541
DIVIDENDS DECLARED PER SHARE	$ 0.18	$ 0.18	$ 0.53	$ 0.57

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 (UNAUDITED)
(in thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock		Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				Shares	Amount		
BALANCE, December 31, 2001	83,761	$ 838	$ 738,236	$ (24,181)	$ —	555	$ (5,550)	—	$ 709,343
Issuance of common stock	134,030	1,340	1,338,953	—	—	—	—	—	1,340,293
Treasury stock purchased	—	—	—	—	—	1,536	(15,362)	—	(15,362)
Dividends ($0.76 per share)	—	—	—	(50,129)	(59,854)	—	—	—	(109,983)
Sales commissions and dealer manager fees	—	—	(127,332)	—	—	—	—	—	(127,332)
Other offering costs	—	—	(20,476)	—	—	—	—	—	(20,476)
Components of comprehensive income:									
Net income	—	—	—	—	59,854	—	—	—	59,854
Change in value of interest rate swap	—	—	—	—	—	—	—	(387)	(387)
Comprehensive income									59,467
BALANCE, December 31, 2002	217,791	2,178	1,929,381	(74,310)	—	2,091	(20,912)	(387)	1,835,950
Issuance of common stock	178,245	1,782	1,780,682	—	—	—	—	—	1,782,464
Treasury stock purchased	—	—	—	—	—	4,115	(41,154)	—	(41,154)
Dividends ($0.53 per share)	—	—	—	(66,005)	(86,169)	—	—	—	(152,174)
Sales commissions and dealer manager fees	—	—	(168,312)	—	—	—	—	—	(168,312)
Other offering costs	—	—	(14,744)	—	—	—	—	—	(14,744)
Components of comprehensive income:									
Net income	—	—	—	—	86,169	—	—	—	86,169
Change in value of interest rate swap	—	—	—	—	—	—	—	387	387
Comprehensive income									86,556
BALANCE, September 30, 2003	396,036	$3,960	$3,527,007	$ (140,315)	$ —	6,206	$ (62,066)	$ —	$3,328,586

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Nine Months Ended September 30,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 86,169	$ 39,821
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(3,493)	(3,738)
Depreciation	73,241	23,185
Amortization of deferred financing costs	2,276	587
Amortization of intangible lease assets/liabilities	(175)	—
Amortization of deferred leasing costs	1,244	229
Bad debt expense	—	113
Changes in assets and liabilities:		
Rents receivable	(16,568)	(6,128)
Deferred rental income	12,975	7,232
Accounts payable and accrued expenses	4,049	8,811
Prepaid expenses and other assets, net	(10,006)	(1,813)
Due to/from affiliates	548	(140)
Net cash provided by operating activities	150,260	68,159
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate assets	(1,032,853)	(797,011)
Contributions to joint ventures	(24,056)	—
Investment in intangible lease assets	(112,927)	—
Deferred project costs paid	(65,013)	(34,784)
Distributions received from joint ventures	7,655	5,301
Deferred lease acquisition costs paid	(48,741)	(400)
Net cash used in investing activities	(1,275,935)	(826,894)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	649,298	27,742
Repayment of borrowings	(796,061)	(37)
Dividends paid to shareholders	(147,042)	(71,397)
Issuance of common stock	1,782,464	988,470
Treasury stock purchased	(41,154)	(11,617)
Sales commissions and dealer manager fees paid	(165,558)	(94,097)
Other offering costs paid	(16,471)	(10,937)
Deferred financing costs paid	(4,624)	(1,066)
Net cash provided by financing activities	1,260,852	827,061
NET INCREASE IN CASH AND CASH EQUIVALENTS	135,177	68,326
CASH AND CASH EQUIVALENTS, beginning of period	45,464	75,586
CASH AND CASH EQUIVALENTS, end of period	$ 180,641	$ 143,912

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2003
(unaudited)

1. ORGANIZATION

General

Wells Real Estate Investment Trust, Inc. ("Wells REIT" or "Registrant") is a Maryland corporation that qualifies as a real estate investment trust ("REIT"). Wells REIT was incorporated in 1997 and commenced operations on June 5, 1998.

Wells REIT engages in the acquisition and ownership of commercial real estate properties throughout the United States, including properties that are under construction, are newly constructed or have operating histories. At September 30, 2003, Wells REIT had invested in commercial office and industrial real estate assets, either directly or through joint ventures with real estate limited partnership programs sponsored by Wells Capital, Inc. (the "Advisor") or its affiliates.

Wells REIT's business is conducted through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership, and its subsidiaries, and Wells REIT-Independence Square, LLC ("Wells REIT-Independence"), a single member Georgia limited liability company. Wells OP was formed to acquire, develop, own, lease and operate properties on behalf of Wells REIT, directly, through wholly-owned subsidiaries or through joint ventures. Wells REIT-Independence was formed to acquire the NASA Buildings located in Washington, D.C. Wells REIT is the sole general partner in Wells OP and the sole member of Wells REIT-Independence and possesses full legal control and authority over the operations of Wells OP and Wells REIT-Independence. Wells OP, and its subsidiaries, and Wells REIT-Independence comprise Wells REIT's subsidiaries.

Four offerings of Wells REIT stock have been initiated as follows:

Offering #	Date Commenced	Termination Date	Gross Proceeds	Shares Issued
1	January 30, 1998	December 19, 1999	$132.2 million	13.2 million
2	December 20, 1999	December 19, 2000	$175.2 million	17.5 million
3	December 20, 2000	July 26, 2002	$ 1,283.0 million	128.3 million
4	July 26, 2002	Offering open	$ 2,370.0 million (through September 30, 2003)	237.0 million (through September 30, 2003)
Total as of September 30, 2003:			$ 3,960.4 million	396.0 million

After incurring costs from all offerings of $136.4 million in acquisition and advisory fees and expenses, $374.7 million in selling commissions, $54.7 million in organization and offering expenses to the Advisor, investment in related real estate assets of $3,186.5 million and common stock redemptions pursuant to Wells REIT's share redemption program of $62.1 million, Wells REIT was holding net offering proceeds of approximately $146.0 million available for investment in properties at September 30, 2003.

Wells REIT's stock is not listed on a national exchange. However, the Wells REIT's Articles of Incorporation currently require the Wells REIT to begin the process of liquidating its investments and distributing the resulting proceeds to the shareholders if its shares are not listed on a national exchange by January 30, 2008. Wells REIT's Articles of Incorporation can only be amended by a proxy vote of Wells REIT's shareholders.

Basis of Presentation

The consolidated financial statements of Wells REIT have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, including the instructions to Form 10-Q and Article 10 of Regulation S-X, and do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Wells REIT's Form 10-K for the year ended December 31, 2002.

Income Taxes

Wells REIT has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and has operated as such beginning with its taxable year ended December 31, 1998. To qualify as a REIT, Wells REIT must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90% of the REIT's ordinary taxable income to shareholders. As a REIT, Wells REIT generally will not be subject to federal income tax on taxable income that it distributes to its shareholders. If Wells REIT fails to qualify as a REIT in any taxable year, it will then be subject to federal income taxes on its taxable income for four years following the year during which qualification is lost, unless the Internal Revenue Service grants Wells REIT relief under certain statutory provisions. Such an event could materially adversely affect Wells REIT's net income and net cash available for distribution to shareholders. However, Wells REIT 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 that Wells REIT will remain qualified as a REIT for federal income tax purposes. No provision for federal income taxes has been made in the accompanying consolidated financial statements, as Wells REIT made distributions in excess of its taxable income for the periods presented.

Reclassifications

Certain prior period amounts have been reclassified to conform with the current period financial statement presentation.

Recent Pronouncements

Business Combinations / Goodwill and Intangibles

On January 1, 2002, Wells REIT adopted Statement of Financial Accounting Standards No. 141 *"Business Combinations,"* ("FAS 141") and Statement of Financial Accounting Standards No. 142 "*Goodwill and Intangibles"* ("FAS 142"). These standards govern business combinations, asset acquisitions and the accounting for acquired intangibles.

Upon the acquisition of real properties, it is Wells REIT's policy to allocate the purchase price of properties to acquired tangible assets, consisting of land and building, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, and the value of in-place leases, based in each case on their fair values.

The fair values of the tangible assets of an acquired property (which includes land and building) are determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and building based on management's determination of the relative fair value of these assets. Management determines the as-if vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance, and other operating expenses during the expected lease-up periods based on current market demand. Management estimates costs to execute similar leases including leasing commissions, and other related costs.

The fair values of above-market and below-market in-place leases are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining term of the leases. The capitalized above-market and below-market lease values are amortized as an adjustment to rental income over the remaining terms of the respective leases.

The fair values of in-place leases include direct costs associated with obtaining a new tenant, opportunity costs associated with lost rentals which are avoided by acquiring an in-place lease, and tenant relationships. Direct costs associated with obtaining a new tenant include commissions, tenant improvements and other direct costs and are estimated based on management's consideration of current market costs to execute a similar lease. These direct costs are included in deferred leasing costs in the accompanying consolidated balance sheets and are amortized to expense over the remaining terms of the respective leases. The value of opportunity costs is calculated using the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. Customer relationships are valued based on expected renewal of a lease or the likelihood of obtaining a particular tenant for other locations. These lease intangibles are included in intangible lease assets in the accompanying consolidated balance sheets and are amortized to rental income over the remaining term of the respective leases.

Variable Interest Entities

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 ("FIN 46"), *"Consolidation of Variable Interest Entities,"* which clarifies the application of Accounting Research Bulletin ("ARB") No. 51, *"Consolidated Financial Statements,"* relating to consolidation of certain entities. FIN 46 requires the identification of Wells REIT's participation in variable interest entities ("VIEs"), which are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit them to operate on a stand alone basis, or whose equity holders lack certain characteristics of a controlling financial interest. For entities identified as VIEs, FIN 46 sets forth a model to evaluate potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to its expected losses, or stands to gain from a majority of its expected returns. FIN 46 is effective for all new VIEs created or acquired after January 31, 2003. For VIEs created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period ending after December 15, 2003. FIN 46 also sets forth certain disclosures regarding interests in VIEs that are deemed significant, even if consolidation is not required. As Wells REIT's joint ventures do not fall under the definition of VIEs provided above, we do not believe that the adoption of FIN 46 will result in the consolidation of any previously unconsolidated entities.

Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement No. 150 "*Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*" ("FAS 150"), certain components of which were deferred by the FASB in October 2003 for an indefinite period. This statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. FAS 150 requires, among other things, that a minority interest in a consolidated entity be classified as a liability and reported at settlement value if an unconditional obligation to exercise or redeem the minority interest exists. As Wells OP is a finite life partnership, Wells REIT's interest therein represents an unconditional obligation. Prior to its deferral, FAS 150 required this minority interest to be accounted for as a liability and reported at settlement value. Until further guidance is provided during the deferral period for FAS 150, this interest will continue to be recorded as minority interest in Wells REIT's consolidated financial statements. The settlement value of this minority interest is believed to be an immaterial amount at September 30, 2003.

2. REAL ESTATE ASSETS

Acquisitions

During the nine months ended September 30, 2003, Wells REIT acquired ownership interests in fifteen properties for a total purchase price of approximately $1.3 billion, exclusive of related closing costs and acquisition and advisory fees paid to the Advisor, as described below.

East Point I & II

On January 9, 2003, Wells REIT purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio, for a purchase price of approximately $22.0 million. Progressive Casualty Insurance Company, The Austin Company, Danaher Power Solutions LLC and Moreland Management Company occupy approximately 93% of the rentable square feet in the two buildings. At closing, Wells REIT entered into an earn-out agreement that requires Wells REIT to pay the seller certain amounts for each new, fully-executed lease after the date of acquisition but on or before March 31, 2004, relating to the vacant space. Payments are calculated by dividing the anticipated first year's annual rent less operating expenses by 0.105, with the result being reduced by tenant improvement costs related to the space. In July 2003, a payment of approximately $1.4 million resulted from an executed lease with a tenant for approximately 9,814 square feet. At September 30, 2003, approximately 3% of the building remains vacant and subject to the terms of the earn-out agreement.

150 West Jefferson Detroit

On March 31, 2003, Wells REIT purchased a 25-story office building containing approximately 505,417 rentable square feet located at 150 West Jefferson Avenue, downtown Detroit, Michigan, for a purchase price of approximately $93.8 million. The building is approximately 99% occupied under leases to various tenants with varying lease terms, including Miller, Canfield, Paddock, & Stone; Butzel Long PC; and MCN Energy Group, Inc., which collectively occupy approximately 62% of the building.

Citicorp Englewood Cliffs, NJ

On April 30, 2003, Wells REIT purchased the Citicorp Englewood Cliffs, NJ Building, a three-story office building containing approximately 410,000 rentable square feet located in Englewood Cliffs, New Jersey, for a purchase price of $70.5 million. The building is leased entirely to Citicorp North America, Inc., a wholly-owned subsidiary of Citicorp, Inc.

US Bancorp Minneapolis

On May 1, 2003, Wells REIT purchased the US Bancorp Minneapolis Building, a 32-story office building containing approximately 929,694 rentable square feet located in Minneapolis, Minnesota, for a purchase price of $174.0 million. The building is approximately 99% leased under leases to various tenants with varying terms, including US Bancorp Piper Jaffray Companies, Inc., which leases approximately 77% of the building.

AON Center Chicago

On May 9, 2003, Wells REIT purchased the AON Center Chicago Building, an 83-story office building containing approximately 2.6 million rentable square feet located in Chicago, Illinois, for a purchase price of approximately $465.2 million. The building is approximately 92% leased under leases to various tenants with varying lease terms, including BP Corporation North America, Inc., DDB & Needham Chicago, Inc., and Kirkland & Ellis which collectively lease approximately 54% of the building.

GMAC Detroit

On May 9, 2003, Wells REIT acquired the GMAC Detroit Building, a three-story office building containing approximately 119,122 square feet located in Auburn Hills, Michigan, for a purchase price of approximately $17.8 million. The building is approximately 86% leased to the General Motors Acceptance Corp. and Delmia Corp. For the remaining approximately 14% of the building, Wells REIT is required to pay the seller certain amounts for each new, fully executed lease entered into after the date of acquisition of the building but on or before November 8, 2004. Payments are calculated by dividing the sum of the anticipated first year's annual rent less operating expenses by 0.095, with the result being reduced by tenant improvement costs related to the space.

IBM Reston I & II

On June 27, 2003, Wells REIT purchased the IBM Reston Buildings, one six-story and one two-story office building containing approximately 141,000 aggregate rentable square feet located in Reston, Virginia for a purchase price of approximately $28.6 million. The buildings are 100% occupied by the IBM Corporation and Tellabs Reston, Inc.

ISS Atlanta III

On July 1, 2003, Wells REIT purchased the third ISS Atlanta Building, a three-story office building containing approximately 50,400 rentable square feet located in Atlanta, Georgia for a purchase price of approximately $10.0 million. The building is 100% leased to ISS. The first two ISS Buildings were purchased in July 2002. The three-building project now totals approximately 289,000 rentable square feet.

Lockheed Martin Rockville

On July 30, 2003, Wells REIT purchased all of the membership interests in Meridian/Northwestern Shady Grove North, LLC, a Delaware limited liability company, which owns two four-story office buildings containing approximately 231,000 aggregate rentable square feet located in Rockville, Maryland, for a purchase price of approximately $51.6 million. The buildings are 100% leased to Lockheed Martin.

Cingular Atlanta

On August 1, 2003, Wells REIT purchased the Cingular Atlanta Building, a 19-story office building containing approximately 413,300 rentable square feet located in Atlanta, Georgia, for a purchase price of approximately $83.9 million. The building is approximately 97% leased under leases to various tenants with varying terms, including Cingular Wireless, LLC, which leases approximately 76% of the building.

Aventis Northern NJ

On August 14, 2003, Wells REIT purchased the Aventis Northern NJ Building, an eight-story office building containing approximately 297,000 rentable square feet located in Bridgewater, New Jersey, for a purchase price of $96.3 million. The building is 100% leased to Aventis, Inc.

Applera Pasadena

On August 21, 2003, Wells REIT purchased the Applera Pasadena Building, a five-story office building containing approximately 176,000 rentable square feet located in Pasadena, California, for a purchase price of approximately $37.9 million. The building is approximately 76% leased under leases to various tenants with varying terms, including Paracel, Inc., which leases approximately 48% of the building.

Continental Casualty Orange County

On August 29, 2003, Wells REIT purchased the Continental Casualty Orange County Building, a three-story office building containing approximately 133,000 rentable square feet located in Brea, California, for a purchase price of approximately $25.6 million. The building is 100% leased under leases to various tenants with varying terms, including Continental Casualty Company, which leases approximately 84% of the building.

Polo Ralph Lauren Newark

On September 5, 2003, Wells REIT purchased the Polo Ralph Lauren Newark Building, a 10-story office building containing approximately 268,000 rentable square feet located in Lyndhurst, New Jersey, for a purchase price of approximately $46.6 million. The building is approximately 92% leased under leases to various tenants with varying terms, including Polo Ralph Lauren Corporation, which leases approximately 60% of the building.

1901 Main Irvine

On September 17, 2003, Wells REIT purchased the 1901 Main Irvine Building, an eight-story office building containing approximately 172,000 rentable square feet located in Irvine, California, for a purchase price of approximately $45.5 million. The building is 100% leased under leases to various tenants with varying terms, including BNC Mortgage, Inc., which leases approximately 43% of the building.

Build-to-Suit Projects

During the nine month period ended September 30, 2003, Wells REIT completed three build-to-suit projects with a total investment amount of approximately $80.9 million, as discussed below.

Nissan

In March 2003, Wells REIT substantially completed the construction of the Nissan Building located in Dallas, Texas. Nissan Motor Acceptance Corporation occupied the building under a lease commencing on April 1, 2003. The construction was financed through a loan that was paid off in March 2003, when the building was substantially complete. As of September 30, 2003, investment in real estate related to this project totaled approximately $41.6 million.

AmeriCredit

In April 2003, Wells REIT substantially completed the construction of the AmeriCredit Building located in Phoenix, Arizona. AmeriCredit Corporation occupied the building under a lease commencing on April 15, 2003. The entire construction was financed completely with investor proceeds. As of September 30, 2003, investment in real estate related to this project totaled approximately $24.9 million.

Kerr-McGee

In June 2003, Wells REIT substantially completed the construction of the Kerr-McGee Building located in Houston, Texas. Kerr-McGee Corporation occupied the building under a lease commencing on July 1, 2003. The construction of this property was financed through a loan that was paid off in July 2003. As of September 30, 2003, investment in real estate related to this project totaled approximately $14.4 million.

3. INVESTMENT IN JOINT VENTURES

Acquisitions

AIU Chicago

On September 19, 2003, Wells Fund XIII – REIT Joint Venture Partnership ("Wells Fund XIII-REIT Joint Venture"), a joint venture partnership between Wells Real Estate Fund XIII, L.P. ("Wells Fund XIII") and Wells OP, purchased a four-story office building on a 2.7 acre tract of land located at 5550 Prairie Stone Parkway in Hoffman Estates, Illinois (AIU Chicago Building) from Two Park Center, L.L.C. for a purchase price of approximately $26.3 million, plus closing costs.

Wells OP contributed approximately $24.0 million and Wells Fund XIII contributed $3 million to the Wells Fund XIII – REIT Joint Venture for their respective shares of the acquisition costs for the AIU Chicago Building. Subsequent to the acquisition of the AIU Chicago Building, Wells OP held an equity percentage interest in the Wells Fund XIII – REIT Joint Venture of approximately 71.9%.

Dispositions

On September 11, 2003, Wells/Orange County Associates ("Cort Joint Venture"), a joint venture partnership between Wells OP and Fund X and Fund XI Associates, sold a warehouse and office building containing approximately 52,000 rentable square feet located in Fountain Valley, California ("Cort Furniture Building") for approximately a $5.8 million gross sales price.

Wells OP holds an approximately 43.6% equity percentage interest in the Cort Joint Venture. The net sale proceeds allocable to Wells OP as a result of the sale of the Cort Furniture Building were approximately $2.4 million. Wells OP's share of the loss from the sale of the Cort Furniture Building was approximately $0.2 million.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
AND SUBSIDIARIES

The information below summarizes the operations of the seven unconsolidated joint ventures that Wells REIT, through Wells OP, had ownership interests in as of September 30, 2003.

CONDENSED COMBINED STATEMENTS OF INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2003 (000s)	2002 (000s)	2003 (000s)	2002 (000s)
REVENUES:				
Rental income	$5,005	$4,480	$14,888	$13,669
Tenant reimbursements	494	434	1,511	1,426
Other income	2	11	12	34
Total revenues	5,501	4,925	16,411	15,129
EXPENSES:				
Depreciation	1,785	1,562	5,228	4,664
Operating expenses	802	597	2,693	1,899
Management and leasing fees	303	279	933	812
Total expenses	2,890	2,438	8,854	7,375
NET INCOME FROM CONTINUING OPERATIONS	2,611	2,487	7,557	7,754
DISCONTINUED OPERATIONS:				
Operating income	142	135	403	405
Loss on disposition	(379)	—	(379)	—
(LOSS) INCOME FROM DISCONTINUED OPERATIONS	(237)	135	24	405
NET INCOME	$2,374	$2,622	$ 7,581	$ 8,159
NET INCOME ALLOCATED TO WELLS REIT	$1,101	$1,259	$ 3,493	$ 3,738

4. BORROWINGS

Wells REIT has financed certain investments, acquisitions and developments through various borrowings as described below. On September 30, 2003, and December 31, 2002, Wells REIT had the following amounts outstanding:

Facility	September 30, 2003 (000s)	December 31, 2002 (000s)
$110 million line of credit; accruing interest at LIBOR plus 175 basis points; requiring interest payments monthly with principal due at maturity; collateralized by various buildings (1)	$ —	$ 58,000
$98.1 million line of credit; accruing interest at LIBOR plus 175 basis points (2.87% at September 30, 2003); requiring interest payments monthly and principal due at maturity (March 2004); collateralized by various buildings	—	61,399
$500 million unsecured revolving line of credit; accruing interest at various rates of interest based on LIBOR plus up to 1.625% (2.75% at September 30, 2003); requiring interest payments monthly and principal payments due at maturity (April 2005) (2)	—	—
$50 million line of credit; accruing interest at LIBOR plus 175 basis points (2.87% at September 30, 2003); requiring interest payments monthly with principal due at maturity (June 2005); collateralized by various buildings (3)	—	—
$90 million note payable; accruing interest at LIBOR plus 115 basis points; currently locked at 2.27% through October 2, 2003 (2.27% at September 30, 2003); requiring interest payments monthly, with principal due at maturity (December 2006); subject to certain prepayment penalties; collateralized by the Nestle Building	90,000	90,000
$112.3 million note payable; seller financed interest free loan obtained upon purchase of AON Center in May 2003; Principal balance due upon maturity (January 2004); collateralized by the AON Center Building (4)	112,347	—
$34.2 million construction loan payable; accruing interest at LIBOR plus 200 basis points; requiring interest payments monthly and principal due at maturity collateralized by the Nissan Building (5)	—	23,149
$13.7 million construction loan payable; accruing interest at LIBOR plus 200 basis points; requiring interest payments monthly, with principal due at maturity; collateralized by the Kerr-McGee Building (6)	—	4,038
$8.8 million note payable; accruing interest at 8.0%; requiring interest and principal payments monthly with any unamortized principal due at maturity (December 2003); subject to certain prepayment penalties; collateralized by the BMG Buildings	8,532	8,709
$2.9 million note payable; accruing interest at 8.5%; requiring interest payments monthly with principal due at maturity (December 2003); subject to certain prepayment penalties; collateralized by the BMG Buildings	2,900	2,900
Total borrowings	$ 213,779	$ 248,195

(1) Wells REIT terminated this credit facility upon execution of the $500 million line of credit in April 2003.

(2) Wells REIT entered into this revolving credit facility in April 2003. Additionally, Wells REIT is required to pay a quarterly facility fee of 0.25% per annum on the entire amount of the credit facility.

(3) Wells REIT entered into this credit agreement in June 2003.

(4) Interest is imputed at Wells REIT's weighted average borrowing rate on the date of the acquisition.

(5) Wells REIT repaid this loan in March 2003, upon substantial completion of the construction of the property. At that time, Wells REIT terminated the interest rate swap at a cost of $0.3 million, which was reclassified from other comprehensive income to interest expense.

(6) Wells REIT repaid this loan in July 2003, upon substantial completion of the construction of the property and expiration of the related interest rate swap agreement.

5. RELATED-PARTY TRANSACTIONS

Advisory Agreement

Wells REIT has entered into an Advisory Agreement with the Advisor, which entitles the Advisor to specified fees in consideration for certain services with regard to the offering of shares to the public and investment of funds in real estate projects. The current Advisory Agreement expires January 30, 2004.

Under the terms of the agreement, the Advisor receives the following fees and reimbursements:

- Acquisition and advisory fees and acquisition expenses of 3.5% of gross offering proceeds, subject to certain limitations;
- Reimbursement of organization and offering costs paid on behalf of Wells REIT, not to exceed 3% of gross offering proceeds;
- Disposition fee of 50% of the lesser of a competitive real estate commission or 3% of the sales price of the property, subordinated to the payment of dividends to shareholders equal to the sum of the shareholders' invested capital plus an 8% return on invested capital;
- Incentive fee of 10% of net sales proceeds remaining after shareholders have received distributions equal to the sum of the shareholders' invested capital plus an 8% return of invested capital; and
- Listing fee of 10% of the excess by which the market value of the stock plus dividends paid prior to listing exceeds the sum of 100% of the invested capital plus an 8% return on invested capital.

The Advisor has elected, but is not obligated, to reduce the acquisition and advisory fees by the amounts attributable to shares redeemed under the share redemption program for shares redeemed through September 30, 2003.

Acquisition and advisory fees and acquisition expenses incurred for the three months ended September 30, 2003 and 2002, totaled $25.5 million and $12.8 million, respectively. Organizational and offering costs incurred for the three months ended September 30, 2003 and 2002, totaled $4.2 million and $4.8 million, respectively.

Acquisition and advisory fees and acquisition expenses incurred for the nine months ended September 30, 2003 and 2002, totaled $61.0 million and $34.2 million, respectively. Organizational and offering costs incurred for the nine months ended September 30, 2003 and 2002, totaled $14.7 million and $10.2 million, respectively. Wells REIT incurred no disposition, incentive or listing fees during the nine months ended September 30, 2003 or 2002.

Administrative Services Reimbursement

Wells REIT has no direct employees. The employees of the Advisor and Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for Wells REIT. The related expenses are allocated among Wells REIT and the various Wells Real Estate Funds based on time spent on each entity by individual administrative personnel. These expenses are included in general and administrative expenses in the consolidated statements of income. These expenses totaled $1.2 million and $0.5 million for the three months ended September 30, 2003 and 2002, respectively. Administrative services reimbursements totaled $3.2 million and $1.2 million for the nine months ended September 30, 2003 and 2002, respectively.

Asset and Property Management Agreement

Wells REIT has entered into an asset and property management agreement with Wells Management. In consideration for asset management services and for supervising the management and leasing of Wells REIT's properties, Wells REIT will pay asset and property management fees to Wells Management equal to the lesser of (a) 4.5% of the gross revenues generally paid over the life of the lease or (b) 0.6% of the net asset value of the properties (excluding vacant properties) owned by Wells REIT. These asset and property management fees are calculated on an annual basis. These expenses totaled $3.9 million and $1.3 million for the three months ended September 30, 2003 and 2002, respectively, and $9.0 million and $3.2 million for the nine months ended September 30, 2003 and 2002, respectively. Additionally, a separate competitive fee for the one-time initial lease-up of newly constructed properties is generally paid in conjunction with the receipt of the first month's rent. These costs totaled approximately $0.7 million for the nine months ended September 30, 2003.

Dealer Manager Agreement

Wells REIT has entered into a dealer manager agreement with Wells Investment Securities, Inc. ("WIS"), an affiliate of the Advisor, whereby WIS performs the dealer manager function for Wells REIT. For these services, WIS earns fees of 7% of the gross proceeds from the sale of the shares of Wells REIT, most of which are reallowed to participating broker-dealers. Additionally, WIS earns a dealer manager fee of 2.5% of the gross offering proceeds at the time the shares are sold, of which up to 1.5% may be reallowed to participating broker-dealers. WIS has elected, although is not obligated, to reduce the dealer manager fee by 2.5% of the gross redemptions under Wells REIT's share redemption plan for shares redeemed through September 30, 2003. During the three months ended September 30, 2003 and 2002, Wells REIT incurred commissions of $51.7 million and $26.4 million, respectively, of which more than 99% were reallowed to participating broker-dealers. Dealer manager fees of $18.2 million and $9.1 million were incurred for the three months ended September 30, 2003 and 2002, respectively. Of these amounts, $8.7 million and $4.0 million were reallowed to participating broker-dealers for the three months ended September 30, 2003 and 2002, respectively. For the nine months ended September 30, 2003 and 2002, Wells REIT incurred commissions of $124.8 million and $69.7 million, respectively, of which more than 99% was reallowed to participating broker-dealers. Dealer manager fees of $43.5 million and $24.4 million were incurred for the nine months ended September 30, 2003 and 2002. Of these amounts, $20.8 million and $11.1 million were reallowed to participating broker-dealers.

Due From Affiliates

Due from affiliates included in the consolidated balance sheets represents Wells REIT's share of the cash to be distributed from its joint venture investments and other amounts payable to Wells REIT from other related parties.

Conflicts of Interest

The Advisor also is a general partner in various Wells Real Estate Funds. As such, there are conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with Wells REIT in connection with property acquisitions or for tenants in similar geographic markets.

Additionally, certain members of the board of Wells REIT also serve on the board of another REIT sponsored by the Advisor and will encounter certain conflicts of interest regarding investment and operating decisions.

6. CONSOLIDATED STATEMENTS OF CASH FLOWS - SUPPLEMENTAL INFORMATION

	For the nine months ended September 30,	
	2003	2002
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Deferred project costs applied to investments	$ 56,722	$31,271
Deferred project costs due to affiliate	$ 3,647	$ 587
Other offering costs due to affiliate	$ 6,545	$ 3,537
Sales commissions payable	$ 7,509	$ 1,773
Acquisition of intangible lease liability	$ 15,980	$ —
Dividends payable	$ 11,179	$ 5,761
Joint venture distributions applied to investment	$ 8,325	$ 6,185
Seller financed debt arrangement obtained at acquisition of property	$112,347	$ —
Other liabilities assumed at acquisition of property	$ 19,064	$32,500
Accrued capital expenditures	$ 3,886	$ 2,871

7. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

The Advisor and its affiliates have developed a program (the "Wells Section 1031 Program") involving the acquisition by a subsidiary of Wells Management Company ("Wells Exchange") of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons ("1031 Participants") who are seeking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Service Code. The acquisition of each of the properties acquired by Wells Exchange will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to repay a prorata portion of the interim financing. In consideration for the payment of a take out fee to Wells REIT and following approval of the potential property acquisition by Wells REIT's board of directors, it is anticipated that Wells REIT will enter into a take out purchase and escrow agreement or similar contract providing that, if Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells REIT will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period.

In consideration for the payment of a take out fee in the amount of approximately $0.2 million, on December 31, 2002, Wells OP entered into a take out purchase and escrow agreement providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost ($0.4 million in cash plus $0.4 million of assumed debt for each 2.9994% interest of co-tenancy interest unsold), any unsold co-tenancy interests in two buildings known as Meadow Brook Corporate Park located in Birmingham, Alabama, which remain unsold at the expiration of the offering of Wells Exchange on September 30, 2003.

Wells OP's maximum economic exposure in the transaction was initially $14.0 million in cash plus assumption of the first mortgage financing in the amount of $13.9 million. As of September 30, 2003, all co-tenancy interests had been sold, and Wells OP has no remaining economic exposure as a result of this transaction.

Letters of Credit

At September 30, 2003, Wells REIT had two unused letters of credit totaling approximately $14.9 million outstanding from financial institutions, consisting of letters of credit of approximately $14.5 million and $0.4 million with expiration dates of February 28, 2004 and February 2, 2004, respectively. These amounts are not recorded in the accompanying consolidated balance sheets as of September 30, 2003 or December 31, 2002. These letters of credit were required by two unrelated parties to ensure completion of Wells REIT's obligations under certain earn-out and construction agreements. Wells REIT does not anticipate a need to draw on these letters of credit.

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, Wells REIT may be obligated to expend certain amounts of capital to expand an existing property, construct on adjacent property or provide other expenditures for the benefit of the tenant, in favor of additional rental revenue. At September 30, 2003, no tenants have exercised such options.

Earn-out Agreements

As part of the acquisition of the IRS Building, Wells REIT entered into an agreement to pay the seller an additional $14.5 million if Wells REIT or the seller locates a suitable tenant and leases the vacant space of the building within 18 months after the date of acquisition of the property, or March 2004. If the space is not leased within this time, Wells REIT is released from any obligation to pay this additional purchase consideration. The 26% of the building that was vacant at the time of acquisition remains unleased at September 30, 2003. As of September 30, 2003, no payments have been made under this agreement.

In connection with the acquisition of the East Point I and II Buildings, Wells REIT entered into an earn-out agreement relating to approximately 15,000 square feet whereby Wells REIT is required to pay the seller certain amounts for each new, fully executed lease after the date of acquisition of the property but on or before June 30, 2004. Payments shall be the anticipated first year's annual rent less operating expenses with the sum divided by 0.105 and the result reduced by tenant improvement costs related to the space. As of September 30, 2003, payments totaling $1.4 million have been made under this agreement and approximately 6,000 square feet remain subject to the agreement.

As part of the acquisition of the GMAC Detroit Building, Wells REIT entered into an agreement to pay the seller certain amounts for each new, fully executed lease entered into after the date of acquisition of the building but on or before November 8, 2004. Payments are calculated by dividing the sum of the anticipated first year's annual rent less operating expenses by 0.095, with the result being reduced by tenant improvement costs related to the space. As of September 30, 2003, no payments have been made under this agreement.

Leasehold Property Obligations

The ASML, Motorola Tempe, Avnet and Bellsouth Ft. Lauderdale Buildings are subject to certain ground leases with expiration dates of 2082, 2082, 2083 and 2049, respectively.

Pending Litigation

In the normal course of business, Wells REIT may become subject to litigation or claims.

In November 2002, Wells REIT contracted to purchase an office building located in Ramsey County, Minnesota, from Shoreview Associates LLC ("Shoreview"), who filed a lawsuit against Wells REIT in Minnesota state court alleging that Shoreview was entitled to approximately $0.8 million in earnest money Wells REIT had deposited under the contract. Wells REIT has filed a counterclaim in the case asserting that Wells REIT is entitled to the earnest money deposit. Procedurally, Wells REIT had the case transferred to U.S. District Court in Minnesota, and Shoreview has moved to transfer the case back to state court. The dispute currently remains in litigation. After consultation with legal counsel, management does not believe that a reserve for a loss contingency is necessary.

NASD Enforcement Action

On August 26, 2003, Wells Investment Securities, the Wells REIT Dealer Manager, and Leo F. Wells, III, President and a director of Wells REIT, settled an NASD enforcement action against them by entering into a Letter of Acceptance, Waiver and Consent ("AWC") with the NASD which contained findings by the NASD including that WIS and Mr. Wells had violated certain of its Conduct Rules related to providing non-cash compensation of more than $100 to associated persons of NASD member firms in connection with their attendance at the annual educational conferences sponsored by WIS in 2001 and 2002, and that WIS and Mr. Wells failed to adhere to all the terms of a written undertaking made in March 2001. WIS consented to a censure and Mr. Wells consented to suspension from acting in a principal capacity with a member firm for one year. WIS and Mr. Wells also agreed to the imposition of a joint and several fine in the amount of $150,000. Wells REIT does not expect any material impact on the financial position or results of operations of Wells REIT as a result of this settlement.

8. SUBSEQUENT EVENTS

Sale of Shares of Common Stock

From October 1, 2003 through October 31, 2003, Wells REIT had raised approximately $243.2 million through the issuance of approximately 24.3 million shares of common stock of Wells REIT. As of October 31, 2003, approximately $505.2 million in shares (50.5 million shares) remained available for sale to the public under the fourth offering, exclusive of shares available under Wells REIT's dividend reinvestment plan.

Status of our Share Redemption Program

Wells REIT's share redemption program allowed for the redemption of approximately 4.37 million shares at an aggregate cost of approximately $43.7 million for the year ending December 31, 2003. From January 1, 2003 through October 31, 2003, Wells REIT had redeemed the entire 4.37 million shares of common stock available for redemption for the year at an aggregate cost of approximately $43.7 million and, accordingly, there are no remaining shares available for redemption for the year ending December 31, 2003. Requests for potential redemption will not be eligible for redemption until after January 1, 2004, subject, in all cases, to the board's ability to change or terminate our share redemption program at any time in its discretion.

Legal Proceedings

On October 9, 2003, Stephen L. Flood, the Luzerne County Controller, and the Luzerne County Retirement Board ("Luzerne Board") on behalf of the Luzerne County Employee Retirement System ("Plan") filed a lawsuit in the U.S. District Court, Middle District of Pennsylvania against 26 separate defendants including the Wells REIT, Wells Investment Securities, Inc., the dealer manager, and Wells Real Estate Funds, Inc., the parent company of both the Advisor and Wells Investment Securities, Inc. ("Wells Defendants"). The complaint alleges, among other things, (1) that certain former members of the Luzerne Board named as defendants invested $10 million in the Wells REIT on behalf of the Plan, (2) that certain former board member defendants breached their fiduciary duties to the Plan by, among other things, permitting the investment of the Plan's funds in investments not suitable for the Plan because they were long-term illiquid investments, permitting the Plan to pay excessive fees and commissions to co-defendants, and accepting political contributions in exchange for awarding advisory and management agreements, (3) that the Wells Defendants and others knew or should have known that the investment, and the fees and commissions associated with the investment, was not a proper investment for the Plan because it was a long-term illiquid investment, (4) that the Wells Defendants and others knew or should have known that certain Luzerne Board members and certain investment advisors and managers were breaching their fiduciary duties to the Plan, (5) that the defendants engaged in and conspired to engage in an improver scheme to intentionally defraud the Plan, and (6) that the investment was not approved by a majority of the Luzerne Board at a public meeting and, consequently, the investment was an inappropriate and void action. The Plan is seeking damages of not less than $25 million, treble damages and punitive damages from all defendants on a joint and several liability basis. The Wells REIT believes that this lawsuit is without merit with respect to the Wells Defendants. While it is too early to determine the likely outcome of this lawsuit, after consultation with legal counsel, management does not believe that a reserve for a loss contingency is necessary.

Property Acquisitions

IBM Portland

On October 9, 2003, Wells REIT purchased four multi-story office buildings and one industrial building containing approximately 364,000 aggregate rentable square feet on an approximately 20.9-acre tract of land (the "IBM Portland Buildings") and an additional adjacent 31.8-acre tract of land in Beaverton, Oregon, for an aggregate purchase price of approximately $38.2 million, plus closing costs. Three of the five IBM Portland Buildings contain approximately 220,000 aggregate rentable square feet, are entirely leased under three separate net leases to IBM. The remaining two buildings contain approximately 144,000 aggregate rentable square footage are currently vacant.

Leo Burnett Chicago

On November 6, 2003, Wells 35 W. Wacker, LLC, a single member Delaware limited liability company wholly owned by Wells OP, purchased a 97.9396% general partnership interest in VV City-Buck Venture, L.P. ("VV City"), a Delaware limited partnership, which is the owner of a 96.5007% general partnership interest in 35 W. Wacker Venture, L.P. ("Wacker Venture"), which owns a 50-story office building containing approximately 1.1 million aggregate rentable square feet at 35 W. Wacker Drive in Chicago, Illinois ("Leo Burnett Chicago Building") for a purchase price of approximately $267.5 million, plus closing costs. As a result of this two-tier partnership structure, Wells OP indirectly acquired a 94.5124% interest in the Leo Burnett Chicago Building. Wells OP received a credit against the purchase price at closing in the amount of approximately $139.3 million representing its pro rata portion of the existing indebtedness against the Leo Burnett Chicago Building in the amount of approximately $147.4 million. The purchaser received a credit against the purchase price at closing for Wells OP's pro rata portion of existing indebtedness against the Leo Burnett Chicago Building in the amount of approximately $139.3 million. Buck 35 Wacker, L.L.C. retained a 2.0604% limited partnership interest in VV City, and Leo Burnett USA, Inc. retained a 3.4993% limited partnership interest in Wacker Venture. The Leo Burnett Chicago Building is primarily leased to The Leo Burnett Company and Winston & Strawn, which lease approximately 96% of the Leo Burnett Chicago Building, and various other tenants which lease an additional 2% of the Leo Burnett Chicago Building. Approximately 2% of the Leo Burnett Building is currently vacant.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUMMARY OF UNAUDITED PRO FORMA FINANCIAL STATEMENTS

This pro forma information should be read in conjunction with the financial statements and notes of Wells Real Estate Investment Trust, Inc., a Maryland Corporation (the "Wells REIT"), included in its annual report on Form 10-K for the year ended December 31, 2002 and its quarterly report on Form 10-Q for the nine months ended September 30, 2003. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various Form 8-Ks previously filed.

The following unaudited pro forma balance sheet as of September 30, 2003 has been prepared to give effect to the fourth quarter 2003 acquisitions of the IBM Portland Buildings (the "Other Recent Acquisition"), the 4250 N. Fairfax Arlington Building and the Wells Washington Properties, Inc., a Maryland corporation qualifying as a real estate investment trust that commenced operations on September 17, 2002, by Wells Operating Partnership, L.P. ("Wells OP") and the Leo Burnett Chicago Building (collectively, the "Recent Acquisitions") by Wells 35 W. Wacker, LLC, of which Wells OP is the sole member, as if the acquisitions occurred on September 30, 2003.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells REIT. As the sole general partner of Wells OP, Wells REIT possesses full legal control and authority over the operations of Wells OP. Accordingly, the accounts of Wells OP are consolidated with those of Wells REIT.

The following unaudited pro forma statement of income for the nine months ended September 30, 2003 has been prepared to give effect to the first quarter 2003 acquisitions of the East Point Cleveland Buildings and the 150 West Jefferson Detroit Building, the second quarter 2003 acquisitions of the Citicorp Englewood Cliffs, NJ Building, the US Bancorp Minneapolis Building, the Aon Center Chicago Building, the GMAC Detroit Building and the IBM Reston Buildings, the third quarter 2003 acquisitions of the ISS Atlanta III Building, the Lockheed Martin Rockville Buildings, the Cingular Atlanta Building, the Applera Pasadena Building, the Continental Casualty Orange County Building, the Polo Ralph Lauren Newark Building, the Aventis Northern NJ Building, the 1901 Main Irvine Building and the AIU Chicago Building (collectively, the "2003 Acquisitions"), the Other Recent Acquisition, the Leo Burnett Chicago Building, the 4250 North Fairfax Arlington Building, and the disposition of the Cort Furniture Building as if the acquisitions and disposition occurred on January 1, 2002. The unaudited pro forma statement of income for the nine months ended September 30, 2003 has been prepared to give effect to the acquisition of Wells Washington Properties, Inc. as if the acquisition occurred on September 17, 2002.

The following unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the 2002 acquisition of the Vertex Sarasota Building (formerly, the Arthur Andersen Building), the Transocean Houston Building, the Novartis Atlanta Building, the Dana Corporation Buildings, the Travelers Express Denver Buildings, the Agilent Atlanta Building, the BellSouth Ft. Lauderdale Building, the Experian/TRW Buildings, the Agilent Boston Building, the TRW Denver Building, the MFS Phoenix Building, the ISS Atlanta Buildings, the PacifiCare San Antonio Building, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings, the Harcourt Austin Building, the IRS Long Island Buildings, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building, the Daimler Chrysler Dallas Building, the NASA Buildings, the Caterpillar Nashville Building, the Capital One Richmond Buildings, the John Wiley Indianapolis Building and the Nestle Los Angeles Building (collectively, the "2002 Acquisitions"), the 2003 Acquisitions, Other Recent Acquisition, the Leo Burnett Chicago Building, the 4250 North Fairfax Arlington Building, and the disposition of the Cort Furniture Building as if the acquisitions and disposition occurred on January 1, 2002. The unaudited pro forma statement of income for the year ended December 31, 2002 has been prepared to give effect to the acquisition of Wells Washington Properties, Inc. as if the acquisition occurred on September 17, 2002. The Kerr McGee Property, the AmeriCredit Phoenix Property, the ISS Atlanta III Building and the Continental Casualty Orange County Building had no operations during the year ended December 31, 2002.

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 2002 Acquisitions, the 2003 Acquisitions, the Recent Acquisitions and the disposition of the Cort Furniture Building been consummated as of January 1, 2002. In addition, the pro forma balance sheet includes allocations of the purchase price for certain acquisitions based upon preliminary estimates of the fair value of the assets and liabilities acquired. Therefore, these allocations may be adjusted in the future upon finalization of these preliminary estimates.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

SEPTEMBER 30, 2003

(in thousands, except share amounts)

(Unaudited)

ASSETS

		Pro Forma Adjustments				
		Recent Acquisitions				
	Wells Real Estate Investment Trust, Inc. (a)	Other	Leo Burnett Chicago	4250 N. Fairfax Arlington	Wells Washington Properties	Pro Forma Total
REAL ESTATE ASSETS, at cost:						
Land	$ 393,014	$ 9,437(b)	$ 53,921(b)	$ 13,100(b)	$ 76,350(b)	$ 549,508
		386(c)	1,047(c)	536(c)	1,717(c)	
Buildings, less accumulated depreciation of $136,835 at September 30, 2003	2,777,415	23,141(b)	176,540(b)	58,382(b)	134,570(b)	3,179,666
		947(c)	3,261(c)	2,390(c)	3,020(c)	
Intangible Lease Assets, Net	120,873	3,065(b)	44,626(b)	15,569(b)	35,886(b)	222,457
		126(c)	870(c)	637(c)	805(c)	
Construction in progress	943	0	0	0	0	943
Total real estate assets	3,292,245	37,102	280,265	90,614	252,348	3,952,574
INVESTMENT IN JOINT VENTURES	104,098	0	0	0	0	104,098
CASH AND CASH EQUIVALENTS	180,641	(38,435)(b)	6,250(b)	(90,943)(b)	1,402(b)	113,425
		340,318(d)	(132,133)(b)		(140,292)(b)	
		(13,383)(e)				
RENT RECEIVABLE	35,889	0	17,994(b)	0	1,774(b)	55,657
DEFERRED PROJECT COSTS	5,724	(1,573)(c)	(5,410)(c)	(3,722)(c)	(5,744)(c)	2,658
		13,383(e)				
DUE FROM AFFILIATES	2,083	0	0	0	0	2,083
PREPAID EXPENSES AND OTHER ASSETS, NET	17,657	0	3,001(b)	0	82(b)	20,755
			15(c)			
DEFERRED LEASE ACQUISITION COSTS, NET	49,198	2,792(b)	11,211(b)	3,892(b)	8,971(b)	76,755
		114(c)	217(c)	159(c)	201(c)	
INVESTMENT IN BONDS	54,500	0	0	0	0	54,500
Total assets	$3,742,035	$340,318	$ 181,410	$ 0	$ 118,742	$4,382,505

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

		Pro Forma Adjustments				
			Recent Acquisitions			
	Wells Real Estate Investment Trust, Inc. (a)	Other	Leo Burnett Chicago	4250 N. Fairfax Arlington	Wells Washington Properties	Pro Forma Total
LIABILITIES:						
Borrowings	$ 213,779	$ 0	$162,495(b)	$ 0	$ 115,167(b)	$ 491,441
Obligations under capital lease	54,500	0	0	0	0	54,500
Intangible lease liability	44,713	0	0	0	0	44,713
Accounts payable and accrued expenses	54,531	0	18,907(b)	0	3,492(b)	76,930
Due to affiliate	10,188	0	0	0	0	10,188
Dividends payable	11,179	0	0	0	0	11,179
Deferred rental income	24,559	0	8(b)	0	83(b)	24,650
Total liabilities	413,449	0	181,410	0	118,742	713,601
COMMITMENTS AND CONTINGENCIES						
SHAREHOLDERS' EQUITY:						
Common shares, $.01 par value; 750,000,000 shares authorized, 396,036,430 shares issued and 389,829,812 outstanding at September 30, 2003	3,960	382(d)	0	0	0	4,342
Additional paid in capital	3,527,007	339,936(d)	0	0	0	3,866,943
Cumulative distributions in excess of earnings	(140,315)	0	0	0	0	(140,315)
Treasury stock, at cost, 6,206,618 shares at September 30, 2003	(62,066)	0	0	0	0	(62,066)
Other comprehensive loss	0	0	0	0	0	0
Total shareholders' equity	3,328,586	340,318	0	0	0	3,668,904
Total liabilities and shareholders' equity	$3,742,035	$340,318	$181,410	$ 0	$ 118,742	$4,382,505

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price for the assets, land, building and liabilities assumed, net of any purchase price adjustments.

(c) Reflects deferred project costs applied to the land and building at approximately 4.094% of the cash paid for purchase.

(d) Reflects capital raised through issuance of additional shares subsequent to September 30, 2003 through Wells Washington, Properties acquisition date, net of organizational and offering costs, commissions and dealer-manager fees.

(e) Reflects deferred project costs capitalized as a result of additional capital raised described in note (d) above.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2002

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments							
				Recent Acquisitions					
	Wells Real Estate Investment Trust, Inc. (a)	2002 Acquisitions	2003 Acquisitions	Other	Leo Burnett Chicago	4250 N. Fairfax Arlington	Wells Washington Properties	Dispositions	Pro Forma Total
REVENUES:									
Rental income	$ 107,526	$ 101,006(b)	$ 97,310 (b)	$ 2,671 (b)	$ 21,519 (b)	$ 1,915 (b)	$ 4,644 (b)	$ 0	$ 336,591
Tenant reimbursements	18,992	9,584(c)	56,686 (c)	2,138 (c)	19,017 (c)	2,281 (c)	37(c)	0	108,735
Equity in income of joint ventures	4,700	588(d)	(1,130) (d)	0	0	0	0	(237) (i)	3,921
Lease termination income	1,409	0	0	0	0	0	0	0	1,409
Interest and other income	7,001	0	0	0	0	0	0	0	7,001
	139,628	111,178	152,866	4,809	40,536	4,196	4,681	(237)	457,657
EXPENSES:									
Depreciation	38,780	35,737(e)	41,472 (e)	964 (e)	7,170 (e)	2,431 (e)	1,823 (e)	0	128,377
Interest expense	4,638	9,657(f)	28,394 (f)	0	5,179 (f)	0	845 (f)	0	48,713
Property operating costs	26,949	25,244 (g)	76,946 (g)	2,371 (g)	20,695 (g)	3,159 (g)	1,782 (g)	0	157,146
Management and leasing fees	5,155	3,196(h)	7,561(h)	238 (h)	1,928 (h)	255(h)	257 (h)	0	18,590
Amortization of deferred leasing costs	0	0	5,188(j)	443(j)	1,197 (j)	369(j)	258(j)	0	7,455
General and administrative	3,244	0	0	0	0	0	0	0	3,244
Legal and accounting	1,008	0	0	0	0	0	0	0	1,008
	79,774	73,834	159,561	4,016	36,169	6,214	4,965	0	364,533
NET INCOME	$ 59,854	$ 37,344	$ (6,695)	$ 793	$ 4,367	$ (2,018)	$ (284)	$ (237)	$ 93,124
EARNINGS PER SHARE, basic and diluted	$ 0.41								$ 0.22
WEIGHTED AVERAGE SHARES, basic and diluted	145,633								428,068

(a) Historical financial information derived from annual report on Form 10-K.

(b) Rental income is recognized on a straight-line basis.

(c) Consists of operating costs reimbursements.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the John Wiley Indianapolis Building and the AIU Chicago Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(e) Depreciation expense is recognized using the straight-line method and a 25-year life.

(f) Represents interest expense on lines of credit used to acquire assets, which bore interest at approximately 3.99% for the year ended December 31, 2002, interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.858% for the year ended December 31, 2002 and assumed mortgages on the BMG Greenville Buildings, Nestle Los Angeles Building, Leo Burnett Chicago Building and Wells Washington Properties, which bore interest at approximately 8.5%, 8%, 3.39%, 7.25% and 4.4% for the year ended December 31, 2002, respectively.

(g) Consists of operating expenses.

(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

(i) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells/Orange County Associates related to the Cort Furniture Building. The pro forma adjustment results from gross revenues less operating expenses, management fees, administrative costs, depreciation and amortization.

(j) Amortization of deferred leasing costs is recognized using the straight-line method over the lives of the respective leases.

The accompanying notes are an integral part of this statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

(in thousands, except per share amounts)

(Unaudited)

		Pro Forma Adjustments						
			Recent Acquisitions					
	Wells Real Estate Investment Trust, Inc. (a)	2003 Acquisitions	Other	Leo Burnett Chicago	4250 N. Fairfax Arlington	Wells Washington Properties	Dispositions	Pro Forma Total
REVENUES:								
Rental income	$ 202,196	$ 42,882(b)	$2,210(b)	$ 15,717(b)	$ 3,288(b)	$ 16,611(b)	$ 0	$ 282,904
Tenant reimbursements	51,531	20,153(c)	1,769(c)	14,660(c)	1,170(c)	514(c)	0	89,797
Equity in income of joint ventures	3,493	(81) (d)	0	0	0	0	(176)(e)	3,236
Interest and other income	3,445	0	0	0	0	0	0	3,445
	260,665	62,954	3,979	30,377	4,458	17,125	(176)	379,382
EXPENSES:								
Depreciation	73,241	15,666(f)	723(f)	5,378(f)	1,823(f)	4,101(f)	0	100,932
Property operating costs	75,602	29,686(g)	1,962(g)	15,644(g)	2,369(g)	6,654(g)	0	131,917
Asset and property management and leasing fees	9,060	3,253(h)	179(h)	1,445(h)	250(h)	929(h)	0	15,116
Amortization of deferred leasing costs	1,244	3,171(i)	333(i)	898(i)	276(i)	879(i)	0	6,801
General and Administrative	4,171	0	0	0	0	0	0	4,171
Interest expense	11,178	9,106(j)	0	3,721(j)	0	3,801(j)	0	27,806
	174,496	60,882	3,197	27,086	4,718	16,364	0	286,743
NET INCOME	$ 86,169	$ 2,072	$ 782	$ 3,291	$ (260)	$ 761	$ (176)	$ 92,639
EARNINGS PER SHARE, basic and diluted	$ 0.30							$ 0.22
WEIGHTED AVERAGE SHARES, basic and diluted	289,521							428,068

(a) Historical financial information derived from quarterly report on Form 10-Q.

(b) Rental income is recognized on a straight-line basis.

(c) Consists of operating costs reimbursements.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the Wells Fund XIII-REIT Joint Venture related to the AIU Chicago Building. The pro forma adjustment results from rental revenues less operating expenses, management fees and depreciation.

(e) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of Wells/Orange County Associates related to the Cort Furniture Building. The pro forma adjustment results from gross revenues less operating expenses, management fees, administrative costs, depreciation and amortization.

(f) Depreciation expense is recognized using the straight-line method and a 25-year life.

(g) Consists of operating expenses.

(h) Management and leasing fees are generally calculated at 4.5% of rental income and tenant reimbursements.

(i) Amortization of deferred leasing costs is recognized using the straight-line method over the lives of the respective leases.

(j) Represents interest expense on lines of credit used to acquire assets, which bore interest at approximately 3.08% for the nine months ended September 30, 2003 and interest expense on loan used to acquire the Aon Center Chicago Building, which bore interest at approximately 4.17% for the nine months ended September 30, 2003 and assumed mortgages on the Leo Burnett Chicago Building and Wells Washington Properties, which bore interest at approximately 7.25% and 4.4% for nine months ended September 30, 2003.

The accompanying notes are an integral part of this statement.

Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Items 31 through 35 and Item 37 of Part II are incorporated by reference to the Registrant's Registration Statement, as amended to date, Commission File No. 333-85848

Item 36 Financial Statements and Exhibits.

(a) Financial Statements:

The following financial statements of Registrant are filed as part of this Registration Statement and included in the Prospectus:

Audited Financial Statements

(1) Report of Independent Public Accountants,

(2) Consolidated Balance Sheets as of December 31, 2001 and December 31, 2000,

(3) Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999,

(4) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999,

(5) Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999,

(6) Notes to Consolidated Financial Statements, and

(7) Schedule III–Real Estate Investments and Accumulated Depreciation as of December 31, 2001.

Unaudited Financial Statements

(1) Consolidated Balance Sheets as of March 31, 2002 and December 31, 2001,

(2) Consolidated Statements of Income for the three months ended March 31, 2002 and March 31, 2001,

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the three months ended March 31, 2002,

(4) Consolidated Statements of Cash Flows for the three months ended March 31, 2002 and March 31, 2001, and

(5) Condensed Notes to Consolidated Financial Statements.

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 1 to the Prospectus:

Unaudited Financial Statements

(1) Consolidated Balance Sheets as of June 30, 2002 and December 31, 2001,

(2) Consolidated Statements of Income for the three months ended June 30, 2002 and June 30, 2001 and for the six months ended June 30, 2002 and June 30, 2001,

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the six months ended June 30, 2002,

(4) Consolidated Statements of Cash Flows for the six months ended June 30, 2002 and June 30, 2001, and

(5) Condensed Notes to Consolidated Financial Statements.

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 1 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of June 30, 2002,

(3) Pro Forma Statement of Income for the year ended December 31, 2001, and

(4) Pro Forma Statement of Income for the six months ended June 30, 2002.

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 2 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of June 30, 2002,

(3) Pro Forma Statement of Income for the year ended December 31, 2001, and

(4) Pro Forma Statement of Income for the six months ended June 30, 2002.

The following financial statements relating to the acquisition of the Harcourt Austin Building are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited).

The following financial statements relating to the acquisition of the IRS Long Island Buildings are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited).

The following financial statements relating to the acquisition of the KeyBank Parsippany Building are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the six months ended June 30, 2002 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of June 30, 2002,

(3) Pro Forma Statement of Income for the year ended December 31, 2001, and

(4) Pro Forma Statement of Income for the six months ended June 30, 2002.

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 4 to the Prospectus:

Unaudited Financial Statements

(1) Consolidated Balance Sheets as of September 30, 2002 and December 31, 2001,

(2) Consolidated Statements of Income for the three months ended September 30, 2002 and September 30, 2001 and for the nine months ended September 30, 2002 and September 30, 2001,

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 and for the nine months ended September 30, 2002,

(4) Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and September 30, 2001, and

(5) Condensed Notes to Consolidated Financial Statements.

The following financial statements relating to the acquisition of the NASA Buildings are filed as part of this Registration Statement and included in Supplement No. 4 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited).

The following financial statements relating to the acquisition of the Caterpillar Nashville Building are filed as part of this Registration Statement and included in Supplement No. 4 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 4 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of September 30, 2002,

(3) Pro Forma Statement of Income for the year ended December 31, 2001, and

(4) Pro Forma Statement of Income for the nine months ended September 30, 2002.

The following revised financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 5 to the Prospectus:

(1) Consolidated Balance Sheets as of September 30, 2002 (unaudited) and December 31, 2001 (audited),

(2) Consolidated Statements of Income for the three months ended September 30, 2002 and September 30, 2001 (unaudited) and for the nine months ended September 30, 2002 and September 30, 2001 (unaudited),

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2001 (audited) and for the nine months ended September 30, 2002 (unaudited),

(4) Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and September 30, 2001 (unaudited), and

(5) Condensed Notes to Consolidated Financial Statements (unaudited).

The following financial statements relating to the acquisition of the Nestle Building are filed as part of this Registration Statement and included in Supplement No. 5 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2001 (audited) and the nine months ended September 30, 2002 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 5 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of September 30, 2002,

(3) Pro Forma Statement of Income for the year ended December 31, 2001, and

(4) Pro Forma Statement of Income for the nine months ended September 30, 2002.

The following audited financial statements of Registrant are filed as part of this Registration Statement and included in Supplement No. 6 to the Prospectus:

Audited Financial Statements

(1) Report of Independent Auditors,

(2) Report of Independent Public Accountants,

(3) Consolidated Balance Sheets as of December 31, 2002 and December 31, 2001,

(4) Consolidated Statements of Income for the years ended December 31, 2002, 2001 and 2000,

(5) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2002, 2001 and 2000,

(6) Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000,

(7) Notes to Consolidated Financial Statements, and

(8) Schedule III–Real Estate Assets and Accumulated Depreciation as of December 31, 2002.

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 6 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of December 31, 2002, and

(3) Pro Forma Statement of Income for the year ended December 31, 2002.

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 7 to the Prospectus:

(1) Consolidated Balance Sheets as of March 31, 2003 (unaudited) and December 31, 2002,

(2) Consolidated Statements of Income for the three months ended March 31, 2003 and March 31, 2002 (unaudited),

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2002 and for the three months ended March 31, 2003 (unaudited),

(4) Consolidated Statements of Cash Flows for the three months ended March 31, 2003 and March 31, 2002 (unaudited), and

(5) Condensed Notes to Consolidated Financial Statements March 31, 2003 (unaudited).

The following financial statements relating to the acquisition of the US Bancorp Minneapolis Building are filed as part of this Registration Statement and included in Supplement No. 7 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statement of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited), and

(3) Notes to Statement of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited).

The following financial statements relating to the acquisition of the Aon Center Chicago Building are filed as part of this Registration Statement and included in Supplement No. 7 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the three months ended March 31, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the three months ended March 31, 2003 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 7 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of March 31, 2003,

(3) Pro Forma Statement of Income for the year ended December 31, 2002, and

(4) Pro Forma Statement of Income for the three months ended March 31, 2003.

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 9 to the Prospectus:

(1) Consolidated Balance Sheets as of June 30, 2003 (unaudited) and December 31, 2002,

(2) Consolidated Statements of Income for the six months ended June 30, 2003 and June 30, 2002 (unaudited),

(3) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2002 and for the six months ended June 30, 2003 (unaudited),

(4) Consolidated Statements of Cash Flows for the six months ended June 30, 2003 and June 30, 2002 (unaudited), and

(5) Condensed Notes to Consolidated Financial Statements June 30, 2003 (unaudited).

The following financial statements relating to the acquisition of the Lockheed Martin Rockville Buildings are filed as part of this Registration Statement and included in Supplement No. 9 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited).

The following financial statements relating to the acquisition of the Cingular Atlanta Building are filed as part of this Registration Statement and included in Supplement No. 9 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the six months ended June 30, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the six months ended June 30, 2003 (unaudited).

The following financial statements relating to the acquisition of the Aventis Northern NJ Building are filed as part of this Registration Statement and included in Supplement No. 9 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the six months ended June 30, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the six months ended June 30, 2003 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 9 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of June 30, 2003,

(3) Pro Forma Statement of Income for the year ended December 31, 2002, and

(4) Pro Forma Statement of Income for the six months ended June 30, 2003.

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 10 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of June 30, 2003,

(3) Pro Forma Statement of Income for the year ended December 31, 2002, and

(4) Pro Forma Statement of Income for the six months ended June 30, 2003.

The following financial statements relating to the acquisition of the AIU Chicago Building are filed as part of this Registration Statement and included in Supplement No. 12 to the Prospectus:

(1) Report of Independent Auditors,

(2) Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the six months ended June 30, 2003 (unaudited), and

(3) Notes to Statements of Revenues over Certain Operating Expenses for the year ended December 31, 2002 (audited) and the six months ended June 30, 2003 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 12 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of June 30, 2003,

(3) Pro Forma Statement of Income for the year ended December 31, 2002, and

(4) Pro Forma Statement of Income for the six months ended June 30, 2003.

The following financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 13 to the Prospectus:

(1) Consolidated Balance Sheets as of September 30, 2003 (unaudited) and December 31, 2002,

(2) Consolidated Statements of Income for the three months and nine months ended September 30, 2003 and September 30, 2002 (unaudited),

(3) Consolidated Statements of Shareholders’ Equity for the year ended December 31, 2002 and for the nine months ended September 30, 2003 (unaudited),

(4) Consolidated Statements of Cash Flows for the nine months ended September 30, 2003 and September 30, 2002 (unaudited), and

(5) Condensed Notes to Consolidated Financial Statements September 30, 2003 (unaudited).

The following unaudited pro forma financial statements of the Registrant are filed as part of this Registration Statement and included in Supplement No. 13 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,

(2) Pro Forma Balance Sheet as of September 30, 2003,

(3) Pro Forma Statement of Income for the year ended December 31, 2002, and

(4) Pro Forma Statement of Income for the nine months ended September 30, 2003.

(b) Exhibits (See Exhibit Index):

Exhibit No.	Description
1.1	Form of Dealer Manager Agreement (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
1.2	Form of Warrant Purchase Agreement (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
3.1	Amended and Restated Articles of Incorporation dated as of July 1, 2000 (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on August 31, 2000)
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation dated as June 26, 2002 (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
3.3	Bylaws (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998)
3.4	Amendment No. 1 to Bylaws (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)
4.1	Form of Subscription Agreement and Subscription Agreement Signature Page (included as Exhibit A to Prospectus)
5.1	Opinion of Holland & Knight LLP as to legality of securities (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
8.1	Opinion of Holland & Knight LLP as to tax matters (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
8.2	Opinion of Holland & Knight LLP as to ERISA matters (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.1 Advisory Agreement dated January 30, 2003 (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. 333-85848, filed on September 18, 2003)

10.2 Asset/Property Management Agreement among Registrant, Wells Operating Partnership, L.P. and Wells Management Company, Inc. (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. 333-85848, filed on September 18, 2003)

10.3 Amended and Restated Joint Venture Agreement of The Fund IX, Fund X, Fund XI and REIT Joint Venture (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)

10.4 Joint Venture Agreement of Wells/Fremont Associates (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.5 Joint Venture Agreement of Wells/Orange County Associates (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.6 Amended and Restated Joint Venture Partnership Agreement of The Wells Fund XI-Fund XII – REIT Joint Venture (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 17, 1999)

10.7 Joint Venture Partnership Agreement of Wells Fund XII-REIT Joint Venture Partnership (previously filed as Exhibit 10.11 and incorporated by reference to Post-Effective Amendment No. 2 to Form S-11 Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on April 25, 2000)

10.8 Joint Venture Partnership Agreement of Fund VIII-IX-REIT Joint Venture (previously filed in and incorporated by reference to Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on August 31, 2000)

10.9 Joint Venture Partnership Agreement of Wells Fund XIII-REIT Joint Venture Partnership (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)

10.10 Agreement of Limited Partnership of Wells Operating Partnership, L.P. as Amended and Restated as of January 1, 2000 (previously filed in and incorporated by reference to Form 10-K of Registrant for the fiscal year ended December 31, 2000, Commission File No. 0-25739)

10.11 Amended and Restated Promissory Note for $15,500,000 for the SouthTrust Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.12 Amendment No. 1 to Mortgage and Security Agreement and other Loan Documents for the PwC Building securing the SouthTrust Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.13 Loan Agreement with SouthTrust Bank, N.A. for a $35,000,000 revolving line of credit dated May 3, 2000 (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on September 8, 2000)

10.14 Promissory Note for $35,000,000 to SouthTrust Bank, N.A. (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on September 8, 2000)

10.15 Allonge to Revolving Note relating to the SouthTrust Bank N.A. $32,393,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.16 First Amendment to Revolving Loan Agreement and Other Loan Documents relating to the SouthTrust Bank N.A. $32,393,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.17 Second Note Modification Agreement relating to the SouthTrust Bank N.A. $12,844,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.18 Second Amendment to Amended and Restated Loan Agreement and Other Loan Documents relating to the SouthTrust Bank N.A. $12,844,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.19 Revolving Note relating to the SouthTrust Bank N.A. $19,003,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.20 Revolving Loan Agreement relating to the SouthTrust Bank N.A. $19,003,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.21 Amended and Restated Revolving Note relating to the SouthTrust Bank N.A. $7,900,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.22 Amended and Restated Loan Agreement relating to the SouthTrust Bank N.A. $7,900,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.23 Revolving Credit Agreement relating to the Bank of America, N.A. $85,000,000 revolving line of credit (previously filed in and incorporated by reference to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)

10.24 Construction Loan Agreement relating to the Bank of America, N.A. $34,200,000 construction loan (previously filed in and incorporated by reference to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)

10.25 Lease for the Eisenhower Blvd Tampa Building (formerly the PwC Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.26 Office Lease for the Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.27 Guaranty of Lease for the Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.28 Lease Agreement with Cinemark USA, Inc. for a portion of the Cinemark Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.29 Lease Agreement with The Coca-Cola Company for a portion of the Cinemark Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.30 Lease Agreement for the Motorola Tempe Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.31 First Amendment to Lease Agreement for the Motorola Tempe Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.32 Ground Lease Agreement for the Motorola Tempe Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.33 Lease Agreement for the Motorola Plainfield Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 1, 2000)

10.34 Lease Agreement with Stone & Webster, Inc. for a portion of the Stone & Webster Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)

10.35 Lease Agreement with Sysco Corporation for a portion of the Stone & Webster Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)

10.36 Lease Agreement for the Metris Minnesota Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)

10.37 Fourth Amendment to Lease Agreement for the Metris Minnesota Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)

10.38 Guaranty of Lease for the Metris Minnesota Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)

10.39 Lease Agreement for the Comdata Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)

10.40 First Amendment to Lease Agreement for the Comdata Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)

10.41 Lease Agreement for the State Street Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.42 Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.43 First Amendment to Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.44 Reinstatement of and Second Amendment to Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.45 Agreement of Sale for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.46 Lease Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.47 Guaranty of Lease for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.48 Development Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.49 Design and Build Construction Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.50 Indenture of Lease Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.51 Guaranty of Lease Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.52 Absolute Assignment of Lease and Assumption Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.53 Bond Real Property Lease Agreement for the Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.54 Second Amendment to Lease Agreement for Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.55 Lease Agreement with TCI Great Lakes, Inc. for a portion of the Windy Point I Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)

10.56 First Amendment to Office Lease with TCI Great Lakes, Inc. (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)

10.57 Lease Agreement with Zurich American Insurance Company for the Windy Point II Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)

10.58 Third Amendment to Office Lease with Zurich American Insurance Company (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)

10.59 Lease Agreement with Arthur Andersen LLP for the Vertex Sarasota Building (formerly the Arthur Andersen Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)

10.60 Lease Agreement with Transocean Deepwater Offshore Drilling, Inc. for a portion of the Transocean Houston Building (previously filed in and incorporated by reference to Post - Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.61 Lease Agreement with Newpark Drilling Fluids, Inc. for a portion of the Transocean Houston Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.62 Lease Agreement for the Dana Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.63 Second Amendment to Lease Agreement for the Dana Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.64 Lease Agreement for the Dana Kalamazoo Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.65 Second Amendment to Lease Agreement for the Dana Kalamazoo Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.66 Purchase and Sale Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)

10.67 Lease Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)

10.68 Lease Amendment to Lease Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)

10.69 Purchase and Sale Agreement and Escrow Instructions for the Agilent Boston Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)

10.70 Lease Agreement for the Agilent Boston Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)

10.71 Purchase and Sale Agreement for the TRW Denver Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.72 Lease Agreement for the TRW Denver Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.73 Purchase and Sale Agreement for the MFS Phoenix Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.74 Lease Agreement for the MFS Phoenix Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.75 Purchase and Sale Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.76 Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.77 Amendment No. 5 to Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.78 Ground Lease Agreement for ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.79 Purchase and Sale Agreement for the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.80 Lease Agreement for Building No. 1 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.81 Amendment to Lease Agreement for Building No. 1 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.82 Lease Agreement for Building No. 2 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.83 Amendment to Lease Agreement for Building No. 2 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.84 Lease Agreement for Building No. 3 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.85 Amendment to Lease Agreement for Building No. 3 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.86 Agreement of Sale for the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.87 Lease Agreement with KeyBank U.S.A., N.A. for a portion of the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.88 Lease Agreement with Gemini Technology Services for a portion of the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.89 Amendment to Lease Agreement with Gemini Technology Services for a portion of the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.90 Purchase and Sale Agreement for NASA Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.91 Lease Agreement with the Office of the Comptroller of the Currency and amendments thereto (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.92 Lease Agreement with the United States of America (NASA) and amendments thereto (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.93 Agreement of Purchase and Sale for Nestle Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.94 Loan Agreement for $90,000,000 loan assumed with Landesbank Schleswig-Holstein Gironzentrale, Kiel (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.95 Lease Agreement for Nestle Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.96 Various amendments to Lease Agreement for Nestle Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.97 Agreement of Purchase and Sale for 150 West Jefferson Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 14, 2003)

10.98 $500,000,000 Credit Agreement for an unsecured line of credit with Bank of America, N.A. and a consortium of other banks (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)

10.99 Real Estate Sale Agreement for US Bancorp Minneapolis Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)

10.100 Lease Agreement with US Bancorp Piper Jaffray Companies, Inc. and amendments thereto for a portion of US Bancorp Minneapolis Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)

10.101 Agreement of Purchase and Sale for Aon Center Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)

10.102 Lease Agreement with BP Corporation North America, Inc. and amendments thereto for a portion of the Aon Center Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)

10.103 Lease Agreement for Cingular Atlanta Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on September 18, 2003)

10.104 Lease Agreement for Aventis Northern NJ Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on September 18, 2003)

10.105 Purchase and Sale Agreement for 35 W. Wacker Venture, L.P. (Leo Burnett Chicago Building)

10.106 Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P.

10.107 First Amendment to Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P.

10.108 Amended and Restated Limited Partnership Agreement of Wells-Buck Venture, L.P.

10.109 Promissory Note in favor of Teachers Insurance and Annuity Association of America relating to Leo Burnett Chicago Building

10.110 Promissory Note in favor of New York Life Insurance Company relating to Leo Burnett Chicago Building

10.111	Mortgage Assignment of Leases and Rents, Security Agreement and Fixture Filing Statement relating to Leo Burnett Chicago Building
10.112	Lease Agreement with Leo Burnett USA, Inc. for a portion of Leo Burnett Chicago Building
10.113	Lease Agreement with Winston & Strawn, LLP for a portion of Leo Burnett Chicago Building
10.114	Purchase and Sale Agreement for Washington, DC Portfolio
10.115	Promissory Note in favor of Metropolitan Life Insurance Company relating to Washington, DC Portfolio (US Park Service Building)
10.116	Deed of Trust, Security Agreement and Fixture Filing relating to US Park Service Building
10.117	Promissory Note in favor of Metropolitan Life Insurance Company relating to Washington, DC Portfolio (1225 Eye Street Building)
10.118	Deed of Trust, Security Agreement and Fixture Filing relating to 1225 Eye Street Building
10.119	Limited Liability Company Agreement for 1201 Eye Street, N.W. Associates, LLC
10.120	First Amendment to Limited Liability Company Agreement for 1201 Eye Street, N.W. Associates, LLC
10.121	Limited Liability Company Agreement for 1225 Eye Street, N.W. Associates, LLC
10.122	First Amendment to Limited Liability Company Associates for 1225 Eye Street, N.W. Associates, LLC
10.123	US Park Service Lease Agreement for a portion of US Park Service Building
23.1	Consent of Holland & Knight LLP (included in exhibits 5.1 and 8.1)
23.2	Consent of Arthur Andersen LLP (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)
23.3	Consent of Ernst & Young LLP
23.4	Consent of Ernst & Young LLP
24.1	Power of Attorney
24.2	Power of Attorney

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. 6 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 17th day of December, 2003.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
A Maryland corporation
(Registrant)

By: /s/ Leo F. Wells, III

Leo F. Wells, III, President

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 6 to Registration Statement has been signed below on December 17, 2003 by the following persons in the capacities indicated.

Name	Title
/s/ Leo F. Wells, III	President and Director
Leo F. Wells, III	(Principal Executive Officer)
/s/ Douglas P. Williams	Executive Vice President and Director (Principal Financial and Accounting Officer)
Douglas P. Williams	
/s/ Michael R. Buchanan*	Director
Michael R. Buchanan	
/s/ Richard W. Carpenter*	Director
Richard W. Carpenter	
/s/ Bud Carter*	Director
Bud Carter	
/s/ William H. Keogler, Jr.*	Director
William H. Keogler, Jr.	
/s/ Donald S. Moss*	Director
Donald S. Moss	
/s/ Walter W. Sessoms*	Director
Walter W. Sessoms	
/s/ Neil H. Strickland*	Director
Neil H. Strickland	
/s/ W. Wayne Woody**	Director
W. Wayne Woody	

* By Douglas P. Williams, as Attorney-in-fact, pursuant to Power of Attorney dated April 20, 2003 and included as Exhibit 24.1 herein.

** By Douglas P. Williams, as Attorney-in-fact, pursuant to Power of Attorney dated July 25, 2003 and included as Exhibit 24.2 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. 333-85848, filed on June 10, 2002)
1.2	Form of Warrant Purchase Agreement (previously filed in and incorporated by reference to Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)
3.1	Amended and Restated Articles of Incorporation dated as of July 1, 2000 (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on August 31, 2000)
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation dated as June 26, 2002 (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
3.3	Bylaws (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998)
3.4	Amendment No. 1 to Bylaws (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)
4.1	Form of Subscription Agreement and Subscription Agreement Signature Page (included as Exhibit A to Prospectus)
5.1	Opinion of Holland & Knight LLP as to legality of securities (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
8.1	Opinion of Holland & Knight LLP as to tax matters (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
8.2	Opinion of Holland & Knight LLP as to ERISA matters (previously filed in and incorporated by reference to Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)
10.1	Advisory Agreement dated January 30, 2003 (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. 333-85848, filed on September 18, 2003)
10.2	Asset/Property Management Agreement among Registrant, Wells Operating Partnership, L.P. and Wells Management Company, Inc. (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. 333-85848, filed on September 18, 2003)
10.3	Amended and Restated Joint Venture Agreement of The Fund IX, Fund X, Fund XI and REIT Joint Venture (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)

10.4 Joint Venture Agreement of Wells/Fremont Associates (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.5 Joint Venture Agreement of Wells/Orange County Associates (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.6 Amended and Restated Joint Venture Partnership Agreement of The Wells Fund XI-Fund XII – REIT Joint Venture (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 17, 1999)

10.7 Joint Venture Partnership Agreement of Wells Fund XII-REIT Joint Venture Partnership (previously filed as Exhibit 10.11 and incorporated by reference to Post-Effective Amendment No. 2 to Form S-11 Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on April 25, 2000)

10.8 Joint Venture Partnership Agreement of Fund VIII-IX-REIT Joint Venture (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on August 31, 2000)

10.9 Joint Venture Partnership Agreement of Wells Fund XIII-REIT Joint Venture Partnership (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)

10.10 Agreement of Limited Partnership of Wells Operating Partnership, L.P. as Amended and Restated as of January 1, 2000 (previously filed in and incorporated by reference to Form 10-K of Registrant for the fiscal year ended December 31, 2000, Commission File No. 0-25739)

10.11 Amended and Restated Promissory Note for $15,500,000 for the SouthTrust Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.12 Amendment No. 1 to Mortgage and Security Agreement and other Loan Documents for the PwC Building securing the SouthTrust Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.13 Loan Agreement with SouthTrust Bank, N.A. for a $35,000,000 revolving line of credit dated May 3, 2000 (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on September 8, 2000)

10.14 Promissory Note for $35,000,000 to SouthTrust Bank, N.A. (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on September 8, 2000)

10.15 Allonge to Revolving Note relating to the SouthTrust Bank N.A. $32,393,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.16 First Amendment to Revolving Loan Agreement and Other Loan Documents relating to the SouthTrust Bank N.A. $32,393,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.17 Second Note Modification Agreement relating to the SouthTrust Bank N.A. $12,844,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.18 Second Amendment to Amended and Restated Loan Agreement and Other Loan Documents relating to the SouthTrust Bank N.A. $12,844,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.19 Revolving Note relating to the SouthTrust Bank N.A. $19,003,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.20 Revolving Loan Agreement relating to the SouthTrust Bank N.A. $19,003,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.21 Amended and Restated Revolving Note relating to the SouthTrust Bank N.A. $7,900,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.22 Amended and Restated Loan Agreement relating to the SouthTrust Bank N.A. $7,900,000 revolving line of credit (previously filed in and incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 18, 2000)

10.23 Revolving Credit Agreement relating to the Bank of America, N.A. $85,000,000 revolving line of credit (previously filed in and incorporated by reference to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)

10.24 Construction Loan Agreement relating to the Bank of America, N.A. $34,200,000 construction loan (previously filed in and incorporated by reference to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)

10.25 Lease for the Eisenhower Blvd Tampa Building (formerly the PwC Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.26 Office Lease for the Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.27 Guaranty of Lease for the Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant’s Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.28 Lease Agreement with Cinemark USA, Inc. for a portion of the Cinemark Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.29 Lease Agreement with The Coca-Cola Company for a portion of the Cinemark Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.30 Lease Agreement for the Motorola Tempe Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.31 First Amendment to Lease Agreement for the Motorola Tempe Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.32 Ground Lease Agreement for the Motorola Tempe Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.33 Lease Agreement for the Motorola Plainfield Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on December 1, 2000)

10.34 Lease Agreement with Stone & Webster, Inc. for a portion of the Stone & Webster Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)

10.35 Lease Agreement with Sysco Corporation for a portion of the Stone & Webster Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)

10.36 Lease Agreement for the Metris Minnesota Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)

10.37 Fourth Amendment to Lease Agreement for the Metris Minnesota Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)

10.38 Guaranty of Lease for the Metris Minnesota Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on February 9, 2001)

10.39 Lease Agreement for the Comdata Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)

10.40 First Amendment to Lease Agreement for the Comdata Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on July 23, 2001)

10.41 Lease Agreement for the State Street Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.42 Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.43 First Amendment to Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.44 Reinstatement of and Second Amendment to Lease Agreement for the IKON Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.45 Agreement of Sale for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.46 Lease Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.47 Guaranty of Lease for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.48 Development Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.49 Design and Build Construction Agreement for the Nissan Property (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.50 Indenture of Lease Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.51 Guaranty of Lease Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.52 Absolute Assignment of Lease and Assumption Agreement for Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.53 Bond Real Property Lease Agreement for the Ingram Micro Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.54 Second Amendment to Lease Agreement for Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on October 23, 2001)

10.55 Lease Agreement with TCI Great Lakes, Inc. for a portion of the Windy Point I Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)

10.56 First Amendment to Office Lease with TCI Great Lakes, Inc. (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)

10.57 Lease Agreement with Zurich American Insurance Company for the Windy Point II Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)

10.58 Third Amendment to Office Lease with Zurich American Insurance Company (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)

10.59 Lease Agreement with Arthur Andersen LLP for the Vertex Sarasota Building (formerly the Arthur Andersen Building) (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on January 23, 2002)

10.60 Lease Agreement with Transocean Deepwater Offshore Drilling, Inc. for a portion of the Transocean Houston Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.61 Lease Agreement with Newpark Drilling Fluids, Inc. for a portion of the Transocean Houston Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.62 Lease Agreement for the Dana Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.63 Second Amendment to Lease Agreement for the Dana Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.64 Lease Agreement for the Dana Kalamazoo Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.65 Second Amendment to Lease Agreement for the Dana Kalamazoo Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 6 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-44900, filed on April 22, 2002)

10.66 Purchase and Sale Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)

10.67 Lease Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)

10.68 Lease Amendment to Lease Agreement for the Experian/TRW Buildings (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)

10.69 Purchase and Sale Agreement and Escrow Instructions for the Agilent Boston Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)

10.70 Lease Agreement for the Agilent Boston Building (previously filed in and incorporated by reference to Amendment No. 1 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 10, 2002)

10.71 Purchase and Sale Agreement for the TRW Denver Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.72 Lease Agreement for the TRW Denver Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.73 Purchase and Sale Agreement for the MFS Phoenix Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.74 Lease Agreement for the MFS Phoenix Building (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.75 Purchase and Sale Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.76 Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.77 Amendment No. 5 to Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.78 Ground Lease Agreement for the ISS Atlanta Buildings (previously filed in and incorporated by reference to Amendment No. 2 to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on July 15, 2002)

10.79 Purchase and Sale Agreement for the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.80 Lease Agreement for Building No. 1 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.81 Amendment to Lease Agreement for Building No. 1 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.82 Lease Agreement for Building No. 2 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.83 Amendment to Lease Agreement for Building No. 2 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.84 Lease Agreement for Building No. 3 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.85 Amendment to Lease Agreement for Building No. 3 of the Nokia Dallas Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.86 Agreement of Sale for the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.87 Lease Agreement with KeyBank U.S.A., N.A. for a portion of the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.88 Lease Agreement with Gemini Technology Services for a portion of the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.89 Amendment to Lease Agreement with Gemini Technology Services for a portion of the KeyBank Parsippany Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on October 25, 2002)

10.90 Purchase and Sale Agreement for NASA Buildings (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.91 Lease Agreement with the Office of the Comptroller of the Currency and amendments thereto (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.92 Lease Agreement with the United States of America (NASA) and amendments thereto (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.93 Agreement of Purchase and Sale for Nestle Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.94 Loan Agreement for $90,000,000 loan assumed with Landesbank Schleswig-Holstein Gironzentrale, Kiel (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.95 Lease Agreement for Nestle Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.96 Various amendments to Lease Agreement for Nestle Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on January 24, 2003)

10.97 Agreement of Purchase and Sale for 150 West Jefferson Detroit Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 14, 2003)

10.98 $500,000,000 Credit Agreement for an unsecured line of credit with Bank of America, N.A. and a consortium of other banks (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)

10.99 Real Estate Sale Agreement for US Bancorp Minneapolis Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)

10.100 Lease Agreement with US Bancorp Piper Jaffray Companies, Inc. and amendments thereto for a portion of US Bancorp Minneapolis Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)

10.101 Agreement of Purchase and Sale for Aon Center Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)

10.102 Lease Agreement with BP Corporation North America, Inc. and amendments thereto for a portion of the Aon Center Chicago Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on June 20, 2003)

10.103 Lease Agreement for Cingular Atlanta Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on September 18, 2003)

10.104 Lease Agreement for Aventis Northern NJ Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-85848, filed on September 18, 2003)

10.105 Purchase and Sale Agreement for 35 W. Wacker Venture, L.P. (Leo Burnett Chicago Building), filed herewith

10.106 Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P., filed herewith

10.107 First Amendment to Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P., filed herewith

10.108 Amended and Restated Limited Partnership Agreement of Wells-Buck Venture, L.P., filed herewith

10.109 Promissory Note in favor of Teachers Insurance and Annuity Association of America relating to Leo Burnett Chicago Building, filed herewith

10.110 Promissory Note in favor of New York Life Insurance Company relating to Leo Burnett Chicago Building, filed herewith

10.111 Mortgage Assignment of Leases and Rents, Security Agreement and Fixture Filing Statement relating to Leo Burnett Chicago Building, filed herewith

10.112 Lease Agreement with Leo Burnett USA, Inc. for a portion of Leo Burnett Chicago Building, filed herewith

10.113 Lease Agreement with Winston & Strawn, LLP for a portion of Leo Burnett Chicago Building, filed herewith

10.114 Purchase and Sale Agreement for Washington, DC Portfolio, filed herewith

10.115 Promissory Note in favor of Metropolitan Life Insurance Company relating to Washington, DC Portfolio (US Park Service Building), filed herewith

10.116 Deed of Trust, Security Agreement and Fixture Filing relating to US Park Service Building, filed herewith

10.117 Promissory Note in favor of Metropolitan Life Insurance Company relating to Washington, DC Portfolio (1225 Eye Street Building), filed herewith

10.118 Deed of Trust, Security Agreement and Fixture Filing relating to 1225 Eye Street Building, filed herewith

10.119 Limited Liability Company Agreement for 1201 Eye Street, N.W. Associates, LLC, filed herewith

10.120 First Amendment to Limited Liability Company Agreement for 1201 Eye Street, N.W. Associates, LLC, filed herewith

10.121 Limited Liability Company Agreement for 1225 Eye Street, N.W. Associates, LLC, filed herewith

10.122 First Amendment to Limited Liability Company Associates for 1225 Eye Street, N.W. Associates, LLC, filed herewith

10.123 US Park Service Lease Agreement for a portion of US Park Service Building, filed herewith

23.1 Consent of Holland & Knight LLP (included in exhibits 5.1 and 8.1)

23.2 Consent of Arthur Andersen LLP (previously filed in and incorporated by reference to Registrant’s Registration Statement on Form S-11, Commission File No. 333-85848, filed on April 8, 2002)

23.3 Consent of Ernst & Young LLP, filed herewith

23.4 Consent of Ernst & Young LLP, filed herewith

24.1 Power of Attorney, filed herewith

24.2 Power of Attorney, filed herewith

EXHIBIT 10.105

PURCHASE AND SALE AGREEMENT
FOR 35 W. WACKER VENTURE, L.P. (LEO BURNETT CHICAGO BUILDING)

Execution Copy

PURCHASE AND SALE AGREEMENT

by and between

VV USA CITY, L.P., as Seller

and

WELLS OPERATING PARTNERSHIP, L.P., as Purchaser

concerning a 97.9396% General Partnership Interest
in
VV CITY-BUCK VENTURE, L.P.,
relative to

Location: The Leo Burnett Building
35. W. Wacker Drive, Chicago, Illinois

Date September 23, 2003

TABLE OF CONTENTS

Page

ARTICLE 1 PURCHASE AND SALE 2
1.1 Real Property 2
1.2 Leases 2
1.3 Personal Property 3
1.4 Other Property Rights 3

ARTICLE 2 PURCHASE PRICE 3
2.1 Deposit Money 3
2.2 Loan and Other Debt 3
2.3 W&S Build-Out Obligation 4
2.4 Cash at Closing 4

ARTICLE 3 TITLE MATTERS 4
3.1 Title to Real Property 4
3.1.1 Title Commitment and Survey 4
3.1.2 Permitted Exceptions 4
3.2 Title Defects 5
3.2.1 Certain Exceptions to Title 5
3.2.2 Discharge of Title Objections 5
3.2.3 Certain Title Objections 5
3.3 Project Partnership Title Policy 6

ARTICLE 4 PURCHASER'S DUE DILIGENCE/CONDITION OF THE PROPERTY 6
4.1 Document Deliveries 6
4.2 Due Diligence Date 8
4.3 Conduct of Due Diligence 8
4.3.1 Manner of Entry: Non-Invasive Work 8
4.3.2 Invasive Work 8
4.3.3 Restoration 9
4.3.4 Compliance with Laws 9
4.3.5 Responsibility for Expenses 9
4.3.6 Liens and Claims 9
4.3.7 Cooperation 9
4.3.8 Insurance and Indemnity 9
4.4 Tenant Contact 9
4.5 Governmental Contacts 10
4.6 Delivery of Third-Party Reports 10
4.7 Confidentiality 10
4.8 Termination of Agreement 11
4.9 Property "As is" 11

ARTICLE 5 ADJUSTMENTS AND PRORATIONS 13
5.1 Closing of Books; Cash Distributions 13

5.2 Prorations and Adjustments 14
5.2.1 Rents 14
5.2.2 Real Estate Taxes 14
5.2.3 Loan Interest 15
5.2.4 Utility Charges 15
5.2.5 Operating Agreements 15
5.2.6 Other Tenant Charges 15
5.2.7 Other Operating Expenses 15
5.2.8 Deposits 15
5.2.9 Remedial Indemnification Amount 16
5.3 Post Closing Adjustments 16
5.4 Tax Returns 16
5.5 Closing Costs 16
5.6 Apportionment Credit 17
5.7 Delayed Adjustment 17
5.8 Survival 17

ARTICLE 6 CLOSING 17
6.1 Closing Date 17
6.2 Title Transfer and Payment of Purchase Price 17
6.3 Seller's Closing Deliveries 18
6.4 Purchaser Closing Deliveries 19

ARTICLE 7 CONDITIONS TO CLOSING 20
7.1 Seller's Obligations 20
7.2 Purchaser's Obligations 21
7.3 Waiver of Failure of Conditions Precedent 25

ARTICLE 8 REPRESENTATIONS AND WARRANTIES 25
8.1 Purchaser's Representations 25
8.1.1 Purchaser's Authorization 25
8.1.2 Purchaser's Litigation 25
8.2 Seller's Entity Representations 25
8.2.1 Organization and Authority 25
8.2.2 Authorization 26
8.2.3 No Violation 26
8.2.4 Partnership Documentation 26
8.2.5 Litigation 27
8.2.6 Capitalization 27
8.2.7 Ownership of Partnership Interests 28
8.2.8 No Default 28
8.2.9 Assets, Liabilities 28
8.2.10 No Undisclosed Liabilities 28
8.2.11 Financial Statements 29
8.2.12 Single Purpose Partnerships 29
8.2.13 No Employees 29
8.2.14 Taxes 29

8.2.15 ERISA 31
8.2.16 Compliance with Laws 31
8.2.17 Bankruptcy 31
8.2.18 Ordinary Course of the Business 31
8.2.19 Absence of Certain Payments 32
8.2.20 Bank Accounts 32
8.3 Seller's Representations 32
8.3.1 Pending Actions 32
8.3.2 Leases 33
8.3.3 Leases Default 33
8.3.4 Lease Brokerage 33
8.3.5 W & S Promissory Notes 34
8.3.6 No Violations 34
8.3.7 Real Estate Tax Bills 34
8.3.8 Condemnation 34
8.3.9 Insurance 34
8.3.10 Environmental Matters 34
8.3.11 Operating Agreements 35
8.3.12 Union Contracts 35
8.3.13 Foreign Person 35
8.3.14 No Other Agreements 35
8.3.15 Designated Persons 35
8.3.16 Warranties and Guaranties 35
8.3.17 Existing Title Policy 35
8.3.18 Loan 36
8.4 General Provisions 36
8.4.1 Definition of "Seller's Knowledge" 36
8.4.2 Notice of Breach: Seller's Right to Cure 36
8.4.3 Survival of Seller's Representations 36
8.4.4 Survival of Purchaser's Representations 37

ARTICLE 9 COVENANTS 37
9.1 Seller's Covenants 37
9.1.1 Amendments to Agreements 37
9.1.2 Rent 37
9.1.3 Service Contracts 38
9.1.4 Leases and Permitted Exceptions 38
9.1.5 Litigation 38
9.1.6 Insurance 38
9.1.7 Taxes 38
9.1.8 Notices of Sale to Tenants 38
9.1.9 Notices to Sale to Service Contractors 39
9.1.10 Estoppel Certificates 39
9.1.11 Ordinary Course of Business 39
9.1.12 Indebtedness: Encumbrances 40
9.1.13 Cooperation with Purchaser's Auditors and SEC Filing Requirements 40
9.1.14 No Action 40

9.1.15 Amended Tax Returns 40
9.2 Mutual Covenants 41
9.2.1 Publicity 41
9.2.2 Broker 41
9.2.3 Further Assurances 42

ARTICLE 10 FAILURE OF CONDITIONS 42
10.1 Seller’s Obligations 42
10.2 Purchaser’s Obligations 43

ARTICLE 11 CONDEMNATION/CASUALTY 43
11.1 Condemnation 43
11.1.1 Right to Terminate 43
11.1.2 Assignment of Proceeds 44
11.2 Destruction or Damage 44
11.3 Effect of Termination 45
11.4 Waiver 45

ARTICLE 12 ESCROW 45

ARTICLE 13 INDEMNIFICATION 46
13.1 Indemnification 46
13.2 Indemnification Limitations 47
13.3 General Provisions Regarding Indemnities 50

ARTICLE 14 MISCELLANEOUS 51
14.1 Assignment 51
14.2 Designation Agreement 51
14.3 Integration; Waiver 51
14.4 Amendment 52
14.5 Governing Law 52
14.6 Consent to Jurisdiction 52
14.7 Third Party Beneficiaries 52
14.8 Severability 52
14.9 Notices 52
14.10 Counterparts 53

EXHIBITS

Exhibit A	Real Property Legal Description
Exhibit B	Leases
Exhibit C	Personal Property
Exhibit D	List of Title Insurance Endorsements
Exhibit E	Partnership Assignment
Exhibit F	Non-Foreign Status Affidavit
Exhibit G	Seller’s Legal Opinion
Exhibit H	Leo Burnett USA, Inc. Tenant Estoppel Certificate
Exhibit I	Winston & Strawn Tenant Estoppel Certificate
Exhibit J	Other Tenants Estoppel Certificate
Exhibit K	Leo Modifications
Exhibit L	Buck Modifications
Exhibit M	Capitalization
Exhibit N	Lease Brokerage Agreement
Exhibit O	Operating Agreement Schedule
Exhibit P	Warranties and Guaranties
Exhibit Q	Buck’s Labor Union Agreements
Exhibit R	W & S Promissory Notes
Exhibit S	Bank Accounts
Exhibit T	Auditor Letter
Exhibit U	List of Loan Documents
Exhibit V	Permitted Exceptions
Exhibit W	Form of Irrevocable Letter of Credit
Exhibit X	Example of Real Estate Tax Proration
Exhibit Y	Corrections to Tax Returns
Exhibit Z	Pro-forma Title Insurance Policy

INDEX OF DEFINED TERMS

	Page
Agent	47
Agreement	1
Balance	4
Benefit Arrangement	27
Broker	11
Buck	1
Buck Interest	1
Buck Management	1
Buck Service Agreements	1
CERCLA	12
Certificates	6
Claims	44
Closing	17
Closing Date	17
Closing Title Commitment	21
Deposit	3
Designated Persons	34
Due Diligence Date	8
Election Notice	42
Encumbrances	2
Environmental Laws	33
Escrow Agent	3
Escrow Deposits	43
Existing Survey	4
Existing Title Policy	6
Financial Statements	27
Fixtures and Equipment	2
General Partner	1
Hazardous Material	13
Improvements	2
Invasive Testing	8
Invasive Testing Request	8
Investor Partnership	1
Investor Partnership Agreement	1
Land	2
Laws	30
Leases	2
Leasing Agreement	1
Lenders	2
Leo	1
Leo Interest	1
Loan	2
Management Agreement	1
Minor Casualty	42
Non-Invasive Work	8

NYLIC 2
Operating Agreements 14
Partner’s Equity 47
Partnership Interest Assignment 17
Permitted Exceptions 4
Person 24
Personal Property 3
Project Partnership 1
Project Partnership Agreement 1
Project Partnership Interest 1
Property 2
Property Documents 6
Purchase Price 3
Purchaser 1
Purchaser Group 8
Purchaser’s Work 8
Real Property 2
Redevelopment Agreement 7
Release 39
Rents 14
Reporting Person 47
Reporting Requirements 47
Restated Project Partnership Agreement 22
SEC 38
Seller 1
Seller Parties 11
Seller’s Acquisition Contract 45
Seller’s Entity Representations 24
Seller’s Knowledge 34
Seller’s Ownership Period 45
Seller’s Property Representations 31
Seller’s Representative 8
Seller’s Warranties 11
Shareholder Loan 47
Shareholder Loans 47
Significant portion 41
Simple Transfer Aspect 45
Surveyor 4
Tax 29
Tax Return 29
Tenants 7
TIAA 2
Title Commitment 4
Title Company 4
Title Defects 5
Transaction 17
Updates 5
VV City Interest 1
W&S 4
W&S Promissory Notes 2

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is made this 23rd day of September, 2003, by and between VV USA CITY, L.P., a Delaware limited partnership ("Seller"), and WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Purchaser"), with respect to the following factual recitals.

RECITALS:

A. VV City-Buck Venture, L.P., is a Delaware limited partnership (the "Investor Partnership") formed pursuant to that certain Limited Partnership Agreement, dated as of April 27, 2000 (the "Investor Partnership Agreement").

B. Seller is the owner of a 97.9396% general partnership interest in the Investor Partnership (such interest, together with all capital accounts and all rights to allocation of income, losses, deductions, credits and distributions of cash flow, capital proceeds, liquidation proceeds and other rights and privileges and capital attributable to that interest and subject to all burdens and obligations of an owner of that interest that accrue, the "VV City Interest"). The sole general partner of Seller is VV USA, LLC, a Delaware limited liability company (the "General Partner").

C. Buck 35 Wacker, L.L.C., a Delaware limited liability company ("Buck") is the owner of a 2.0 604% limited partnership in the Investor Partnership (the "Buck Interest").

D. The Investor Partnership is the owner of a 96.5007% general partnership interest (the "Project Partnership Interest") in 35 W. Wacker Venture, L.P., a Delaware limited partnership (the "Project Partnership") formed pursuant to that certain Second Amended and Restated Limited Partnership Agreement, dated as of April 27, 2000 (the "Project Partnership Agreement").

E. Leo Burnett USA, Inc. (formerly known as Leo Burnett Company, Inc.) ("Leo") is the owner of a 3.4993% limited partnership interest in the Project Partnership (the "Leo Interest").

F. The Project Partnership is the owner of certain real property, the improvements located therein, together with personal property, leases and other property interest related thereto, commonly known as "The Leo Burnett Building", 35 W. Wacker Drive, Chicago, Illinois, as more particularly described below in Article 1.

G. The Project Partnership has engaged The Buck Management Group, Incorporated ("Buck Management"), an entity affiliated to Buck, to provide property management services for the Property pursuant to that certain Management Agreement, dated as of April 27, 2000 (the "Management Agreement") and to provide marketing and leasing services for the Property pursuant to that certain Leasing Agreement, dated as of April 27, 2000 (the "Leasing Agreement") (the Management Agreement and the Leasing Agreement, collectively, the "Buck Service Agreements").

H. The Project is encumbered by a mortgage loan (the "Loan") in the original principal face amount of $160,000,000, currently held by New York Life Insurance Company, a New York mutual insurance company ("NYLIC") and Teachers Insurance and Annuity Association of America, a New York corporation ("TIAA"), as co-lenders each making an original loan of $80,000,000 (NYLIC and TIAA, collectively, the "Lenders").

I. Seller desires to sell the VV City Interest to Purchaser and Purchaser desires to purchase the VV City Interest from Seller, upon and subject to the terms and conditions of this Agreement.

In consideration of the mutual covenants and agreements set forth herein the parties hereto do hereby agree as follows:

ARTICLE 1

PURCHASE AND SALE

Seller agrees to sell, transfer and assign and Purchaser agrees to purchase, accept and assume, subject to and upon the terms and conditions stated herein, the VV City Interest free and clear of all liens, claims, charging orders, mortgages, pledges, security interests, encumbrances or charges of any kind or nature (including any restrictions on the right to vote, assign or otherwise transfer such partnership interest) (collectively, "Encumbrances"). Seller warrants and covenants that the Investor Partnership owns, and at the Closing will own, the Project Partnership Interest, free and clear of all Encumbrances, and the Project Partnership owns, and at the Closing will own, the following (herein collectively called the "Property"):

1.1 Real Property. That certain parcel of real estate located in Chicago, Cook County, Illinois, having a street address of 35 W. Wacker Drive and legally described in Exhibit A (the "Land"), together with all buildings, structures, improvements located thereon, including, without limitation, that certain 50-story office building containing approximately 1,117,978 square feet of rentable floor area and certain parking areas (collectively, the "Improvements"), and all apparatus, elevators, escalators, built-in appliances, equipment, pumps, machinery, plumbing, heating, air conditioning, electrical and other fixtures located on such real estate (collectively, "Fixtures and Equipment"), and all rights, easements, privileges and appurtenances pertaining thereto, including without limitation, all water rights, mineral rights, development rights, air rights, reversions or other appurtenances to said real estate and all of the Project Partnership's right, title and interest in and to all rights-of-way, open or proposed streets, alleys, easements, strips or gores of land adjacent thereto (the Land, Improvements, Fixtures and Equipment, and such rights, easements, privileges and appurtenances being herein collectively called the "Real Property"); and

1.2 Leases. All of the Project Partnership's right, title and interest as "landlord" or "lessor" in the leases of space in the Real Property set forth on Exhibit B attached hereto (together with any space leases entered into pursuant to this Agreement, the "Leases"), and all guaranties of the Leases and the promissory notes executed by Winston & Strawn, as tenant, as described on Exhibit R attached hereto (the "W&S Promissory Notes").

1.3 Personal Property. All of the Project Partnership's books, records and files relating to the ownership, use or operation of the Real Property and Personal Property (as hereinafter defined) and all right, title and interest of the Project Partnership in and to all furniture, furnishings, fixtures, equipment and other tangible personal property, if any, owned by the Project Partnership and used in connection therewith, including, but not limited to, the items of personal property set forth on Exhibit C attached hereto (herein collectively called the "Personal Property"); provided, however, that the term "Personal Property" and the term "Property" expressly exclude all Fixtures and Equipment, trade fixtures and other personal property owned by tenants or other users or occupants of the Real Property and all personal property owned by Buck Management; and

1.4 Other Property Rights. All of the Project Partnership's right, title and interest in (a) all warranties, guaranties or other rights related to the ownership of, or use and operation of, the Real Property or Personal Property; and (b) all licenses, permits and other written authorizations necessary for the use, operation or ownership of the Real Property or Personal Property; and (c) all right, title and interest of the Project Partnership in and to (i) the plans and specifications with respect to the Improvements, (ii) any guarantees or warranties related to the Improvements, the Fixtures and Equipment and the Personal Property and (iii) any trademarks, rights of copyright or other intangible property rights associated with the ownership of or use and operation of the Real Property, including the name of the Real Property, there being no implication, however, that the Project Partnership has any interest in any trademarks, rights of copyright or any other intangible property rights with respect to the name of the Real Property.

ARTICLE 2

PURCHASE PRICE

The total purchase price to be paid by Purchaser for the purchase of the VV City Interest is the sum of TWO HUNDRED SIXTY-SEVEN MILLION FOUR HUNDRED SEVENTY THOUSAND NINETY-TWO AND NO/l00 DOLLARS ($267,470,092) (the "Purchase Price"). The Purchase Price shall be paid in the following manner:

2.1 Deposit Money. Upon the full and final execution of this Agreement and as a condition precedent to the effectiveness of this Agreement, Purchaser shall deposit the sum of SEVEN MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS ($7,500,000) in immediately available funds as a deposit (the "Deposit") with First American Title Insurance Company, as escrow agent ("Escrow Agent"). The Deposit shall be non-refundable except as herein provided and shall be held and delivered by Escrow Agent in accordance with the provisions of Article 12. Any interest earned on the Deposit shall be considered a part of the Deposit. Except as expressly otherwise set forth herein, the Deposit shall be applied against the Purchase Price on the Closing Date.

2.2 Loan and Other Debt. Purchaser acknowledges and agrees that the Project Partnership is the primary obligor of the Loan and that the Property is and will remain subject to the Loan through the Closing. At Closing Purchaser shall receive a credit against the payment of the Purchase Price in amount equal to 94.5124% of (a) the outstanding amount of principal and accrued interest of the Loan on the Closing Date; and (b) the outstanding amount of principal and accrued interest of any other debt or indebtedness for borrowed money which is not paid in full on or before the Closing Date with respect to the Project Partnership, the Investor Partnership or the Property.

2.3 W&S Build-Out Obligation. As of the date of this Agreement, the Project Partnership is obligated to pay the sum of $863,165 to Winston & Strawn, as tenant in the Property ("W&S") for completion of tenant improvements on the 37th Floor pursuant to its lease with W&S. That sum may be reduced by an amount equal to 94.5124% of all sums paid by the Project Partnership to W&S against this obligation between the date of this Agreement and Closing. At Closing, Purchaser shall receive a credit against payment of the Purchase Price equal to 94.5124% of $863,165, as reduced by all such interim payments.

2.4 Cash at Closing. On the Closing Date, Purchaser shall pay to Seller an amount equal to the difference between (a) the Purchase Price, and (b) the sum of the credits described in Sections 2.1, 2.2 and 2.3, subject to the prorations and adjustments set forth in Article 5 or as otherwise provided under this Agreement (the "Balance"), in immediately available funds by wire transfer as more particularly set forth in Section 6.2.

ARTICLE 3

TITLE MATTERS

3.1 Title to Real Property. Seller shall convey and Purchaser shall accept the VV City Interest so long as title to the Real Property is subject only to the Permitted Exceptions.

3.1.1 Title Commitment and Survey. On or prior to the date of this Agreement, Purchaser shall cause (a) First American Title Insurance Company (the "Title Company") to deliver directly to Seller and Purchaser the Title Company's commitment to issue an Owner's Policy of Title Insurance (ALTA Form B- 1992) with respect to the Real Property (the "Title Commitment") and (b) Chicago Guarantee Survey Company (the "Surveyor") to deliver to Seller and Purchaser an update of the Surveyor's ALTA/ACSM Land Title Survey of the Real Property dated February 23, 2000 (the "Existing Survey").

3.1.2 Permitted Exceptions. Purchaser and Seller agree that at Closing, the Project Partnership shall own fee simple title to the Real Property subject only to the matters described on Exhibit V attached hereto and by reference made a part hereof (the "Permitted Exceptions"). Purchaser and Seller agree that none of the following shall be a Permitted Exception: any exception for mechanics' or materialmen's liens for work performed by or on behalf of Seller or any exception for unpaid taxes payable by the Project Partnership for any taxable period other than the current taxable period, or any exception for rights of parties in possession other than tenants in possession, as tenants only, pursuant to the Leases, or any exception for any mortgage, deed of trust or other lien or any judgment except the lien of the loan documents securing the Loan, or any exception created by Seller or the Project Partnership after the date of this Agreement and not otherwise permitted by this Agreement. The Permitted Exceptions shall include an exception for the matters shown on the update of the Existing Survey to be obtained by Purchaser. Seller agrees that at or prior to Closing, Seller shall, at Seller's sole cost and expense, remove, satisfy or otherwise cure any matters appearing as exceptions to the title in Schedule B, II of the Title Commitment which are not agreed in writing by the parties to be Permitted Exceptions.

3.2 Title Defects.

3.2.1 Certain Exceptions to Title. Purchaser shall have the right to object in writing to any title matters of record that are not Permitted Exceptions and that affect the Project Partnership's title to the Real Property which may appear on supplemental title reports or updates ("Updates") to the Title Commitment issued at the request of Purchaser after the Due Diligence Date (herein collectively called the "Title Defects") within five (5) business days after the receipt of any Update by Purchaser (or, if such Update is received within five (5) days of the scheduled Closing Date, on or prior to the scheduled Closing Date). Purchaser shall request the Title Company to deliver to Seller, contemporaneously with its delivery to Purchaser, copies of all Updates. From time to time after the receipt of the Title Commitment and prior to the Closing, Purchaser may give written notice of exceptions to title first appearing of record after the effective date of the Title Commitment. Seller may elect (but shall not be obligated) to remove, cause to be removed or cause the Title Company to endorse over, at Seller's expense, any Title Defects, and shall be entitled to a reasonable adjournment of the Closing (not to exceed fifteen (15) days) for the purpose of such removal, which removal will be deemed effected by omission of such Title Defects on a subsequent Update or by the Title Company providing affirmative insurance as a result of actions and on terms acceptable to Purchaser against the effect of the Title Defects. Seller shall notify Purchaser in writing within five (5) days after receipt of Purchaser's notice of Title Defects whether Seller elects to remove the same. If Seller elects not to have one or more Title Defects cured, omitted or insured over or if, after electing to attempt to cure, Seller determines that it is unwilling or unable to remove, satisfy or otherwise cure such Title Defects, then, subject to Section 3.2.3, Purchaser shall, by notice to Seller given within five (5) days after receipt of Seller's notice, either elect to terminate this Agreement, in which event the Deposit shall be paid to Purchaser and, thereafter, the parties shall have no further rights or obligations hereunder except for obligations which expressly survive the termination of this Agreement, or waive such Title Defects, in which event such Title Defects shall be deemed "Permitted Exceptions" and the Closing shall occur as herein provided without any reduction of or credit against the Purchase Price.

3.2.2 Discharge of Title Objections. If on the Closing Date there are any title objections or Title Defects which Seller has elected or is obligated to pay and discharge, Seller may use any portion of the Balance to satisfy the same, provided Seller shall deliver to Purchaser at the Closing instruments in recordable form and sufficient to satisfy such title objections or Title Defects of record, together with the cost of recording or filing such instruments, or provided that Seller shall cause the Title Company to insure over the same, without any additional cost to Purchaser.

3.2.3 Certain Title Objections. Notwithstanding anything to the contrary in Section 3.2.1, Seller shall cause to be removed any mortgage, deed of trust or other lien or judgment (other than the lien of the loan documents securing the Loan) and any Title Objection caused by Seller or the Project Partnership after the date hereof and not otherwise permitted by this Agreement.

3.3 Project Partnership Title Policy. The Project Partnership currently is insured under an ALTA Form B- 1992 Policy of Title Insurance issued by First American Title Insurance Company (the "Existing Title Policy"). Notwithstanding any provision of this Article 3 or any other provision of this Agreement to the contrary, if Purchaser can obtain the same title insurance coverage, as it otherwise would obtain pursuant to the procedures outlined in this Article 3 and elsewhere in this Agreement, by having the existing policy endorsed, and provided that Purchaser can obtain at a commercially reasonable cost reinsurance of portions of the title risk in amounts and with title companies within the First American Title Insurance Company "family" of insurers acceptable to Purchaser, Purchaser agrees to utilize that methodology as opposed to obtaining a new policy for the Project Partnership. Seller acknowledges that the endorsements to the Existing Title Policy referred to in the preceding sentence shall include, without limitation, a so-called "non-imputation endorsement" pursuant to which the title insurer will agree that it will not deny liability on the grounds that the insured had knowledge of any matter solely by reason of notice thereof imputed to the insured by operation of law through Seller, the General Partner, the Investor Partnership, Leo or Buck.

ARTICLE 4

PURCHASER'S DUE DILIGENCE/CONDITION OF THE PROPERTY

4.1 Document Deliveries. Prior to the date hereof, to the extent in the possession or control (direct or indirect) of Seller, Seller furnished or caused the Project Partnership, the Investor Partnership or Buck Management either (a) to furnish or make available to Purchaser for review and copying at the offices of Buck Management in Chicago, Illinois, or, (b) at Purchaser's request, to copy and have delivered to Purchaser at Purchaser's address all of the following items (collectively the "Property Documents"):

4.1.1 all plans and specifications, soils, geological, environmental and governmental reports relating to development, condition, repair or maintenance of the Property including, but not limited to, the most recently obtained Phase I and/or Phase II environmental site assessments;

4.1.2 the Existing Title Policy and the Existing Survey;

4.1.3 all books and records relating to the operation of the Property, the organization and operation of the Project Partnership and the acquisition of the Project Partnership interest by the Investor Partnership and its predecessor in interest, the organization and operation of the Investor Partnership and the acquisition of the general partnership interest in the Investor Partnership by Seller, including, without limitation the Certificates of Limited Partnership of the Project Partnership and the Investor Partnership and all amendments thereto (collectively, the "Certificates"), the Project Partnership Agreement and the Investor Partnership Agreement, and all amendments thereto, and all records relating to the capital accounts of the partners of the Project Partnership and the Investor Partnership and relating to any loans made by the partners (or any of their respective affiliates) to the Project Partnership or the Investor Partnership;

4.1.4 the tax due diligence items described on Schedule 4.1.4 attached hereto;

4.1.5 all Leases and associated lease files, any financial statements or other financial information of the tenants of the Property (collectively, "Tenants") (including, but not limited to, any financial statements furnished by Leo pursuant to Section 38 of the Amended and Restated Lease dated February 15, 1997, by and between the Project Partnership and Leo), any written information relative to the payment history of the Tenants, including a current aged tenant receivable report, and all Tenants correspondence sent to or sent by such Tenants with respect to the Property;

4.1.6 copies of all property tax bills and assessor's statements of current assessed value of the Property for the most current year that have been issued and the year prior to the most current year;

4.1.7 all operating budgets for 2001, 2002 and 2003 and operating statements for the Property, the Project Partnership and the Investor Partnership for 2001, 2002 and 2003 (January 1, 2003 to date);

4.1.8 all management agreements, all service agreements, maintenance agreements, leasing agreements, commission agreements, license agreements and all maintenance records and lease commissions records and other contracts relating to the Property, the Project Partnership or Investor Partnership, including, but not limited to, the Buck Service Agreements and all agreements relating to HVAC maintenance, janitorial, waste disposal, pest control, window washing, marble maintenance, landscaping, security and utility services;

4.1.9 all permits, licenses or other similar documents relating to the use, occupancy or operation of the Property, including by not limited to, the Certificates of Occupancy issued by the City of Chicago, and the Redevelopment Agreement with the City of Chicago referred to in Section 27(G) of the Lease with W & S, together with First Amendment to Redevelopment Agreement, dated March 1, 1994 (the "Redevelopment Agreement");

4.1.10 copies of any notices relating to the Property from the City of Chicago or other governmental authority;

4.1.11 copies of all warranties, guaranties or indemnities relating to the Property, the Project Partnership or the Investor Partnership;

4.1.12 all agreements, instruments and documents evidencing, securing and/or guaranteeing the Loan and any other outstanding debts, indebtedness or liabilities of the Project, the Project Partnership or the Investor Partnership; and

4.1.13 all other documents, records or other information reasonably requested in writing of Seller by Purchaser on or prior to the Due Diligence Date.

4.2 Due Diligence Date. Purchaser shall have the right to conduct, at Purchaser's sole cost and expense, such examinations, inspections, testing, studies and/or investigations of the Property as Purchaser deems appropriate, subject to the terms and conditions hereof, commencing prior to the execution of this Agreement and continuing for a period that will expire at 5:00 pm Eastern Time on the date this Agreement is fully executed and delivered and the Deposit paid to Escrow Agent (the "Due Diligence Date"). Unless this Agreement is terminated pursuant to Section 4.8, Purchaser may continue to conduct such examinations, inspections, testing, studies and/or investigations of the Property during the period after the Due Diligence Date and until Closing. Prior to the execution of this Agreement, Purchaser has furnished to Seller complete and correct copies of the written letter agreements or term sheets Purchaser has heretofore entered into with Leo (and its parent Publicis Groupe S.A.) on the modifications to be made to the Project Partnership Agreement and Lease with Leo and with Buck on the modifications to be made to the Investor Partnership Agreement.

4.3 Conduct of Due Diligence. In conduction any on-site examinations, inspections, testing, studies and/or investigations of the Property, Purchaser shall comply with the following procedures:

4.3.1 Manner of Entry: Non-Invasive Work. Purchaser shall conduct (and shall cause its employees, representatives, advisors, agents and contractors (collectively, with Purchaser, "Purchaser Group") to conduct any entry at the Property and any Purchaser's Work (as hereinafter defined) so as to minimize, to the greatest extent possible, any material interference with any Tenant's business, and otherwise in a manner reasonably acceptable to Seller. Prior to any entry to perform any non-invasive inspections or investigations or other non-invasive work pertaining to the Property, including, without being limited to, visual inspections of the Improvements and land surveys (collectively, "Non-Invasive Work"), Purchaser shall give notice to James M. Hanson or Bruce G. Miller of Broker ("Seller's Representative") at least one (1) business day in advance of any intended Non-Invasive Work. Any Purchaser's Work shall be coordinated with Seller's Representative. Any notice pursuant to this paragraph shall be given during business hours on a business day and may be given orally (to be confirmed by fax) or by fax. Such notice shall include, without being limited to, the identity of the company or persons who will perform such Non-Invasive Work and the nature and scope thereof.

4.3.2 Invasive Work. If Purchaser desires to perform any invasive testing of the Property, including, without being limited to, any sampling in connection with any Phase II environmental assessments of the Property, or any other investigation that will involve the removal of flooring, making excavations or test borings, disturbance of any plants, trees or shrubs, or any other invasive test or activity (collectively, "Invasive Testing"), then Purchaser shall provide to Seller's Representative a written request for approval therefor ("Invasive Testing Request"), which Invasive Testing Request shall include the nature and scope of the proposed Invasive Testing and the identity of the company or persons by whom it would be performed. Seller shall approve or disapprove, in Seller's sole discretion, any such Invasive Testing Request in writing within two (2) business days following Seller's receipt thereof, if received on a business day. The Non-Invasive Work and, if applicable and approved by Seller any Invasive Testing, are collectively referred to herein as "Purchaser's Work".

4.3.3 Restoration. Upon completion of any Purchaser’s Work, Purchaser shall, at its cost, restore the Property to as near to its original condition as feasible, including filling and resurfacing to match existing surfaces, replacing or restoring any vegetation that is damaged and generally putting the Property and all points of entry by the inspectors in substantially the same condition as before such inspection or entry (to the extent same was caused by Purchaser’s Work). The provisions of this paragraph shall survive termination of this Agreement.

4.3.4 Compliance with Laws. Purchaser shall comply with all laws and regulations, including, without being limited to, obtaining any necessary permits for any of Purchaser’s Work.

4.3.5 Responsibility for Expenses. Purchaser shall be solely responsible for the cost and expense of all Purchaser’s Work including, without being limited to, the cost of restoring or repairing the Property as required above. The provisions of this paragraph shall survive termination of this Agreement.

4.3.6 Liens and Claims. Purchaser shall not permit any mechanic’s, materialmen’s, or other similar liens or claims to stand against the Property for labor or materials furnished in connection with any Purchaser’s Work performed by Purchaser under this Agreement, and Purchaser shall promptly cause any such lien to be released at Purchaser’s sole expense. At Seller’s request, Purchaser shall execute, and Seller may record and post at the Property, one or more notices of nonresponsibility for the benefit of Seller in accordance with applicable law. The provisions of this paragraph shall survive termination of this Agreement.

4.3.7 Cooperation. Seller may have its representatives present to observe any Purchaser’s Work, and Purchaser and Seller shall take reasonable steps to coordinate the performance of Purchaser’s Work to permit such observation.

4.3.8 Insurance and Indemnity. Prior to performing any Purchaser’s Work hereunder, Purchaser shall provide Seller with evidence of Purchaser’s public liability insurance in an amount not less than Two Million Dollars ($2,000,000). Purchaser shall indemnify, defend, with counsel reasonably acceptable to Seller, and hold Seller harmless from all expenses, losses, damages and claims (including Seller’s reasonable attorneys’ fees or disbursements), actually incurred by Seller, arising out of the acts or activities of Purchaser or Purchaser’s Group on or about the Property pursuant to this Agreement other than as a result of the discovery of any hazardous substances currently on the Property. Additionally, Purchaser’s indemnification obligations under this paragraph shall expressly exclude consequential, punitive or special damages. The limits on insurance in this paragraph shall in no way limit or restrict the scope of the indemnity set forth in this paragraph. The provisions of this paragraph shall survive termination of this Agreement.

4.4 Tenant Contact. Seller shall use commercially reasonable efforts to arrange or shall cause Buck Management to use commercially reasonable efforts to arrange separate meetings between Purchaser and each of the Tenants, and Seller’s Representative shall participate in any such meetings between Purchaser and the Tenants. Neither Purchaser nor any member of Purchaser's Group shall contact any Tenant, directly or indirectly, without giving Seller's Representative not less than one (1) business day's prior telephonic notice of the date and time proposed by Purchaser for the contact. Seller shall be entitled to have Seller's Representative present on any telephone or other contact made by Purchaser to any Tenant. So long as Seller's Representative receives not less than one (1) business day's prior telephonic notice of the date and time proposed by Purchaser for the contact with any Tenant and such proposed contact is during normal business hours, Seller agrees to cause Seller's Representative to be available for such proposed contact. Notwithstanding anything to the contrary in this Section, Purchaser has completed to its satisfaction all Tenant interviews.

4.5 Governmental Contacts. Other than to perform customary title searches, violations searches of databases available to the public and zoning investigations or to obtain a permit necessary for any Purchaser's Work, neither Purchaser nor any member of Purchaser's Group shall contact any governmental authority with respect to any matters relating to the Property without giving Seller's Representative not less than one (1) business day's prior telephonic notice of the date and time proposed by Purchaser for the contact with any governmental authority. Seller shall be entitled to have Seller's Representative present on any telephone or other contact made by Purchaser to any governmental authority. So long as Seller's Representative receives not less than one (1) business day's prior telephonic notice of the date and time proposed by Purchaser for the contact with any governmental authority and such proposed contact is during normal business hours, Seller agrees to cause Seller's Representative to be available for such proposed contact.

4.6 Delivery of Third-Party Reports. Promptly after any termination of this Agreement by Purchaser for any reason other than Seller's default, Purchaser shall deliver to Seller copies of all third-party reports commissioned by Purchaser evidencing the results of tests, studies or inspections of the Property and all documents copied for Purchaser pursuant to Section 4.1; provided, however, that Purchaser makes no representation or warranty whatsoever with respect to any of such third party reports or the results thereof, including, without limitation, the ownership, accuracy or completeness of any such third party reports.

4.7 Confidentiality. Purchaser hereby agrees that the information gained through access to the Property and the Property Documents shall be used solely for the purpose of evaluating the Property and the purchase of the VV City Interest and that such information shall be kept confidential by Purchaser; provided, however, that any of such information may be disclosed to (a) the Purchaser Group and Purchaser's consultants, accountants, attorneys and rating agencies, (b) potential equity and financing sources and (c) as required under applicable law, it being understood that (i) such persons shall be informed by Purchaser of the confidential nature of such information and (ii) Purchaser shall instruct such parties to maintain the confidentiality of such information. If Purchaser is required by applicable law to disclose any such information, it is agreed that Purchaser shall provide Seller with prompt notice of any request or requirement for disclosure so that Seller may seek an appropriate protective order. It is further agreed that, notwithstanding any pursuit of a protective order, if Purchaser is legally obligated to disclose any such information, then Purchaser may disclose such information to the extent so obligated, and Purchaser shall not be liable for such disclosure. It is further understood and agreed that money damages would not be a sufficient remedy for any breach of this paragraph and that Seller shall be entitled to specific performance of Purchaser's confidentiality covenant and injunctive or other equitable relief as a remedy for any such breach, in addition to all other remedies available at law or equity to Seller. The provisions of this paragraph shall survive termination of this Agreement, but shall not survive the Closing.

4.8 Termination of Agreement. Purchaser shall have until 5:00 pm Eastern Time on the Due Diligence Date to determine, in Purchaser's sole opinion and discretion, the suitability of the Property for acquisition by Purchaser. Purchaser shall have the right to terminate this Agreement at any time for any reason or no reason on or before the Due Diligence Date by giving written notice to Seller of such election to terminate. If Purchaser so elects to terminate this Agreement pursuant to this Section 4.8, and if such written notice to Seller is given on or before the Due Diligence Date, the Escrow Agent shall return to Purchaser the Deposit within three (3) business days after receipt of written notice of Purchaser's termination of the Agreement pursuant to this Section 4.8, and thereafter neither Seller nor Purchaser shall have any liability hereunder except for those obligations which expressly survive the termination of this Agreement. If Purchaser fails to terminate this Agreement on or before the Due Diligence Date, Purchaser shall be deemed to have waived its rights to terminate this Agreement in accordance with this Section 4.8. Purchaser and Seller acknowledge that upon the full execution and delivery of this Agreement and the deposit by Purchaser of the Deposit with Escrow Agent, the Due Diligence Date shall have lapsed and, notwithstanding any provision of this Agreement to the contrary, Purchaser shall have waived its right to terminate this Agreement pursuant to this Section 4.8. In particular and without limiting the generality of the foregoing, prior to the execution and delivery of this Agreement, Purchaser raised with Seller certain concerns about the Real Property and Purchaser acknowledges that the Purchase Price is reduced from the purchase price that had been previously discussed between Purchaser and Seller in full satisfaction of such concerns.

4.9 Property "As is".

(a) Purchaser acknowledges and agrees that at the Closing of the purchase of the VV City Interest (i) subject to the terms of this Agreement and except as otherwise herein provided, the condition of the Property shall be "As Is, Where Is, with All Faults" and with all latent and patent defects, with no right of setoff or reduction in the Purchase Price; (ii) except for (a) Seller's representations and warranties set forth in Section 8.2, Section 8.3, and Section 9.2.2, and (b) the warranty of title to be given in the Partnership Interest Assignment (as defined in Section 6.3(a)) (herein collectively called the "Seller's Warranties"), none of Seller, its counsel, Jones Lang LaSalle Americas, Inc. (the "Broker"), the Broker's sales agents, Seller's Asset Manager, Seller's Representative, nor any partner, officer, director, employee, agent or attorney of Seller, its counsel or the Broker, nor any other party related in any way to any of the foregoing (all of which parties are herein collectively called the "Seller Parties") have or shall be deemed to have made any oral or written representations, warranties, promises or guarantees (whether express, implied, statutory or otherwise) to Purchaser with respect to the Property, any matter set forth, contained or addressed in the Property Documents (including, but not limited to, the accuracy and completeness thereof) or the results of the investigations; and (iii) as of the Due Diligence Date, Purchaser shall have had the opportunity to conduct due diligence and inspections and to confirm independently all information that

Purchaser considers material to its purchase of the VV City Interest or the Transaction. Purchaser specifically acknowledges that, except for Seller's Warranties, Purchaser is not relying on (and Seller and each of the other Seller Parties does hereby disclaim and renounce) any representations or warranties of any kind or nature whatsoever, whether oral or written, express, implied, statutory or otherwise, from Seller or any other Seller Parties, as to: (1) the operation of the Property or the income potential, uses, or merchantability or fitness of any portion of the Property for a particular purpose; (2) the physical condition, whether visible or not, of the Property or the condition or safety of the Property or any improvements thereon, including, but not limited to, plumbing, sewer, heating, ventilating and air conditioning, life safety, building management, vertical transportation, and electrical systems, roofing, foundations, soils and geology, including hazardous materials, lot size, or suitability of the Property or any improvements thereon for a particular purpose; (3) the presence or absence, location or scope of any hazardous materials in, at, or under the Property; (4) whether the building equipment, if any, plumbing or utilities are in working order; (5) the habitability or suitability for occupancy of any structure and the quality of its construction; (6) whether the improvements arc structurally sound, in good condition, or in compliance with applicable municipal, county, state or federal statutes, codes or ordinances; (7) the accuracy of any statements, calculations or conditions stated or set forth in Seller's books and records concerning the Property or set forth in any of Seller's offering materials with respect to the Property; (8) the dimensions of the Property or the accuracy of any floor plans, square footage, lease abstracts, sketches, revenue or expense projections related to the Property; (9) the operating performance, the income and expenses of the Property or the economic status of the Property; (10) the ability of Purchaser to obtain any and all necessary governmental approvals or permits for Purchaser's intended use and development of the Property or any of the documents; (11) the leasing status of the Property or the intentions of any parties with respect to the negotiation and/or execution of any lease for any portion of the Property; and (12) Seller's ownership of any portion of the Property. Purchaser further acknowledges and agrees that Seller is under no duty to make any affirmative disclosures or inquiry regarding any matter which may or may not be known to Seller, its officers, directors, contractors, agents or employees.

(b) Purchaser, for Purchaser and Purchaser's successors and assigns, hereby releases Seller from, and waives all claims and liability against Seller for or attributable to any claims or liabilities relating to the presence, discovery or removal of any Hazardous Materials in, at, about or under the Property, or for, connected with or arising out of any and all claims or causes of action based upon, without limitation, (A) the Comprehensive Environmental Response, Compensation and Liability Act (codified in various sections of 26 U.S.C., 33 U.S.C., 42 U.S.C. and 42 U.S.C. Section 9601 et seq.) ("CERCLA"); (B) the Resource Conservation And Recovery Act (42 U.S.C. Section 6901 et seq.); (C) the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.); (D) the Toxic Substances Control Act (15 U.S.C. Section 2061 et seq.); (B) the Clean Water Act (33 U.S.C. Section 1251 et seq.); (F) the Clean Air Act (42 U.S.C. Section 7401 et seq.); (G) the Safe Drinking Water Act (21 U.S.C. Section 349, 42 U.S.C. Section 201 and Section 300 et seq.); (H) the National Environmental Policy Act (42 U.S.C. Section 4321 et seq.); (I) the Superfund Amendments and Reauthorization Act Of 1986 (codified in various sections of 10 U.S.C., 29 U.S.C., 33 U.S.C. and 42 U.S.C.);

(J) Title III of the Superfund Amendment and Reauthorization Act (40 U.S.C. Section 1101 et seq.); (K) the Uranium Mill Tailings Radiation Control Act (42 U.S.C. Section 7901 et seq.); (L) the Occupational Safety & Health Act (29 U.S.C. Section 655 et seq.); (M) the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. Section 136 et seq.); (N) the Noise Control Act (42 U.S.C. Section 4901 et seq.); (0) the Emergency Planning and Community Right to Know Act (42 U.S.C. Section 1100 et seq.) and any other federal or state based statutory, common law or regulatory causes of action for environmental contamination at, in or under the Real Property; provided, however, that such release and waiver shall be inapplicable to any claim or action arising pursuant to the provisions of this Agreement for breach of Seller's Warranties to the extent Seller's Warranties survive Closing or for which Seller, the Project Partnership or the Investor Partnership shall have acted with willful misconduct or a knowing violation of the law at any time Seller owned an interest, directly or indirectly, in the Project Partnership, the Investor Partnership or the Property.

(c) For purposes of this Agreement, the term "Hazardous Material" shall mean any substance, chemical, waste or material that is or becomes regulated by any federal, state or local governmental authority because of its toxicity, infectiousness, radioactivity, explosiveness, ignitability, corrosiveness or reactivity, including, without limitation, asbestos or any substance containing more than 0.1 percent asbestos, the group of compounds known as polychlorinated biphenyls, flammable explosives, oil, petroleum or any refined petroleum product.

(d) Purchaser acknowledges and agrees that the provisions of this Article 4 were a material factor in Seller's acceptance of the Purchase Price and Seller is unwilling to sell the VV City Interest unless Seller and the other Seller Parties are expressly released as set forth in Section 4.2(b).

(e) Notwithstanding anything to the contrary herein, the provisions of this Section 4.2 shall survive the Closing and shall not be merged therein.

ARTICLE 5

ADJUSTMENTS AND PRORATIONS

5.1 Closing of Books; Cash Distributions. The books, records and accounts of the Project Partnership and Investor Partnership shall be closed as of 11:59 p.m. on the day immediately preceding the Closing Date, with Seller being deemed the owner of the VV City Interest through such time for the purposes of allocating items of income and expense between Seller and Purchaser. Nothing contained herein shall prevent or impair Seller's rights to cause the Project Partnership, and, in turn, the Investor Partnership, to make distributions to the partners of the respective partnerships of "Net Cash Flow" (as such terms are defined in the Project Partnership Agreement and Investor Partnership Agreement, respectively) from and after the date of this Agreement until Closing; provided, however, (i) in no event shall Seller cause the Project Partnership to distribute any security deposits held by the Project Partnership pursuant to the Leases; and (ii) Seller shall receive a credit at Closing in the amount of 94.5124% of any cash reserves of the Project Partnership not distributed to the partners of the Project Partnership with such "Net Cash Flow."

5.2 Prorations and Adjustments. The Purchase Price shall be adjusted for 94.5124% of the following items of income and expense, or as otherwise expressly stated, which shall be prorated as of Closing.

5.2.1 Rents. All rents (including any percentage rent, additional rent and any accrued tax and operating expense reimbursements and escalations), charges, and other revenue of any kind (collectively, "Rents") collected from the tenants under the Leases shall be prorated between Seller and Purchaser as of the day prior to the Closing Date. Seller shall be entitled to all Rents attributable to any period under the Leases to but not including the Closing Date. Purchaser shall be entitled to all Rents attributable to any period under the Leases from and after the Closing Date. With respect to the Rents due landlord under the Leases as of the Closing Date but not collected as of the Closing Date, Purchaser shall make a good faith effort to collect the same on Seller's behalf and to tender the same to Seller upon receipt (which obligation of Purchaser shall survive the Closing and not be merged therein); provided, however, that all Rents due landlord under the Leases collected by Purchaser on or after the Closing Date shall first be applied to all amounts due under the Leases at the time of collection (i.e., current Rents due Purchaser as the current owner and landlord) with the balance (if any) payable to Seller, but only to the extent of amounts delinquent and actually due Seller. To the extent the monthly installments of principal and interest paid by W & S under any of the W & S Promissory Notes are not credited against Rents payable by W & S under the Lease with W & S, such monthly installments of principal and interest shall be prorated between Seller and Purchaser in the same manner as Rents are prorated in this Section 5.2.1 and as though such monthly installments of principal and interest were payments of base rent for the month during which such monthly installments of principal and interest are due and payable.

5.2.2 Real Estate Taxes. Purchaser acknowledges that in Cook County, Illinois, real estate taxes and assessments ("Real Estate Taxes") for calendar year 2002 are payable in calendar year 2003 in two installments, the first of which has been paid. Purchaser further acknowledges that Real Estate Taxes for calendar year 2003 are payable in calendar year 2004. Seller shall pay (or cause the Project Partnership to pay) 100% of both installments of Real Estate Taxes due and payable prior to the Closing Date. In addition, the Real Estate Taxes for 2003 (which are payable in 2004) shall be prorated by Purchaser and Seller as follows: Seller shall have no responsibility for payment of the portion of such Real Estate Taxes for 2003 attributable to the space leased as of the Closing Date by W&S and Leo; the Real Estate Taxes for 2003 attributable to the space not leased by W&S and Leo shall be prorated at Closing by Purchaser and Seller such that Seller shall be responsible (and Purchaser shall receive a credit against the Purchase Price at Closing) only for the prorata portion thereof equal to a fraction, the numerator of which is the number of days from October 1, 2003 through the day preceding the Closing Date and the denominator of which is 365. Seller and Purchaser acknowledge that the amount of the Real Estate Taxes for 2003 will not be known as of the date of Closing, and accordingly, with respect to the 2003 Real Estate Taxes to be prorated between Seller and Purchaser, the 2003 Real Estate Taxes shall be estimated to be 110% of the amount of the 2002 Real Estate Taxes, and such proration shall be adjusted between Seller and Purchaser (and appropriate payments shall be made between Seller and Purchaser) when the actual amount of the 2003 Real Estate Taxes have been billed by the applicable taxing authority. For example, assuming a Closing on October 31, 2003, Real Estate Taxes will be prorated as shown on Exhibit X, attached hereto and by this reference made a part hereof, and Seller and Purchaser approve the methodology set forth on such Exhibit.

5.2.3 Loan Interest. All accrued and unpaid interest due the Lenders under the Loan.

5.2.4 Utility Charges. Utility bills and charges payable with respect to the Property.

5.2.5 Operating Agreements. Charges payable under the Operating Agreements.

5.2.6 Other Tenant Charges. Where the Leases contain Tenant obligations for taxes, common area expenses, operating expenses or additional charges of any nature, and where the Project Partnership shall have collected on an estimated basis any portion thereof in excess of amounts owed by the Project Partnership for such items for the period prior to the date of Closing, then there shall be an adjustment and credit given to Purchaser on the date of Closing for such excess amounts collected. Purchaser shall cause all such excess amounts to be applied by the Project Partnership to the charges owed by the Project Partnership for such items for the period after the date of Closing, and if required by the applicable Leases, shall rebate or credit the Tenants with any remainder. If it is determined subsequent to the Closing that the amounts collected during Seller's period of ownership of the VV City Interest exceeded expenses incurred during the same period by more than the amount previously credited to Purchaser at Closing, then Seller shall promptly pay to the Investor Partnership the deficiency. If it is determined subsequent to Closing that the amount collected during Seller's period of ownership of the VV City Interest exceeded expenses incurred during the same period by less than the amount previously credited to Purchaser at Closing, then Purchaser shall promptly pay (or cause the Investor Partnership to pay) to Seller the overpayment.

5.2.7 Other Operating Expenses. All other operating expenses of the Property, including personal property taxes applicable to the Personal Property.

5.2.8 Deposits. At Closing (A) Seller shall credit to the account of Purchaser any security deposits actually held by Seller (as distinguished from the Project Partnership) pursuant to the Leases (to the extent such security deposits are not applied against delinquent rents or otherwise as provided in the Leases), and (B) Purchaser shall credit to the account of Seller all refundable cash or other deposits posted by the Project Partnership with utility companies serving the Property.

5.2.9 Remedial Indemnification Amount. Purchaser acknowledges that the Project Partnership is obligated to pay Leo certain annual tax liabilities under Section 25 of the Project Partnership Agreement in the amount of $334,264 for 2004. Seller agrees that, as between Seller and Purchaser, Seller is to bear the cost of payment to Leo for an annual tax indemnity payment under the Project Partnership Agreement in the amount of $363,490 for 2003, and Purchaser shall receive a credit against payment of the Purchase Price for 100% of this amount, unless Seller actually pays such amount at or prior to Closing.

5.2.10 Certain Escrows. The Project Partnership is holding an escrow of payments from Leo for Leo's obligation to pay a pro rata portion of the Real Estate Taxes and such escrow shall remain with the Project Partnership after Closing and not be disbursed to Seller. Lenders are holding funds in a tax escrow which funds shall remain with Lender and Seller shall reserve a credit at Closing for 94.5124% of the balance in that tax escrow account as of the date of Closing.

5.3 Post Closing Adjustments. All items of revenue and expense relating to the Property, irrespective of whether such items are prorated at Closing in accordance with Section 5.2 and including but not limited to (i) payments under the Operating Agreements which are not the direct obligation of Tenants pursuant to the Leases, (ii) gas, electricity or other utility charges which are not the direct obligation of Tenants pursuant to the Lease, and (iii) any other operating expenses or other items which are customarily prorated between a purchaser and a seller in the area in which the Property is located, shall be reprorated after completion of the reconciliation of operating expenses with the Tenants of the Property for calendar year 2003, and such reconciliation shall be done a month-to-month basis. Purchaser shall prepare and present to Seller a calculation of any item subject to reproration and shall furnish such statement to Seller for its review.

5.4 Tax Returns. Seller and Purchaser acknowledge and agree that they shall cooperate to cause the Investor Partnership and the Project Partnership to prepare and file in a timely manner all appropriate tax returns and other information for the period prior to Closing in the same manner as such tax returns and other information heretofore have been prepared, except for changes required by changes in applicable laws or changes in fact. To the extent any items are not covered by past practices, such Tax Returns shall be prepared in accordance with reasonable tax accounting practices selected by Purchaser.

5.5 Closing Costs. Purchaser shall pay (i) City of Chicago transfer taxes; (ii) all costs of Purchaser's due diligence; (iii) all costs of its third party consultants; (iv) one-half of all escrow charges, if any, payable to the Escrow Agent; and (v) all fees and expenses of the Lenders for consenting to the Transaction. Seller shall pay (i) all premiums and charges of the Title Company for the title examination and the Owner's Policy of Title Insurance (including any endorsements) to be issued pursuant to the Closing Title Commitment; (ii) the expense incurred in updating the Existing Survey; (iii) all recording and filing charges in connection with the Transaction; (iv) state and county property/deed transfer tax; (v) one-half of all escrow charges, if any, payable to the Escrow Agent; (vi) the cost of obtaining the opinions referred to in Section 6.3(k) hereof; and (vii) any other costs customarily paid by Seller pursuant to local practice. Each party shall pay its own attorneys. In the event that Purchaser elects to prepay the Loan at the Closing, Purchaser agrees to pay all fees and expenses due Lender necessary to make such prepayment, including the prepayment fees specified in the Loan Documents and agrees to pay all indemnity payments due Leo pursuant to the terms of the Project Partnership Agreement which are triggered as a result of such prepayment. The obligation of Seller to pay applicable escrow charges shall survive the termination of this Agreement.

5.6 Apportionment Credit. In the event the apportionments to be made at the Closing result in a credit balance (a) to Purchaser, such sum shall be paid (at Seller's option) at the Closing by wire transfer of immediately available funds to an account designated by Purchaser or by giving Purchaser a credit against the Balance in the amount of such credit balance, or (b) to Seller, Purchaser shall pay the amount thereof to Seller at the Closing by wire transfer of immediately available finds to the account or accounts to be designated by Seller for the payment of the Balance.

5.7 Delayed Adjustment. If at any time following the Closing Date, the amount of an item listed in any section of this Article 5 shall prove to be incorrect (whether as a result of an error in calculation or a lack of complete and accurate information as of the Closing), the party in whose favor the error was made shall promptly pay to the other party the sum necessary to correct such error upon receipt of proof of such error, provided that such proof is delivered to the party from whom payment is requested on or before one (1) year after Closing.

5.8 Survival. The provisions of this Article 5 shall survive the Closing and not be merged therein.

ARTICLE 6

CLOSING

Seller and Purchaser hereby agree that the transaction contemplated by this Agreement (the "Transaction") shall be consummated as follows:

6.1 Closing Date. Subject to Seller's and Purchaser's right to extend the Closing as provided in this Agreement and provided that all conditions precedent to Purchaser's and Seller's obligations hereunder have been satisfied or waived in writing, the Transaction shall close ("Closing") on October 31, 2003 (the "Closing Date"). The Closing shall be effected by an escrow closing without the physical presence of Seller or Purchaser at the Closing pursuant to which event all documents and funds required to effect the Closing shall be delivered into escrow with the Escrow Agent pursuant to mutually agreeable escrow instructions. Purchaser and Seller shall each have the right to extend the Closing by written notice to the other given on or before the initial date scheduled for the Closing by a period of up to ten (10) days.

6.2 Title Transfer and Payment of Purchase Price. Provided all conditions precedent to Seller's obligations hereunder have been satisfied (or waived in writing), Seller agrees to convey title to the VV City Interest free and clear of all Encumbrances contemporaneously upon confirmation of delivery of the Balance as set forth below. Provided all conditions precedent to Purchaser's obligations hereunder have been satisfied (or waived in writing), Purchaser agrees to deliver the Balance as specified in Section 2.4 by timely delivering the same to Seller no later than 2:00 p.m. Eastern Time on the Closing Date.

6.3 Seller’s Closing Deliveries. At the Closing, Seller shall deliver or cause to be delivered to the Purchaser the following:

(a) Partnership Interest Assignment. A duly executed instrument pursuant to which Seller assigns, transfers and conveys to Purchaser the VV City Interest substantially in the form of Exhibit E attached hereto, which instrument shall contain a general warranty of title as to the VV City Interest and a representation and warranty by Seller to Purchaser that it is conveying the VV City Interest free and clear of any and all liens and Encumbrances (the “Partnership Interest Assignment”).

(b) Non-Foreign Status Affidavit. A non-foreign status affidavit substantially in the form of Exhibit F, as required by Section 1445 of the Internal Revenue Code.

(c) Affidavit. An Affidavit made to knowledge in a form and substance acceptable to the Title Company stating that there are no known boundary disputes with respect to the Property, that there are no parties in possession of the Property other than the Project Partnership, Leo, W&S and the Tenants under the Leases, that except for Broker there are no brokers for the transactions contemplated in this Agreement claiming through Seller, that any improvements or repairs made by, or for the account of, or at the instance of the Project Partnership, the Investor Partnership or Buck Management have been paid in full (or that adequate provision has been made therefor to the reasonable satisfaction of the Title Company), and including such other matters as may be reasonably requested by the Title Company.

(d) Amendment to Investor Partnership Agreement. An amendment to (or an amendment to and restatement of) the Investor Partnership Agreement in form and substance reasonably satisfactory to the Purchaser whereby Seller withdraws as the general partner of the Investor Partnership and Purchaser is admitted as the sole general partner of the Investor Partnership.

(e) Evidence of Authority. (i) Documentation to establish to Purchaser’s reasonable satisfaction the due authorization of Seller’s sale of the VV City Interest and Seller’s delivery of the documents required to be delivered by Seller pursuant to this Agreement (including, but not limited to, resolutions of Seller and the General Partner and incumbency certificates of Seller and the General Partner; and (ii) a certificate of Seller with respect to the authority to act on behalf of Seller of the individual executing on behalf of Seller all documents contemplated by this Agreement, which certificate shall be sufficient to cause the Title Company to issue the Closing Title Commitment to Purchaser.

(f) Seller’s Certificate. A certificate of an officer of Seller certifying that all representations and warranties contained in this Agreement are true and correct as of the Closing Date in all material respects and that Seller has performed, complied and fulfilled all of the covenants, agreements, obligations and conditions required by this Agreement to be performed, complied or fulfilled by Seller on or prior to the Closing Date.

(g) Transfer Taxes. If applicable, duly completed and signed real estate transfer tax returns.

(h) Keys and Records. All of the keys to any door or lock on the Property, all warranties, guaranties, plans and specifications, the original Leases, the original W & S Promissory Notes, the original Redevelopment Agreement, and the original tenant files and other books and records relating to the Property in Seller's, the Project Partnership's or the Investor Partnership's possession, which delivery contemplated in this subparagraph (h) with respect to any such items shall be satisfied if the applicable items are located in the on-site management office at the Property at the time of the Closing.

(i) Resignations. To the extent applicable, signed resignations of all officers, managers or directors of the Investor Partnership and the Project Partnership.

(j) Legal Opinions. An opinion of King & Spalding, counsel to Seller, dated the Closing Date substantially in the form of Exhibit G attached hereto.

(k) Notice of Sale to Tenants. Notices to tenants, as contemplated by Section 9.1.8 hereof, executed by Seller, the Project Partnership and the Investor Partnership.

(l) Notices of Sale to Service Contractors. Notices to service contractors, as contemplated by Section 9.1.9 executed by Seller, the Project Partnership and the Investor Partnership.

(m) Settlement Statement. An executed copy of the settlement statement setting forth the amounts paid on behalf of and/or credited to each of Purchaser and Seller under this Agreement.

(n) Bank Accounts. Signature cards and resolutions transferring signature authority as to the Investor Partnership's and Project Partnership's respective bank, brokerage and other accounts, to a person or persons designated by Purchaser.

(o) Other Documents. Such other documents as may be reasonably required by the Title Company or may be agreed upon by Seller and Purchaser to consummate the Transaction.

6.4 Purchaser Closing Deliveries. At the Closing, Purchaser shall deliver or cause to be delivered to Seller the following:

(a) Balance. The Balance, as adjusted for apportionments and other adjustments required under this Agreement, plus any other amounts required to be paid by Purchaser at Closing.

(b) Purchaser's Certificates. A certificate of an officer of Purchaser certifying that the representations and warranties of Purchaser set forth in this Agreement are true and correct as of the Closing Date in all material respects and that Purchaser has performed, complied with and fulfilled all of the covenants and agreements of Purchaser required to be performed on or prior to the Closing Date.

(c) Evidence of Authority. A copy of resolutions of the Board of Directors of Purchaser, certified by the Secretary or Assistant Secretary of Purchaser, authorizing the purchase of the VV City Interest and the Transaction contemplated herein.

(d) Settlement Statement. An executed copy of the settlement statement setting forth the amounts paid on behalf of and/or credited to each of Purchaser and Seller under this Agreement.

(e) Transfer Taxes. If applicable, duly completed and signed real estate transfer tax returns.

(f) Other Documents. Such other documents as may be reasonably required by the Title Company or may be agreed upon by Seller and Purchaser to consummate the Transaction.

ARTICLE 7

CONDITIONS TO CLOSING

7.1 Seller's Obligations. Seller's obligation to close the Transaction is conditioned on all of the following, any or all of which may be waived by Seller by an express written waiver, at its sole option:

(a) Representations True. All representations and warranties made by Purchaser in this Agreement shall be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date;

(b) Purchaser's Deliveries Complete. Purchaser shall have delivered the funds required hereunder and all of the documents to be executed by Purchaser set forth in Section 6.4 and shall have performed all other covenants, undertakings and obligations, and complied with all conditions required by this Agreement, to be performed or complied with by Purchaser at or prior to the Closing;

(c) Consent of Lenders. The Lenders shall have consented to this Transaction, which consent shall not be subject to any condition or requirement imposed by the Lenders upon Seller or which affects Seller that Seller, in the exercise of its sole discretion, determines to be unacceptable; provided, further such consent of Lenders shall include a written agreement by the Lenders that at Closing, or within fifteen (15) days thereafter, Lenders shall return to Seller the original letter of credit, without having made any draws against such letter of credit, delivered by Seller to Lenders pursuant to the Agreement Regarding Indemnity. Seller agrees to provide written notice to Purchaser of any specific conditions or requirements imposed by the Lenders that Seller determines to be unacceptable. If Seller shall determine that any such conditions or requirements imposed by the Lenders are unacceptable to Seller, upon Purchaser's request, Seller and

Purchaser shall in good faith seek to obtain the elimination of or changes to such conditions or requirements imposed by the Lenders in a manner acceptable to Seller in its sole discretion;

(d) Waiver of Tax Opinion. Leo shall have waived in writing its right under the Project Partnership Agreement to require a legal opinion from Mayer Brown & Platt (or other counsel reasonably acceptable to Leo) as a condition to the transfer by Seller to Purchaser of the VV City Interest. Seller agrees to use commercially reasonable efforts to obtain such waiver from Leo;

(e) Leo Tax Agreement. Seller shall have obtained from Leo a written agreement in form and content acceptable to Purchaser in the exercise of its commercially reasonable judgment, which provides that, with respect to any claim Leo may have against the Project Partnership, the Investor Partnership and its general partner arising out of or resulting from any breach of the "Debt Maintenance Requirement" under Section 24 of the Project Partnership Agreement, or arising out of or resulting from the amended tax returns being filed as provided in Section 9.1.15 hereof, or arising out of or resulting from the circumstances giving rise to the need to file such amended tax returns, in each case with respect to any transaction, act or omission occurring prior to the Closing Date, Leo will not look to any of, and shall release each of, the Project Partnership, the Investor Partnership and Purchaser, as the successor general partner of the Investor Partnership or otherwise, from any liability with respect to any such claims or payments, and Leo will look solely to Seller for satisfaction of any such claims or payments and will agree that Seller's liability for any such claims or payments will be limited to transactions, acts or omissions occurring during the period between April 27, 2000 and the day preceding the Closing Date. Seller agrees to use commercially reasonable efforts to obtain such waiver from Leo; and

(f) Seller Guaranty. Seller shall have obtained from Leo a written agreement pursuant to which Leo shall release Seller from all claims Leo may have under that certain Guaranty executed by Seller in favor of Leo dated April 27, 2000 that are based upon or arise from facts or circumstances that occur on or after the Closing Date.

7.2 Purchaser's Obligations. Purchaser's obligation to close the Transaction is conditioned on all of the following, any or all of which may be expressly waived by Purchaser in writing, at its sole option:

(a) Representations True. All representations and warranties made by Seller in this Agreement shall be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date except to the extent that they expressly relate to an earlier date; provided, however, that for purposes of determining whether this condition has been satisfied, such representations and warranties shall not be deemed to be qualified or modified by what Purchaser knows or is deemed to know;

(b) Title Conditions Satisfied. At Closing, the Title Company shall issue to the Project Partnership, at Seller's sole cost and expense, the Title Commitment (as updated by any Updates through the Closing Date and including such of the endorsements listed on Exhibit D attached hereto), “marked” to effect insurance coverage (or at Purchaser’s option, a policy of title insurance) subject only to the Permitted Exceptions (the “Closing Title Commitment”), in the amount of $283,000,000, committing to insure or insuring that, upon payment of the applicable premium and costs and compliance with any requirements related to Purchaser, fee simple title to the Real Property is vested in the Project Partnership subject only to the Permitted Exceptions. Purchaser shall be entitled to request that the Title Company provide, at Purchaser’s sole cost and expense, such endorsements (or amendments) to the Closing Title Commitment (in addition to these listed on Exhibit D) as Purchaser may reasonably require, provided that (i) such additional endorsements (or amendments) shall be at no cost or additional liability to Seller, (ii) Purchaser’s obligations under this Agreement shall not be conditioned upon Purchaser’s ability to obtain such additional endorsements and, if Purchaser is unable to obtain such additional endorsements, Purchaser shall nevertheless be obligated to proceed to close the Transaction without reduction of or set off against the Purchase Price, and (iii) the Closing shall not be delayed as a result of Purchaser’s request; notwithstanding any provision of this Agreement to the contrary, if the Title Company issues a policy of title insurance to the Project Partnership that is the same as the pro-forma policy attached hereto as Exhibit Z hereto, this condition shall be deemed fully satisfied;

(c) Seller’s Deliveries Complete. Seller shall have delivered all of the documents and other items required pursuant to Section 6.3 and shall have performed all other covenants, undertakings and obligations, and complied with all conditions required by this Agreement, to be performed or complied with by Seller at or prior to the Closing;

(d) Tenant Estoppel Certificates. Seller shall have received and delivered to Purchaser, tenant estoppel certificates executed by Leo and W&S in the forms of Exhibit H and I, respectively, in each case without material modification and dated within thirty (30) days prior to the initial Closing Date (October 31, 2003). In addition, if Seller shall have received a tenant estoppel certificate from any Tenant other than Leo and W&S, such tenant estoppel certificate shall not disclose or allege (i) any material default or breach of the applicable lease by either the landlord or the Tenant thereunder, (ii) the non-performance by the landlord thereunder of any material obligation of the landlord (which has not been performed by the Project Partnership prior to Closing), or (iii) a material claim by the Tenant against the landlord (which has not been satisfied or resolved by the Project Partnership prior to the Closing). If at any time prior to Closing Seller shall receive a tenant estoppel certificate from a Tenant which shall disclose or allege any of the matters set forth in items (i), (ii) or (iii) above, then Seller shall, at its option, have a period of up to fifteen (15) days (and the Closing shall be extended accordingly if necessary) within which to resolve any such allegation, claim or default and obtain an updated tenant estoppel certificate from such Tenant reflecting the elimination of all such allegations, claims or defaults; provided, however, if the allegation, claim or default is of a nature that it can be resolved by the payment or expenditure of an agreed-upon fixed or liquidated amount of money, Seller shall be deemed to have satisfied the condition set forth in the preceding sentence if Seller shall (which right shall be at Seller’s option) deposit into escrow with the Title Company at Closing an amount equal to such fixed or liquidated amount pursuant to an escrow agreement among Seller, Purchaser and the Title Company, which escrow agreement shall provide that the Title Company shall hold such escrowed amount for the purposes of assuring the availability of funds for the resolution by Seller of the particular allegation, claim or default, and which escrow agreement shall otherwise be in such form as shall be approved by Seller, Purchaser and the Title Company within such fifteen (15) day period, each acting reasonably and in good faith. In such escrow agreement, Seller shall indemnify and hold Purchaser harmless from any losses, damages, claims, actions, liabilities, and expenses, including reasonable attorneys' fees, incurred by Purchaser relating to or arising out of the applicable allegation, claim or default, and such indemnity shall not be subject to any liability limitation set forth in Section 13.2(a) hereof;

(e) Material Adverse Change in Tenants. As of the Closing Date, there shall have been no Material Adverse Change in the financial condition of Leo or W&S from their respective financial conditions as of the date of this Agreement. For the purposes of this Section 7.2(e), a Material Adverse Change in Leo or W&S shall be defined as a change which a reasonable Person, with specific applicable industry and Tenant knowledge, would believe adversely impacts the financial strength of the Tenant in a material fashion. Examples of such a change for Leo could include (without being limited to): the loss of a significant number of clients in a short period of time; a significant lawsuit or claim filed against the firm; the loss of a large number of executives within a short period of time; or a scandal disclosed in the news which causes the management of the firm to be reasonably questioned. Examples for W&S could include (without being limited to): the loss of a significant number of clients in a short period of time; a significant lawsuit or claim filed against the firm; the loss of a large number of attorneys within a short period of time; or a scandal disclosed in the news which causes the management of the firm to be reasonably questioned;

(f) Leo. Leo shall have entered into a third amendment to (and/or restatement of) the Project Partnership Agreement (the "Restated Project Partnership Agreement") and an amendment to its Lease, and shall have caused Publicis Groupe S.A. to guarantee such Lease, each in form and content acceptable to Purchaser addressing those matters set forth on Exhibit K attached hereto. Any and all costs and expenses attributable to such amendments and such guaranty shall be paid by Purchaser outside Closing. Leo shall have waived in writing its right of first offer under Paragraph 35 of Leo's Lease with respect to the Transaction and shall have consented in writing to this Transaction, which consent shall not be subject to any condition or requirement imposed by Leo that Purchaser, in the exercise of its sole discretion, determines to be unacceptable;

(g) Buck. Buck shall have entered into an amendment to (or an amendment to and restatement of) the Investor Partnership Agreement in form and content acceptable to Purchaser addressing those matters set forth in the letter dated June 18, 2003, from Purchaser to Buck, attached hereto as Exhibit L. Any and all costs and expenses attributable to such amendments shall be paid by Purchaser outside Closing. Buck shall have consented in writing to this Transaction, which consent shall not be subject to any condition or requirement imposed by Buck that Purchaser, in the exercise of its sole discretion, determines to be unacceptable;

(h) Modification of the Buck Service Agreements. Buck Management shall have entered into an amendment to the Buck Services Agreements in form and substance acceptable to Purchaser addressing those matters set forth in the letter dated June 18, 2003, from Purchaser to Buck, attached hereto as Exhibit L. Any and all costs and expenses attributable to such amendments shall be paid by Purchaser outside Closing;

(i) Loan. Seller and Purchaser shall have obtained mortgage estoppel letters executed by the Lenders, addressed to the Project Partnership, and dated within thirty (30) days prior to the Closing Date (or within sixty (60) days prior to the Closing Date if Purchaser extends the Closing Date as provided in Section 6.1 hereof), which mortgage estoppel letters shall be similar in form to the Mortgage Estoppel Letters obtained from the Lenders dated April 27, 2000, except that the factual information set forth therein shall be updated to the date of such newly obtained mortgage estoppel letters, and Purchaser shall have reached an agreement with the Lenders with respect to modifications to the Loan and the documents evidencing and securing the Loan. Any and all cost and expenses attributable to such modifications to the Loan and the documents evidencing and securing the Loan shall be paid by Purchaser outside Closing. The Lenders shall have consented in writing to this Transaction, which consent shall not be subject to any condition or requirement imposed by the Lenders that Purchaser, in the exercise of its sole discretion, determines to be unacceptable. The aggregate amount of fees and expenses of the Lenders payable by Purchaser in order to obtain the consent of the Lenders to this Transaction shall not exceed 1.25% of the principal balance of the Loan as of the date of Closing;

(j) Shareholder Loan Extension Letters. Seller shall have delivered to Purchaser letters from the holders of the Shareholder Loans confirming the extensions of the maturity dates as required under Section 13.2(c) hereof;

(k) Waiver of Tax Opinion. Leo shall have waived in writing its right under the Project Partnership Agreement to require a legal opinion from Mayer Brown & Platt (or other counsel reasonably acceptable to Leo) as a condition to the transfer by Seller to Purchaser of the VV City Interest. Seller agrees to use commercially reasonable efforts to obtain such waiver from Leo;

(l) Leo Tax Agreement. Seller shall have obtained from Leo and delivered to Purchaser a written agreement in form and content acceptable to Purchaser in the exercise of its commercially reasonable judgment, which provides that, with respect to any claim Leo may have against the Project Partnership, the Investor Partnership and its general partner arising out of or resulting from any breach of the “Debt Maintenance Requirement” under Section 24 of the Project Partnership Agreement, or arising out of or resulting from the amended tax returns being filed as provided in Section 9.1.15 hereof, or arising out of or resulting from the circumstances giving rise to the need to file such amended tax returns, in each case with respect to any transaction, act or omission occurring prior to the Closing Date, Leo will not look to any of, and shall release each of, the Project Partnership, the Investor Partnership and Purchaser, as the successor general partner of the Investor Partnership or otherwise, from any liability with respect to any such claims or payments, and Leo will look solely to Seller for satisfaction of any such claims or payments and will agree that Seller's liability for any such claims or payments will be limited to transactions, acts or omissions occurring during the period between April 27, 2000 and the day preceding the Closing Date. Seller agrees to use commercially reasonable efforts to obtain such waiver from Leo; and

(m) Amended Tax Returns. Seller shall have caused to be filed prior to the Closing Date the amended tax returns for the taxable years ended December 31, 2000, 2001, and 2002 which are more particularly described on Exhibit Y attached hereto.

7.3 Waiver of Failure of Conditions Precedent. At any time or times on or before the date specified for the satisfaction of any condition, Purchaser or Seller may elect in writing to waive the benefit of any such condition set forth in Section 7.1 or Section 7.2, respectively. In the event any of the conditions set forth in Section 7.1 or 7.2 are neither waived in writing nor fulfilled, Purchaser or Seller (as appropriate) may terminate their obligations to perform at the Closing and otherwise under this Agreement in accordance with the provisions of Article 10.

ARTICLE 8

REPRESENTATIONS AND WARRANTIES

8.1 Purchaser's Representations. Purchaser represents and warrants to, and covenants with, Seller as follows:

8.1.1 Purchaser's Authorization. Purchaser has been duly organized and is validly existing under the laws of the State of Delaware. Purchaser has the right and authority to enter into this Agreement and to purchase the VV City Interest pursuant hereto and to consummate or cause to be consummated the transactions contemplated herein to be made by Purchaser. The person signing this Agreement on behalf of Purchaser is authorized to do so.

8.1.2 Purchaser's Litigation. No action, suit, claim, investigation or proceeding, whether legal or administrative or in mediation or arbitration, is pending against Purchaser before or by any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality which would prevent Purchaser from performing its obligations pursuant to this Agreement.

8.2 Seller's Entity Representations. Seller represents and warrants to Purchaser the following (collectively, the "Seller's Entity Representations"):

8.2.1 Organization and Authority. Each of Seller, the General Partner, the Project Partnership and the Investor Partnership is a limited partnership, and, in the case of the General Partner, a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Delaware. The Project Partnership is duly qualified and in good standing in Illinois, and each of Seller, the Project Partnership and the Investor Partnership is in good standing in each jurisdiction where foreign qualification is necessary. Seller is the sole general partner of the Investor Partnership, and the Investor Partnership is the sole general partner of the Project Partnership. Each of Seller, the General Partner, the Project Partnership and the Investor Partnership has full right, power and authority to execute and deliver this Agreement and/or all documents contemplated hereunder to be executed by Seller, the General Partner, the Project Partnership and the Investor Partnership and to perform all of its respective obligations hereunder and thereunder. Each of Seller, the General Partner, the Project Partnership and the Investor Partnership have full power and authority to own, lease or otherwise hold its properties and assets, including, without limitation, the Property held by the Project Partnership, the Project Partnership Interest held by the Investor Partnership, and the VV City Interest held by the Seller, and to carry on its business as now being conducted.

8.2.2 Authorization. This Agreement and all documents contemplated hereunder to be executed by Seller, the General Partner, the Investor Partnership and the Project Partnership have been or will be duly authorized by all requisite action on the part of Seller, the General Partner, the Project Partnership and Investor Partnership and are legally binding obligations of Seller, the General Partner, the Project Partnership and the Investor Partnership, enforceable in accordance with their respective terms. No consent or approval of any individual, partnership, limited liability company, corporation, firm, trust, unincorporated association or other entity ("Person") is required that has not been obtained in order for Seller, the General Partner, the Project Partnership or the Investor Partnership to enter into this Agreement or any documents contemplated hereunder, and no consent or approval of any Person or government entity is required that has not been obtained in order for Seller, the General Partner, the Project Partnership or the Investor Partnership to perform any obligation under this Agreement or any of the documents contemplated hereunder or to consummate the Transactions, other than the consent of Buck, Leo and the Lenders.

8.2.3 No Violation. Neither the execution and delivery of this Agreement and all of the documents contemplated hereunder to be executed by Seller, the General Partner, the Project Partnership or the Investor Partnership, nor the performance of obligations by such parties hereunder or thereunder will result in: (a) a violation of any law, rule or regulation; (b) a violation of or a conflict with any provision of the organization documents or limited partnership agreement of Seller, the Project Partnership or the Investor Partnership or the limited liability company operating agreement of the General Partner; (c) subject to obtaining the consent of the Lenders under the Loan, a breach of, or a default under, or the creation of any right of any party to accelerate, terminate or cancel, any contract, permit, license, lease, authorization or concession to which Seller, the General Partner, the Project Partnership or the Investor Partnership is a party or by which the Property is bound (including, without limitation, any indenture, deed to secure debt, mortgage, deed of trust, note or other evidence of indebtedness); (d) will conflict with any order or decree of any court or governmental instrumentality of any nature by which Seller, the General Partner, the Project Partnership or the Investor Partnership are bound; or (e) an imposition of any Encumbrance, restriction or charge on the VV City Interest, the Project Partnership Interest, the Property, the Project Partnership or the Investor Partnership.

8.2.4 Partnership Documentation. On or prior to the execution of this Agreement, Seller has delivered to Purchaser true, correct and complete copies of (a) the

Certificates, (b) the Project Partnership Agreement, (c) the Investor Partnership Agreement, (d) the documents and instruments evidencing or securing Loan, and (e) all amendments, modifications, agreements, certificates and notices related thereto.

8.2.5 Litigation. No action, suit, claim, investigation or proceeding, whether legal or administrative or in mediation or arbitration, is pending or, to the best of Seller's knowledge, threatened, at law or in equity, against Seller, the General Partner, the Project Partnership or the Investor Partnership or affecting the Property before or by any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality (i) which would prevent Seller, the General Partner, the Project Partnership or the Investor Partnership from performing its obligations pursuant to this Agreement or consummating the transactions contemplated hereby, (ii) which relates to a claim or dispute under the Project Partnership Agreement or the Investor Partnership Agreement or under the Delaware Revised Uniform Limited Partnership Act, or (iii) which constitutes a claim by any Person to an interest in the profits or distributions of either the Project Partnership or the Investor Partnership. In addition, there are no judgments, decrees or orders entered in a suit or proceeding against Seller, the General Partner, the Project Partnership, the Investor Partnership or the Property, an adverse decision in which might, or which judgment, decree or order does, adversely affect Seller's, the General Partner's, the Project Partnership's or the Investor Partnership's ability to perform its obligations pursuant to, or Purchaser's rights under, this Agreement, or which seeks to restrain, prohibit, invalidate, set aside, rescind, prevent or make unlawful this Agreement or the carrying out of this Agreement or the transactions contemplated hereby. There is no action initiated by Seller, the General Partner, the Project Partnership or the Investor Partnership with respect to the Property, the VV City Interest, the Project Partnership Interest, the Leases or the Operating Agreements.

8.2.6 Capitalization. The authorized, issued and outstanding partnership interests in each of the Project Partnership and the Investor Partnership are set forth on Exhibit M attached hereto, and all of the issued and outstanding partnership interests in the Project Partnership and the Investor Partnership have been duly authorized and validly issued, are fully paid and non-assessable and, except as set forth in the Project Partnership Agreement or the Investor Partnership Agreement, have no requirement for the owner thereof to make additional contributions to, or be liable for the obligations, of the Project Partnership or the Investor Partnership. The partnership interests in the Project Partnership and the Investor Partnership listed on Exhibit M constitute all outstanding partnership interests in the Project Partnership and the Investor Partnership, and there are no outstanding options, warrants or other rights that would entitle any Person to acquire any interest in the Project Partnership or the Investor Partnership or in or to any distributions or profits of either such partnership. Except as set forth in the Project Partnership Agreement and the Investor Partnership Agreement and in Paragraph 35 of the Lease with Leo, there are (a) no statutory or contractual preemptive rights, rights of first refusal or similar rights or restrictions with respect to the sale of any partnership interests and (b) are no agreements between the partners of the Project Partnership and/or the Investor Partnership with respect to the voting or transfer of partnership interests or with respect to any other aspect of the Project Partnership's or the Investor Partnership's affairs. There are no loans outstanding to either the Project Partnership or the Investor Partnership by Seller or any affiliate of Seller or by any other partner or affiliate of any partner.

8.2.7 Ownership of Partnership Interests. Seller has good and marketable title in and to the VV City Interest, free and clear any and all Encumbrances, and Seller will transfer and deliver to Purchaser at Closing good and valid title to the VV City Interest free and clear of any such Encumbrances. In addition, the Investor Partnership has good and marketable title in and to the Project Partnership Interest, free and clear of any Encumbrances, and upon the transfer of the VV City Interest to Purchaser at Closing, the Investor Partnership will have good and valid title to the Project Partnership Interest free and clear of any such Encumbrances.

8.2.8 No Default. Neither Seller nor the General Partner is in default or breach of the performance or observance of any covenant, obligation or agreement to be performed or observed by Seller under the Investor Partnership, and, to the knowledge of Seller, no other party is (with or without the lapse of time or giving of notice, or both) in default or breach thereunder. Investor Partnership is not in default or breach of the performance or observance of any covenant, obligation or agreement to be performed or observed by Investor Partnership under the Project Partnership and, to the knowledge of Seller, no other party is (with or without the lapse of time or giving of notice, or both) in default or breach thereunder.

8.2.9 Assets, Liabilities. The Investor Partnership does not have any assets other than the Project Partnership Interest and has not incurred any obligations or liabilities, including, without limitation, any contingent liabilities, other than those liabilities and obligations arising under the Project Partnership Agreement. Since its formation, the Project Partnership has not acquired any assets other than any contributions made to the Project Partnership by its partners, the Property and the rights incidental thereto, the Operating Agreements, the Leases and any payments made to the Project Partnership under such agreements, including, without limitation, rent. Neither the Project Partnership nor the Investor Partnership has any subsidiaries or owns any interest in any other entity other than the Investor Partnership's ownership interest in the Project Partnership. Since its formation, the Project Partnership has not incurred any obligation or liability, including, without limitation, any contingent liabilities, other than those liabilities and obligations arising under the Project Partnership Agreement, the Operating Agreements, the Leases, the Loan and those arising solely by reason of the Project Partnership's acquisition and ownership of the Real Property such as covenants, conditions and restrictions which burden the Real Property. Other than the Loan, neither the Project Partnership nor the Investor Partnership has any debt outstanding for borrowed money.

8.2.10 No Undisclosed Liabilities. Except as disclosed in this Agreement, neither the Project Partnership nor the Investor Partnership has incurred any liabilities whether accrued, contingent, absolute, determined, determinable or otherwise, other than those liabilities set forth on the Financial Statements (as hereinafter defined) or liabilities incurred since April 27, 2000, in the ordinary course of business of ownership and operation of the Property.

8.2.11 Financial Statements. Seller has delivered to Purchaser true and complete copies all financial statements for the Project Partnership and the Investor Partnership and operating statements for the Property for the fiscal quarters ended March 31, 2003 and June 30, 2003, and the fiscal years ended December 31, 2002, 2001 and 2000 (collectively, the "Financial Statements"). All such Financial Statements are true and complete and present fairly, as of their respective dates or the periods covered thereby, the financial position, cash flow and results of operations for the Project Partnership, the Investor Partnership and the Property.

8.2.12 Single Purpose Partnerships. Since its formation, the only purpose and activity of the Investor Partnership has been the ownership of its partnership interest in the Project Partnership and activities incidental thereto and the only purpose and activity of the Project Partnership has been the ownership and operation of the Property and activities incidental thereto.

8.2.13 No Employees. Neither the Investor Partnership nor the Project Partnership has any employees or has ever had employees (whether on a full-time, part-time or temporary basis). At no time have either of the Project Partnership or the Investor Partnership been party to, subject to the terms of, responsible for the liabilities of, maintained, contributed to or been required to contribute to any "Benefit Arrangement." The term "Benefit Arrangement" shall mean any employment, severance or similar contract or arrangement (whether or not written) or any plan (specifically including, but not limited to, any "employee benefit plan," as defined in Section 3(3) of ERISA, and any "group health plan," as defined in Section 5000(b)(1) of the Internal Revenue Code), policy, fund, program or contract or arrangement (whether or not written) providing for compensation, bonus, profit-sharing, stock option, or employee stock purchase plan (as that term is defined in Section 423 of the Internal Revenue Code), or other stock related rights or other forms of incentive or deferred compensation, vacation benefits, insurance coverage (including any self-insured arrangements), health or medical benefits, disability benefits, workers' compensation, supplemental unemployment benefits, severance benefits and post-employment or retirement benefits (including compensation, pension, health, medical or life insurance or other benefits). No Person serving as officer, manager, director or in any other similar capacity of either the Project Partnership or the Investor Partnership is entitled to any form of compensation or other benefits (including benefits pursuant to a Benefit Arrangement) from the Project Partnership or the Investor Partnership.

8.2.14 Taxes.

(a) All Tax Returns required to be filed by or with respect to the Investor Partnership and the Project Partnership for periods ending on or prior to the Closing Date (i) have been or will be timely filed with the appropriate taxing authorities in all jurisdictions in which such Tax Returns are required to be filed and (ii) except as disclosed in Section 9.1.15 and on Exhibit Y attached hereto, are or will be true and correct in all material respects, and all Taxes reported on such Tax Returns due on or prior to the Closing Date have been or will be timely paid.

(b) There are no audits, disputes, claims, assessments, levies, administrative proceedings pending or threatened against or with respect to the Investor Partnership and the Project Partnership.

(c) Neither the Investor Partnership nor the Project Partnership has requested a waiver of, or extended or waived, the application of any statute of limitations of any jurisdiction regarding the assessment or collection of any Tax.

(d) Neither the Investor Partnership nor the Project Partnership has received a notice of deficiency or assessment from any taxing authority with respect to liabilities for Taxes of the Investor Partnership or the Project Partnership, respectively, which have not been fully paid or finally settled.

(e) Each of the Investor Partnership and the Project Partnership is properly characterized as a "partnership" for federal income tax purposes pursuant to Section 30l.7701-3(b)(l)(i) of the Treasury Regulations and each has been so characterized since inception thereof.

(f) Neither the Investor Partnership nor the Project Partnership has been a member of an "affiliated group" (within the meaning of Section 1504(a) of the Code) filing a consolidated federal income Tax Return or a member of any consolidated, unitary, combined or similar group pursuant to corresponding state, local or foreign Law. Neither the Investor Partnership nor the Project Partnership has any liability for the Taxes of any Person other than the Investor Partnership and the Project Partnership under Section 1.1502-6 of the Treasury Regulations (and corresponding provisions of state, local and foreign Law).

(g) The tax matters information described in Schedule 4.14 which Seller has made available to Purchaser is, in each case, true, correct and complete.

(h) Each of the Investor Partnership and the Project Partnership has disclosed on its federal income Tax Returns all positions taken therein that would result in any substantial understatement of federal income tax within the meaning of Section 6662 of the Code.

(i) Each of the Investor Partnership and the Project Partnership has complied with all applicable Laws relating to withholding of Taxes and the payment thereof, and has timely and properly withheld from employee wages (and from all other payments made by or on behalf of the Investor Partnership and the Project Partnership) and paid over to the proper governmental authorities all amounts required to be withheld and paid over under applicable Laws.

(j) Except with respect to Leo as provided in the Project Partnership Agreement, neither the Investor Partnership nor the Project Partnership is a party to, is bound by or has any obligation under any tax sharing arrangement, tax indemnification agreement or similar contract or arrangement.

(k) No jurisdiction where either of the Investor Partnership or the Project Partnership does not file a Tax Return has made a claim in writing that either of the Investor Partnership and the Project Partnership is required to file a Tax Return in such jurisdiction. For purposes of this Agreement, the following terms shall mean as follows:

(I) "Tax" or "Taxes" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Section 59A of the Internal Revenue Code of 1986, as amended), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property (including assessments, fees or other charges based on the use or ownership of real property), personal property, transactional, use, transfer, registration, value added, alternative or add-on minimum, estimated tax, or other tax of any kind whatsoever, or any liability for unclaimed property or escheatment based on common law, including any interest, penalty or addition thereto, whether disputed or not, including any item for which liability arises as a transferee or successor-in-interest.

(II) "Tax Return" means any return, report, information return, declaration, claim for refund, or other document, together with all amendments and supplements thereto (including all related or supporting information), required to be supplied to any governmental authority responsible for the administration of Laws governing Taxes.

8.2.15 ERISA. Neither the Project Partnership nor the Investor Partnership has any liability, either individually or on a joint and several basis, arising under the Employee Retirement Income Security Act of 1974.

8.2.16 Compliance with Laws. To Seller's knowledge, each of the Project Partnership and the Investor Partnership has complied with all statutes, laws, rules, regulations, orders, decrees, injunctions and ordinances applicable to the operation of the Project Partnership and/or the Investor Partnership (collectively, the "Laws").

8.2.17 Bankruptcy. Seller and the General Partner are solvent, and neither has 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 or General Partner's respective properties or assets (including the VV City Interest) been appointed or a petition filed by or against Seller or the General Partner for bankruptcy, reorganization or arrangement pursuant to the Federal Bankruptcy Act or any similar statute or law of any jurisdiction, or any proceeding instituted for the insolvency, receivership, administration, dissolution or liquidation of Seller or the General Partner.

8.2.18 Ordinary Course of the Business. Each of the Project Partnership and the Investor Partnership has operated its business in the ordinary course, and since the acquisition of the Property by the Project Partnership:

(a) to Seller's knowledge, there has been no material destruction or loss of or to any of the assets or properties of either the Project Partnership or the Investor Partnership;

(b) there has been no sale, transfer or other disposition of any material asset or properties of either the Project Partnership or the Investor Partnership;

(c) there has been no amendment, termination or waiver of any right of either the Project Partnership or the Investor Partnership under any contract or agreement or governmental license, permit or authorization;

(d) Except as disclosed in the Existing Title Policy or any updates thereto delivered to Purchaser, there has been no mortgage, lien, security interest, pledge, hypothecation or other encumbrance created by the Project Partnership or the Investor Partnership on or in any of the Property or assumed by the Project Partnership or the Investor Partnership with respect to any of its assets; and

(e) Except as provided in Section 2.3 hereof, neither the Project Partnership nor the Investor Partnership has made or committed to make any capital expenditures in excess of $50,000.

8.2.19 Absence of Certain Payments. Neither Seller, the Project Partnership nor the Investor Partnership or any officer, manager, director, agent or other Person acting on their behalf, (a) has directly or indirectly, made contributions, gifts, or payments relating to any political activity or solicitation of business which was prohibited by law or, on behalf of Seller, the Project Partnership or the Investor Partnership, (b) has made any direct or indirect unlawful payment to any governmental official or employee or (c) established or maintained any unlawful or unreported funds. Neither Seller, the Project Partnership nor the Investor Partnership, or any officer, manager, agent or other Person acting on their behalf, has accepted or received any unlawful contribution, payment, gift, entertainment or expenditure.

8.2.20 Bank Accounts. Attached hereto as Exhibit S is a list of all bank, brokerage and other accounts of the Investor Partnership and the Project Partnership.

8.3 Seller's Representations. With respect to the Property, Seller represents and warrants to Purchaser as follows (collectively, the "Seller's Property Representations"):

8.3.1 Pending Actions. There is no action, suit, arbitration, unsatisfied order or judgment, governmental investigation or proceeding pending, or to Seller's knowledge, threatened, against the Project Partnership, the Investor Partnership or Seller or otherwise with respect to the Property which, if adversely determined, could affect the use, value, operation or title to the Property or the value of the VV City Interest or the Project Partnership Interest.

8.3.2 Leases.

(a) Exhibit B lists all leases or occupancy agreements to which the Project Partnership is a party or is otherwise bound affecting the Property, including all amendments, modifications or supplements thereto. Seller has furnished to Purchaser by mail true, correct and complete copies of all Leases and amendments thereto. There are no written amendments or modifications to the Leases that have not been furnished or made available to Purchaser for its review and inspection. The Project Partnership is the landlord or lessor under all such Leases. None of the Project Partnership's interest in the Leases or of the Project Partnership's right to receive rent payable under the Leases has been assigned, conveyed, pledged or in any manner encumbered, except in connection with the Loan.

(b) To the Seller's knowledge, no Tenant has assigned its interest in its Leases or sublet any portion of the premises leased to such Tenant under its Lease, except for subleasing by W&S which has been disclosed to Purchaser and a proposed assignment by CTF Chicago Hotel Limited Partnership to CTF Chicago Hotel LLC, a draft copy of which has been furnished to Seller. No Tenant (i) has prepaid rent for more than the current month under any Lease, (ii) is entitled to receive any rent concession (not already taken) in connection with its tenancy under any Lease, (iii) other than W&S, is entitled to any special work (not yet performed) or consideration (not yet given) in connection with its tenancy under any Lease, and (iv) other than Leo's partnership interest in the Project Partnership and its rights of first offer set forth in Paragraph 35 of Leo's Lease, has any deed, option, or other evidence of any right or interest in or to the Property, except for such Tenant's tenancy as evidenced by the express terms of the Leases.

8.3.3 Leases Default. (i) The Project Partnership has not received any written notice of termination or default under any of the Leases, (ii) to Seller's knowledge there are no existing or uncured defaults in the performance of monetary obligations or in the performance of any other material obligations by the Project Partnership, by any predecessor landlord, or by any Tenant under the Leases (except that Fromex One Hour Photo System, Inc., and Deutsch Luggage are delinquent in the payment of rent), (iii) to the Seller's knowledge, there are no events which with passage of time or notice, or both, would constitute a payment default or other material default by the Project Partnership or by any Tenant, and (iv) to Seller's knowledge, no Tenant has asserted in writing any defense, set-off, or counterclaim with respect to its tenancy or its obligation to pay rent, additional rent, or other charges pursuant to its Lease. If any tenant estoppel certificate delivered to Purchaser prior to Closing contains statements confirming, without qualification as to best knowledge of Tenant, any of Seller's representations or warranties set forth in Section 8.3.2(b) or this Section 8.3.3, the Seller shall be deemed not to have made the applicable representations or warranties as to the Lease for which such statement is provided.

8.3.4 Lease Brokerage. There are no lease brokerage agreements, leasing commission agreements or other agreements providing for payments of any amounts for leasing activities or procuring tenants with respect to the Property other than as disclosed in Exhibit N. As of the date hereof, no rental, lease, or other commissions with respect to the Leases are payable to any third party whatsoever. All commissions payable under, relating to, or as a result of the Leases have been cashed out and paid and satisfied in full by Seller, the Project Partnership or the Investor Partnership.

8.3.5 W & S Promissory Notes. Exhibit R lists all promissory notes owned or held by the Project Partnership from Tenants of the Property, including all amendments, modifications or supplements thereto, and Exhibit R correctly sets forth the current principal balance of each such promissory note. Seller has furnished or made available to Purchaser true and complete copies of the W & S Promissory Notes, except that two of the copies are unexecuted. To Seller's knowledge, there are no existing or uncured defaults by W & S under the W & S Promissory Notes, and W & S has not asserted any defense, setoff, or counterclaim with respect to its obligations under the W & S Promissory Notes. W & S has not made, and the Project Partnership has not accepted, any prepayments of principal and interest under any of the W & S Promissory Notes.

8.3.6 No Violations. The Project Partnership has not received any written notification from any governmental or public authority, nor to Seller's knowledge is any such notice pending or threatened, (i) that the Property is in violation of any applicable fire, health, building, use, occupancy or zoning laws where such violations remains outstanding and, if unaddressed, would have a material adverse effect on the use, ownership or operation of the Property as currently owned and operated or (ii) that any work is required to be done upon or in connection with the Property, where such work remains outstanding and, if unaddressed, would have a material adverse effect on the use, ownership or operation of the Property as currently owned and operated.

8.3.7 Real Estate Tax Bills. To Seller's knowledge, true and complete copies of the most recent real estate tax bills for the Property have been delivered to Purchaser.

8.3.8 Condemnation. No condemnation or eminent domain proceedings relating to the Property or any part thereof are pending or, to Seller's knowledge, threatened.

8.3.9 Insurance. The Project Partnership has not received any written notice from any insurance company or board of fire underwriters of any defects or inadequacies in or on the Property or any part or component thereof that would materially and adversely affect the insurability of the Property or cause any material increase in the premiums for insurance for the Property that have not been cured or repaired.

8.3.10 Environmental Matters. Except as set forth in any environmental assessment reports in Seller's or the Project Partnership's possession and disclosed to Purchaser or as otherwise disclosed to Purchaser in writing, including, without limitation, that certain report prepared by STS Consultants Ltd., dated February 10, 1988, that certain report prepared by Law Engineering and Environmental Services, Inc., dated October 3, 1997, and Property Solutions, dated May 3, 2002, the Project Partnership has received no written notification that any governmental or quasi-governmental authority has determined that there are any violations or suspected violations of any Laws relating to Hazardous Materials at the Property (collectively, "Environmental Laws").

8.3.11 Operating Agreements. The Operating Agreement Schedule attached hereto as Exhibit O is a true, correct and accurate listing of all management agreements, service agreements, leasing agreements, maintenance agreements and all other written agreements with respect to the use, operation, management, maintenance and repair or all or any portion of the Property (collectively, the "Operating Agreements"), and Seller has furnished and made available to Purchaser for its review and inspection in the office of the Buck Management true, correct and complete copies of each of the Operating Agreements, including any amendments thereto. Except for the Buck Services Agreements, Seller will cause the Project Partnership to cancel, effective as of the Closing, any agreement in the nature of a management agreement or service contract between the Project Partnership and any partner or member of the Project Partnership or Investor Partnership or any party affiliated with or related to Seller or any partner or member of Seller, the Project Partnership or the Investor Partnership.

8.3.12 Union Contracts. There are no union contracts, collective bargaining or similar agreements or arrangements between Seller, the Investor Partnership, or the Project Partnership and any labor union. Buck, as manager of the Property (and not as agent for the Project Partnership, the Investor Partnership or Seller) is a party to the collective bargaining or similar agreements or arrangements set forth on Exhibit O attached hereto, and Seller has furnished or made available to Purchaser true, correct and complete copies of such agreements listed on Exhibit O attached hereto.

8.3.13 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.

8.3.14 No Other Agreements. Other than the Leases, the Operating Agreements, and the Permitted Exceptions, there are no leases, service contracts, management agreements, or other agreements or instruments in force and effect, written or, to Seller's knowledge, oral, 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, any rights to acquire 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.

8.3.15 Designated Persons. The Designated Persons are persons within the organization of Seller and Seller's asset manager who have primary responsibility within their respective organizations for the operation, management and oversight of the Property.

8.3.16 Warranties and Guaranties. To Seller's knowledge, attached hereto as Exhibit P is an accurate and complete list and description of all of the warranties and guaranties of contractors, vendors, manufacturers and other parties in effect and related to the Property. Seller has furnished or made available to Purchaser true, correct and complete copies of all such warranties and guarantees listed on Exhibit P attached hereto.

8.3.17 Existing Title Policy. No claims have been made by Seller, the General Partner, the Project Partnership or the Investor Partnership under the Existing Title

Policy. To Seller's knowledge, the Existing Title Policy is in full force and effect and neither Seller, the General Partner, the Project Partnership nor the Investor Partnership has acted or failed to act in any manner that would impair the coverage under the Existing Title Policy.

8.3.18 Loan. The Project Partnership is the obligor under the Loan. Attached hereto as Exhibit U and by reference made a part hereof is a complete list of all documents and instruments evidencing or securing the Loan, including all modifications and amendments thereto, and Seller has provided to Purchaser true, correct and complete copies of all such documents and instruments. The Investor Partnership has not assumed or guaranteed any of the Project Partnership's obligations under the Loan (except in its capacity as general partner of the Project Partnership). Neither Seller nor the Project Partnership has received any written notice from the Lenders asserting a default under the Loan.

8.4 General Provisions.

8.4.1 Definition of "Seller's Knowledge". All references in this Agreement to "Seller's knowledge" or words of similar import shall mean the actual knowledge of Jeffrey J. Perpich and John C. Schoser of Lend Lease Real Estate Investments, Inc., advisor to Seller, (collectively, the "Designated Persons") after reasonably inquiry of Kent Swanson, Angelo Saccameno, Betsy Traczek and Theresa Mancuso of Buck Management, but without any duty on the part of such Designated Persons to conduct any independent investigation or make any inquiry of any other Person.

8.4.2 Notice of Breach: Seller's Right to Cure. If prior to the Closing, Purchaser obtains actual knowledge that any of the representations or warranties made herein by Seller are untrue, inaccurate or incorrect in any material respect, Purchaser shall give Seller written notice thereof within five (5) business days of obtaining such knowledge (but, in any event, prior to the Closing). If at or prior to the Closing, Seller obtains actual knowledge that any of the representations or warranties made herein by Seller are untrue, inaccurate or incorrect in any material respect, Seller shall give Purchaser written notice thereof within five (5) business days of obtaining such knowledge (but, in any event, prior to the Closing). In either such event, Seller shall have the right to cure such misrepresentation or breach and shall be entitled to a reasonable adjournment of the Closing [not to exceed fifteen (15) days] for the purpose of such cure. The untruth, inaccuracy or incorrectness of a representation or warranty shall be deemed material only if Purchaser's aggregate damages resulting from the untruth, inaccuracy or incorrectness of any of the representations or warranties are reasonably estimated by Purchaser to exceed $50,000 or relate to a claim for injunctive or other equitable relief.

8.4.3 Survival of Seller's Representations. The Seller's Entity Representations shall survive the Closing for a period of three (3) years following the Closing Date; provided, however, the Seller's Entity Representations contained in Section 8.2.7 (Ownership of Partnership Interests) and Section 8.2.14 (Taxes) shall survive the Closing until the expiration of the applicable statute of limitations (after giving effect to any waiver or extension thereof). The Seller's Property Representations shall survive Closing for a period of twelve (12) months following the Closing Date. Notwithstanding the foregoing, any representation or warranty in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate as set forth above, if notice of claim of breach thereof giving rise to such right of indemnity shall have been given to Seller prior to the applicable survival date. Notwithstanding the foregoing, however, if the Closing occurs, Purchaser hereby expressly waives, relinquishes and releases any right or remedy available to it at Law, in equity or under this Agreement to make a claim against Seller for damages that Purchaser may incur, or to rescind this Agreement and the Transaction, as the result of any of Seller's representations or warranties under this Agreement being untrue, inaccurate or incorrect if (a) Purchaser's representatives, L. Clay Adams, Spencer Patton, Christy Kirkland or Michael Holmes, had actual knowledge of facts or circumstances that caused such representation or warranty to be untrue, inaccurate or incorrect at the time of the Closing, or (b) Purchaser's aggregate damages as a result of such representations or warranties being untrue, inaccurate or incorrect (in each case determined without regard to any qualifications therein referencing "materiality" or other words of similar effect) are reasonably estimated to be less than (i) with respect to all such representations and warranties of Seller other than those in Sections 8.3.2(b) and 8.3.3, $50,000, and (ii) with respect to the representations and warranties of Seller in Sections 8.3.2(b) and 8.3.3, $200,000.

8.4.4 Survival of Purchaser's Representations. The representations and warranties made by Purchaser in Section 8.1 shall survive the Closing for a period of twelve (12) months. Purchaser shall only be liable to Seller hereunder for a breach of a representation and warranty made herein or in any of the documents executed by Purchaser at the Closing with respect to which Seller shall have commenced a legal proceeding against Purchaser prior to that survival date alleging that Purchaser has breached such representation or warranty and that Seller suffered actual damages as a result thereof.

ARTICLE 9

COVENANTS

9.1 Seller's Covenants. Seller hereby covenants as follows:

9.1.1 Amendments to Agreements. Without the Purchaser's prior written consent (which consent may be withheld in Purchaser's sole discretion) between the date hereof and the Closing Date and except as expressly contemplated under this Agreement, Seller shall not and shall cause the Investor Partnership and the Project Partnership not to permit any amendment or modification of, any supplement to, or any termination or surrender, or any waiver or any rights of Seller, the Investor Partnership or the Project Partnership under the Certificates, the Project Partnership Agreement, the Investor Partnership Agreement, the Existing Title Policy, or the Loan.

9.1.2 Rent. Neither Seller, the Project Partnership nor the Investor Partnership shall accept any payment of rent under the Leases more than thirty (30) days in advance of the due date for such rent or accept any prepayment of the installments of principal and interest under the W & S Promissory Notes in advance of the due date for such installments.

9.1.3 Service Contracts. Without Purchaser's prior consent, which consent shall not be unreasonably withheld, between the date hereof and the Closing Date, Seller shall not and shall cause the Project Partnership and the Investor Partnership not to enter into any management, service, leasing, supply, maintenance or similar agreement affecting the Property or modify, amend, renew or extend any existing Operating Agreement unless such agreement is for Seller to perform repairs to the Property in the ordinary course of business and such agreement can be terminated by the owner of the Property without penalty on not more than thirty (30) days' notice.

9.1.4 Leases and Permitted Exceptions. Without Purchaser's prior written consent, which consent shall not be unreasonably withheld, between the date hereof and the Closing Date, Seller shall not and shall cause the Project Partnership and the Investor Partnership not (i) to enter into any new leases or any amendments, modifications or terminations of any Leases, or (ii) to modify or amend the W & S Promissory Notes or grant any release or indulgence to the obligor under the W & S Promissory Notes, or (iii) to modify, amend or terminate any of the Permitted Exceptions.

9.1.5 Litigation. Seller shall advise Purchaser promptly of any litigation, arbitration, proceeding or administrative hearing (including condemnation) which affects the Property, the VV City Interest, the Project Partnership Interest, the Project Partnership or the Investor Partnership in any respect, which is instituted by service of process after the date of this Agreement.

9.1.6 Insurance. Seller shall cause the Project Partnership to keep the Improvements insured against fire and other hazards in such amounts and under such terms, coverage and limits of liability at least equal to insurance currently in force as of the date of this Agreement.

9.1.7 Taxes. Seller acknowledges and agrees that Seller shall be responsible for (i) the payment of 97.9396% of all Taxes of the Investor Partnership attributable to Seller's period of ownership of the VV City Interest, and (ii) the payment of 94.5124% of all Taxes of the Project Partnership attributable to the Investor Partnership's period of ownership of the Project Partnership Interest (other than property Taxes that are the responsibility of Tenants under the Leases.)

9.1.8 Notices of Sale to Tenants. At Closing, Seller will and shall cause the Project Partnership to join with Purchaser in executing a notice, in a form and content reasonably satisfactory to Seller and Purchaser, which Purchaser may send to the Tenants informing such Tenants of the sale of the VV City Interest and directing that all rent and other sums payable for periods after Closing under such Leases shall be paid as set forth in such notices.

9.1.9 Notices to Sale to Service Contractors. At Closing, Seller will and shall cause the Project Partnership to join with Purchaser in executing notices, in form and content reasonably satisfactory to Seller and Purchaser, which Purchaser shall send to each service provider under the Operating Agreements informing such service provider of the sale of the VV City Interest and directing that all future statements or invoices for services under such Operating Agreements for periods after the Closing Date be directed as set forth in such notices.

9.1.10 Estoppel Certificates. Prior to the Closing Date Seller shall use and shall cause the Project Partnership and the Investor Partnership to use commercially reasonable efforts to obtain estoppel certificates from Leo, W&S and the other Tenants as set forth on Exhibits H, I and J attached hereto, respectively; provided, however, Seller shall not be in default under this Agreement if it is unable to obtain such estoppel certificates and, in any event, Seller shall be under no obligation to pay money or exercise any remedies under the relevant Leases to obtain such estoppel certificates.

9.1.11 Ordinary Course of Business. Between the date hereof and the Closing Date, Seller shall and shall cause the Investor Partnership and the Project Partnership to operate the Property, the Project Partnership and the Investor Partnership in the ordinary course of business consistent with past practice and shall use its commercially reasonable efforts to preserve intact the Property, the Project Partnership and the Investor Partnership and their business relationships. Seller shall not permit and shall cause the Investor Partnership and the Project Partnership not to permit the Project Partnership or the Investor Partnership to undertake any business activity other than the ownership of the Property, in the case of the Project Partnership, and the Project Partnership Interest, in the case of the Investor Partnership. Seller shall and shall cause the Project Partnership and the Investor Partnership to perform and discharge all the duties and obligations and comply with the covenants and agreement of the landlord or lessor under the Leases in the manner and within the time limited required thereunder. In addition, between the date hereof and the Closing Date, Seller shall not permit and shall not cause the Project Partnership and the Investor Partnership or any of their respective officers, managers, directors, representatives or agents to (i) issue or agree to issue any partnership or other equity interests in the Project Partnership or the Investor Partnership, (ii) merge or consolidate with any other Person or acquire any assets outside the ordinary course of business, (iii) sell, lease, license, assign or otherwise dispose of any assets or property, (iv) cancel any debts or waive any claims or rights, (v) make or agree to make any capital expenditure in excess of $10,000, (vi) fail to continue to properly maintain, insure and protect the Property consistent with past practice, (vii) subject to Section 9.1.15 and Exhibit Y hereto, make any material Tax election for the Project Partnership or the Investor Partnership, or settle or compromise any Tax liability that could create or otherwise cause any material liability of the Project Partnership or the Investor Partnership (or the partners thereof) that will exist or become due on or after the Closing Date, or (viii) agree or commit to do any of the foregoing. Prior to the Closing Date, Seller shall and shall cause the Project Partnership, the Investor Partnership and Buck Management to continue to operate, repair and maintain the Property in good businesslike fashion consistent with past practices.

9.1.12 Indebtedness: Encumbrances. Seller shall not and shall cause the Project Partnership and the Investor Partnership not to assume, guarantee or incur any additional obligations for borrowed money or any indebtedness other than accounts payable arising in the ordinary course of business of the ownership and operation of the Property. Except with Purchaser's prior written consent, neither Seller, the Project Partnership or the Investor Partnership shall grant or otherwise create or consent to the creation of any easement, restriction, lien, assessment or encumbrance with respect to the Property, the VV City Interest or the Project Partnership Interest.

9.1.13 Cooperation with Purchaser's Auditors and SEC Filing Requirements. Seller shall provide to Purchaser (at Purchaser's expense) copies of, or shall provide Purchaser access to, such factual information as may be reasonably requested by Purchaser, and in the possession or control of Seller, the Project Partnership or the Investor Partnership or Seller's asset manager and the Project Partnership's property manager or accountants, to enable Purchaser (and/or Wells Real Estate Investment Trust, Inc.) to file its or their Form 8-K, if, as and when such filing may be required by the Securities and Exchange Commission ("SEC"). At Purchaser's sole cost and expense, Seller shall allow Purchaser's auditor (Ernst & Young LLP or any successor auditor selected by Purchaser) to conduct an audit of the income statements of the Property (and the Project Partnership and Investor Partnership) for 2000, 2001, 2002 and 2003 (to the date of Closing), and shall cooperate (at no cost to Seller) with Purchaser's auditor in the conduct of such audit. In addition, Seller agrees to provide to Purchaser's auditor a letter of representation in the form attached hereto as Exhibit T, and, if requested by such auditor, historical financial statements for the Property, including income and balance sheet data for the Property, whether required before or after Closing. Without limiting the foregoing, (i) Purchaser or its designated independent or other auditor may audit Seller's operating statements of the Property at Purchaser's expense; and Seller shall provide such documentation as Purchaser or its auditor may reasonably request in order to complete such audit, and (ii) Seller shall furnish to Purchaser such financial and other information as may be reasonably required by Purchaser to make any required filings with the SEC or other governmental authority; provided, however, that the foregoing obligations of Seller shall be limited to providing such information or documentation as may be in the possession of, or reasonably obtainable by, Seller, its property manager or accountants, at no cost to Seller, and in the format that Seller (or its property manager or accountants) have maintained such information.

9.1.14 No Action. Neither Seller, the General Partner, the Project Partnership nor the Investor Partnership will knowingly take, or agree or commit to take, any action that would make any representation or warranty of Seller hereunder inaccurate in any respect at or prior to the Closing Date.

9.1.15 Amended Tax Returns. Seller, the Investor Partnership and the Project Partnership are currently in the process of making certain corrections to the Tax Returns of the Investor Partnership and the Project Partnership for the taxable years ended December 31, 2000, 2001, and 2002. The corrections are more particularly described in Exhibit Y hereto. Seller shall use all commercially reasonable efforts necessary to have the amended tax returns (and other documentation necessary to make such corrections) prepared and filed prior to the Closing Date.

9.2 Mutual Covenants.

9.2.1 Publicity. Seller and Purchaser each hereby covenant that prior to the Closing neither Seller nor Purchaser shall issue any press release or public statement (a "Release") with respect to the Transaction without the prior consent of the other, except to the extent required by law. If either Seller or Purchaser is required by law to issue a Release, such party shall, at least two (2) business days prior to the issuance of the same, deliver a copy of the proposed Release to the other party for its review. Neither Seller nor Purchaser shall permit any of its advisors, brokers or other representatives to issue a Release prior to the Closing without the prior written consent of the other in accordance with the terms hereof; including any "tombstone" ads. No Release issued by Purchaser or any of its advisors, brokers or other representatives shall identify Seller or any of its affiliates by name (unless required by law).

9.2.2 Broker. (a) Seller has been represented by the Broker in connection with the Transaction, and Seller shall be responsible for all compensation due the Broker in respect of the Transaction. In addition, Seller has engaged Lend Lease as its asset manager with respect to the Property and with respect to certain matters related to the Transaction. Seller represents and warrants to Purchaser that neither Seller, the General Partner, the Project Partnership nor the Investor Partnership has dealt or negotiated with or engaged on its own behalf or for its benefit any agent, advisor, broker or finder in connection with this Agreement, the Property or the transactions contemplated hereby other than the Broker and Lend Lease. Seller hereby agrees to indemnify, defend and hold Purchaser harmless from and against any and all claims, demands, causes of action, losses, costs and expenses (including reasonable attorneys' fees and disbursements) arising from any claim for commission, fees or other compensation or reimbursement for expenses made by any agent, advisor, broker or finder engaged by or claiming by, through or under Seller, the General Partner, the Project Partnership or the Investor Partnership in connection with this Agreement, the Property or the transactions contemplated hereby, including, without limitation, the Broker and Lend Lease.

(b) Purchaser represents and warrants to Seller that it has not dealt or negotiated with, or engaged on its own behalf or for its benefit, any agent, advisor, broker or finder in connection with this Agreement or the transactions contemplated hereby, other than the Broker and Lend Lease. Purchaser hereby agrees to indemnify, defend and hold Seller and the other Seller Related Parties harmless from and against any and all claims, demands, causes of action, losses, costs and expenses (including reasonable attorneys' fees and disbursements) arising from any claim for commission, fees or other compensation or reimbursement for expenses made by any agent, advisor, broker or finder engaged by or claiming by, through or under Purchaser in connection with this Agreement or the transactions contemplated hereby (other than the Broker and Lend Lease).

(c) The provisions of this Section 9.2.2 shall survive the termination of this Agreement or the Closing.

9.2.3 Further Assurances. Each party shall upon reasonable request do such further acts as may be reasonably necessary or appropriate to consummate the Transaction. From and after Closing, Seller shall do, execute, acknowledge and deliver all such further acts, assurances, deeds, assignments, transfers, conveyances, powers of attorney and other instruments and papers as may be reasonably required to consummate the Transaction and vest ownership of the VV City Interest in Purchaser. Whenever in this Agreement a party agrees to use "commercially reasonable efforts" or words of similar effect, such party shall be obligated to act in good faith and the undertaking by such party shall be deemed to include, without limitation, the writing of letters, the attendance at meetings (including incurring travel expenses relating thereto), and incurring fees of consultants and advisors, but such undertaking shall not include the obligation to initiate or prosecute any litigation or to make any substantial inducement payment.

ARTICLE 10

FAILURE OF CONDITIONS

10.1 Seller's Obligations. If, on the Closing Date, (i) Purchaser is in default of any of its obligations hereunder, or (ii) any of Purchaser's representations or warranties are untrue in any material respect, or (iii) the Closing otherwise fails to occur by reason of Purchaser's failure or refusal to perform its obligations hereunder in a prompt and timely manner, then Seller may elect to terminate this Agreement by written notice to Purchaser. If this Agreement is so terminated, then Seller shall be entitled, as Seller's sole and exclusive remedy, to the Deposit as liquidated damages, and thereafter neither party to this Agreement shall have any further rights or obligations hereunder other than any arising under any section herein which expressly provides that it survives the termination of this Agreement. Purchaser and Seller acknowledge that it would be extremely impractical and difficult to ascertain the actual damages which would be suffered by Seller if Purchaser fails to consummate the purchase and sale contemplated in this Agreement for any reason other than Seller's default hereunder or the failure of any condition precedent to Purchaser's obligation to close hereunder. Purchaser and Seller have considered carefully the loss to Seller occasioned by taking the VV City Interest off the market as a consequence of the negotiation and execution of this Agreement, the expenses of Seller incurred in connection with the preparation of this Agreement and Seller's performance hereunder, and the other damages, general and special, which Purchaser and Seller realize and recognize Seller will sustain, but which Seller cannot at this time calculate with absolute certainty. Based on all the foregoing considerations, Purchaser and Seller have agreed that the damage to Seller in such event would reasonably be expected to be equal to the sum of the Deposit. Accordingly, if Purchaser fails to consummate the purchase of the Property in accordance with the terms of this Agreement for any reason other than Seller's default hereunder or the failure of any condition precedent to Purchaser's obligation to close hereunder, then Seller shall have the right to receive the Deposit as full and complete liquidated damages and as Seller's sole and exclusive remedy hereunder.

10.2 Purchaser's Obligations. If, on the Closing Date, (i) Seller is in default of any of its obligations hereunder, or (ii) any of Seller's representations or warranties are untrue in any material respect, or (iii) the Seller is unable to deliver title in accordance with the provisions hereof, or (iv) the Closing otherwise fails to occur by reason of Seller's failure or refusal to perform its obligations hereunder in a prompt and timely manner, Purchaser shall have the right to elect as its sole and exclusive remedy to do one of the following: (a) terminate this Agreement by written notice to Seller, promptly after which the Deposit shall be returned to Purchaser and Seller shall pay to Purchaser an amount equal to the lesser of (i) Purchaser's actual out-of-pocket expenditures incurred directly in connection with negotiating this Agreement, negotiating and documenting the agreements with Buck, Buck Management and Leo referred to in Section 7.2 hereof, and conducting due diligence activities contemplated hereunder and (ii) $250,000; or (b) provided that Seller has the legal capacity to close the Transaction, waive the condition, breach, failure or refusal and proceed to close the Transaction, or (c) seek specific performance of this Agreement by Seller; provided, however, that if, after the date hereof, Seller shall have (i) conveyed title to the Property or the VV City Interest or Project Partnership Interest to another party, or (ii) intentionally and knowingly granted or created any Title Defect not otherwise permitted by this Agreement thereby defeating the remedy of specific performance, Purchaser shall be entitled to seek actual damages from Seller. If any of the conditions set forth in Section 7.2 are neither waived in writing nor fulfilled by the Closing Date (as the same may be extended pursuant to Section 6.1), other than with respect to a condition described in clause 10.2 (i), (ii) or (iii) above, Purchaser may elect to terminate this Agreement by written notice to Seller, promptly after which the Deposit shall be returned to Purchaser and neither party shall have any further obligations or liabilities under this Agreement.

ARTICLE 11

CONDEMNATION/CASUALTY

11.1 Condemnation.

11.1.1 Right to Terminate. If, prior to the Closing Date, all or any significant portion (as hereinafter defined) of the Real Property is taken by eminent domain (or is the subject of a pending taking which has not yet been consummated), Seller shall notify Purchaser in writing of such fact promptly after obtaining knowledge thereof, either Purchaser or Seller shall have the right to terminate this Agreement by giving written notice to the other no later than ten (10) days after the giving of Seller's notice, and the Closing Date shall be extended, if necessary, to provide sufficient time for Purchaser or Seller to make such election. The failure by Purchaser and Seller to so elect in writing to terminate this Agreement within such ten (10) day period shall be deemed an election not to terminate this Agreement. For purposes hereof, a "significant portion" of the Real Property shall mean (i) such portion as shall be comprised of one-half (1/2) of one (1) acre or more of the Real Property, (ii) such a portion as shall be comprised of any of the parking area on the Real Property, unless applicable zoning and other land use laws permit such parking area to be relocated on any portion of the remainder of the Real Property that is unimproved other than by landscaping, (iii) such a portion as will result in Leo or W&S having any right to terminate its Lease or reduce the rent payable thereunder, (iv) such a portion as will result in the Property becoming a nonconforming use or having a status similar thereto under applicable zoning, or (v) such a portion as is reasonably incapable of being restored or replaced in function without material adverse effect on the use or value of the Property within six (6) months of the condemnation having occurred. If either party elects to terminate this Agreement as aforesaid, the provisions of Section 11.3 shall apply.

11.1.2 Assignment of Proceeds. If (a) neither Seller nor Purchaser elects to terminate this Agreement as aforesaid if all or any significant portion of the Real Property is taken, or if (b) a portion of the Real Property not constituting a significant portion of the Real Property is taken or becomes subject to a pending taking, by eminent domain, there shall be no abatement of the Purchase Price; provided, however, that, Purchaser shall have the right to participate in all negotiations and proceedings for compensation and otherwise and no such action or proceedings shall be settled or compromised by Seller except with the prior written consent of Purchaser, and at the Closing, Seller shall pay to Purchaser the amount of any award for or other proceeds on account of such taking which have been actually received by Seller prior to the Closing Date as a result of such taking, and, to the extent such award or proceeds have not been paid, Seller shall release and relinquish unto the Project Partnership at the Closing the rights of Seller, if any, to all awards for the taking of the Real Property or such portion thereof.

11.2 Destruction or Damage. If any of the Real Property is damaged or destroyed prior to the Closing Date, Seller shall notify Purchaser in writing of such fact promptly after obtaining knowledge thereof. If any such damage or destruction (a) would cost less than Three Million Five Hundred Dollars ($3,500,000), as reasonably estimated by Seller, and (b) would not be a loss uncovered by insurance by more than the deductible amount in the Project Partnership's insurance policy, and (c) would not result in Leo or W&S having any right to terminate its Lease or reduce the rent payable thereunder or abate same (unless business loss or rent loss insurance should be available to the Project Partnership in the full amount of such abatement or reduction) (a "Minor Casualty"), then this Agreement shall remain in full force and effect and Purchaser shall acquire the VV City Interest upon the terms and conditions set forth herein. In such event, Purchaser shall receive a credit against the Purchase Price equal to 94.5124% of the deductible amount applicable under the Project Partnership's casualty policy, and Seller shall assign to the Project Partnership all of Seller's right, title and interest in and to all proceeds of insurance on account of such damage or destruction (including Seller's right, title and interest, if any, in and to all proceeds of rent or business loss insurance for the period from and after the Closing) and at Purchaser's request shall cooperate with and assist Purchaser and the Project Partnership, at no cost to Seller, in collection of the same. If the Real Property is damaged or destroyed prior to the Closing Date as the result of a non-Minor Casualty, then, notwithstanding anything to the contrary set forth above in this section, Purchaser shall have the tight, at its election, to terminate this Agreement. Purchaser shall have thirty (30) days after Seller notifies Purchaser that a casualty has occurred and the estimated cost of repair or restoration to make such election by delivery of a written election notice (the "Election Notice") and the Closing Date shall be extended, if necessary, to provide sufficient time for Purchaser to make such election. The failure by Purchaser to deliver the Election Notice within such thirty (30) day period shall be deemed an election not to terminate this Agreement. If Purchaser elects not to terminate this Agreement as set forth above, this Agreement shall remain in full force and effect, Seller shall assign to the Project Partnership all of Seller's right, title and interest in and to any and all proceeds of insurance on account of such damage or destruction, if any, and, Purchaser shall receive a credit against the Purchase Price equal to 94.5124% of the deductible amount under the Project Partnership's casualty insurance policy.

11.3 Effect of Termination. If this Agreement is terminated pursuant to Section 11.1 or Section 11.2, the Deposit shall be refunded to Purchaser, and Seller shall so direct promptly. Upon such refund, this Agreement shall terminate and neither party to this Agreement shall have any further rights or obligations hereunder other than any arising under any section herein which expressly provides that it shall survive the termination of this Agreement.

11.4 Waiver. The provisions of this Article 11 supersede the provisions of any applicable statutory or decisional law with respect to the subject matter of this Article 11.

ARTICLE 12

ESCROW

The Deposit and any other sums which the parties agree shall be held in escrow (herein collectively called the "Escrow Deposits"), together with all interest earned thereon, shall be held by the Escrow Agent, in trust, and disposed of only in accordance with the following provisions:

(a) The Escrow Agent shall invest the Escrow Deposits in government insured interest-bearing instruments satisfactory to both Purchaser and Seller, shall not commingle the Escrow Deposits with any funds of the Escrow Agent or others, and shall promptly provide Purchaser and Seller with confirmation of the investments made.

(b) If the Closing occurs, the Escrow Agent shall deliver the Escrow Deposits to, or upon the instructions of, Seller on the Closing Date.

(c) If for any reason the Closing does not occur, the Escrow Agent shall deliver the Escrow Deposits and all interest earned thereon to Seller or Purchaser only upon receipt of a written demand therefor from such party, subject to the following provisions of this Section 12.1(c). If for any reason the Closing does not occur and either party makes a written demand upon the Escrow Agent for payment of the Escrow Deposits and the interest earned thereon, the Escrow Agent shall give written notice to the other party of such demand. If the Escrow Agent does not receive a written objection from the other party to the proposed payment within ten (10) days after the giving of such notice, the Escrow Agent is hereby authorized to make such payment. If the Escrow Agent does receive such written objection within such period, the Escrow Agent shall continue to hold such amount until otherwise directed by written instructions signed by Seller and Purchaser or a final judgment of a court.

(d) The parties acknowledge that the Escrow Agent is acting solely as a stakeholder at their request and for their convenience, that the Escrow Agent shall not be deemed to be the agent of either of the parties, and that the Escrow Agent shall not he liable to either of the parties for any action or omission on its part taken or made in good faith, and not in disregard of this Agreement, but shall be liable for its negligent acts and for any loss, cost or expense incurred by Seller or Purchaser resulting from the Escrow

Agent's mistake of law respecting the Escrow Agent's scope or nature of its duties. Seller and Purchaser shall jointly and severally indemnify and hold the Escrow Agent harmless from and against all costs, claims and expenses, including reasonable attorneys' fees, incurred in connection with the performance of the Escrow Agent's duties hereunder, except with respect to actions or omissions taken or made by the Escrow Agent in bad faith, in disregard of this Agreement or involving negligence on the part of the Escrow Agent.

(e) Purchaser shall pay any income taxes on any interest earned on the Deposit. Purchaser represents and warrants to the Escrow Agent that its taxpayer identification number is 58-2368838.

(f) The Escrow Agent has executed this Agreement in the place indicated on the signature page hereof in order to confirm that the Escrow Agent has received and shall hold the Escrow Deposits and the interest earned thereon, in escrow, and shall disburse the Escrow Deposits, and the interest earned thereon, pursuant to the provisions of this Article 12.

(g) The escrow fee, if any, charged by the Escrow Agent shall be shared equally by Seller and Purchaser.

ARTICLE 13

INDEMNIFICATION

13.1 Indemnification. Subject to Section 13.2, Seller hereby agrees to indemnify, protect, defend, save and hold harmless Purchaser and its successors and assigns from and against any and all debts, duties, obligations, liabilities, suits, claims (including any claim for damage to property or injury to or death of any persons), demands, liens, encumbrances, causes of action, damages, losses, fees and expenses (including, without limitation, attorneys' fees and expenses and court costs) (all of the foregoing, collectively, "Claims") in any way relating to, or in connection with or arising out of:

(a) any breach by Seller of any of its representations, warranties or covenants contained in this Agreement or any document, certificate or instrument to be delivered at Closing;

(b) any act or omission of Seller, the Project Partnership, or the Investor Partnership occurring prior to the Closing which constitutes a violation of any laws, statutes, ordinances, rules, regulations, orders, decrees or injunctions of any governmental or judicial authority, but excluding under this subsection (b) any Claims that the Real Property is in violation of any applicable fire, health, building, use, occupancy or zoning laws or any claims relating to any work allegedly required to be done upon or in connection with the Real Property;

(c) any personal or bodily injury or death or property damage occurring prior to Closing at or in respect of the Property, or any portion thereof;

(d) any tortious act or omission of Seller, the Project Partnership, or the Investor Partnership occurring prior to the Closing;

(e) any "Transfer Indemnification Amounts" that may be owed by the Project Partnership or the Investor Partnership to Leo (or any shareholder of Leo) pursuant to Section 25 of the Project Partnership Agreement (or the corresponding provision of the Restated Project Partnership Agreement, as the case may be) arising as a result of (i) the transactions contemplated in that certain Purchase and Sale Agreement, dated April 14, 2000, by and between SOFI IV Arizona Trust, as seller therein, and Seller, as purchaser therein, ("Seller's Acquisition Contract"), (ii) any transactions occurring prior to the closing of the transaction contemplated in Seller's Acquisition Contract, (iii) any transactions occurring from and after the closing of the transaction contemplated in the Seller's Acquisition Contract and before the Closing (the "Seller's Ownership Period"), and (iv) the "Simple Transfer Aspect" (as that term is hereafter defined); any "Conversion Indemnification Amount" that may be owed by the Project Partnership or the Investor Partnership to Leo (or any shareholder of Leo) pursuant to Section 25 of the Project Partnership Agreement (or the corresponding provision of the Restated Project Partnership Agreement, as the case may be) whenever arising; the term "Simple Transfer Aspect" shall mean only the assignment of the VV City Interest by Seller to Purchaser and not any other aspect or component of the Transaction, such as the modifications to the Project Partnership Agreement and Lease with Leo, to the Investor Partnership Agreement with Buck and to the Loan with the Lenders as contemplated in this Agreement so that, if Leo asserts any Claim based upon other aspects or components of this Transaction that are not the Simple Transfer Aspect, Seller shall not be responsible to Purchaser under this Section 13.1 with respect to that Claim;

(f) any breach of the "Debt Maintenance Requirement" under Section 24 of the Project Partnership Agreement, the filing of amended income tax returns and other filings described in Section 9.1.15 or Exhibit Y hereto, or the circumstances giving rise to the need to file such amended tax returns, in each case in connection with or arising from transactions, acts or omissions occurring during the period between April 27, 2000 and the day preceding the Closing Date; and/or

(g) any Claim based upon a claim under Section 9.2 of the Seller's Acquisition Contract made by SOFI IV Arizona Trust, or its permitted successor or assignee, based on facts and circumstances first occurring during Seller's Ownership Period.

13.2 Indemnification Limitations.

(a) The following limitations shall apply to Seller's Indemnification Obligations under Section 13.1:

(i) With respect to any Claims under Section 13.1(a) as to Seller's Property Representation only, Purchaser must have notified Seller, in writing, of any such Claim within twelve (12) months of the Closing Date or the indemnification obligation shall have lapsed with respect to that Claim, and the aggregate liability of Seller for all such Claims timely raised shall not exceed Seven Million Five Hundred Thousand Dollars ($7,500,000).

(ii) With respect to any Claims under Section 13.1(a) as to Seller's Entity Representations only (excluding from this cause (ii) the Seller's Entity Representations set forth in Section 8.2.7 and Section 8.2.14 which are separately addressed in clauses (iii) and (iv), respectively, below), Purchaser must have notified Seller, in writing, of any such Claim within three (3) years following the Closing Date or the indemnification obligation shall have lapsed with respect to that Claim and the aggregate liability of Seller for all such timely raised Claims, plus the aggregate liability for all timely raised Claims under clause (iv) below, shall not exceed Thirty-Five Million Dollars ($35,000,000).

(iii) With respect to any Claims under Section 13.1(a) (but only as to the Seller's Entity Representation set forth in Section 8.2.7), under Section 13.1(b), under Section 13.1(c), under Section 13.1(d), under Section 13.1(e), under Section 13.1(f), and under Section 13.1(g), there shall be no time limitation for asserting any such Claim except the applicable statute of limitations and Seller's liability shall not be subject to any dollar limitation.

(iv) With respect to any Claims under section 13.1(a) as to the Seller's Entity Representations set forth in Section 8.2.14, Purchaser must have notified Seller, in writing, of any such Claim prior to the expiration of the applicable statute of limitation (after giving effect to any waiver or extension thereof) or the indemnification obligation shall have lapsed with respect to that Claim and the aggregate liability of Seller for all such timely raised Claims, plus the aggregate liability for all timely raised Claims under clause (ii) above, shall not exceed Thirty Five Million Dollars ($35,000,000), provided that any Claims under subsections 8.2.14(e), (f) or (i) shall not be subject to any dollar limitation.

(b) For a period of three (3) years from and after Closing, Seller covenants to maintain "Partner's Equity" (calculated and defined in the manner shown on its most recent financial statement provided to Purchaser prior to the date of this Agreement) of not less than Seventy Million Dollars ($70,000,000). During such three (3) year period, Seller agrees to furnish to Purchaser copies of its annual, audited financial statements prepared and certified by KPMG (or other nationally recognized accounting firm) promptly after the receipt thereof by Seller. During such three (3) year period, Seller also agrees to provide to Purchaser a letter within sixty (60) days after the end of each calendar quarter (except the last calendar quarter) certifying to Purchaser the Partner's Equity at the end of the preceding calendar quarter. If at any time during such three (3) year period any such audited financial statement or quarterly letter from Seller shall report Partner's Equity less than $70,000,000, or the Partner's Equity shall otherwise fall below $70,000,000 for any reason whatsoever, Seller shall give prompt written notice thereof to Purchaser, and within sixty (60) days after the date the Partner's Equity shall fall below $70,000,000 (or prior to the date the Partner's Equity shall fall below $70,000,000 if the Partner's Equity will be reduced below $70,000,000 as a result of any principal payment on a Shareholder Loan as provided in Section 13.2.(c) below), Seller shall deliver to Purchaser a standby, irrevocable letter of credit, in the form set forth on Exhibit W attached hereto, having an expiry date not earlier than such three (3) year period, plus thirty (30) days, issued by a national banking association reasonably acceptable to Purchaser, for the difference between $70,000,000 and the amount of Seller's then current Partner's Equity (or the Partner's Equity that will result from the principal payment on a Shareholder Loan, as the case may be), to secure Seller's indemnification obligations under this Article 13. Seller further agrees that if Seller shall fail to timely deliver to Purchaser its annual, audited financial statement within the ten (10) days after receipt thereof by Seller or if Seller shall fail to provide to Purchaser the quarterly letter from Seller certifying to Purchaser the Partner's Equity within sixty (60) days after the end of the preceding calendar quarter as provided above, and if in either such case the failure shall continue for ten (10) days after notice of such failure is given to Seller, Seller will immediately deliver to Purchaser a standby, irrevocable letter of credit, in the form set forth on Exhibit W attached hereto, having an expiry date not earlier than such three (3) year period, plus thirty (30) days, issued by a national banking association reasonably acceptable to Purchaser, in the amount of the greater of (i) $5,000,000, or (ii) the difference between $70,000,000 and the amount of Seller's then current Partner's Equity, to secure Seller's indemnification obligations under this Article 13. If at any time following the delivery to Purchaser of an irrevocable letter of credit as provided in this Section 13.2(b), (A) the Partner's Equity shall be reinstated to an amount equal to or greater than $70,000,000 (as evidenced by a written certification by Seller to Purchaser to such effect accompanied by current balance sheet of Seller, certified by Seller to be true and correct in all material respects, reflecting the requisite Partner's Equity), and (B) Seller is then current with respect to its obligation to deliver the financial statements and letter certifications required to be provided by Seller under this Section 13.2(b), Purchaser shall return to Seller any then outstanding letter of credit held by Purchaser.

(c) Reference is made to the Shareholder Loans described in Note (5) of the Consolidated Financial Statements of Seller and its Subsidiaries as of December 31, 2002 and December 31, 2001 (a copy of which has been delivered to Purchaser) (each and any future shareholder loan, a "Shareholder Loan" and, collectively, the "Shareholder Loans"). On or before Closing, Seller agrees to cause the maturity dates of each of the Shareholder Loans to be extended by the holder to a date not earlier than January 31, 2007 (one of the Shareholder Loans has a maturity date of December 31, 2008 and no extension shall be required for that Shareholder Loan). At least three (3) business days before Closing, Seller shall furnish to Purchaser letters from the holders of such Shareholder Loans confirming such extensions. Provided that Seller shall be current with respect to its obligation to deliver the financial statements and letter certifications required to be provided by Seller to Purchaser under Section 13.2(b), Seller may take any action with respect to the Shareholder Loans, including, without limitation, prepayment in whole or in part, or amendment to the terms, and Seller may make additional shareholder loans, so long as Seller maintains a Partner's Equity of at least $70,000,000 as required under Section 13.2(b) hereof. Prior to Seller making any principal payment on a Shareholder Loan the effect of which payment would reduce Partner's Equity below $70,000,000, Seller agrees to give Purchaser prompt written notice thereof and to deliver to Purchaser the letter of credit required under Section 13.2(b).

(d) Notwithstanding any provision of this Agreement to the contrary, Purchaser's recourse to the General Partner of Seller for any liability that the General Partner may have to Purchaser solely by virtue of its capacity as the general partner of Seller, shall be limited to only its general partnership interest in Seller and to the amount of the distributions made or to be made to or for the benefit of such General Partner therefrom. Purchaser agrees not seek recourse to any other assets of the General Partner.

(e) In the event that Purchaser is holding a letter of credit pursuant to any of the foregoing provisions, Purchaser only shall be entitled to draw against the letter of credit under the following circumstances: (i) pursuant to the provisions of this Article 13 it shall have been determined by Purchaser, in the exercise of its commercially reasonable judgment, that funds are due and payable to Purchaser for a Claim; (ii) Purchaser shall have made written demand to Seller for payment of such Claim and Seller shall have failed to make such payment within thirty (30) days after such written demand; and (iii) as part of the draw procedure under the letter of credit, Purchaser shall deliver to the issuer of the letter of credit a written certification that it is entitled under this Article 13 to draw against the letter of credit for the amount of the Claim.

13.3 General Provisions Regarding Indemnities. All of the indemnification obligations under this Agreement shall be subject to the following provisions:

(a) Should the indemnitor fail to discharge or undertake to defend the indemnitee against such Claim (with counsel approved by the indemnitee), within ten (10) days after the indemnitee gives the indemnitor written notice of the same, then the indemnitee may settle such Claim, and the indemnitor's liability to the indemnitee shall be conclusively established by such settlement, the amount of such liability to include both the settlement consideration and the reasonable costs and expenses, including attorneys' fees, incurred by the indemnitee in effecting such settlement.

(b) The indemnitor's indemnification obligations under this Agreement shall cover the costs and expenses of the indemnitee, including reasonable attorneys' fees, related to any actions, suits or judgments incident to any of the matters covered by such indemnities.

(c) The indemnitor's indemnification obligations under this Agreement shall also extend to any present or future advisor, trustee, director, member, officer, partner, employee, beneficiary, shareholder, participant or agent of or in the indemnitee or any entity now or hereafter having a direct or indirect ownership interest in the indemnitee.

(d) This Article 13 shall survive Closing.

ARTICLE 14

MISCELLANEOUS

14.1 Assignment. Neither party shall assign this Agreement or its rights hereunder to any Person without the prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that no such consent shall be required with respect to Purchaser's assignment to Wells Real Estate Investment Trust, Inc. or any affiliate of Purchaser or Wells Real Estate Investment Trust, Inc. For purposes hereof, an "affiliate" shall mean an entity controlled by, controlling or under common control with Wells Real Estate Investment Trust, Inc. or Purchaser. Subject to the foregoing, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

14.2 Designation Agreement. Section 6045(e) of the United States Internal Revenue Code and the regulations promulgated thereunder (herein collectively called the "Reporting Requirements") require an information return to be made to the United States Internal Revenue Service, and a statement to be furnished to Seller, in connection with the Transaction. Title Company ("Agent") is either (i) the person responsible for closing the Transaction (as described in the Reporting Requirements) or (ii) the disbursing title or escrow company that is most significant in terms of gross proceeds disbursed in connection with the Transaction (as described in the Reporting Requirements). Accordingly:

(a) Agent is hereby designated as the "Reporting Person" (as defined in the Reporting Requirements) for the Transaction. Agent shall perform all duties that are required by the Reporting Requirements to be performed by the Reporting Person for the Transaction.

(b) Seller and Purchaser shall furnish to Agent, in a timely manner, any information requested by Agent and necessary for Agent to perform its duties as Reporting Person for the Transaction.

(c) Agent hereby requests Seller to furnish to Agent Seller's correct taxpayer identification number. Seller acknowledges that any failure by Seller to provide Agent with Seller's correct taxpayer identification number may subject Seller to civil or criminal penalties imposed by law. Accordingly, Seller hereby certifies to Agent, under penalties of perjury, that Seller's correct taxpayer identification number is 52-2175771.

(d) Each of the parties hereto shall retain this Agreement for a period of four (4) years following the calendar year during which Closing occurs.

14.3 Integration; Waiver. This Agreement, together with the Schedules and Exhibits hereto, embodies and constitutes the entire understanding between the parties with respect to the Transaction and all prior agreements, understandings, representations and statements, oral or written, are merged into this Agreement. Neither this Agreement nor any provision hereof may be waived, modified, amended, discharged or terminated except by an instrument signed by the party against whom the enforcement of such waiver is sought.

14.4 Amendment. Any amendment to this Agreement shall not be binding on Seller or Purchaser unless such amendment is in writing and executed by Seller and Purchaser.

14.5 Governing Law. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Illinois without giving effect to any choice or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Illinois.

14.6 Consent to Jurisdiction. The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby may be brought in the United States District Court for the Northern District of Illinois located in Chicago, Illinois, and each of the parties hereby consents to the jurisdiction of such court (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party to its address as provided in Section 14.9 shall be deemed effective service of process on such party.

14.7 Third Party Beneficiaries. This Agreement is for the sole and exclusive use of Seller and Purchaser and may not be enforced, nor relied upon, by any person or entity other than Seller and Purchaser.

14.8 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of the Agreement.

14.9 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, hand delivery, or confirmed facsimile transmission (with a confirming copy mailed on the same date) or sent by U.S. registered or certified mail, return receipt requested, postage prepaid, to the addresses or facsimile numbers set forth below or at such other addresses as are specified by written notice delivered in accordance herewith:

IF TO PURCHASER:

Wells Operating Partnership, L.P.
6200 The Corners Parkway, Suite 250
Norcross, Georgia 3 0092-2295
Attention: L. Clay Adams, Jr., Director of Acquisitions
Fax: 770-243-8510

COPY TO:

Troutman Sanders LLP
Bank of America Plaza
600 Peachtree Street NE, Suite 5200
Atlanta, Georgia 30308
Attention: John W. Griffin, Esq.
Fax: 404-962-6577

IF TO SELLER:

VV USA CITY, L.P.
c/o Lend Lease Real Estate Investments, Inc.
One North Wacker Drive, Suite 800
Chicago, Illinois 60606
Attention: John C. Schoser, Principal
Fax: (312) 396-5551

COPY TO:

King & Spalding LLP
191 Peachtree Street
Atlanta, Georgia 30303
Attention: William J. Armstrong, Esq.
Fax: (404) 572-5148

Any notice or other communication (i) mailed as hereinabove provided shall be deemed effectively given or received on the third (3rd) business day following the postmark date of such notice or other communication, (ii) sent by overnight courier or by hand delivery shall be deemed effectively given or received upon receipt and (iii) sent by facsimile transmission shall be deemed effectively given or received on the first business day after the day of the transmission of such notice and confirmation of such transmission.

14.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be an original and all of which counterparts taken together shall constitute one and the same agreement. Any signature page of any such counterpart, or any electronic facsimile thereof, may be attached or appended to any other counterpart to complete a fully executed counterpart of this Agreement, and any facsimile transmission of any signature shall be deemed an original and shall bind such party.

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be duly executed on its behalf on the day and year first above written.

SELLER:

VV USA CITY, L.P.,
a Delaware limited partnership

By: VV USA, LLC,
a Delaware limited liability company
its sole general partner

By: /s/ Alfred Bartkiewicz

Alfred Bartkiewicz,
Managing Director

[*Signatures Continued on Following Page*]

[*Signatures Continued from Previous Page*]

PURCHASER:

WELLS OPERATING PARTNERSHIP, L.P.,
a Delaware limited partnership

By: Wells Real Estate Investment Trust, Inc., a
Maryland corporation, its sole general partner

By: /s/ Douglas P. Williams

Name: Douglas P. Williams

Its: Executive Vice President

[*Signatures Continued on Following Page*]

[*Signatures Continued from Previous Page*]

The undersigned has executed this Agreement solely to confirm its agreement to (i) hold the Escrow Deposits in escrow in accordance with the provisions hereof and (ii) comply with the provisions of Article 12 with respect to the Escrow Deposits.

ESCROW AGENT:

FIRST AMERICAN TITLE INSURANCE COMPANY,
a California corporation

By: ______________________________

Carolyn Neuert Grainger,
Illinois Commercial Counsel

EXHIBIT 10.106

SECOND AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT OF 35 W. WACKER VENTURE, L.P.

SECOND AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT

OF

35 W. Wacker Venture, L.P.

a Delaware limited partnership

Dated as of April 27, 2000

TABLE OF CONTENTS

Page

SECTION 1. Formation of Limited Partnership 2

SECTION 2. Name 2

SECTION 3. Definitions 2

SECTION 4. Business of the Partnership 7

SECTION 5. Term 7

SECTION 6. Principal Place of Business 7

SECTION 7. Registered Agent; Registered Office 7

SECTION 8. Capital Contributions; No Withdrawal or Resignation 7

SECTION 9. Distributions 8

SECTION 10. Allocation of Income and Losses 9

SECTION 11. Withholding 11

SECTION 12. Books, Records and Accounting 11

SECTION 13. Partnership Funds 12

SECTION 14. Management 12

SECTION 15. Meetings 14

SECTION 16. Voting 15

SECTION 17. Exculpation Limitation of Liability and Indemnification 15

SECTION 18. Sale of Partnership Interests and New Partners 17

SECTION 19. Dissolution 21

Page

SECTION 20. Winding Up and Distribution of Assets 21

SECTION 21. Conflict of Interest 22

SECTION 22. Taxation 22

SECTION 23. Not a Publicly Traded Partnership 24

SECTION 24. Debt Maintenance, Transfer Prohibition 25

SECTION 25. Tax Indemnity 25

SECTION 26. LBC Tax Basis 27

SECTION 27. Securities Matters 27

SECTION 28. Representations and Warranties of Partners 27

SECTION 29. Miscellaneous 29

SCHEDULES AND EXHIBITS

SCHEDULE I-A - CAPITAL CONTRIBUTIONS
SCHEDULE I-B - PARTNERS
SCHEDULE II - LBC TAX MATTERS
EXHIBIT A - LEGAL DESCRIPTION
EXHIBIT B-1 - CERTIFICATE OF CONVERSION
EXHIBIT B-2 - CERTIFICATE OF LIMITED PARTNERSHIP
EXHIBIT B-3 - CERTIFICATE OF CANCELLATION OF CERTIFICATE OF FORMATION
EXHIBIT C - FORM OF GUARANTY
EXHIBIT D-1 MARCH 2, 1999 LETTER
EXHIBIT D-2 JULY 21, 1999 LETTER
EXHIBIT D-3 JULY 22, 1999 LETTER

SECOND AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF
35 W. WACKER VENTURE, L.P.

This Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P. (the "Partnership") is made and entered into as of the _____ day of April, 2000 by and among Leo Burnett USA, Inc. (formerly known as Leo Burnett Company, Inc.) ("LBC"), and VV City-Buck Venture, L.P., a Delaware limited partnership ("VV City-Buck").

RECITALS

A. WHEREAS, LBC formed 35 W. Wacker Venture L.L.C. (the "Original Company") pursuant to the Delaware Limited Liability Company Act, Delaware Code Title 6, Section 18-101 et. seq., the Certificate of Formation and a certain Limited Liability Company Agreement (the "Original Operating Agreement"), each dated as of November 13, 1997. At such time, LBC was the sole member and manager of the Original Company under the Original Operating Agreement.

B. WHEREAS, pursuant to a certain Amended and Restated Limited Liability Company Agreement dated as of December 15, 1997 (the "First Amended and Restated Limited Liability Company Agreement"): (i) SOFI Arizona Trust, a Maryland real estate investment trust, and the successor by merger to SOFI IV Arizona, Inc., a Maryland corporation ("SOFI IV") replaced LBC as the sole manager of the Original Company and (ii) Buck 35 Wacker L.L.C., a Delaware limited liability company ("JBC") and SOFI IV were admitted as Members of the Original Company all on the terms and conditions set forth in the First Amended and Restated Operating Agreement;

C. WHEREAS, prior to the date hereof, the Original Company has been converted to a limited partnership in accordance with Section 17-217 of the Act (hereinafter defined), and, in furtherance thereof, (i) the Original Company has filed a certain Certificate of Conversion and certain other documents described below with the Secretary and (ii) LBC, JBC and SOFI IV have executed that certain Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P. (the "Original Limited Partnership Agreement") pursuant to which, among other things SOFI IV became the Partnership's sole General Partner and LBC and JBC were its sole Limited Partners;

D. WHEREAS, concurrently herewith, (i) SOFI IV has sold its Partnership Interest in and to the Partnership to VV City-Buck, and has withdrawn as General Partner, with the consent of the Limited Partners; and (ii) JBC has contributed its Partnership Interest in the Partnership to VV City-Buck and has withdrawn as a Limited Partner;

E. WHEREAS, the parties desire to amend and restate the Original Limited Partnership Agreement to: (i) admit VV City-Buck as the sole General Partner of the Company; (ii) reflect SOFI IV's and JBC's withdrawal as Partners, and (iii) reflect other agreements of the parties.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby amend and restate the Original Limited Partnership Agreement as follows:

SECTION 1. Formation of Limited Partnership. The Partners agree to the formation of the Partnership pursuant to the Act and the filing of (a) the Certificate of Conversion attached hereto as Exhibit B-1, (b) the Certificate of Limited Partnership attached hereto as Exhibit B-2, and (c) the Certificate of Cancellation of existing Certificate of Formation for 35 W. Wacker Venture, L.L.C. attached hereto as Exhibit B-3, each filed with the Secretary on April __, 2000. The rights and duties of the Partners shall be as provided in the Act, except as modified by this Agreement. For and in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Partners executing this Agreement hereby agree to the terms and conditions of this Agreement, as it may from time to time be amended according to its terms. To the extent any provision of this Agreement is prohibited or ineffective under the Act, this Agreement shall be considered amended to the smallest degree possible in order to make this Agreement effective under the Act. In the event the Act is subsequently amended or interpreted in such a way to make any provision of this Agreement that was formerly invalid valid, such provision shall be considered to be valid from the effective date of such interpretation or amendment.

SECTION 2. Name. The business of the Partnership shall be conducted under the name "35 W. Wacker Venture, L.P.".

SECTION 3. Definitions.

For purposes of this Agreement, unless the context clearly indicates otherwise, the following terms shall have the following meanings:

(a) "Act" means the Delaware Revised Uniform Limited Partnership Act, Delaware Code Title 6, Sections 17-101 et seq., as amended from time to time.

(b) "Affiliate" means with respect to a Person: (i) any general partner, director, manager (or Person holding the equivalent position) or executive officer (or Person holding the equivalent position) of such Person or of any Person who bears a relationship to any such Person described in clause (ii) below, and (ii) any other Person which, directly or indirectly, controls or is controlled by or is under common control with, such Person. A Person shall be deemed to be (without limiting any of the foregoing):

(1) "controlled by" any other Person if such other Person possesses, directly or indirectly, power

(A) to vote 10% or more of the securities having ordinary voting power for the election of managing general partners, directors or managers (or Persons holding equivalent positions) of such Person (or, at the time extraordinary voting powers are available, to vote 10% or more of the securities having extraordinary voting power); or

(B) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise; or

(2) "controlling" any other Person if such other Person is "controlled by" such Person within the meaning of clause (i) above; or

(3) "under common control" with any other Person if each of such Persons are "controlled by" (within the meaning of clause (1) above) the same Person.

(c) "Agreement" means this Second Amended and Restated Limited Partnership Agreement, as amended, modified or supplemented from time to time.

(d) "Capital Account" means, with respect to each Partner, the account established on the books and records of the Partnership for such Partner. Each Partner's Capital Account is, as of the date hereof, equal to the value of the Capital Contribution to the Partnership of such Partner as set forth on Schedule I-A attached hereto. From and after the date hereof, and during the term of the Partnership, each Partner's Capital Account shall be (i) increased by the amount of (w) income and gain allocated to the Partner and (x) any cash or property subsequently contributed by the Partner to the Partnership, and (ii) decreased by the amount of (y) loss and deduction allocated to the Partner and (z) all cash and property distributed to the Partner, and shall otherwise be kept in accordance with applicable United States Treasury Regulations promulgated under Section 704(b) of the Code. The Capital Account of each Partner as of the date hereof is set forth on Schedule I-A attached hereto.

(e) "Capital Contribution" means the total amount of cash or other property contributed to the Partnership by a Partner. Contributed property shall be valued at fair market value, net of any liabilities assumed to which the contributed property is subject.

(f) "Code" means the United States Internal Revenue Code of 1986, as amended, modified or rescinded from time to time, or any similar provision of succeeding law.

(g) "Debt Maintenance Requirement" has the meaning given in Section 24.

(h) "Drag Along Notice" has the meaning set forth in Section 18(b).

(i) "Drag Along Purchase Officer" has the meaning set forth in Section 18(b).

(j) "Excess Loss" means any losses that would cause or increase a deficit balance in a Partner's Capital Account, after giving effect to the following adjustments: (i) crediting to such Capital Account any amounts that such Partner is obligated to restore or is deemed to be obligated to restore pursuant to Treasury Regulations §§ 1.704-1(b)(2)(ii)(b)(3), 1.704-1(b)(2)(ii)(c), 1.704-2(g), and 1.704-1 (i)(5) and (ii) debiting to such Capital Account the items described in Treasury Regulation §1.704-1(b)(2)(ii)(d)(4), (5) and (6) to the extent such items are not otherwise reflected in such Capital Account.

(k) "Guaranty" means that certain Guaranty Agreement of even date herewith in the form attached hereto as Exhibit C, made by VV USA City, L.P., a Delaware limited partnership to and for the benefit of LBC.

(l) "General Partner" means the Person admitted as a general partner and identified on Schedule I-B attached hereto as a general partner in the Partnership, as such Schedule may be amended from time to time.

(m) "IRS" means the United States Internal Revenue Service or any successor entity.

(n) "Indemnification Amount" shall have the meaning given in Section 25.

(o) "LBC" means Leo Burnett USA, inc. (formerly known as Leo Burnett Company, Inc.), a Delaware corporation.

(p) "LBC Lease" means that certain Amended and Restated Lease dated as of December 15, 1997 entered into between the Original Company, as landlord and LBC, as tenant, as amended.

(q) "Limited Partner" means any Person identified on Schedule I-B attached hereto as a limited partner in the Partnership, as such Schedule may be amended from time to time.

(r) "Majority Interest" means more than 50% of all Partnership Interests.

(s) "Net Cash Flow" means for any period the amount, computed on a cash basis, equal to:

(i) the sum of (A) gross receipts from business operations, all investment income and investment gain of the Partnership and all other cash received by the Partnership including, without limitation, all receipts of the Partnership from (1) proceeds from the sale or disposition of all or any portion of any assets of the Partnership or the issuance or sale by the Partnership of any securities or additional interests in the Partnership, (2) rent (including additional rent and percentage rent) paid to the Partnership, (3) concessions, (4) expense reimbursements, (5) condemnation or casualty proceeds related to the condemnation of or casualty loss with respect to all or any portion of the assets of the Partnership (including any and all insurance awards with regard thereto), (6) proceeds from rent loss or business interruption insurance, if any, (7) proceeds from the financing, refinancing, monetization or securitization of the Partnership or any assets of the Partnership (or any interest therein) and (8) other revenues and receipts realized by the Partnership, all without double counting; provided, however, that revenues and receipts shall not include any revenue or receipt realized by the Partnership incident to the liquidation of the Partnership or any Capital Contribution, and (B) any amounts released from Reserves and deposited into the Partnership's operating accounts (collectively, "Revenues");

decreased by

(ii) the total gross cash expenditures of the Partnership during such period, including without limitation (1) all cash operating expenses (including all fees, commissions, expenses and allowances paid to any third party or paid or reimbursed to any Partner or any of its Affiliates pursuant to any contract or otherwise as permitted hereunder), (2) all debt service payments (3) all expenditures which are treated as capital expenditures under generally accepted accounting principles, (4) all real estate taxes, personal property taxes and sales taxes, (5) all deposits to the Partnership's Reserves and (6) all costs and expenditures related to any acquisition, sale, disposition, financing, refinancing, monetization or securitization of any Partnership asset, all without double counting; provided, however, that such expenditures shall not include (a) any payment or [illegible] or expenditure are not included in Revenues or such payment or expenditure is paid out of Reserves, (b) any expenditure properly attributable to the liquidation of the Partnership, or (c) non-cash expenses such as depreciation or amortization.

(t) "Partner" means any Person with a Partnership Interest in the Partnership.

(u) "Partnership" has the meaning set forth in the Preamble.

(v) "Partnership Interest" means the percentage interest in the Partnership of a Partner as set forth opposite such Partner's name on Schedule I-A attached hereto as amended, modified or supplemented from time to time, together with the right of such Partner to any and all benefits to which such Partner is entitled by virtue of its partnership in the Partnership and all obligations to which such Partner is subject as a result of such partnership.

(w) "Person" means any individual, corporation, partnership, association, limited liability company, trust, estate or other enterprise or entity.

(x) "Purchase Offer" has the meaning set forth in Section 18(b).

(y) "Purchaser" has the meaning set forth in Section 18(b).

(z) "Remedial Method" means the remedial allocation method described in Section 1.704-3(d) of the Treasury Regulations.

(aa) "Reserves" means the reasonable reserves established and maintained from time to time in amounts reasonably determined by the General Partner to be adequate and sufficient for current and future operating and working capital and to pay for taxes, insurance, service of indebtedness, amortization of indebtedness, repairs, replacements or renewals, management fees, leasing fees or other costs and expenses incident to the Partnership's business or otherwise to provide for the long-term goals of the Partnership or any other purpose, including reserves for unforeseen or contingent liabilities, debts or obligations.

(bb) "Restrictive Period" means the period beginning on December 15, 1997 and ending on December 14, 2004, unless sooner terminated pursuant to Section 24 herein.

(cc) "Sale" or "Sell" shall mean any offer for sale, assignment, exchange, contribution, contract of sale, disposition of an interest in or transfer, grant of a participation in, pledge, or any other transfer or disposal of, the 35 W. Wacker Property or any Partnership Interests, including without limitation, a contribution of a Partnership Interest to a real estate investment trust.

(dd) "Secretary" means the Secretary of State of Delaware.

(ee) "Selling Partner" has the meaning set forth in Section 18(b).

(ff) "Tag-Along Notice" has the meaning set forth in Section 18(b).

(gg) "Tag-Along Portion" has the meaning set forth in Section 18(b).

(hh) "Tag-Along Purchase Offer" has the meaning set forth in Section 18(b).

(ii) "Tax Assurances" has the meaning set forth in Section 18.

(jj) "Taxable Year" means the Partnership's annual accounting period for federal income tax purposes.

(kk) "Transfer Prohibition" has the meaning given in Section 24.

(ll) "Treasury Regulations" means the income tax regulations, including any temporary regulations, from time to time promulgated under the Code.

(mm) "35 W. Wacker Property" means that certain property commonly known as The Leo Burnett Building, 35 W. Wacker Drive, Chicago, Illinois as more particularly described on Exhibit A attached hereto and made a part hereof, together with all rights and easements appurtenant thereto and all improvements now or hereafter thereon, and all tangible and intangible property contributed to the Original Company by LBC pursuant to the formation of the Original Company, or any property hereafter acquired by the Partnership.

SECTION 4. Business of the Partnership.

(a) The purpose of the Partnership is (i) to directly or indirectly acquire, own, manage, develop, operate, finance, mortgage, encumber, lease, sell, and otherwise deal with and dispose of part or all of the 35 W. Wacker Property subject to the terms and limitations herein set forth; and (ii) to conduct all activities reasonably necessary or desirable to accomplish or relating to the foregoing purposes.

(b) The Partnership shall not engage in any other business or activity without the unanimous approval of the Partners, including, without limitation, the acquisition of any material assets other than as required for the continued operation of the 35 W. Wacker Property as herein set forth.

SECTION 5. Term. The term of the Partnership began upon the filing of the Certificate of Formation for the Original Company with the Secretary and shall continue until the earlier of (a) September 30, 2027, or (b) the date as of which the Partnership is dissolved in accordance with this Agreement or by law.

SECTION 6. Principal Place of Business. The principal place of business of the Partnership shall be located at HVB Capital Markets, Inc., 1150 East 42nd Street, 31st Floor, New York, New York 10017. VV City-Buck may, from time to time, change the principal place of business of the Partnership and/or establish additional places of business of the Partnership.

SECTION 7. Registered Agent; Registered Office. The registered agent for the service of process shall be The Corporation Trust Company. The registered office shall be 1209 Orange Street, Wilmington, County of New Castle, Delaware. The General Partner may, from time to time, change the registered agent or office through appropriate filings with the Secretary.

SECTION 8. Capital Contributions; No Withdrawal or Resignation.

(a) Initial Capital; Contributions. Each Partner, or such Partner's predecessor in interest, has made the Capital Contribution set forth opposite such Partner's name on Schedule I-A attached hereto and shall receive the Partnership Interest set forth opposite such Partner's name on such schedule.

(b) Additional Contributions; Interest. No Partner shall be obligated to make any additional Capital Contribution. No Partner shall be permitted to make any additional Capital Contribution without the consent of the General Partner. Upon any additional Capital Contribution made by any Partner, the Partnership Interests of the Partners shall be adjusted to reflect the ratio of such Partner's Capital Contributions, including any additional Capital Contributions, to the aggregate amount of all Partner's Capital Contributions, including all additional Capital Contributions, and shall be set forth on an amendment to Schedule I-A. Any amounts paid by VV City-Buck to LBC under the Guaranty shall be deemed to be an additional Capital Contribution by VV City-Buck to the Partnership, provided that any such additional Capital Contribution shall not reduce the Partnership Interest of LBC pursuant to this Section 8(b). Except as otherwise expressly provided herein, no Partner has any obligation to restore a deficit balance in such Partner's Capital Account or to make any contributions to the Partnership in order to restore such deficit balance. No Partner shall be paid interest on any Capital Contribution.

(c) Mandatory Additional Capital Contributions. Notwithstanding the first grammatical sentence of Section 8(b), the General Partner shall cause the Partnership to pay the amount of the transfer taxes, if any, required to be paid under applicable law in connection with the prior contribution of the 35 W. Wacker Property to the Partnership, or prior admission of JBC and SOFI IV to the Partnership, and VV City-Buck shall contribute to the Partnership the amount of such taxes required if there are not sufficient Reserves held by the Partnership or available cash flow to make such payments. In addition, notwithstanding the first grammatical sentence of Section 8(b), VV City-Buck shall directly pay the amount of the transfer taxes, if any, required to be paid under applicable law in connection with the transfer of SOFI IV's and JBC's Partnership Interests to the General Partner and the admission of the General Partner to the Partnership, and VV City-Buck shall contribute to the Partnership the amount of such taxes required regardless of whether or not there are sufficient Reserves held by the Partnership or available cash flow to make such payments.

(d) Withdrawal and Resignation; Return of Capital Contribution. No Partner shall be entitled to withdraw or resign as a Partner or to receive any part of such Partner's Capital Contribution or any distribution from the Partnership in connection therewith.

SECTION 9. Distributions. Net Cash Flow shall be distributed monthly among the Partners in accordance with their respective Partnership Interests from time to time set forth on Schedule I-A, as amended from time to time.

The net proceeds from any sale, transfer, contribution, exchange or other disposition of the 35 W. Wacker Property or any refinancing of indebtedness secured by a first mortgage on the 35 W. Wacker Property, shall first be applied to interest on existing first mortgage indebtedness on the 35 W. Wacker Property and any required amortization of the principal of such indebtedness and then shall be distributed to the Partners in accordance with their Partnership Interests. In the event the Partnership is subject to any tax or other obligation (including, without limitation, the Illinois Personal Property Replacement Tax) which is attributable to the interest of one or more Partners in the Partnership, but fewer than all the Partners, such tax or other obligation shall be specially allocated to, and charged against the Capital Account of, such Partner or Partners, and the amounts otherwise distributable to such Partner or Partners pursuant to this Agreement shall be reduced by such amount.

SECTION 10. **Allocation of Income and Losses.**

(a) General. It is the intent of the Partners that the tax allocations of the Partnership will meet the requirements for “substantial economic effect” of Section 704 of the Code, and the Treasury Regulations or similar authority promulgated thereunder. The tax allocations set forth herein shall be interpreted consistently with the foregoing intent.

(b) Subject to Section 10(h) and Section 10(j) hereof, all profits of the Partnership shall be allocated for each Taxable Year as follows:

(i) first, to the Partners, up to the aggregate of, and in proportion to, any Excess Loss previously allocated to each Partner in accordance with Section 10(d) hereof, to the extent not previously offset by allocations of profits pursuant to this Section 10(b)(i), in the reverse order in which such Excess Losses were allocated; and

(ii) [illegible]

(c) Subject to Section 10(d), Section 10(h) and Section 10(c) hereof, all losses of the Partnership, if any, shall be allocated for each Taxable Year to the Partners in accordance with their Partnership Interests.

(d) The losses allocated pursuant to Section 10(c) shall not exceed the maximum amount of losses that can be so allocated without causing any Partner to be allocated an Excess Loss. If some but not all Partners would be allocated an Excess Loss as a result of an allocation of losses under Section 10(c), the limitation contained in this Section 10(d) shall be applied on a Partner by Partner basis so as to allocate the maximum permissible losses to each Partner under Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations.

(e) Notwithstanding Section 10(b), but subject to Section 10(h) and Section 10(j), the profits or losses of the Partnership for the taxable year of liquidation of the Partnership shall be allocated prior to the final liquidating distributions of the Partnership and shall be allocated first to eliminate all negative balances in any Partner’s Capital Account and then, to the extent possible, in a manner such that the Capital Accounts of the Partners immediately prior to such final liquidating distribution are equal to the amount which would have been distributable to the Partners under Section 9 if such distributions were to be governed by Section 9.

(f) Special Allocation. Notwithstanding anything to the contrary in this Section 10, if and to the extent LBC receives any indemnification payments pursuant to Section 25, LBC shall be specially allocated gross profits of the Partnership in such Taxable Year (and, if necessary, subsequent Taxable Years) in an amount equal to such indemnification payments. In the year in which the Partnership is liquidated, if the aggregate amount of gross profits allocated to LBC pursuant to the preceding sentence is less than the aggregate amount of indemnification payments received by LBC pursuant to Section 25, LBC shall be specially allocated items of gross income of the Partnership in an amount equal to such deficit.

(g) Change in Partnership Interests. If there is a change in any Partner's Partnership Interest during any year, allocations among the Partners shall be made in accordance with their Partnership Interests in the Partnership from time to time during such year in accordance with Section 706 of the Code using the closing-of-the-books method, except that depreciation, amortization and similar items shall be deemed to accrue ratably on a daily basis over the entire year during which the corresponding asset is owned by the Partnership for the entire year, and over the portion of a year after such asset is placed in service by the Partnership if such asset is placed in service during the year.

(h) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations, and after giving effect to the allocations required under Sections 10(a) and 10(d) hereof, such Partner has a Capital Account Deficit (after taking into account the adjustments described in the definition of "Excess Loss"), items of income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate to the extent required by the Treasury Regulations, its Capital Account deficit (as so adjusted) created by such adjustments, allocations or distributions as quickly as possible.

(i) Special Rules.

(i) If any Partnership asset has a book value different from its adjusted tax basis to the Partnership for federal income tax purposes (whether by reason of the contribution of such property to the Partnership, the revaluation of such property hereunder or otherwise), allocations of income, gain, loss, deduction, credit and tax preference under this Section 10 with respect to such asset shall take account of any variation between the adjusted tax basis of such asset for federal income tax purposes and its book value in the manner prescribed by Section 704(c) of the Code or the principles set forth in Section 1.704-l(b)(2)(iv)(g) of the Treasury Regulations, as the case may be, using the Remedial Method.

(ii) Items of income, gain, loss, deduction, credit and tax preference for state and local income tax purpose shall be allocated to and among the Partners in a manner consistent with the allocation of such items for federal income tax purposes in accordance with the foregoing provisions of this Section 10.

(j) Allocations of Non-Recourse Liabilities and Minimum Gain Chargeback. Allocations attributable to non-recourse liabilities shall be made consistent with Section 1.704-2 of the Treasury Regulations including the minimum gain chargeback requirement of Section 1.704-2(f) of the Treasury Regulations.

SECTION 11. Withholding. The Partnership is authorized to withhold from distributions to be made to a Partner, or with respect to allocations to a Partner, and to pay over to a federal, state or local government, any amounts required to be withheld pursuant to the Code or any provisions of any other federal, state or local law. Any amounts so withheld shall be treated as distributed to such Partner pursuant to this Section 11 for all purposes of this Agreement and shall be offset against the net amounts otherwise distributable to such Partner. The Partnership may also withhold from distributions that would otherwise be made to a Partner, and apply to the obligations of such Partner, any amounts that such Partner owes to the Partnership.

SECTION 12. Books, Records and Accounting.

(a) Books and Records. The Partnership shall maintain complete and accurate books and records of the Partnership's business and affairs in accordance with generally accepted accounting principles, consistently applied, with the exception that all financial statements shall be prepared on a full accrual basis with appropriate adjustments to convert such financial statements to a cash basis with respect to revenues. The books and records shall be maintained at the principal place of business of the Partnership and shall be accessible to the Partners in accordance with the Act.

(b) Fiscal Year: Accounting. The Partnership's fiscal year shall be the calendar year. The accounting methods and principles to be followed by the Partnership shall be selected from time to time by the General Partner consistent with customary real estate property management practices and generally accepted accounting principles, consistently applied, with the exception that all financial statements shall be prepared on a full accrual basis with appropriate adjustments to convert such financial statements to a cash basis with respect to revenues.

(c) Reports. The Partnership shall provide to the Partners reports concerning the financial condition and results of operation of the Partnership and the Partners' Capital Accounts within ninety (90) days after the end of each fiscal year.

SECTION 13. Partnership Funds. The funds of the Partnership shall be deposited in such bank or other financial institution account or accounts, or invested in such interest-bearing or non-interest-bearing investments, as shall be designated by the General Partner. All withdrawals from any such bank accounts shall be made only by the General Partner or by individuals duly appointed by the General Partner.

SECTION 14. Management.

(a) General Partner. The business of the Partnership shall be managed by or under the authority of the General Partner. Except as hereinafter provided, the General Partner shall have full, exclusive and complete discretion, power, and authority, subject in all cases to the limitations and restrictions set forth in this Agreement, including, without limitation, the provisions of

Sections 4, 24 and 25 hereof, and the requirements of applicable law, to manage, control, administer, and operate the business and affairs of the Partnership, including without limitation, the discretion, power and authority to:

(i) acquire by purchase, lease, or otherwise, any fixtures or personal property, tangible or intangible;

(ii) reconstruct, operate, maintain, finance, improve, own, sell, convey, assign, mortgage, or lease the 35 W. Wacker Property and any other personal property acquired by the Partnership pursuant to clause (i), subject, in each case, to the Debt Maintenance Requirement, Transfer Prohibition and Debt Limit;

(iii) Sell, dispose, trade, or otherwise dispose of any or all of the Partnership's assets, including, without limitation, the contribution of the 35 W. Wacker Property to a real estate investment trust;

(iv) approve the conversion, consolidation, or merger of the Partnership, including, without limitation, into or with a real estate investment trust;

(v) enter into leases, agreements and contracts and give receipts, releases, and discharges;

(vi) purchase liability and other insurance to protect the Partnership's assets and business;

(vii) subject to the Debt Limit, borrow money for and on behalf of the Partnership, and, in connection therewith, execute and deliver instruments evidencing or securing the same;

(viii) execute or modify leases with respect to any part or all of the assets of the Partnership;

(ix) subject to the Debt Maintenance Requirement and the Debt Limit, prepay, in whole or in part, refinance, amend, modify, or extend any mortgages, trust deeds or security agreements which may affect any asset of the Partnership and in connection therewith execute for and on behalf of the Partnership any extensions, renewals, or modifications of such mortgages, trust deeds or security agreements;

(x) execute any and all other instruments and documents which may be necessary or in the opinion of the General Partner desirable to carry out the intent and purpose of this Agreement, including, but not limited to, documents whose operation and effect extend beyond the term of the Partnership;

(xi) make any and all expenditures which the General Partner, in its sole but reasonable discretion, deems necessary or appropriate in connection with the management of the affairs of the Partnership and the carrying out of its obligations and responsibilities under this Agreement, including, without limitation, all reasonable legal, accounting, and other related out of pocket expenses incurred in connection with the organization and financing and operating of the Partnership;

(xii) enter into any kind of activity necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Partnership;

(xiii) invest and reinvest Partnership reserves in short-term instruments or money market funds;

(xiv) appoint Persons to act on behalf of the Partnership and hire employees and agents and appoint officers to perform such functions as from time to time shall be delegated to such employees, agents, and officers by the General Partner; and

(xv) determine the compensation of any employees, agents and officers of the Partnership or delegate some or all compensation decisions to officers or employees of the Partnership.

The General Partner shall be VV City-Buck which shall remain the General Partner until it withdraws or is removed by a Majority Interest.

(b) Withdrawal. The General Partner may withdraw at any time by giving written notice to all Partners.

(c) Removal The General Partner may be removed with or without cause by the affirmative vote of the Majority Interest.

(d) Limitations on Powers. Notwithstanding anything in this Agreement to the contrary, the General Partner shall not have any power, right or authority to take any action requiring Partner approval as set forth in Section 16(c) in the absence of the requisite Partner approval.

(e) Compensation. The General Partner shall receive no compensation for managing the business of the Partnership; provided, however, the General Partner shall be reimbursed by the Partnership for any reasonable out-of-pocket expenses incurred by the General Partner on behalf of the Partnership on a monthly basis.

(f) Binding Authority. Only the General Partner shall have the authority to bind the Partnership and no Limited Partner shall have the authority to bind the Partnership.

(g) Services and Fees. Concurrently herewith, the Partnership shall enter into an agreement with an entity comprised of Affiliates of JBC, which provides for the management and leasing of the 35 W. Wacker Property (the "Management and Leasing Agreements"). The compensation paid under the Management and Leasing Agreements shall be reasonably consistent with the rates charged by professional property managers and leasing agents in non-affiliated, arms-length transactions; provided, however, the Partners acknowledge and agree that as of the date hereof the market rate for property management services is 3% of the annual gross revenues of the managed property.

(h) Notices to Partners. The General Partner shall promptly deliver to each Partner any written notice of default sent by the lender of any indebtedness now, or at any time hereafter, encumbering all or any portion of the 35 W. Wacker Property.

(i) Meetings of Partners. Meetings of Partners for any proper purpose may be called at anytime by the General Partner. Partners may participate in any meeting through the use of a conference telephone or similar communications equipment by means of which all individuals participating in the meeting can hear each other, and such participation shall constitute presence in person at the meeting. The Partnership shall give written notice of the date, time, place and purpose of any meeting to all Partners at least ten (10) days and not more than sixty (60) days prior to the date fixed for the meeting. Notice may be waived by any Partner.

(j) Consent of Partners. Any action required or permitted to be taken at any meeting of Partners may be taken by a written consent without a meeting, without prior notice and without a vote. The written consent shall set forth the action so taken and shall be signed by Partners having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Partners entitled to vote thereon were present and voting. Prompt notice of the taking of action by written consent shall be given to all Partners who did not sign the written consent.

SECTION 16. Voting.

(a) Partners. Except as provided in paragraph 16(c) below, the affirmative vote or written consent of a Majority Interest shall decide all matters properly brought before the Partners.

(b) Voting. A Partner may vote either in person or by written proxy or consent signed by the Partner or by his duly authorized attorney in fact.

(c) Actions Requiring Partner Approval. Notwithstanding any other provision of this Agreement, the written consent of LBC shall be required to approve the matters set forth in the following subparagraphs (i), (ii), (iii) and (iv).

(i) any Sale of all or any portion of the Property during the Restrictive Period which violates the Transfer Prohibition; provided, however, that LBC shall not unreasonably withhold or delay its consent to any such Sale if: (1) the General Partner gives LBC not less than four (4) months prior notice of its intention to Sell or dispose of the Property; and (2) the Partnership agrees to pay to LBC in cash, at the closing of the Sale, the amount, if any, of the tax indemnity payments then payable pursuant to Section 25 herein as a result of such transfer, which amount shall be reasonably calculated and agreed to between the parties.

(ii) the incurrence by the Partnership during the Restrictive Period of any indebtedness for borrowed money the amount of which indebtedness, when added to the outstanding balance, including principal and accrued but unpaid interest or other costs, of all other indebtedness for borrowed money of the Partnership, would cause the total outstanding indebtedness of the Partnership for borrowed money to exceed the greater of (1) $160 million and (2) 70% of the then fair market value of the 35 W. Wacker Property as reasonably determined by the General Partner (the "Debt Limit") and

(iii) the acquisition of any material assets other than as required for the continued operation of the 35 W. Wacker Property.

(iv) the amendment of this Agreement which materially and adversely affects or dilutes the rights, powers and privileges granted to LBC under this Agreement or causes any material adverse economic effect on LBC.

SECTION 17. Exculpation, Limitation of Liability and Indemnification.

(a) Exculpation. Notwithstanding anything to the contrary set forth in this Agreement, neither the General Partner nor any Limited Partner shall be liable to the Partnership or to any other Partner for monetary damages for any losses, claims, damages or liabilities arising from any act or omission of such General Partner or Limited Partner arising out of or in connection with this Agreement or the Partnership's business or affairs, except to the extent that such act or omission (1) is attributable to such General Partner's or Limited Partner's fraud, bad faith, willful misconduct or gross negligence or (2) was clearly outside the scope of authority granted to such General Partner or Limited Partner under this Agreement (such acts or omissions being hereinafter referred to as "Matters").

(b) Limitation of Liability. Except as provided in Sections 17-403(b) and (d) of the Act, the debts, obligations and liabilities of the Partnership whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Partnership, and no Limited Partner shall be obligated personally for any such debt, obligation or liability of the Partnership solely by reason of being a Limited Partner.

(c) Indemnification. Other than with respect to Excluded Matters, the Partnership shall indemnify, in accordance with and to the full extent now or hereafter permitted by law, any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, an action by or in the right of the Partnership) by reason of the fact that such Person is or was a Limited Partner, General Partner or officer of the Partnership or an Affiliate thereof (and the Partnership may so indemnify a Person by reason of the fact that such Person is or was an employee or agent of the Partnership, or is or was serving at the request of the Partnership as a director, trustee, member, manager, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise), against any liabilities, expenses (including, without limitation, attorneys' fees and expenses and any other costs and expenses incurred in connection with defending such action, suit or proceeding), judgments, fines and amounts paid in settlement actually and reasonably incurred by such Person in connection with such action, suitor proceeding if such Person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Partnership, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contenders or its equivalent, shall not, of itself, create a presumption (a) that the Person did not act in good faith or [illegible] reasonably believed to be opposed to the best interests of the Partnership, or (b) with respect to any criminal action or proceeding, that the Person had reasonable cause to believe that his or her conduct was unlawful. "Other enterprise" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a Person with respect to an employee benefit plan; and references to serving at the request of the Partnership shall include, without limitation, any service as a member, manager, officer, employee or agent of the Partnership or any other entities in which it has an ownership interest which imposes duties on, or involves services by, such member, manager, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries.

(d) Expenses. Reasonable expenses, (including, without limitation, attorneys' fees and expenses) incurred by a Limited Partner, General Partner or officer of the Partnership in defending a civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Partnership in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the Limited Partner, General Partner or officer to repay such amount if it shall ultimately be determined that such Limited Partner, General Partner or officer is not entitled to be indemnified by the Partnership under this Section 17 or under any other contract or agreement between such Limited Partner, General Partner or officer and the Partnership. Such expenses (including attorneys' fees) incurred by employees or agents of the Partnership may be so paid upon the receipt of the aforesaid undertaking and such terms and conditions, if any, as the General Partner deems appropriate.

(e) Continuation. The indemnification and advancement of expenses provided by this Section 17 shall continue as to a Person who has ceased to be a Limited Partner, General Partner, officer, employee or agent and shall inure to the benefit of the successors, assigns, heirs, executors and administrators of such a Person.

(f) Insurance. The Partnership may purchase and maintain insurance on behalf of any Person who is or was a Limited Partner, General Partner, officer, employee or agent of the Partnership, or is or was serving at the request of the Partnership as a director, trustee, member, manager, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, or other enterprise against any liability asserted against such Person and incurred by such Person in any such capacity, or arising out of such Person's status as such, whether or not such Person would be entitled to indemnity against such liability under the provisions of this Section 17.

SECTION 18. Sale of Partnership Interests and New Partners.

(a) Assignment. Except as otherwise permitted in Section 18(g) herein, any Sale of a Partnership Interest in whole or in part, including, without limitation, pursuant to Section 18(b), shall be permitted only upon compliance with the provisions of Section 18(c) and (d) and, to the extent applicable, upon compliance with the provisions of Section 18(b), (f) and (g). A Sale of a Partnership Interest shall not entitle the assignee to become or to exercise any rights or powers of a Partner until such assignee is admitted as a Partner in accordance with this Agreement. As a condition to any Sale of a Partnership Interest, the Partner must notify the assignee and the Partnership in writing of all obligations of such Partner for liabilities relating to the Partnership and this Agreement, including any obligations to make contributions to the Partnership. Any attempted Sale in contravention of this Section 18 shall be void and of no force or effect except that such Sale shall entitle the transferee only to receive such distributions, to share in such profits and to receive such allocations of income, gain, loss, deduction, credit, tax preference and similar items to which the transferor was entitled to the extent assigned. The transferee of any Partnership Interest shall be treated as having made all of the Capital Contributions made by, and received all of the distributions from the Partnership received by, the transferor of such Partnership Interest with respect to such Partnership Interest.

(b) Tag-Along/Drag Along Rights.

(i) Tag-Along. If VV City-Buck (the "Selling Partner" proposes to effect a Sale to a Person other than (i) a Partner or (ii) a Sale for no consideration to an Affiliate of the Selling Partner, of all or less than all Partnership Interests held by such Selling Partner, such Selling Partner shall offer each and every other Partner the opportunity to sell (the "Tag-Along Purchase Offer") to such Person (the "Purchaser") the Tag-Along Portion of such Partner's Partnership Interest for the consideration per percentage of Partnership Interest set forth hereinbelow as the "Tag-Along Price" and otherwise on the same terms and conditions upon which the Selling Partner(s) sell(s) its Partnership Interest. The Tag-Along Portion shall be the portion of a Partner's Partnership Interest which is equal to (x) the total Partnership Interest of such Partner as of the date that the Tag-Along Notice is provided in accordance with clause (ii) below multiplied by (y) a fraction the numerator of which is the Partnership Interest that the Selling Partner proposes to sell as set forth in such Tag-Along Notice and the denominator of which is the total Partnership Interest of the Selling Partner held by such Partner as of such date (the "Tag-Along Portion"). The consideration per percentage Partnership Interest payable to a Tag-Along Partner will be equal to the amount which would be distributed to such Tag-Along Partner per percentage Partnership Interest assuming the Partnership sold all of its assets for a price which would result in the Selling Partner receiving the consideration offered in the Purchase Offer to the Selling Partner upon a liquidation of the Partnership.

(ii) Drag-Along. If VV City-Buck proposes to effect a Sale to a Purchaser of all of its Partnership Interests, other than (i) to a Partner or (ii) a Sale for no consideration to an Affiliate of VV City-Buck (the "Drag-Along Purchase Offer"; a Tag-Along Purchase Offer and a Drag-Along Purchase Offer may each be referred to herein as a "Purchase Offer"). VV City-Buck may require each and every other Partner to sell to the Purchaser all Partnership Interests held by such Partners for the same consideration per percentage of Partnership Interest and otherwise on the same terms and conditions upon which VV City-Buck sells its Partnership Interests.

(iii) Exercise of Right. In the Event of a Purchase Offer, the Selling Partner shall cause the Purchase Offer described in clause (i) or (ii) above, as applicable, to be reduced to writing and shall provide a written notice (the "Tag-Along/Drag-Along Notice") of the Purchase Offer to the other Partners. The Tag-Along/Drag-Along Notice shall contain written notice, as applicable, of (A) the exercise by VV City-Buck of VV City-Buck's drag-along rights pursuant to this Section 18(b)(ii) or (B) the Tag-Along rights of the other Partners to sell the Tag-Along Portion of their Partnership Interest pursuant to Section 18(b)(i), as the case may be, and shall set forth the consideration per percentage of Partnership

Interest to be paid by the Purchaser and the other terms and conditions of the Purchase Offer. No later than 20 days (subject to the expiration of any waiting period under the Hart Scott Rodino Antitrust Improvements Act of 1976) after receipt of Tag-Along/Drag-Along Notice or in a subsequent notice from the Selling Partner (A) in the event of a Drag-Along Purchase Offer, each of such other Partners shall, or (B) in the event of a Tag-Along Purchase Offer, each of the other Partners who elects to participate in such Sale shall, deliver into escrow with the Selling Partner all documents reasonably required to be executed in connection with such Purchase Offer, to be held for delivery to the Purchaser upon delivery to such Partner of the consideration therefor. In the event that a Partner receives a Tag-Along/Drag-Along Notice pursuant to this Section 18(b), such Partner agrees to use its best efforts, in good faith and in a timely manner, to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable, under applicable laws and regulations (including, without limitation, to ensure that all appropriate legal and other requirements are met and all consents of third Persons are obtained), to consummate the proposed transactions contemplated by this Section 18(b). Notwithstanding any other provisions of this Section 18(b), in the event of a Drag Along Sale, no Partner other than the Partner initiating the Drag Along Sale shall be required to make any representation or warranty or incur any liability with respect to such Sale other than with respect to (1) such Partner's title to its Partnership Interest; (2) power and authority to complete such sale; and (3) customary accredited investor representations and warranties if securities are issued in connection with the Sale.

(iv) Return of Documents. If, for any reason, the Selling Partner determines that it cannot complete the Sale of the Partnership Interests, the Selling Partner shall cause to be returned to each Partner all documents delivered into escrow pursuant hereto by such Partners, and all the restrictions on Sale or other disposition contained in this Agreement with respect to Partnership Interests shall again be in effect.

(v) Remittance of Consideration. At the closing of the Sale of Partnership Interest pursuant to this Section 18(b) the consideration with respect to the Partnership Interests of any Partner sold pursuant hereto shall be paid directly to each Partner pursuant to written instructions of such Partner.

(vi) No Liability. Notwithstanding anything contained in this Section 18(b), there shall be no liability on the part of the Selling Partner to any Partner in the event that the Sale of Partnership Interests pursuant to this Section 18(b) is not consummated for whatever reason. Whether to effect a Sale of Partnership interests held by the Selling Partner (together with the Partnership Interests of the other Partners pursuant to this Section 18(b)) shall be in the sole and absolute discretion of the Selling Partner.

(c) Limitations on Assignment. No Partner may Sell any Partnership Interest (or any portion thereof or interest therein) to any Person, including without limitation any Sale pursuant to Section 18(b), and no Person shall become a Partner, unless in the opinion of counsel selected by or acceptable to the General Partner, such action will not: (i) subject the Partnership to federal income taxation as an association taxable as a corporation; (ii) or, violate applicable state or federal securities laws (such requirements, the "Assignment Conditions"). Further, during the Restrictive Period, VV City-Buck shall not Sell its Partnership Interest or any part thereof, unless it shall have first provided to LBC an opinion of Mayer Brown & Platt or other counsel reasonably acceptable to LBC, to the effect that such Sale will not cause LBC to incur any negative income tax effect, including, without limitation, the recognition of any Code §704(c) gain as a result of such Sale, for which LBC is not being paid by VV City-Buck (the "Tax Assurances").

(d) New Partners. Except as provided in Paragraph (f) below, a Person, including, without limitation, an assignee of a Partnership Interest, shall be admitted as a Partner only upon: (i) the written consent of the General Partner, which consent may be granted or withheld in the sole and absolute discretion of the General Partner; unless such Person is (1) an assignee of all or a portion of the Partnership Interest of a Partner and (2) an Affiliate of the Partner assigning such Partnership Interest, an assignee of JBC, or an assignee of LBC (subject to the limitation of Paragraph (f) below), in which event such consent shall be given unless the assignment giving rise to the admission of such Person was made in violation of the Assignment Conditions or Section 18(f); (ii) the execution by such Person of this Agreement or a joinder to this Agreement; and (iii) during the Restrictive Period, receipt by LBC of the Tax Assurances. Until the assignee of a Partnership Interest is admitted as a Partner, the assignor, subject to the last sentence of Section 18(a), shall continue to be a Partner.

(e) Redemption. If requested by a Partner, the Partnership may redeem, but is not obligated to redeem, the Partnership Interest of any such Partner upon the approval of the General Partner.

(f) Restrictions on LBC Transfer or Redemption. If LBC desires to sell its Partnership Interest to any party other than an Affiliate of LBC, LBC shall provide written notice thereof to the Partnership, and the Partnership shall have the right to cause LBC's Partnership Interest to be redeemed for an amount equal to the then fair market value of the 35 W. Wacker Property, less all liabilities of the Partnership, as reasonably agreed upon by LBC and VV City-Buck, multiplied by the percentage corresponding to LBC's Partnership Interest. The Partnership shall have forty-five (45) days following receipt of such notice from LBC to (i) indicate whether or not it desires to redeem LBC's Partnership Interest and (ii) if it elects to redeem LBC's Partnership Interest, the proposed fair market value of the 35 W. Wacker Property for purposes of such redemption. If LBC objects to such fair market value, it shall notify VV City-Buck thereof in writing specifying in reasonable detail the nature of its objection and the parties shall in good faith attempt to resolve such disagreement. If the parties are unable to resolve such agreement within thirty (30) days after LBC's notice, the matter shall be settled by arbitration in a manner consistent with the procedure specified in Section 30(g) of the LBC Lease with appropriate modification to take into account the differing nature of the valuation to be performed. If the Partnership elects not to redeem the LBC Partnership Interest, then LBC shall be permitted to sell its Partnership Interest during the six (6) month period thereafter provided that the purchaser of such Partnership Interest shall be subject to the approval of the General Partner, which approval shall not be unreasonably withheld.

(g) Pledge or Encumbrance Permitted. Without the consent of any other Partner, from time to time, VV City-Buck may pledge its Partnership Interest to a lending institution to secure a loan, so long as a purpose of such loan is to acquire funds to make VV City-Buck's Capital Contribution (or refinance the amount outstanding on any such loan) and so long as such loan is from, and such pledge is to, an institutional lender.

SECTION 19. Dissolution.

The Partnership shall be dissolved and terminated upon the happening of the first to occur of any of the following events:

(a) The expiration of the term of the Partnership;

(b) Following the expiration of the Restrictive Period, the approval or written consent of a Majority Interest of the Partners for the dissolution or winding up of the Partnership;

(c) The bankruptcy (as defined in Section 17-402 of the Act) of the General Partner, unless within ninety (90) days of such occurrence the Partnership is continued by the written consent of a Majority Interest of the remaining Partners, which consent may be granted or withheld in the sole and absolute discretion of each Partner whose consent is required hereby. The Partnership shall automatically continue upon the death, retirement, withdrawal, resignation, expulsion or dissolution of the General Partner or other event which terminates the continued partnership of the General Partner, upon compliance with the requirements of Section 17-801 of the Act by the remaining Partners, until the Partnership is otherwise dissolved and terminated pursuant to the terms of this Agreement; and

(d) Judicial dissolution pursuant to the Act.

SECTION 20. Winding Up and Distribution of Assets.

(a) Winding Up. If the Partnership is dissolved, the General Partner shall wind up the affairs of the Partnership.

(b) Distribution of Assets. Upon the winding up of the Partnership, the General Partner shall pay or make reasonable provision to pay all claims and obligations of the Partnership, including all costs and expenses of the liquidation and all contingent, conditional, or unmatured claims and obligations that are known to the General Partner but for which the identity of the claimant is unknown. If there are sufficient assets, such claims and obligations shall be paid in full and any such provision shall be made in full, If there are insufficient assets, such claims and obligations shall be paid or provided for according to their priority and, among claims and obligations of equal priority, ratably to the extent of assets available therefor. Any remaining assets shall be distributed as follows:

(i) First, to creditors, including Partners in their capacities as creditors, in the order of priority as provided by law; and

(ii) Second, to Partners in accordance with Section 9 herein.

SECTION 21. Conflict of Interest. No Partner shall be required to act hereunder as its sole and exclusive business activity and any Partner may have other business interests and engage in other activities in addition to those relating to the Partnership (and whether or not competitive with that of the Partnership). Neither the Partnership nor any Partner shall have any right by virtue of this Agreement in or to any other interests or activities or to the income or proceeds derived therefrom. A Partner may transact business with the Partnership and, subject to applicable laws, has the same rights and obligations with respect thereto as any other Person. No transaction between a Partner and the Partnership shall be voidable solely because a Partner has a direct or indirect interest in the transaction if either the transaction is fair and reasonable to the Partnership or the percentage or number of disinterested Partners as required under this Agreement or applicable law, authorize, approve or ratify the transaction.

SECTION 22. Taxation.

(a) Status of the Partnership. The Partners acknowledge that this Agreement creates a partnership for federal and state income tax purposes, and hereby agree not to elect to be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code or any similar state statute.

(b) Tax Elections. The General Partner shall, upon the written request of any Partner benefitted thereby, cause the Partnership to file an election under Section 754 of the Code and the Treasury Regulations thereunder to adjust the basis of the Partnership assets under Section 734(b) or 743(b) of the Code and a corresponding election under the applicable sections of state and local law. The General Partner shall have the authority to make all other Partnership elections permitted under the Code, including elections of methods of depreciation.

(c) Partnership Tax Returns. The General Partner shall cause the necessary federal income and other tax returns and information returns for the Partnership to be prepared. Each Partner shall provide such information, if any, as may be needed by the Partnership for purposes of preparing such tax returns and information returns. The General Partner shall deliver to each Partner within ninety (90) days after the end of each year a copy of the federal income tax returns for the Partnership as filed with the appropriate taxing authorities, and upon the written request of any Partner, a copy of any state and local income tax return as filed.

(d) Tax Audits.

(i) VV City-Buck shall be the Partnership's tax matters Partner (the "Tax Matters Partner") with respect to federal income tax audits. If at any time the Tax Matters Partner cannot or elects not to serve as the Tax Matters Partner, is removed by the Partners as the Tax Matters Partner or ceases to be a Partner, a Majority Interest shall select another Partner to be the Tax Matters Partner. The Tax Matters Partner, as an authorized representative of the Partnership, shall direct the defense of any claims made by the IRS to the extent that such claims relate to the adjustment of Partnership items at the Partnership level. The Tax Matters Partner shall promptly deliver to each Partner a copy of any notice of beginning of administrative proceedings or any report of the reasons for a proposed adjustment received from the IRS relating to or potentially resulting in an adjustment of Partnership items. The Tax Matters Partner shall, unless a Majority Interest consents to the contrary, diligently and in good faith contest any proposed adjustment of a Partnership item that principally affects the Partners at the administrative and judicial levels, including, if appropriate or if requested by a Majority Interest, appealing any adverse judicial decision, and shall consider in good faith any suggestions made by any Partner or its counsel regarding the conduct of such administrative or judicial proceedings. The Tax Matters Partner shall keep each Partner advised of all material developments with respect to any proposed adjustment that come to its attention, including, without limitation, the scheduling of all conferences and substantive telephone calls with the IRS. Each Partner shall be entitled, at its own expense, to attend all meetings with the IRS and to review in advance any material written information (including, without limitation, any pleadings, memoranda or similar items) to be submitted to the IRS. Without first obtaining the consent of a Majority Interest, the Tax Matters Partner shall not, with respect to any proposed adjustment of a Partnership item that materially and adversely affects any Partner, (A) enter into a settlement agreement that purports to bind Partners other than the Tax Matters Partner (including, without limitation, any stipulation consenting to any entry of decision by an tax court), or (B) enter into an agreement or stipulation extending the statute of limitations. The Tax Matters Partner shall receive no compensation for serving as the Tax Matters Partner; provided, however, the Tax Matters Partner shall be reimbursed by the Partnership for any reasonable out-of-pocket expense incurred by the Tax Matters Partner on behalf of the Partnership on a monthly basis.

(ii) The Partnership shall promptly deliver to each Partner a copy of all notices, communications, reports or writings of any kind with respect to income or similar taxes received from any state or local taxing authority relating to the Partnership that might materially and adversely affect each Partner, and shall keep such Partners advised of all material developments with respect to any proposed adjustment of Partnership items that come to its attention.

(iii) Each Partner shall continue to have the rights described in this Section 22(d) with respect to tax matters relating to any period during which it was a Partner, whether or not it is a Partner at the time of the tax audit or contest.

SECTION 22. Not a Publicly Traded Partnership.

All interests in the Partnership have been or will be issued in transaction(s) that were not required to be registered under the Securities Act of 1933 (the "1933 Act"), and to the extent such offerings or sales were not required to be registered under the 1933 Act by reason of Regulation S (17 CFR 230.901 through 230.904) or any successor thereto, such offerings or sales would not have been required to be registered under the 1933 Act if the interests so offered or sold had been offered and sold within the United States.

No admission (or purported admission) of a Partner, and no transfer (or purported transfer) of all or any part of a Partner's interest in the Partnership (or any economic interest therein) in the Partnership, whether to another Partner or to a person who is not a Partner, shall be effective, and any such admission or transfer (or purported admission or transfer) shall be void ab initio and no person shall otherwise become a Partner if (i) at the time of such admission or transfer (or purported admission or transfer) any interest in the Partnership (or economic interest therein) is traded on an established securities market or readily tradeable on a secondary market or the substantial equivalent thereof or (ii) after such admission or transfer (or purported admission or transfer) the Partnership would have more than 100 Partners. For purposes of clause (i) of the preceding sentence, an established securities market is a national securities exchange that is either registered under Section 6 of the Securities Exchange Act of 1934 (the

"1934 Act" or exempt from registration because of the limited volume of transactions, a foreign securities exchange that, under the law of the jurisdiction where it is organized, satisfies regulatory requirements that are analogous to the regulatory requirements of the 1934 Act, a regional or local exchange, or an interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise. For purposes of such clause (i), interests in the Partnership (or interests therein) are readily tradeable on a secondary market or the substantial equivalent thereof if (i) interests in the Partnership (or interests therein) are regularly quoted by any person, such as a broker or dealer, making a market in the interests; (ii) any person regularly makes available to the public (including customers or subscribers) bid or offer quotes with respect to interests in the Partnership (or interests therein) and stands ready to effect buy or sell transactions at the quoted prices for itself or on behalf of others; (iii) the holder of an interest in the Partnership has a readily available, regular, and ongoing opportunity to sell or exchange such interest (or interests therein) through a public means of obtaining or providing information of offers to buy, sell, or exchange such interests; or (iv) prospective buyers and sellers otherwise have the opportunity to buy, sell, or exchange interests in the Partnership (or interests therein) in a time frame and with the regularity and continuity that is comparable to that described in clauses (i), (ii) and (iii) of this sentence. For purposes of determining whether the Partnership will have more than 100 Partners,, each person indirectly owning an interest in the Partnership through a partnership (including any entity treated as a partnership for federal income tax purposes), a grantor trust or an S corporation (each such entity a "flow-through entity") shall be treated as a Partner unless the General Partner determines in its sole and absolute discretion that less than substantially all of the value of the beneficial owner's interest in the flow-through entity is attributable to the flow-through entity's interest (direct or indirect) in the Partnership. For purposes of the immediately preceding sentence, the General Partner hereby acknowledges that less than substantially all of the value of the beneficial owners' interests in LBC is attributable to LBC's Partnership Interest.

SECTION 23. Debt Maintenance, Transfer Prohibition. Notwithstanding any other provision of this Agreement, at all times during the Restrictive Period, the Partnership shall maintain such level of non-recourse indebtedness secured by the 35 W. Wacker Property and cause such portion of such indebtedness to be allocated to LBC under Code §752 and the regulations thereunder as is sufficient to protect LBC against recognizing gain pursuant to Code §731(a)(1) as a result of a deemed distribution of money to LBC pursuant to Code §752(b) (the "Debt Maintenance Requirement"). During the Restrictive Period, the Partnership (and any successor thereto) shall not refinance, sell, transfer, or in any other manner alter the ownership structure or ownership entity of the 35 W. Wacker Property in any manner that could cause adverse tax consequences to LBC in the reasonable opinion of LBC's tax counsel, Kirkland & Ellis (or such other counsel as may be reasonably approved by the Partnership) (the "Transfer Prohibition") In addition, upon the expiration of the Restrictive Period and until the end of the initial term of the Lease, LBC shall have the option, to the extent of indebtedness available for such purpose, of guarantying on a "bottom dollar basis," an amount of indebtedness of the Partnership or any successor thereto, sufficient to provide an allocation of debt to LBC equal to the amount of debt then required to be allocated to LBC to enable LBC to avoid recognizing gain pursuant to Code §731(a)(1) as a result of a deemed distribution of money to LBC pursuant to Code §752(b). Such rights shall terminate if the 35 W. Wacker Property is sold following the expiration of the Restrictive Period to a party that is not an Affiliate of any of the Partners, or any Affiliate of any

Partner. Notwithstanding the foregoing provisions of this Section 24, the Debt Maintenance Requirement and Transfer Prohibition shall cease to apply, and the Restrictive Period shall terminate, if LBC has voluntarily and independently recognized its taxable gain resulting from the transfer of the 35 W. Wacker Property to the Partnership or has defaulted in the payment of rent or other material economic obligations under the LBC Lease and such default has remained uncured for a period of sixty (60) days following written demand therefor.

SECTION 24. Tax Indemnity. The Partnership hereby agrees to indemnify, defend, and hold harmless LBC and its shareholders (the "LBC Indemnitees") on an after-tax basis, against the adverse tax impact to the LBC Indemnitees of the Partnership's use of the Remedial Method during the Restrictive Period. The amount of such indemnification with respect to use of the Remedial Method, which shall be calculated and adjusted annually, shall have a present value equal to the excess of (i) the sum of the present values of (x) the income taxes actually paid by the LBC Indemnitees with respect to LBC's interest in the Partnership during the Restrictive Period, plus (y) the taxes that would have been paid by the LBC Indemnitees if the 35 W. Wacker Property were sold at the end of the Restrictive Period, plus (z) the income taxes actually paid by the LBC Indemnitees as a result of the receipt of indemnification payments (with any reduction in LBC's tax basis in its Partnership Interest in the Partnership as a result of its receipt of such indemnification payments being deemed to result in gain at the end of the Restrictive Period) over (ii) the present value of the income taxes that the LBC Indemnitees would have paid during the Restrictive Period if the traditional allocation method under Code Section 704(c) (without curative allocations) had been used, the 35 W. Wacker Property were sold at the end of the Restrictive Period, and throughout the Restrictive Period, LBC had been allocated an amount of non-recourse debt at least equal to its negative basis in the 35 W. Wacker Property (the amount of such excess, the "Remedial Indemnification Amount"). In addition, in the event that the Partnership shall fail to comply with the Transfer Prohibition, the Partnership hereby further agrees to indemnify, defend and hold harmless the LBC Indemnitees from and against the after-tax present value of the detriment incurred by the LBC Indemnitees as a result of such failure, taking into account the timing and character of taxable income recognized by the LBC Indemnitees as a result of such failure (the "Transfer Indemnification Amount"). Notwithstanding the letter dated July 21, 1999 attached hereto as Exhibit D-3, the Remedial Indemnification Amount shall be payable on an annual basis by the Partnership to LBC not later than January 14th of the year following the year in question, subject to adjustment for audit or other amendments of the tax return for the Partnership for the year in question. The annual amount payable in respect thereof shall be calculated as provided above assuming that no income tax impact will occur in subsequent years of the Restrictive Period under the Remedial Method relative to the traditional method. At the election of VV City-Buck, the Remedial Indemnification Amount (as estimated from time to time) can be prepaid at any time during the Restrictive Period, subject to later adjustment. LBC and VV City-Buck's predecessor in interest (JBC and SOFI IV) have entered into the following letter agreements that describe the way in which the Remedial Indemnification Amount and Transfer Indemnification Amount are calculated: (i) letter dated March 2, 1999 attached hereto as Exhibit D-1; (ii) letter dated July 21, 1999 attached hereto as Exhibit D-2; and (iii) letter dated July 22, 1999 attached hereto as Exhibit D-3 (collectively, the "Letter Agreements"). LBC and VV City-Buck hereby ratify and confirm the validity of the foregoing Letter Agreements, and VV City-Buck, as the successor of JBC and SOFI IV, and LBC agree to be bound the terms of those letter agreements. Finally, VV City-Buck agrees to indemnify, defend and hold harmless the LBC Indemnitees, on an after-tax basis, against the adverse tax impact to the LBC Indemnitees, if any, of the conversion of the Original Company from a limited liability company to a limited partnership and the admission of VV City-Buck as the General Partner of the Partnership (the "Conversion Indemnification Amount") Notwithstanding the foregoing provisions of this Section 25, all of the foregoing tax indemnities shall terminate, if and when LBC has voluntarily and independently recognized its taxable gain resulting from the transfer of the 35 W. Wacker Property to the Partnership or has defaulted in the payment of rent or other material economic obligations under the LBC Lease and such default has remained uncured for a period of sixty (60) days following written demand therefor.

SECTION 26. LBC Tax Basis. Attached hereto as Schedule II is a statement acceptable to the Partners of (i) LBC's adjusted tax basis in the 35 W. Wacker Property and the various components thereof; (ii) the 35 W. Wacker Property's remaining depreciable life for federal income tax purposes and (iv) the initial recovery period and depreciation methods applicable to the various components of the 35 W. Wacker Property.

SECTION 27. Securities Matters. Each Partner hereby represents and warrants to the Partnership and each other Partner, as follows: (i) such Partner is receiving the Partnership Interest to be received pursuant hereto for its own account with the present intention of holding such Partnership Interest for purposes of investment, such Partner will not sell its Partnership Interest in a distribution in violation of the federal securities laws or any applicable state securities laws; (ii) such Partner is an accredited investor as defined in Rule 501 of the Securities Act (an "Accredited Investor") and has sufficient knowledge and experience in financial and business matters and investing in entities similar to the Partnership so as to be able to evaluate the risks and merits of its investment in the Partnership and such Partner has had an opportunity to discuss the business, management and financial affairs of the Partnership with the management of the Partnership; (iii) such Partner understands that the Partnership Interests have not been registered under the Securities Act by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof or Rule 505 or 506 promulgated under the Securities Act, and that its Partnership Interest must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act and applicable state securities laws or is exempt from such registration, and (iv) such Partner has the ability to bear the economic risk of acquiring Partnership Interests.

SECTION 28. Representations and Warranties of Partners.

(a) Representations and Warranties of VV City - Buck. VV City - Buck represents and warrants to LBC as follows:

(1) It is duly organized, validly existing and in good standing under the laws of the state of its formation, and is duly qualified to transact business in the State of Illinois.

(2) It has the legal right, power and authority (y) to enter into this Agreement and (z) to consummate the transactions contemplated hereby.

(3) The execution of this Agreement and the consummation of the transactions contemplated herein will not result in a breach of any of the

terms of, or constitute a default under, any agreement or document to which it is a party or by which it is bound, or, to the best of its knowledge, any order, rule or regulation of any court or any government agency or official.

(b) Representations and Warranties of LBC. LBC hereby represents and warrants to VV City - Buck as follows:

(1) It is duly organized, validly existing and in good standing under the laws of the state of its formation, and is duly qualified to transact business in the State of Illinois.

(2) It has the legal right, power and authority (y) to enter into this Agreement and (z) to consummate the transactions contemplated hereby.

(3) The execution of this Agreement and the consummation of the transactions contemplated herein will not result in a breach of any of the terms of, or constitute a default under, any agreement or document to which it is a party or by which it is bound, to the best of its knowledge, any order, rule or regulation of any court or any government agency or official.

(4) To LBC's knowledge, neither SOFI IV nor JBC is in default in the performance of its respective obligations under the First Amended and Restated Limited Liability Company Agreement.

(5) The Letter Agreements as attached hereto as exhibits are unmodified and in full force and effect.

(6) Except for the Remedial Indemnity Amounts attributable to 1999 which have not yet been paid, all Remedial Indemnity Amounts due and payable to LBC on or before the date of this Agreement have been paid in full.

(7) This Agreement, which restates and supersedes in its entirety the First Amended and Restated Limited Partnership Agreement, and the Letter Agreements constitute all of the agreements, written or oral, that exist with the Partnership with regard to the obligations and rights of LBC as a Partner of the Partnership and there are no other agreements, written or oral.

(8) With regard to the transaction described in the Recitals, set forth above in this Agreement, LBC has waived its rights to tag-along pursuant to Section 18(b)(1) of the First Amended, and Restated Limited Partnership Agreement.

SECTION 29. Miscellaneous.

(a) Governing Law. This Agreement and any controversies, claims or arbitration hereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflict of law rules.

(b) Binding Effect. Except as otherwise specifically provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their legal representatives, heirs, administrators, executors, successors and assigns.

(c) Pronouns and Number. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in either the masculine, the feminine or the neuter gender shall include the masculine, feminine and neuter.

(d) Captions. Captions or section headings contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof.

(e) Enforceability. If any provision of this Agreement, or the application of the provision to any Person or circumstance shall be held invalid, the remainder of this Agreement, or the application of that provision to Persons or circumstances other than those with respect to which it is held invalid, shall not be affected thereby.

(f) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

(g) Notices. Any notices permitted or required under this Agreement shall be deemed to have been given when delivered in Person or by courier or three (3) days after being deposited in the United States mail, postage prepaid, and addressed to the Partnership at its principal place of business and to any Partner at the address reflected on the books and records of the Partnership.

(h) Entire Agreement; Amendment. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters set forth herein and supersedes all prior understandings or agreements between the parties with respect to such matters. This Agreement, including all schedules hereto, may only be amended, modified or supplemented by written agreement of all parties to this Agreement.

(i) Further Assurances. The Partners shall execute and deliver such further instruments and do such further acts and things as may be required to carry out the intent and purposes of this Agreement. Each Partner shall execute all such certificates and other documents and shall do all such filing, recording, publishing, and other acts as the General Partner deems appropriate to comply with the requirements of law for the formation and operation of the Partnership and to comply with any laws, rules, and regulations relating to the acquisition, operation, or holding of the property of the Partnership.

(j) Third Parties. Nothing in this Agreement, whether express or implied, shall be construed to give any Person other than a Partner or the Partnership any legal or beneficial or other equitable right, remedy or claim under or in respect of this Agreement, any covenant, condition, provision or agreement contained herein or the property of Partnership.

(k) Facsimile Signatures. The facsimile signature of any Partner may be used at all times and for all purposes in place of an original signature.

(l) Reliance upon Books, Reports and Records. Unless he has knowledge concerning the matter in question which makes his reliance unwarranted, each General Partner and Partner shall, in the performance of his duties hereunder, be entitled to rely on information, opinions, reports or statements, including, without limitation, financial statements and other financial data, if prepared or presented by one or more employees of the Partnership or by legal counsel, accountants or other Persons as to matters such General Partner or Partner reasonably believes to be within such Person's professional or expert competence.

(m) Time Periods. In applying any provision of this Agreement which requires that an act be done in or not done in a specified number of days prior to an event or that an act be done during a period of a specified number of days, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

(n) Waiver. No failure by any Partner to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

(o) Partner Estoppel. Each Partner agrees at any time and from time to time upon not less than ten (10) business days prior written request by another Partner to execute, and acknowledge and deliver to such requesting Partner or such party as such requesting Partner may direct, a statement in writing certifying that this Agreement is unmodified and in full force and effect (or if there have been any modifications that the same is in full force and effect as modified and stating the modifications), that to the certifying Partner's knowledge, no Partner is in default under the terms of this Agreement, or, if in default, the nature thereof in detail, and such other matters as the requesting Partner may reasonably request.

IN WITNESS WHEREOF, the undersigned Partners have executed this Agreement as of the date first set forth above.

VV CITY-BUCK VENTURE, L.P.

By: VV USA City, L.P., a Delaware limited partnership, its sole general partner

By: VV USA, LLC, a Delaware limited liability company, its sole general partner

By: /s/ Dietmar Georg

Name: Dietmar Georg
Its: Managing Director

LEO BURNETT USA, INC.

By: /s/ Carla R. [Illegible]

Its: EVP & General Counsel

SCHEDULE I-A
PARTNERS

NAME AND ADDRESS	TAXPAYER I.D. #	CAPITAL CONTRIBUTIONS	CURRENT CAPITAL ACCOUNT BALANCE	PERCENTAGE OF PARTNERSHIP INTEREST
Leo Burnett USA, Inc. 35 West Wacker Drive Chicago, IL 60601		$ 2,200,000.00	$ 2,024,893.00	3.4993%
VV City-Buck Venture, L.P. c/o Lend Lease Real Estate Investments, Inc. 455 North Cityfront Plaza Drive, Suite 3200 Chicago, Illinois 60611		$60,670,508.00	$56,737,430.00	96.5007%

SCHEDULE I-B

GENERAL PARTNER	VV CITY-BUCK, L.P.
LIMITED PARTNER:	LEO BURNETT USA, INC.

SCHEDULE II
LBC TAX MATTERS

35 West Wacker Drive
Tax Basis Analysis

	Life	Cost 12/31/96	Accumulated Depreciation 12/31/96	Actual Tax Basis 12/31/96	Estimated Current Year Depreciation	Current Year Additions/Adj.	Estimated Tax Basis 12/1/97	FMV Allocation
Tangible Assets								
Land		7,115,550		7,115,550			7,115,550	25,000,000
Other Non-Depreciable		430,767		430,767			430,767	430,767
Base Building	31.5	175,129,339	42,803,083	132,326,256	5,324,153	(1,713,219)	125,288,864	187,879,724
Base Building	39	550,543	27,987	522,556	13,258	193,656	702,684	702,684
Site Prep	15	476,087	264,965	211,122	14,168		196,954	196,954
Building 1245 Property	7	6,795,342	6,565,754	229,588	105,822		123,766	123,766
Building 1245 Property	5	1,042,714	1,042,714	0	0		0	0
Furniture	7	230,315	205,047	25,268	11,121		14,147	14,147
Mechanical Equipment	7	1,565,046	865,739	699,307	186,271	468,790	981,826	981,826
Rugs & Drapes	7	26,312	23,172	3,140	1,514	43,000	44,626	44,626
Telecommunications	7	117	117	0	0		0	0
Subtotal		193,362,132	51,798,578	141,563,554	5,656,577	(1,007,773)	134,899,204	215,374,494
Capitalized Costs								
Loan Fees		1,516,598	1,188,002	328,596	328,596		0	0
Leasing Commissions		2,784,748	1,052,685	1,732,063	127,634		1,604,429	1,604,429
Loan Extension Fee		575,000	0	575,000	575,000		0	0
Development Fee		3,700,000	979,413	2,720,587	199,510		2,521,077	2,521,077
Other Deferred Assets		318,977	318,977	0			0	0
Subtotal		8,895,323	3,539,077	5,356,246	1,230,740	0	4,125,506	4,125,506
Total		202,257,455	55,337,655	146,919,800	6,887,317	(1,007,773)	139,024,710	219,500,000

EXHIBIT A

[Legal Description of 35 W. Wacker Property]

LEGAL DESCRIPTION OF THE LAND

PARCEL 1:

LOTS 1, 3 AND 4 IN THE LEO BURNETT RESUBDIVISION OF A TRACT OF LAND IN THE EAST 1/2 OF THE SOUTHEAST 1/4 OF SECTION 9, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 2:

A NON-EXCLUSIVE EASEMENT FOR THE BENEFIT OF PARCEL 1 AS CREATED BY THE RECIPROCAL CROSS-ACCESS EASEMENT AGREEMENT DATED DECEMBER 15, 1997 AND RECORDED FEBRUARY 3, 1998 AS DOCUMENT 98090502 BY AND AMONG 35 W. WACKER VENTURE L.L.C., A DELAWARE LIMITED LIABILITY COMPANY, COLE TAYLOR BANK, AS SUCCESSOR TRUSTEE TO HARRIS TRUST AND SAVINGS BANK, AS TRUSTEE UNDER TRUST AGREEMENT DATED SEPTEMBER 24, 1986 AND KNOWN AS TRUST NUMBER 43770 AND LEO BURNETT COMPANY, INC. FOR THE PURPOSE OF AN EASEMENT TO PASS ON, OVER, OR THROUGH THE HOTEL EASEMENT AREA FOR THE PURPOSE OF PASSAGE BETWEEN THE HOTEL PROPERTY AND THE OFFICE PROPERTY AS DEFINED IN SAID DOCUMENT.

EXHIBIT 10.107

FIRST AMENDMENT TO SECOND AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT OF 35 W. WACKER VENTURE, L.P.

FIRST AMENDMENT TO
THE SECOND AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT OF
35 W. WACKER VENTURE, L.P.

THIS FIRST AMENDMENT TO THE SECOND AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT OF 35 W. WACKER VENTURE, L.P. (the "Amendment") is made to be effective as of the 6th day of November, 2003 (the "Amendment Effective Date"), by and among Wells-Buck Venture, L.P. (formerly known as VV City-Buck Venture, L.P.), a Delaware limited partnership (the "Investor Partnership" or "Wells-Buck"), as a general partner; and Leo Burnett USA, Inc. (formerly known as Leo Burnett Company, Inc.), a Delaware corporation ("LBC"), as a limited partner (each a "Partner" and collectively the "Partners").

WITNESSETH THAT:

A. WHEREAS, the Investor Partnership and LBC are parties to that certain Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P. (the "Partnership") dated as of April 27, 2000 (the "Partnership Agreement");

B. WHEREAS, concurrently herewith, Wells 35 W. Wacker, LLC, a Delaware limited liability company ("Wells"), whose sole member is Wells Operating Partnership, L.P., a Delaware limited partnership ("Wells OP"), has acquired the general partner interest in the Investor Partnership from VV USA City, L.P., a Delaware limited partnership ("VV USA"); and

C. WHEREAS, as a condition to Wells' acquisition of the general partner interest in the Investor Partnership, Wells has requested, and the Partners have agreed, to amend the Partnership Agreement with respect to certain terms and conditions as hereinafter set forth;

NOW THEREFORE, in consideration of the premises, the obligations and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of such consideration being hereby acknowledged, the Investor Partnership and LBC intending to be legally bound, do hereby agree as follows:

1. Capitalized Terms. Capitalized terms that are used in this Amendment and not otherwise defined herein shall have the respective meanings that are set forth in the Partnership Agreement.

2. Amendments to the Partnership Agreement.

(a) VV City-Buck Venture, L.P. has changed its name to "Wells-Buck Venture, L.P." and, as such, each reference in the Partnership Agreement to "VV City-Buck" is hereby amended to be a reference to "Wells-Buck."

(b) Section 1 of the Partnership Agreement is hereby amended by deleting same in its entirety and inserting in lieu thereof the following:

"**SECTION 1 Continuation of Limited Partnership.** The Partners agree to the continuation of the Partnership pursuant to the Act. The Partners agree that the General Partner shall be authorized to file any necessary or appropriate amendment to the Certificate of Limited Partnership of the Partnership. The rights and duties of the Partners shall be as provided in the Act, except as modified by this Agreement. The Partners hereby agree to the terms and conditions of this Agreement, as it may from time to time be amended according to its terms. To the extent that any provision of this Agreement is prohibited or ineffective under the Act, this Agreement shall be considered amended to the smallest degree possible in order to make this Agreement effective under the Act. In the event the Act is subsequently amended or interpreted in such a way to make any provision of this Agreement that was formerly invalid valid, such provision shall be considered to be valid from the effective date of such interpretation or amendment."

(c) Section 3 of the Partnership Agreement is hereby amended as follows:

(i) by inserting new paragraph (c.1) after paragraph (c) and before paragraph (d) to read as follows:

"(c.l) "Business Day" shall mean any day except a Saturday, Sunday or any other days on which commercial banks in Chicago, Illinois are authorized or required by law to close."

(ii) by deleting the definition of "Capital Account" in paragraph (d) in its entirety and inserting in lieu thereof a new definition of "Capital Account" to read as follows:

"(d) "Capital Account" means, with respect to each Partner, the account established on the books and records of the Partnership for such Partner maintained in accordance with Treasury Regulation § 1.704-1(b)(2)(iv). Except as expressly provided herein, the General Partner shall make all decisions and elections permitted or required by such regulations. In accordance with such regulations, Partner's Capital Account shall be (i) increased by the amount of (w) income and gain allocated to the Partner and (x) any cash or property subsequently contributed by the Partner to the Partnership, and (ii) decreased by the amount of (y) loss and deduction allocated to the Partner and (z) all cash and property distributed to the Partner. The Capital Accounts of the Partners shall be adjusted to reflect a revaluation of Partnership property (as determined by the General Partner) in the manner permitted by Treasury Regulation § 1.704-1(b)(2)(iv)(f) when an interest in the Partnership is acquired from or relinquished to the Partnership, or when the Partnership is liquidated within the meaning of Treasury Regulation § 1.704-1(b)(2)(ii)(g). Upon the sale, transfer, assignment or other disposition of an interest in the Partnership, the Capital Account of the transferor Partner that is attributable to the transferred interest will be carried over to the transferee Partner. The Capital Account of each Partner as of December 31, 2002 is set forth on Schedule I-A attached hereto."

(iii) by inserting at the end of the first sentence of paragraph (e), in the definition of "Capital Contribution", the following: ", or its predecessor in interest."

(iv) by inserting new paragraph (f.1) after paragraph (f) and before paragraph (g) to read as follows:

"(f.1) "Debt Limit" has the meaning set forth in Section 16(c)."

(v) by inserting new paragraph (u.1) after paragraph (u) and before paragraph (v) to read as follows:

"(u.1) "Put And Call Agreement" means the Put and Call Agreement between Wells OP, the Partnership and LBC, dated as of even date herewith, in the form attached hereto as Exhibit D."

(vi) by amending paragraph (k), in the definition of Guaranty, to delete the reference to "VV USA City, L.P." and to insert in lieu thereof, "Wells OP".

(vii) by deleting the definition of "Restrictive Period" in paragraph (bb) in its entirety and inserting in lieu thereof the following:

"(bb) "Restrictive Period" means the period beginning on the Amendment Effective Date and ending on December 31, 2012, unless sooner terminated pursuant to Section 24 herein."

(viii) by deleting the definition in paragraph (kk) ("Transfer Prohibition") in its entirety and inserting in lieu thereof the following new definition:

"(kk) "Transfer Indemnity" has the meaning set forth in Section 24."

(ix) by changing paragraphs (ll) and (mm) to paragraphs (mm) and (nn), respectively, and inserting a new paragraph (ll) after paragraph (kk) to read as follows:

"(ll1) "Transfer And Debt Maintenance Indemnity Amount" has the meaning set forth in Section 25(b)."

(x) by inserting new paragraph (oo) after paragraph (nn) to read as follows:

"(oo) "VV USA" shall mean VV USA City, L.P., a Delaware limited partnership."

(xi) by inserting new paragraph (pp) at the end thereof to read as follows:

"(pp) "Wells" shall mean Wells 35 W. Wacker, LLC, a Delaware limited liability company."

(d) Section 5 of the Partnership Agreement is hereby amended by inserting after "September 30, 2027" the phrase ", unless such date is extended by consent of a Majority Interest".

(e) Section 6 of the Partnership Agreement is hereby amended by deleting same in its entirety and inserting in lieu thereof the following:

"**SECTION 6. Principal Place of Business.** The principal place of business of the Partnership shall be 6200 The Corners Parkway, Suite 250, Atlanta, Georgia 30092, or such other location as may be selected by the General Partner. Wells-Buck may, from time to time, change the principal place of business of the Partnership and/or establish additional places of business of the Partnership."

(f) Section 8(c) of the Partnership Agreement is hereby amended by deleting same in its entirety and inserting in lieu thereof the following:

"(c) Debt Prepayment Contributions. The General Partner may at any time and for any reason cause the Partnership to prepay the debt encumbering the 35 W. Wacker Property. In the event the Partnership does not have sufficient funds to prepay such debt, including any pre-payment penalty payable to the lenders, then the Partners shall make additional Capital Contributions, pro rata in proportion to their respective Partnership Interests, in an aggregate amount equal to such shortfall (the "Preferred Capital Contribution"). However, notwithstanding the foregoing, LBC shall not be obligated to make any additional Capital Contributions pursuant to this Section 8(c). Instead, the General Partner may contribute additional preferred capital to the Partnership to fund LBC's portion of the prepayment additional Capital Contribution. No Preferred Capital Contribution by any Partner pursuant to this Section 8(c) shall result in any adjustment to the Partnership Interests of the Partners or bear interest. Preferred Capital Contributions shall be repaid to the contributing Partners, pro rata in proportion to such Contributions, out of distributions as provided in Section 9 herein prior to any other distributions to the Partners."

(g) Section 9 of the Partnership Agreement is hereby amended by:

(i) replacing the first sentence in its entirety with the following:

"Net Cash Flow shall be distributed monthly among the Partners to repay any Preferred Capital Contributions as provided in Section 8(c) and then any remaining Net Cash Flow shall be distributed to the Partners pro rata in accordance with their respective Partnership Interests from time to time set forth on Schedule I-A, as amended from time to time."; and

(ii) by replacing the second sentence in its entirety with the following:

> "The net proceeds from any sale, transfer, contribution, exchange or other disposition of the 35 W. Wacker Property or any refinancing of indebtedness secured by a first mortgage on the 35 W. Wacker Property, shall first be applied to interest on existing first mortgage indebtedness on the 35 W. Wacker Property and any required amortization of the principal of such indebtedness and then shall be distributed to the Partners to repay any Preferred Capital Contributions as provided in Section 8(c) and then any remaining net proceeds shall be distributed to the Partners pro rata in accordance with their Partnership Interests."

(h) Section 10 of the Partnership Agreement is hereby amended as follows:

(i) paragraph (b) is amended by deleting the words "Section 10(h) and 10(j)" therefrom and replacing the same with "Sections 10(f), 10 (h), 10(i) and 10(j)"; and

(ii) paragraph (c) is amended by deleting the words "Sections 10(d), 10(h) and 10(j)" therefrom and replacing the same with "Sections 10(d), 10(g), 10(h), 10(i) and 10(j)".

(i) Section 14 of the Partnership Agreement is hereby amended as follows:

(i) paragraph (a) is amended by deleting the introductory or lead-in paragraph therefrom in its entirety and replacing it with the following:

> "(a) General Partner. The business of the Partnership shall be managed by or under the authority of the General Partner. Except as hereinafter expressly provided, the General Partner shall have full, exclusive and complete discretion, power, and authority, without limitation except as expressly provided herein, to manage, control, administer, and operate the business and affairs of the Partnership, including without limitation, the discretion, power and authority to:";

(ii) paragraph (a)(ii) is amended by deleting therefrom the phrase "subject, in each case, to the Debt Maintenance Requirement, Transfer Prohibition and Debt Limit", and inserting in lieu thereof the phrase, "subject to the Debt Limit."

(iii) paragraph (a)(ix) is amended by deleting therefrom the words "Debt Maintenance Requirement and";

(iv) paragraph (d) is deleted in its entirety and replaced with " (d) [Intentionally omitted]"; and

(v) paragraph (g) is amended by deleting same in its entirety and inserting in lieu thereof the following:

"(g) The Partnership and The Buck Management Group, Incorporated entered into that certain Property Management Agreement dated as of April 27, 2000 (the "Property Management Agreement") which provides for the management of the 35 W. Wacker Property. In addition, the Partnership entered into a Leasing Agreement with The Buck Management Group, Incorporated dated as of April 27, 2000, which provides for the leasing of the 35 W. Wacker Property (the "Leasing Agreement"). The Partnership shall be authorized to amend the Property Management Agreement and the Leasing Agreement as of the Effective Date, by entering into an amendment to each in the form attached hereto as Exhibit F and Exhibit G, respectively. In the event of termination of the Property Management Agreement or the Leasing Agreement for any reason, the Partnership shall be authorized to enter into a replacement property management agreement and/or replacement leasing agreement, as the case may be, with Wells or an Affiliate of Wells with compensation paid under such replacement agreement reasonably consistent with compensation that would be paid under a non-affiliated, arms-length transaction."

(j) Section 16(c) of the Partnership Agreement is hereby amended by deleting each of subparagraphs (i) and (iii) in its entirety and replacing each with "[Intentionally Omitted]."

(k) Section 18 of the Partnership Agreement is hereby amended as follows:

(i) paragraph (b)(ii) is amended by deleting the words "for no consideration" in the first sentence thereof;

(ii) paragraph (c) is amended by deleting the last sentence thereof;

(iii) paragraph (d) is amended by deleting the phrase "an assignee of JBC" therefrom; by adding the word "and" before "(ii)" therein, and by deleting clause (iii);

(iv) paragraph (f) is amended by adding the following sentence at the end of such paragraph:

"No Transfer And Debt Maintenance Indemnity Amount shall be payable in connection with or as a result of a redemption of LBC's Partnership Interest pursuant to this Section 18 (f)."

(v) paragraph (g) is amended by deleting same in its entirety and inserting in lieu thereof the following:

"(g) Pledge or Encumbrance Permitted. Without the consent of any other Partner, from time to time, Wells-Buck may pledge its Partnership Interest to a lending institution to secure a loan, so long as such loan is from, and such pledge is to, an institutional lender."

(l) Section 24 of the Partnership Agreement is hereby amended by deleting same in its entirety and inserting in lieu thereof the following:

"SECTION 24. Debt Maintenance Requirement, Transfer Indemnity.

(a) If during the Restrictive Period the Partnership does not maintain an amount of non-recourse indebtedness secured by the 35 W. Wacker Property and cause such portion of such indebtedness to be allocated to LBC under Code §752 and the regulations thereunder that is sufficient to protect LBC against recognizing gain pursuant to Code § 731(a)(1) as a result of a deemed distribution of money to LBC pursuant to Code § 752(b) (the "Debt Maintenance Requirement"), then the Partnership shall indemnify LBC in the manner provided in Section 25(b) herein. As of the Amendment Effective Date the Debt Maintenance Requirement is equal to the amount set forth on Schedule IV hereto, as the same may be amended from time to time with the consent of LBC which shall not be unreasonably withheld. The Debt Maintenance Requirement shall terminate (and, as such, shall be zero) as of the end of the Restrictive Period.

(b) If during the Restrictive Period the Partnership (or any successor thereto) refinances, sells, transfers, or in any other manner alters the ownership structure or ownership entity of the 35 W. Wacker Property in any manner that could cause adverse tax consequences to LBC in the reasonable opinion of LBC's tax counsel, Kirkland & Ellis (or such other counsel as may be reasonably approved by the Partnership) then the Partnership shall indemnify LBC in the manner provided in Section 25(b) herein (the "Transfer Indemnity"). The General Partner shall provide notice to LBC within thirty (30) days of the occurrence of an event that could trigger the Transfer Indemnity.

(c) Notwithstanding the foregoing provisions of this Section 24, the Debt Maintenance Requirement and Transfer Indemnity shall cease to apply, and the Restrictive Period shall terminate, if LBC has voluntarily and independently recognized its taxable gain resulting from the transfer of the 35 W. Wacker Property to the Partnership or has defaulted in the payment of rent or other material economic obligations under the LBC Lease and such default has remained uncured for a period of sixty (60) days following written demand therefor."

(m) Section 25 of the Partnership Agreement is hereby amended and restated in its entirety as follows:

"SECTION 25. Tax Indemnity.

(a) The Partnership hereby agrees to indemnify, defend, and hold harmless LBC and its parent companies (the "LBC Indemnitees"), on a net after-tax basis, against the adverse U.S. Federal income tax impact to the LBC Indemnitees of the Partnership's use of the Remedial Method during the tax years ending December 31, 2003 and December 31, 2004, the "Remedial Indemnification Amount". The Partners agree that the Remedial Indemnification Amount for the Taxable Year ending December 31, 2003, payable on January 14, 2004, shall be $363,490.00 and for the Taxable Year ending December 31, 2004, payable on January 14, 2005, shall be $334,264. There shall be no Remedial Indemnification Amount payable for any tax year ending after December 31, 2004.

(b) (i) In the event that during the Restrictive Period, (1) the Partnership does not satisfy the Debt Maintenance Requirement, (2) the Transfer Indemnity is applicable or (3) Wells exercises its Drag-Along rights pursuant to Section 18(b) herein (each such action, an "Event"), the Partnership hereby agrees to pay LBC a one-time indemnity payment as a result of the LBC Indemnitees having to pay the U.S. Federal and Illinois state income tax attributable to the taxable gain recognized by (or allocated to) LBC resulting solely from an Event occurring prior to the end of the Restrictive Period (regardless of when such determination of recognition or allocation occurs) in the applicable amount set forth on Schedule III attached hereto (the "Transfer And Debt Maintenance Indemnity Amount") for the Taxable Year in which the Event actually occurred; provided, however, if on or before the date for the filing of the Partnership's U.S. Federal income tax return for the Taxable Year during which the Event occurs, the Partnership obtains an opinion of counsel (reasonably acceptable to LBC) or a ruling from the United States Internal Revenue Service (the "IRS"), to the effect that LBC should not recognize any taxable income or gain under Code § 704(c), Code § 731(a) or Code § 1001(a) (or any successor statutes or under such other Code Sections designated by LBC tax counsel and identified to Wells within ten (10) Business Days of the notice to LBC required by Section 24(b)) resulting solely from such Event, then there shall be no Transfer And Debt Maintenance Indemnity Amount payable by the Partnership to LBC with respect thereto, subject to the provisions of (b) (ii) below. LBC agrees to cooperate with Partnership tax counsel, with all reasonable out-of-pocket costs at the expense of the Partnership, in connection with obtaining any such ruling or opinion.

(ii) The Partnership will furnish LBC with a copy of any such opinion of counsel or ruling described in Section 25(b)(i) above promptly upon the Partnership's receipt thereof, and in any case with ten (10) Business Days prior to the time the LBC Indemnitees are required to pay U.S. corporate estimated Federal income taxes in respect of the Event, as contemplated in Section 25(b)(iii) below, or, if earlier, the time they are required to file any returns recognizing the income or gain from the Event. If the Partnership obtains an opinion of counsel described in Section 25(b)(i) above each LBC Indemnitee agrees that it will not take any position on its returns, on audit or otherwise in connection with its tax liability for U.S. Federal or state tax purposes that is inconsistent with such opinion. If any LBC Indemnitee receives a notice of a claim or if at the conclusion of an audit by the IRS or other state taxing authority, there is a proposed adjustment in any item of income or gain, which if agreed to or accepted by any LBC Indemnitee would result in an indemnity obligation pursuant to Section 25(b)(i) hereof, then LBC shall promptly after receipt of such notice or promptly upon conclusion of such audit, notify the Partnership thereof in writing. If requested by the Partnership, LBC shall in good faith contest, or permit the Partnership to contest, the validity, applicability or amount of any proposed adjustment that would give rise to the payment of all or a portion of the Transfer And Debt Maintenance Indemnity Amount by (1) not making payment thereof for at least 30 days after providing the Partnership the notice required by this Section 25(b)(ii), unless otherwise required by applicable law or regulations, (2) not paying same except under protest, if protest is necessary and proper, or (3) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings. LBC shall not be required to contest the proposed adjustment unless and until the Partnership has agreed to pay all reasonable out-of-pocket costs and expenses which LBC incurs in connection with contesting such adjustment. If LBC controls such contest, LBC agrees to consult with the Partnership and will consider in good faith any suggestions made by the Partnership with respect to the most favorable forum for and the conduct of such contest and will enable the Partnership's representative to participate in any proceeding. If requested by the Partnership, LBC agrees to appeal any adverse determination but LBC shall not be required to appeal any adverse determination to the United States Supreme Court. LBC shall not have the right to settle or compromise a contest without the Partnership's consent, which consent shall not be unreasonably withheld, unless LBC agrees to forego its right to an indemnity hereunder. If any LBC Indemnitee receives a refund of all or part of any U.S Federal or state income taxes paid solely in respect of an Event for which any Transfer And Debt Maintenance Indemnity Amount is paid by the Partnership (or if any LBC Indemnitee would have received a refund but for other adjustments or offsets not related to the Event), LBC shall pay to the Partnership an amount equal to the product of (a) the Transfer And Debt Maintenance Indemnity Amount paid by the Partnership with respect to such Event multiplied by (y) a fraction the numerator of which is the sum of such refund (or the amount such refund would have been but for such other adjustments or offsets), plus any interest received on such refund, net of any U.S. Federal or state income taxes imposed on the LBC Indemnitees as a result of such refund, and the denominator of which is the total amount of U.S. Federal or state income taxes paid or payable by the LBC Indemnitee related to such Event. LBC may at any time decline to take further action with respect to a proposed adjustment by notifying the Partnership in writing that it has waived its right to an indemnity payment that would otherwise be payable by the Partnership pursuant to this Section 25(b). Likewise, the Partnership may at any time request that LBC decline to take any further action by agreeing in writing to pay the Transfer And Debt Maintenance Indemnity Amount, provided that in such event LBC may still pursue such action at its own expense and without further applicability of the provisions of this Section 25(b)(ii). Any failure of LBC to comply with the requirements of this Section 25(b)(ii) shall relieve the Partnership of any obligation to pay the Transfer And Debt Maintenance Indemnity Amount to the extent that the ability to contest a claim pursuant to the provisions of this Section 25(b)(ii) is adversely affected in any material respect.

(iii) The Transfer And Debt Maintenance Indemnity Amount, if any, shall be due and payable by the Partnership as of the corporate estimated tax payment date following the Event giving rise to an indemnity obligation hereunder. Notwithstanding the foregoing, if the Partnership has provided LBC an opinion pursuant to Section 25(b)(i) hereof, any Transfer And Debt Maintenance Indemnity Amount, if any, shall be due and payable by the Partnership within 30 days after receipt of a written demand therefor from LBC; provided, however, the Partnership shall not be required to make such payment earlier than (1) in the case of a Transfer And Debt Maintenance Indemnity Amount that is not being contested pursuant to Section 25(b)(ii) hereof, five (5) Business Days prior to the date that the LBC Indemnitees are required to pay such estimated tax, or (2) in the case of a Transfer And Debt Maintenance Indemnity Amount that is being contested pursuant to Section 25(b)(ii) hereof, 30 days after the date of the Final Determination of such contest.

A “Final Determination” shall mean (i) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final after all allowable appeals by either party to the action have been exhausted or the time for filing such appeals has expired, (ii) a closing agreement entered into under section 7121 of the Code or any other settlement agreement entered into in connection with an administrative or judicial proceeding and with the consent of the Partnership hereof, (iii) the expiration of the time for instituting suit with respect to the claimed deficiency or (iv) the expiration of the time for instituting a claim for refund, or if such a claim was filed, the expiration of the time for instituting suit with respect thereto.

(c) The Partnership agrees to indemnify, defend and hold harmless the LBC Indemnitees, on a net after-tax basis, against the adverse tax impact to the LBC Indemnitees, if any, of the conversion of the Original Company from a limited liability company to a limited partnership and the admission of VV City-Buck as the General Partner of the Partnership (the “Conversion Indemnification Amount”). The Conversion Indemnification Amount shall be computed based on the assumption that LBC is a U.S. corporation paying U.S. and Illinois state income taxes at the maximum marginal rates, but adjusted to reflect a full deduction for state income taxes without limitation.

(d) Notwithstanding the foregoing provisions of this Section 25, all of the foregoing tax indemnification obligations shall terminate, if and when LBC has voluntarily and independently recognized its taxable gain resulting from the transfer of the 35 W. Wacker Property to the Partnership or has defaulted in the payment of rent or other material economic obligations under the LBC Lease and such default has remained uncured for a period of sixty (60) days following written demand therefor. The payment of indemnification under this Section 25 and the Guaranty shall be the sole remedy available to LBC in respect of the Partnership’s election to use the Remedial Method, the Partnership’s failure to satisfy the Debt Maintenance Requirement, the occurrence of an Event described in Section 25(b) and/or if the Conversion Indemnification Amount becomes payable.

(e) Notwithstanding anything herein to the contrary, no Transfer And Debt Maintenance Indemnity Amount shall be payable to LBC as a result of (i) the transfer of the general partner interest in the Investor Partnership by VV USA to Wells and the admission of Wells as the general partner of the Investor Partnership, (ii) the Sale of all or any part of LBC’s Partnership Interest pursuant to any exercise by LBC (or its successor) of the “tag along” right under Section 18(b) herein, (iii) any exercise of the “put” by LBC (or its successor) or any exercise of the “call” by Wells (or its successor) under the Put And Call Agreement, or (iv) the entering into of the First Amendment to the Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P. No Transfer And Debt Maintenance Indemnity Amount shall be payable to any assignee of LBC’s Partnership Interest under Section 18(d) other than an Affiliate of LBC.”

(n) The Schedules and Exhibits to the Partnership Agreement are amended as follows:

(i) New Schedule I-A attached hereto amends and replaces Schedule I-A to the Agreement;

(ii) New Schedule III (Transfer Indemnity Amounts) attached hereto is added to the Agreement;

(iii) New Schedule IV (Debt Maintenance Requirement) attached hereto is added to the Agreement;

(iv) Exhibit C-1 (form of Wells OP Guaranty) is added to the Partnership Agreement in the form attached hereto;

(v) Each of Exhibit D-1, Exhibit D-2 and Exhibit D-3 are deleted;

(vi) New Exhibit D (form of Put And Call Agreement) attached hereto is added to the Agreement;

(vii) New Exhibit E (form of Amendment to the Property Management Agreement) attached hereto is added to the Agreement; and

(viii) New Exhibit F (form of Amendment to Leasing Agreement) attached hereto is added to the Agreement.

3. Consent and Waiver.

LBC (a) consents to the transfer and assignment from VV USA to Wells of the general partner interest in the Investor Partnership and the admission of Wells as the general partner of the Investor Partnership, (b) waives any rights to notice of tag along rights in connection with such transfer and assignment and any rights to sell its interest in the Partnership pursuant to the "tag along" provisions of Section 18(b) of the Partnership Agreement in connection with such transfer and assignment, and (c) waives any requirement for a "Tax Assurances" opinion under Section 18 (c) of the Partnership Agreement (as in effect prior to the Amendment Effective Date) in connection with such transfer and assignment. LBC also acknowledges and agrees that such transfer to Wells of the general partner interest in the Investor Partnership from VV USA and admission of Wells as the general partner of the Investor Partnership shall not give rise to, and LBC shall not make, and hereby waives, any claim for indemnification or payment of any Transfer Indemnification Amount and any claim of breach of any Transfer Prohibition under the Partnership Agreement (prior to or as amended by this Amendment) with respect thereto.

4. Representations and Warranties of Partners.

(a) Representations and Warranties of Wells-Buck. Wells-Buck represents and warrants to LBC as follows:

(1) It is duly organized, validly existing and in good standing under the laws of the state of its formation, and is duly qualified to transact business in the State of Illinois.

(2) It has the legal right, power and authority (y) to enter into this Amendment and (z) to consummate the transactions contemplated hereby.

(3) The execution of this Amendment and the consummation of the transactions contemplated herein will not result in a breach of any of the terms of, or constitute a default under, any agreement or document to which it is a party or by which it is bound, or, to the best of its knowledge, any order, rule or regulation of any court or any government agency or official.

(b) Representations and Warranties of LBC. LBC hereby represents and warrants to Wells-Buck and Wells as follows:

(1) It is duly organized, validly existing and in good standing under the laws of the state of its formation, and is duly qualified to transact business in the State of Illinois.

(2) It has the legal right, power and authority (y) to enter into this Amendment and (z) to consummate the transactions contemplated hereby.

(3) The execution of this Amendment and the consummation of the transactions contemplated herein will not result in a breach of any of the terms of, or constitute a default under, any agreement or document to which it is a party or by which it is bound, or, to the best of its knowledge, any order, rule or regulation of any court or any government agency or official.

(4) To LBC's knowledge, no Partner is in default in the performance of its respective obligations under the Partnership Agreement (other than any such obligation being released under a separate Closing Agreement dated the date hereof among the parties hereto and VV USA).

(5) All Remedial Indemnity Amounts due and payable to LBC on or before the date of this Amendment have been paid in full.

(6) The Partnership Agreement, as amended by this Amendment, inclusive of all exhibits and schedules thereto and hereto, constitutes all of the agreements, written or oral, that exist with respect to the Partnership and with regard to the obligations and rights of LBC as a Partner of the Partnership (other than the separate Closing Agreement referred to above).

5. Entire Agreement. This Amendment contains the entire understanding between the Partners and supersedes any prior understanding and agreements between them respecting the subject matter herein.

6. Successors and Assigns. This Amendment shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

7. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement.

8. Interpretation. This Amendment and the rights and obligations of the respective parties hereunder shall be governed by and interpreted and enforced in accordance with the Laws of the State of Delaware.

9. Ratification. Except as amended hereby, the Partnership Agreement shall remain in full force and effect in accordance with its terms and is hereby ratified and confirmed.

[REMAINDER OF PAGE LEFT BLANK - SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the Partners has executed this Amendment as of the date first above written.

WELLS-BUCK VENTURE, L.P.,
as the General Partner (formerly known as VV City-Buck Venture, L.P.)

By: Wells 35 W. Wacker, LLC, a Delaware limited liability company, its sole general partner

By: Wells Operating Partnership, L.P., a Delaware limited partnership, its sole member

By: Wells Real Estate Investment Trust, Inc., a Maryland corporation, its sole general partner

By: /s/ Douglas P. Williams

Name: Douglas P. Williams
Title: Executive Vice President

LEO BURNETT USA, INC., a Delaware Corporation
as a limited partner

By: /s/ Eric T. Martinez

Name: Eric T. Martinez
Title: EVP, Chief Financial Officer

SCHEDULE I-A
PARTNERS

NAME AND ADDRESS	TAXPAYER I.D.#	CAPITAL CONTRIBUTIONS	CURRENT CAPITAL ACCOUNT BALANCE	PERCENTAGE OF PARTNERSHIP INTEREST
Leo Burnett USA, Inc. 35 West Wacker Drive Chicago, IL 60601		$ 2,200,000.00	$ 2,090,167.00	3.4993%
Wells-Buck Venture, L.P. c/o Wells Capital, Inc. 6200 The Corners Parkway Suite 2500 Atlanta, Georgia 30092		$ 60,670,508.00	$57,841,504.00	96.5007%

SCHEDULE III

TRANSFER INDEMNITY AMOUNT

If the Transfer And Debt Maintenance Indemnity Amount is payable on or before the following dates	The Transfer And Debt Maintenance Indemnity Amount shall be:
December 31, 2003	$ 6,500,000
December 31, 2004	$ 6,500,000
December 31, 2005	$ 6,500,000
December 31, 2006	$ 6,500,000
December 31, 2007	$ 5,000,000
December 31, 2008	$ 5,000,000
December 31, 2009	$ 5,000,000
December 31, 2010	$ 3,500,000
December 31, 2011	$ 3,500,000
December 31, 2012	$ 1,000,000

SCHEDULE IV

DEBT MAINTENANCE REQUIREMENT
(AS OF AMENDMENT EFFECTIVE DATE)

As of the Amendment Effective Date, the parties agree that the amount is $70 million. Such amount shall be subject to adjustments to the extent the built-in gain of LBC under Code Section 704(c) is reduced as a result of "remedial" allocations, or as otherwise agreed by the Partners.

EXHIBIT C-1

[Form of Wells OP Guaranty]

GUARANTY OF PAYMENT

This Guaranty of Payment ("Guaranty"), made as of the __ day of _______, 2003, by Wells Operating Partnership, L.P., a Delaware limited partnership ("Guarantor"), to and for the benefit of Leo Burnett USA, Inc. (f/k/a Leo Burnett Company, Inc.) ("LBC").

RECITALS:

A. LBC and Wells-Buck Venture, L.P. ("Wells-Buck") have entered into that certain Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P. dated as of April 27, 2000 (the "2000 LPA"), as amended by that certain First Amendment to the Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture, L.P. (the "First Amendment"; said 2000 LPA, as so amended by the First Amendment, being herein referred to as the "Partnership Agreement").

B. The Partnership Agreement requires that 35 W. Wacker Venture, L.P. (the "Partnership") indemnify LBC for certain tax liabilities as set forth therein.

C. The Partnership Agreement also requires that such indemnification shall be guaranteed by Guarantor.

D. Capitalized terms used herein and not expressly defined herein shall have the meaning given them in the Partnership Agreement.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Guarantor agrees as follows:

1. **Guaranty**. Guarantor absolutely, unconditionally and irrevocably guarantees to LBC:

(a) the full and prompt payment when due, upon acceleration or otherwise, and at all times thereafter, of any and all debts, liabilities and obligations of the Partnership and Wells-Buck under Section 25 of the Partnership Agreement (the Transfer And Debt Maintenance Indemnity Amount, the Remedial Indemnification Amount and the Conversion Indemnification Amount collectively referred to as the "Indemnity Obligations"), however created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, due or to become due, known or unknown to Guarantor at the time of the execution of this Guaranty; and

(b) the payment of all Enforcement Costs (as hereinafter defined).

All amounts due, debts, liabilities and payment obligations described in subparagraphs (a) and (b) of this Paragraph 1 are collectively referred to herein as the "Indebtedness."

2. **LBC's Remedies**. In the event the Partnership or Wells-Buck fails to timely pay to LBC the amounts due pursuant to the Indemnity Obligations, Guarantor agrees, on demand by LBC but subject to the conditions set forth in Section 25 of the Partnership Agreement, to pay all

remaining sums guaranteed or due hereunder regardless of any other defense, right of set-off or claims which the Partnership, Wells-Buck or Guarantor may have against LBC except under such Section 25 of the Partnership Agreement or under Paragraph 3 of the First Amendment. Subject to the foregoing, this is an absolute, irrevocable, present and continuing guaranty of payment and not of collection, and in any action to enforce this Guaranty, LBC, at its election, may proceed against Guarantor, with or without: (i) joining the Partnership or Wells-Buck in any such action; or (ii) commencing any action against or obtaining any judgment against the Partnership or Wells-Buck.

3. **Extension and Reinstatement of Guaranty.** This Guaranty shall continue to be effective, or be reinstated, as the case may be, if at any time any whole or partial payment of the Indebtedness is or is sought to be rescinded or must otherwise be restored or returned by LBC upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Partnership, Wells-Buck or Guarantor or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for the Partnership, Wells-Buck or Guarantor, all as though such payments had not been made. Without limiting the generality of the foregoing, this Guaranty shall remain in full force and effect, until the earlier to occur of: one (1) year after the date upon which LBC shall have received full payment of all Indemnity Obligations and all other sums due and owing under this Guaranty and for so long thereafter as there is pending against the Partnership, Wells-Buck or Guarantor a proceeding under any federal or state bankruptcy or insolvency laws, and (ii) termination of the Indemnity Obligations in accordance with the terms of Section 25 of the Partnership Agreement. This Guaranty shall not be affected in any way by the transfer or other disposition of the Property whether by deed, operation of law or otherwise.

4. **No Discharge**. Subject to the provisions of Section 25 of the Partnership Agreement, Guarantor agrees that the obligations, covenants and agreements of Guarantor under this Guaranty shall not be affected or impaired by any act of LBC, or any event or condition except payment in full of the Indebtedness and any other sums due hereunder.

5. **Waiver**. Guarantor expressly waives: (i) notice of the acceptance by LBC of this Guaranty; (ii) notice of the existence, creation, payment or nonpayment of the Indebtedness; (iii) presentment, demand, notice of dishonor, protest, and all other notices whatsoever; and (iv) the right to trial by jury in any action to enforce this Guaranty. No modifications or waiver of any of the provisions of this Guaranty will be binding upon LBC except as expressly set forth in a writing duly signed and delivered on behalf of LBC.

6. **Enforcement Costs:** If due to breach or failure to pay or perform by Guarantor hereunder: (i) this Guaranty is placed in the hands of one or more attorneys for collection or is collected through any legal proceeding; (ii) one or more attorneys is retained to represent LBC in any bankruptcy, reorganization, receivership or other proceedings affecting creditors' rights and involving a claim under this Guaranty; or (iii) one or more attorneys is retained to represent LBC in any other proceedings whatsoever in connection with this Guaranty, then Guarantor shall pay to LBC upon demand all attorneys' fees, costs and expenses, including, without limitation, court costs, filing fees and all other costs and expenses incurred in connection therewith (all of which are referred to herein as "Enforcement Costs"), in addition to all other amounts due hereunder.

7. **Governing Law; Interpretation.** This Guaranty has been negotiated, executed and delivered in Chicago, Illinois, and shall be governed by the laws of the State of Illinois without reference to the conflicts of law principles of that State. The headings of sections and paragraphs in this Guaranty are for convenience only and shall not be construed in any way to limit or define the content, scope or intent of the provisions hereof. As used in this Guaranty, the singular shall include the plural, and masculine, feminine and neuter pronouns shall be fully interchangeable, where the context so requires. If any provision of this Guaranty, or any paragraph, sentence, clause, phrase or word, or the application thereof, in any circumstances, is adjudicated by a court of competent jurisdiction to be invalid, the validity of the remainder of this Guaranty shall be construed as if such invalid part were never included herein. Time is of the essence in this Guaranty. All payments to be made hereunder shall be made in currency and coin of the United States of America which is legal tender for public and private debts at the time of payment.

8. **Entire Agreement.** The provisions of the Partnership Agreement pertaining to the Indemnity Obligations and this Guaranty thereof constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior such agreements and understandings, both written and oral. This Guaranty may not be modified or amended except by a written instrument signed by LBC and Guarantor. If this Guaranty is executed in several counterparts, each of those counterparts shall be deemed an original, and all of them together shall constitute one and the same instrument.

9. **Prohibitions on Loans or Advances.** Guarantor hereby represents and warrants to LBC that neither Guarantor nor Wells 35 W. Wacker, LLC has made any loans or other advances to the Partnership or Wells-Buck which have not been previously paid in full, and Guarantor agrees not to make, or permit Wells 35 W. Wacker, LLC to make, any loan or advance to the Partnership for so long as this Guaranty remains in effect unless such loan is subordinated in right of payment to any obligation owing under this Guaranty. Nothing in the foregoing sentence, however, is intended or shall be deemed to preclude a contribution to capital, equity investment in common stock or other infusion of at risk funds in the Partnership.

10. **Payment of Indemnity Obligations.** LBC agrees that the obligations of Guarantor under this Guaranty shall terminate, subject to the provisions of Paragraph 3 hereof, upon the earlier to occur of: (i) one (1) year after the date upon which LBC shall have received full payment of all Indemnity Obligations and all other sums due and owing under this Guaranty; and (ii) termination of the Indemnity Obligations in accordance with the terms of Section 25 of the Partnership Agreement.

11. **Waiver of Indemnification and Other Rights.** Guarantor hereby unconditionally and irrevocably agrees that (i) Guarantor will not assert at any time against the Partnership or Wells-Buck (or the estate of the Partnership or Wells-Buck if the Partnership or Wells-Buck becomes bankrupt or becomes the subject of any case or proceeding under the bankruptcy laws of the United States of America) any right or claim to indemnification, reimbursement, contribution or payment for or with respect to any and all amounts and liabilities which Guarantor may pay or perform or be obligated to pay to or perform on account of the Indebtedness under or with respect to this Guaranty; provided that any payment made by Guarantor to LBC hereunder shall be treated as a Capital Contribution to the Partnership

pursuant to Section 8(b) thereof; and (ii) subject to the foregoing, Guarantor waives and releases all such rights and claims to indemnification, reimbursement, contribution or payment which Guarantor may have now or at any time against the Partnership or Wells-Buck (or the estate of the Partnership or Wells-Buck if the Partnership or Wells-Buck becomes bankrupt or becomes the subject of any case or proceeding under the bankruptcy laws of the United States of America). Guarantor further unconditionally and irrevocably agrees that it shall have no right of subrogation with respect to, and hereby waives any right to enforce, any remedy which LBC now has or may hereafter have against the Partnership or Wells-Buck, or any security now or hereafter held by LBC. Subject to Paragraph 2 of this Guaranty, Guarantor also waives any defense based upon an election of remedies by LBC which destroys or otherwise impairs any subrogation rights of Guarantor or the right of Guarantor to proceed against the Partnership or Wells-Buck for reimbursement, or both. All laws exempting real or personal property from execution are hereby waived, and no benefit of exemption will be claimed under or by virtue of any exemption law now in force or which hereafter may be passed.

12. **Additional Representations and Warranties.** In addition to and independent of any other obligation or liability under this Guaranty, Guarantor hereby represents and warrants to LBC as follows:

(a) Guarantor has an indirect economic investment or interest in the Partnership, an indirect economic investment or interest in Wells-Buck and an interest in the success of the Partnership, Wells-Buck and Wells 35 W. Wacker, LLC;

(b) Any and all balance sheets, net worth statements and other financial data with respect to Guarantor which have heretofore been given to LBC by or on behalf of Guarantor fairly and accurately present the financial condition of Guarantor as of the respective dates thereof and, since the respective dates thereof, there has been no material adverse change in the financial condition of Guarantor;

(c) The execution, delivery and performance by Guarantor of this Guaranty do not and will not contravene or conflict with (i) any law, order, rule, regulation, writ, injunction or decree now in effect of any government, governmental instrumentality or court having jurisdiction over Guarantor, or (ii) any contractual restriction binding on or affecting Guarantor or any of Guarantor’s property or assets unless appropriate consents have been obtained prior to execution hereof;

(d) This Guaranty creates legal, valid and binding obligations of Guarantor enforceable against Guarantor in accordance with its terms subject to bankruptcy, creditors’ rights, and insolvency;

(e) There is no action, proceeding or investigation pending or, to the knowledge of Guarantor, threatened, affecting Guarantor, which may adversely affect the ability of Guarantor to pay the Indemnity Obligations in full and to fulfill and perform the other undertakings under this Guaranty; and

(f) No representation or warranty by Guarantor contained herein, nor any schedule, certificate or other document furnished by Guarantor to LBC in connection with this Guaranty contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statements contained therein not misleading.

(g) Guarantor hereby indemnifies LBC and agrees to defend and hold harmless LBC from and against: (a) any loss, cost, damage or expense occurring by reason of a breach of the foregoing representations and warranties; and (b) the loss, mitigation, subordination or other consequences adverse to LBC by reason of this Guaranty being challenged as a preference or suffering any other subjugation under any bankruptcy or other law, whether state or federal, affecting debtors, creditors and/or the relationship between and among them, provided that in any event Guarantor's maximum obligation under this Guaranty at any time shall not exceed the amount of the Indebtedness which Guarantor may have under Paragraph 1.

13. **Successors and Assigns; Joint and Several Liability.** This Guaranty shall bind Guarantor and the heirs, assigns, successors, executors, administrators and legal and personal representatives of Guarantor; provided that Guarantor shall not be entitled to transfer or assign its obligations hereunder without the prior written consent of LBC. If this Guaranty is executed by more than one person, it shall be the joint and several undertaking of each of the undersigned. Regardless of whether this Guaranty is executed by more than one person, it is agreed that the undersigned's liability hereunder is several and independent of any other guarantees or other obligations at any time in effect with respect to the Indemnity Obligations or any part thereof and that Guarantor's liability hereunder may be enforced regardless of the existence, validity, enforcement or non-enforcement of any such other guarantees or other obligations. LBC shall have the right to assign its rights under this Guaranty to any Affiliate to which LBC transfers its interest in the Partnership pursuant to the Partnership Agreement.

14. **Agent for Service of Process.** Guarantor hereby submits to personal jurisdiction in the State of Illinois for the enforcement of this Guaranty and waives any and all personal rights to object to such jurisdiction for the purposes of litigation to enforce this Guaranty. In the event such litigation is commenced at any time when Guarantor is not permanently domiciled in the State of Illinois, Guarantor agrees that service of process may be made and personal jurisdiction over Guarantor obtained, by service of a copy of the summons, complaint and other pleadings required to commence such litigation upon the appointed agent for service of process in the State of Illinois, which agent Guarantor hereby designates to be:

CT Corporation System
208 S. LaSalle Street, Suite 814
Chicago, Illinois 60604

Guarantor agrees that this appointment of an agent for service of process is made for the mutual benefit of Guarantor and LBC and may not be revoked without LBC's consent. Guarantor hereby agrees and consents that any such service of process upon such agent shall be taken and held to be valid personal service upon Guarantor, whether or not Guarantor shall be then physically present, residing within, or doing business within the State of Illinois, and that any such service of process shall be of the same force and validity as if service were made upon Guarantor when physically present, residing within, or doing business in the State of Illinois. Guarantor waives all claim of error by reason of any such service. Guarantor hereby consents to the jurisdiction of either the Circuit Court of Cook County, Illinois, or the United States District Court for the Northern District of Illinois, in any action, suit or proceeding which LBC may wish to file at any time in connection with this Guaranty or any related matter. Guarantor hereby agrees that an action, suit or proceeding to enforce this Guaranty may be brought in any state or federal court in the State of Illinois and hereby waives any objection which Guarantor may have to the laying of the venue of any such action, suit or proceeding in any such court; provided, however, that the provisions of this Paragraph shall not be deemed to preclude LBC from filing any such action, suit or proceeding in any other appropriate forum.

15. **Notices.** All notices, demands, requests, or other communications which may be or are required to be given, served, or sent by any party to any other party pursuant to this Agreement shall be in writing and shall be hand delivered, sent by overnight courier or mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by facsimile, telegram, telecopy or telex, addressed as follows:

if to LBC:
Leo Burnett USA, Inc.
35 West Wacker Drive
Chicago, Illinois 60606
Attention: General Counsel
Facsimile: 312/220-6565

with a copy to:
Publicis Groupe, S.A..
133 Avenue des Champs-Elysees
75008 Paris, France
Attention: Chief Financial Officer
Facsimile: 011 331 44437560

with a copy to:
Davis & Gilbert LLP
1740 Broadway
New York, New York 10019
Attention: Lewis A. Rubin, Esq.
Facsimile: 212/468-4888

if to Guarantor:
Wells Operating Partnership, L.P.
c/o Wells Capital, Inc.
6200 The Corners Parkway
Suite 2500
Norcross, Georgia 30092
Attention: Chief Real Estate Officer
Facsimile: 770-243-8510

with a copy to: Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308
Attention: John W. Griffin, Esq.
Telephone: 404-885-3150
Facsimile: 404-962-6577

Except as otherwise specifically required herein, notice of the exercise of any right, option or power granted to LBC by this Guaranty is not required to be given.

(remainder of page left blank - signature on following page)

SIGNED AND DELIVERED the date first above specified.

GUARANTOR:

WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: WELLS REAL ESTATE INVESTMENT TRUST, INC., a Maryland corporation, its sole general partner

By: ______________________

Name: ______________________

Its: ______________________

EXHIBIT 10.108

AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT
OF WELLS-BUCK VENTURE, L.P.

Execution Copy

AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF
WELLS-BUCK VENTURE, L.P.

This Amended And Restated Limited Partnership Agreement of Wells-Buck Venture, L.P., formerly known as VV City-Buck Venture, L.P. (the "Partnership"), is made and entered into as of the 6th day of November, 2003 (the "Effective Date"), by and among Wells 35 W. Wacker, LLC, a Delaware limited liability company, ("Wells"), as the sole general partner; Buck 35 Wacker, L.L.C., a Delaware limited liability company ("JBC"), as a limited partner; and VV USA City, L.P., a Delaware limited partnership ("VV City"), as the withdrawing general partner.

RECITALS

A. WHEREAS, JBC and VV City entered into that certain Limited Partnership Agreement of VV City-Buck Venture, L.P., dated as of April 27, 2000, as amended by that certain First Amendment to Limited Partnership Agreement of VV City-Buck Venture, L.P., dated as of March 10, 2003 (the "First Amendment") (the initial agreement of limited partnership, as amended by the First Amendment, the "Original Partnership Agreement");

B. WHEREAS, Wells Operating Partnership, L.P. ("Wells OP") and VV City have entered into that certain Purchase and Sale Agreement, dated as of September 23, 2003, as assigned by Wells OP to Wells (the "Purchase Agreement"), and pursuant to the Purchase Agreement VV City has today sold and transferred to Wells, and Wells has purchased and accepted from VV City, the entire 97.9396% general partner interest in the Partnership of VV City (the "GP Interest"); and

C. WHEREAS, Wells and JBC desire to amend, restate and replace the Original Partnership Agreement in its entirety to reflect, among other changes, the sale and transfer of the GP Interest to Wells, the withdrawal of VV City as the general partner of the Partnership, the admission of Wells as the sole general partner of the Partnership, and the change of the Partnership's name to Wells-Buck Venture, L.P.

NOW, THEREFORE, in consideration of the promises and the mutual covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

SECTION 1. Continuation of Limited Partnership. The Partners agree to continue the Partnership which was formed pursuant to the Act and the filing of the Certificate of Limited Partnership of the Partnership with the Secretary on April 12, 2000, and agree that for purposes of the Act and this Agreement the Partnership was not and shall not be deemed to have dissolved as a result of any of the matters described in Recital C above. Wells is authorized to file with the Secretary an amendment to the Certificate of Limited Partnership of the Partnership reflecting (1) the admission of Wells as General Partner, (2) the withdrawal of VV City as a general partner, and (3) the change in the name of the Partnership to Wells-Buck Venture, L.P. The rights and duties of the Partners shall be as provided in the Act, except as modified by this Agreement. The Partners hereby agree to the terms and conditions of this Agreement, as it may from time to time be amended according to its terms. To the extent any provision of this Agreement is prohibited or ineffective under the Act, this Agreement shall be considered amended to the smallest degree possible in order to make this Agreement effective under the Act. If the Act is subsequently amended or interpreted in such a way to make any provision of this Agreement that was formerly invalid valid, such provision shall be considered to be valid from the effective date of such interpretation or amendment.

SECTION 2. Name. The business of the Partnership shall be conducted under the name "Wells-Buck Venture L.P.," or any other name as may be selected by the General Partner.

SECTION 3. Definitions.

Certain defined terms used in this Agreement are set forth in the preamble or the recitals of this Agreement. For purposes of this Agreement, unless the context clearly indicates otherwise, the following terms shall have the following meanings:

(a) "Act" means the Delaware Revised Uniform Limited Partnership Act, Delaware Code Title 6, Sections 17-101 et seq., as amended from time to time.

(b) "Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant Taxable Year, after giving effect to the following adjustments:

(i) credit to such Capital Account any amounts that such Partner is deemed to be obligated to restore pursuant to the second to last sentence in each of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(ii) Debit to such Capital Account the items described in Sections 1.704-1 (b)(2)(ii)(d)(4),(5) and (6) of the Treasury Regulations.

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.

(c) "Affiliate" means with respect to a Person: (i) any general partner, director, manager (or Person holding the equivalent position) or executive officer (or Person holding the equivalent position) of such Person or of any Person who bears a relationship to any such Person described in clause (ii) below, and (ii) any other Person which, directly or indirectly, controls or is controlled by or is under common control with, such Person. A Person shall be deemed to be (without limiting any of the foregoing):

(i) "controlled by" any other Person if such other Person possesses, directly or indirectly, power

(A) to vote 10% or more of the securities having ordinary voting power for the election of managing general partners, directors or managers (or Persons holding equivalent positions) of such Person (or, at the time extraordinary voting powers are available, to vote 10% or more of the securities having extraordinary voting power); or

(B) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise; or

(ii) "controlling" any other Person if such other Person is "controlled by" such Person within the meaning of clause (i) above; or

(iii) "under common control" with any other Person if each of such Persons are "controlled by" (within the meaning of clause (i) above) the same Person.

(d) "Agreement" means this Amended and Restated Limited Partnership Agreement, as amended, modified or supplemented from time to time.

(e) "Assignment Conditions" has the meaning set forth in Section 18.

(f) "Business Day" shall mean any day except a Saturday, Sunday or any other days on which commercial banks in Chicago, Illinois are authorized or required by law to close.

(g) "Capital Account" means, with respect to each Partner, the account established on the books and records of the Partnership for such Partner. During the term of the Partnership, each Partner's Capital Account shall be (i) increased by the amount of (w) income and gain allocated to the Partner and (x) any cash or property subsequently contributed by the Partner to the Partnership, and (ii) decreased by the amount of (y) loss and deduction allocated to the Partner and (z) all cash and property distributed to the Partner, and shall otherwise be kept in accordance with applicable United States Treasury Regulations promulgated under Section 704(b) of the Code and, except as expressly provided herein, the General Partner shall make all decisions and elections permitted or required by such regulations. The Capital Accounts of the Partners shall be adjusted to reflect a revaluation of Partnership property (as determined by the General Partner) in the manner required by Section 1.704-1(b)(2)(iv)(f) of the Treasury Regulations when an interest in the Partnership is acquired from or relinquished to the Partnership, or when the Partnership is liquidated within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Treasury Regulations. Upon the sale, transfer, assignment or other disposition of an interest in the Partnership, the Capital Account of the transferor Partner that is attributable to the transferred interest will be carried over to the transferee Partner.

(h) "Capital Contribution" means the total amount of cash or other property as may be contributed to the Partnership by a Partner, or its predecessor in interest, pursuant to this Agreement, but not including any Priority Loans. Contributed property shall be valued at fair market value, net of any liabilities assumed to which the contributed property is subject.

(i) "Cash Needs Date" has the meaning set forth in Section 8.

(j) "Code" means the United States Internal Revenue Code of 1986, as amended, modified or rescinded from time to time, or any similar provision of succeeding law.

(k) "Defaulting Partner" has the meaning set forth in Section 8.

(l) "Deficiency" has the meaning set forth in Section 8.

(m) "General Partner" means Wells, or any successor to its interest as a general partner in the Partnership hereafter admitted to the Partnership in accordance with this Agreement.

(n) "IRS" means the United States Internal Revenue Service or any successor entity.

(o) "JBC Management" has the meaning set forth in Section 14.

(p) "Limited Partner" means JBC and to the extent permitted hereunder, any successor to its interest as a successor limited partner in the Partnership.

(q) "Majority Interest" means the Partner (or Partners) holding more than 50% of all Partnership Interests.

(r) "Management and Leasing Agreements has the meaning set forth in Section 14.

(s) "Net Cash Flow" means for any period the amount, computed on a cash basis, equal to:

(i) the sum of (A) gross receipts from business operations, all investment income and investment gain of the Partnership and all other cash received by the Partnership, all without double counting, and (B) any amounts released from Reserves and deposited into the Partnership's operating accounts (collectively, "Revenues");

decreased by

(ii) the sum of (A) disbursements of the Partnership for operating expenses, expenditures for capital investments and reinvestments, principal payments on indebtedness, interest and other expenses, including any repayment of indebtedness required or elected to be made in connection with any refinancing, sale or other event, all without double counting, and (B) any increase in Reserves;

(t) "Non-Defaulting Partner" has the meaning set forth in Section 8.

(u) "Notional Value" of a Partner's investment in the Partnership shall, as of the Effective Date, be the amount indicated next to such Partner's name in Schedule I of the Partnership Agreement. The Notional Value of a Partner's investment in the Partnership thereafter (i) shall be increased upon a contribution by a Partner to the capital of the Partnership by the actual amount of capital contributed by such Partner, (ii) shall be adjusted upon a revaluation of Partnership property pursuant to Section 3(g), and (iii) may be adjusted upon a Sale of a Partnership Interest in whole or in part.

(v) “Partner” means any Person owning a Partnership Interest in the Partnership.

(w) “Partnership” means Wells-Buck Venture, L.P., a Delaware limited partnership, as said limited partnership may from time to time be hereafter constituted.

(x) “Partnership Interest” means the percentage interest in the Partnership of a Partner as set forth opposite such Partner’s name on Schedule I attached hereto, as may be amended, modified or supplemented from time to time (by reason of, for example, a contribution to the capital of the Partnership by a Partner, the liquidation of part or all of the Partnership Interest of a Partner, or the admission of a new Partner), together with the right, title and interest of such Partner to any and all benefits to which such Partner is entitled by virtue of its partnership in the Partnership and all obligations to which such Partner is subject as a result of such partnership.

(y) “Person” means any individual, corporation, partnership, association, limited liability company, trust, estate or other enterprise or entity.

(z) “Priority Loan” has the meaning set forth in Section 8.

(aa) “Purchase Agreement” has the meaning set forth in Recitals hereto.

(bb) “Purchase Offer” has the meaning set forth in Section 18(b).

(cc) “Reserves” means the reasonable reserves established and maintained from time to time in amounts reasonably determined by the General Partner to be adequate and sufficient for current and future operating and working capital and to pay for taxes, insurance, service of indebtedness, amortization of indebtedness, repairs, replacements or renewals, management fees, leasing fees or other costs and expenses incident to the Partnership’s business or otherwise to provide for the long-term goals of the Partnership or any other purpose, including reserves for unforeseen or contingent liabilities, debts or obligations.

(dd) “Requested Amount” has the meaning set forth in Section 8.

(ee) “Sale” or “Sell” shall mean any offer for sale, assignment, exchange, contribution, contract of sale, disposition of an interest in or transfer, grant of a participation in, pledge, or any other transfer or disposal of all, or any portion of, the 35 W. Wacker Property, the 35 W. Wacker Venture Interest or any Partnership Interests.

(ff) “Secretary” means the Secretary of State of Delaware.

(gg) “Tag-Along Notice” has the meaning set forth in Section 18(b).

(hh) “Tag-Along Portion” has the meaning set forth in Section 18(b).

(ii) “Tag-Along Purchase Offer” has the meaning set forth in Section 18(b).

(jj) “Tax Matters Partner” has the meaning set forth in Section 23(d).

(kk) "Taxable Year" means the Partnership's annual accounting period for federal income tax purposes.

(ll) "Treasury Regulations" means the income tax regulations, including any temporary regulations, from time to time promulgated under the Code.

(mm) "35 W. Wacker Property" means that certain property commonly known as The Leo Burnett Building, 35 W. Wacker Drive, Chicago, Illinois as more particularly described on Exhibit A attached hereto and made a part hereof, together with all rights and easements, appurtenant thereto and all improvements now or hereafter thereon, and all other tangible and intangible property now owned or hereafter acquired by the 35 W. Wacker Venture.

(nn) "35 W. Wacker Venture" means the 35 W. Wacker Venture, L.P., a Delaware limited partnership that owns the 35 W. Wacker Property.

(oo) "35 W. Wacker Venture Interests" means the Partnership's 96.5007% general partner interest in 35 W. Wacker Venture.

(pp) "35 W. Wacker Venture Agreement" means that certain Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture dated as of April 27, 2000, as amended by that certain First Amendment to Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture of even date herewith.

SECTION 4. Business of the Partnership.

(a) The purpose of the Partnership is (i) to be the general partner of 35 W. Wacker Venture, and to engage in such other allied activities as may be ancillary and supplemental thereto, including performing the obligations assigned to the Partnership pursuant to the 35 W. Wacker Venture Agreement, holding any assets distributed from 35 W. Wacker Venture or any assets exchanged for such assets, subject to the terms and limitations herein set forth; and (ii) to conduct all activities reasonably necessary or desirable to accomplish or relating to the foregoing purposes.

(b) The Partnership shall not engage in any other business or activity without the unanimous approval of the Partners, including, without limitation, the acquisition of any material assets other than as required for the continued operation of the Partnership, the 35 W. Wacker Venture or the 35 W. Wacker Property, as herein set forth.

SECTION 5. Term. The term of the Partnership began upon the filing of the Certificate of Limited Partnership with the Secretary and shall continue until the earlier of (a) April 27, 2030 unless such date is extended by the consent of a Majority Interest of the Partners, or (b) the date as of which the Partnership is dissolved in accordance with this Agreement or by law.

SECTION 6. Principal Place of Business. The principal place of business of the Partnership shall be 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092, or such other location as may be selected by the General Partner.

SECTION 7. Registered Agent; Registered Office. The registered agent for the service of process shall be The Corporation Trust Company. The registered office shall be 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801. The General Partner may, from time to time, change the registered agent or office through appropriate filings with the Secretary.

SECTION 8. Capital Contributions; No Withdrawal or Resignation.

(a) Partnership Interests. As of the Effective Date, the Percentage Interests of Wells and JBC and the Notional Value of each Partner's investment in the Partnership shall be as set forth opposite the Partners names on Schedule I.

(b) Additional Contributions: Remedies for Failure to Contribute. The General Partner may request that the Partners make additional contributions to the capital of the Partnership. In such event, the General Partner shall give at least fifteen (15) business days' notice to the other Partners specifying in reasonable detail the amount and purpose of any such required funds. Such funds shall be contributed to the Partnership by the Partners by wire transfer to the Partnership account designated by the General Partner on or before the date specified in the notice (the "Cash Needs Date") in amounts proportionate to the Partnership Interests of the Partners in the Partnership. The amount to be contributed by each Partner shall be such Partner's "Requested Amount" and shall be treated as a Capital Contribution.

In the event of a request for additional capital contributions made in order to provide the Partnership with funds to meet expenses of the 35 W. Wacker Property or in connection with the operations of the 35 W. Wacker Venture, including, for example (and not by way of limitation), to cover the 35 W. Wacker Property's operating deficits, tenant improvement costs, renovation costs and leasing commissions, and in all cases not described in the immediately succeeding sentence, which funds are not available from operations of 35 W. Wacker or from funds borrowed by the Partnership or 35 W. Wacker Venture, the treatment of the Partners shall be as described in subsection (i) below. In the event of a request for additional capital contributions to reduce or to refinance the indebtedness of the Partnership or of 35 W. Wacker Venture, or to fund any prepayment or make-whole premium or post additional collateral in connection with such debt reduction, the treatment of the Partners shall be as described in subsection (ii) below. Upon requesting any capital contribution, the General Partner shall designate whether the contribution is a type (i) ("operating deficit") contribution or a type (ii) ("recapitalization") contribution. These provisions shall be applicable each time that a Partner shall fail to contribute capital as required for an operating deficit or recapitalization capital contribution.

(i) The treatment of the Partners in the event of a request for additional capital contributions to which this subsection applies shall be as follows:

(A) If a Partner (the "Defaulting Partner") fails to contribute to the Partnership such Partner's Requested Amount on or before the Cash Needs Date, the other Partner (the "Non-defaulting Partner") shall have the right, without obligation, as its sole and exclusive remedy, to either (i) withdraw the Requested Amount which it contributed; (ii) confirm that the amount contributed by it is a Capital Contribution and contribute to the Partnership as a Capital Contribution for its own capital account the amount due from the Defaulting Partner (the

"Deficiency"); or (iii) withdraw the Requested Amount that it contributed as a Capital Contribution and advance directly to the Partnership both the Defaulting Partner's and its share of the Requested Amount as a loan to the Partnership (a "Priority Loan").

(B) If the Non-defaulting Partner elects to make a Capital Contribution to the Partnership for its own capital account and to contribute to the Partnership as an additional Capital Contribution for its own capital account the Deficiency as provided in subsection 8(b)(i)(A), then, effective from the date of the making of such contribution, the Partnership Interests of the Partners shall thereupon be recalculated such that, immediately after such recalculation, the Partnership Interest of the Defaulting Partner shall equal a percentage, the numerator of which is the Notional Value of such Partner's investment in the Partnership determined immediately prior to the contribution reduced (but not below zero) by two times the amount of the Capital Contribution that such Defaulting Partner shall have failed to contribute, and the denominator of which is the total Notional Value of the investments of all of the Partners in the Partnership (determined immediately before the contribution), and the Partnership Interest of the Non-defaulting Partner immediately after the contribution shall be equal to 100% reduced by the Partnership Interest of the Defaulting Partner determined as described above immediately after the contribution.

(C) If the Non-defaulting Partner elects to make a loan to the Partnership as provided in subsection 8(b)(i)(A), the Non-defaulting Partner shall receive back its Capital Contribution and may loan to the Partnership an amount equal to the amount received plus the Defaulting Partner's pro rata share of such requested Capital Contributions, and the Non-defaulting Partner shall designate such loan as a Priority Loan. Priority Loans shall bear interest at the cumulative annual interest rate of 20%, compounded quarterly on the average daily outstanding balance, and shall be paid out of any distributions payable to the Partners pursuant to and in accordance with Section 9 of this Agreement. Interest expense incurred on any Priority Loan shall be treated as an expense of the Partnership and shall be non-recourse to individual Partners. Payments on Priority Loans shall be made pro rata in proportion to the principal amount of and any accrued interest on all such Priority Loans, and shall be applied first to accrued interest and then to principal.

(ii) The treatment of the Partners in the event of a request for additional capital contributions in all cases not covered by Section 8(b)(i) shall be as follows.

(A) If the Defaulting Partner fails to contribute to the Partnership such Partner's Requested Amount on or before the Cash Needs Date, the Non-defaulting Partner shall have the right, without obligation, as its sole and exclusive remedy, to either (i) withdraw the Requested Amount which it contributed; or (ii) confirm that the amount contributed by it is a Capital Contribution and contribute the Deficiency to the Partnership as a Capital Contribution for its own capital account.

(B) If the Non-defaulting Partner elects to make a Capital Contribution to the Partnership for its own capital account and to contribute to the Partnership as an additional Capital Contribution for its own capital account the Deficiency as provided in Subsection 8(b), then, effective from the date of the making of such contribution, the Partnership Interests of the Partners shall thereupon be recalculated such that, immediately after such recalculation, the Partnership Interest of each of the Partners shall equal a percentage, the numerator of which is the Notional Value of such Partner's investment in the Partnership (determined immediately after the contribution), and the denominator of which is the total Notional Value of the investments of all of the Partners in the Partnership (determined immediately after the contribution).

(c) **Intentionally Deleted**

(d) **Intentionally Deleted**

(e) Acknowledgment. Each Partner acknowledges and agrees that the other Partners would not be entering into this Agreement were it not for (i) the Partners agreeing to make the Capital Contributions provided for in this Section and (ii) the remedy provisions above in this Section. The parties hereto acknowledge and agree that the remedy provisions provided for above in this Section could result in a Partner completely reducing its interest in the Partnership. Each Partner acknowledges and agrees that if any Partner fails to make its Capital Contributions pursuant to this Agreement, the other Partner will suffer substantial damages and the remedy provisions set forth above are a fair, just and equitable method for adjusting the Partnership Interests of the Partners. Each Partner hereby agrees that if its Partnership Interest in the Partnership is reduced as described above, it shall execute and deliver such conveyances, agreements, instruments or other documents which may be reasonably necessary in the judgment of the other Partner to confirm and render fully effective the remedy provisions set forth above, including, but not limited to, an assignment of a portion of its Partnership Interest in the Partnership and any amendments to this Agreement and to the Certificate of Formation of the Partnership.

(f) **Intentionally Deleted**

(g) Deficit Balance. Except as otherwise expressly provided herein, no Partner has any obligation to restore a deficit balance in such Partner's Capital Account or to make any contributions to the Partnership in order to restore such deficit balance. No Partner shall be paid interest on any Capital Contribution.

(h) Withdrawal and Resignation; Return of Capital Contribution. No Partner shall be entitled to withdraw or resign as a Partner or to receive any part of such Partner's Capital Contribution or any distribution from the Partnership in connection therewith.

SECTION 9. Distribution. Net Cash Flow shall be distributed to the Partners within twenty (20) days after the end of each calendar month, or, upon termination of the Partnership, promptly upon such termination, as follows:

(a) First, to the Partners until each of the Partners has received payments in an aggregate amount (for the current period and all previous periods) equal to the sum of the (i) aggregate of its Priority Loans made pursuant to this Agreement and (ii) a twenty percent (20%) cumulative annual interest rate thereon compounded quarterly on the average outstanding balance of its aggregate unreturned Priority Loans made pursuant to this Agreement (with payments made pursuant to this Section 9(a) deemed to be made first with respect to the current and accrued and unpaid interest described in clause (ii) hereof and then with respect to the aggregate principal amount of the Priority Loans described in clause (i) hereof); and,

(b) Second, to each of the Partners in accordance with their respective Partnership Interests as set forth on Schedule I, as amended from time to time.

(c) If the Partnership is subject to any tax or other obligation (including, without limitation, the Illinois Personal Property Replacement Tax) which is attributable to the interest of one or more Partners in the Partnership, but fewer than all the Partners, such tax or other obligation shall be specially allocated to, and charged against the Capital Account of, such Partner or Partners, and the amounts otherwise distributable to such Partner or Partners pursuant to this Agreement shall be reduced by such amount.

SECTION 10. Allocation of Income and Losses.

(a) Allocations. For each Taxable Year of the Partnership, items of income, gain, loss, deduction, tax credit and tax preference to be allocated among the Partners shall be allocated in accordance with their respective Partnership Interests.

(b) Change in Partnership Interests. If there is a change in any Partner's Partnership Interest during any Taxable Year, the allocations among the Partners shall be made on a daily, monthly, or other basis using any permissible method under Code Section 706 and the Treasury Regulations thereunder as selected by the General Partner in its sole and absolute discretion determined without regard to the tax consequences of any Partner (and no Partner shall have any claim against the General Partner in connection with such election).

(c) Qualified Income Offset. If any Partner unexpectedly receives any adjustments, allocations or distributions described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations, and after giving effect to the allocations required under Sections 10(a) and 10(d) hereof, such Partner has a an Adjusted Capital Account Deficit, items of income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate to the extent required by the Treasury Regulations, its Adjusted Capital Account Deficit created by such adjustments, allocations or distributions as quickly as possible.

(d) Special Rules.

(i) If any Partnership asset has a book value for purposes of maintaining Capital Accounts under the Treasury Regulations that is different from its adjusted tax basis to the Partnership for federal income tax purposes (whether by reason of the contribution of such property to the Partnership, the revaluation of such property hereunder or otherwise), allocations of income, gain, loss, deduction, credit and tax preference under this Section 10 with respect to such asset shall take account of any variation between the adjusted tax basis of such asset for federal income tax purposes and its book value in the manner prescribed by Section 704(c) of the Code or the principles set forth in Section 1.704-1(b)(2)(iv)(g) of the Treasury Regulations, as the case may be, using any method permitted under the Code and Treasury Regulation Section 1.704-3 as selected by the General Partner in its sole and absolute discretion, determined without regard to the tax consequences of any Partner (and no Partner shall have any claim against the General Partner in connection with such election).

(ii) Subject to the next succeeding sentence and Section 10(d)(i), items of income, gain, loss, deduction and credit to be allocated for federal income tax purposes shall be allocated among the Partners on the same basis as their respective book items. Notwithstanding the foregoing, any additional tax depreciation or amortization that is allocated to the Partnership as a result of the adjustment to the basis of the assets of the 35 W. Wacker Venture under Section 743 of the Code as a result of the purchase by Wells of the GP Interest, as well as any adjustment to the Partnership's income, gain, or loss from the sale or exchange of the assets of the 35 W. Wacker Venture under Section 1.743-1(j)(3) of the Treasury Regulations, shall be allocated solely to Wells. Items of income, gain, loss, deduction, credit and tax preference for state and local income tax purpose shall be allocated to and among the Partners in a manner consistent with the allocation of such items for federal income tax purposes in accordance with the foregoing provisions of this Section 10.

(e) Allocations of Non-Recourse Liabilities and Minimum Gain Chargeback. Allocations attributable to non-recourse liabilities shall be made consistent with Section 1.704-2 of the Treasury Regulations including the minimum gain chargeback requirement of Section 1.704-2(f) of the Treasury Regulations.

(f) True Up. For the Taxable Year ending on the date of the liquidation of the Partnership, or for the immediately preceding Taxable Year provided such liquidation occurs prior to the date on which the Partnership's federal income tax return is required to be filed without regard to any extensions, all or a portion of the items of Partnership income, loss, gain or deduction remaining after the application of Sections 10(c) and 10(e), if any, and prior to any allocation pursuant to Section 10(a), shall be allocated to the Partners in any manner necessary so that each Partner's Capital Account immediately prior to liquidating distributions, as adjusted for allocations pursuant to Sections 10(c) and 10(e) and after any adjustment to the Capital Accounts in connection with the liquidation of the Partnership as a result of the distribution of Partnership property in-kind, if any, is positive in an amount equal to the amount that would be distributed to such Partner upon liquidation of the Partnership pursuant to Section 9.

SECTION 11. Withholding. The Partnership is authorized to withhold from distributions to be made to a Partner, or with respect to allocations to a Partner, and to pay over to a federal, state or local government, any amounts required to be withheld pursuant to the Code or any provisions of any other federal, state or local law. Any amount paid pursuant to this Section 11 on behalf of or with respect to a Partner shall constitute a loan by the Partnership to such Partner, which loan shall be repaid by such Partner within fifteen (15) days after notice from the General Partner that such payment must be made unless (i) the Partnership withholds such payment from a distribution which would otherwise be made to the Partner or (ii) the General Partner otherwise elects, in its sole and absolute discretion, to satisfy such payment out of the available funds of the Partnership which would, but for such payment, be distributed to such Partner. Any amounts withheld pursuant to the foregoing clauses (i) or (ii) shall be treated as having been distributed to such Partner for all purposes of this Agreement and shall be promptly paid, solely out of the funds of the Partnership, by the General Partner to the appropriate taxing authority.

SECTION 12. Books, Records and Accounting.

(a) Books and Records. The Partnership shall maintain complete and accurate books and records of the Partnership's business and affairs in accordance with generally accepted accounting principles, consistently applied. The books and records shall be maintained at the principal place of business of the Partnership and shall be accessible to the Partners in accordance with the Act.

(b) Fiscal Year; Accounting. The Partnership's fiscal year shall be the calendar year. The accounting methods and principles to be followed by the Partnership shall be selected from time to time by the General Partner consistent with customary real estate property management practices and generally accepted accounting principles, consistently applied.

(c) Reports. The Partnership shall provide to the Partners reports concerning the financial condition and results of operation of the Partnership and the Partners' Capital Accounts within ninety (90) days after the end of each fiscal year.

SECTION 13. Partnership Funds. The funds of the Partnership shall be deposited in such bank or other financial institution account or accounts, or invested in such interest-bearing or non-interest-bearing investments, as shall be designated by the General Partner. All withdrawals from any such bank accounts shall be made only by the General Partner or by individuals duly appointed by the General Partner.

SECTION 14. Management.

(a) General Partner. The business of the Partnership shall be managed by or under the authority of the General Partner. The General Partner shall have full, exclusive and complete discretion, power, and authority, subject in all cases to the limitations and restrictions set forth in this Agreement, and the requirements of applicable law, to manage, control, administer, and operate the business and affairs of the Partnership, including without limitation, the discretion, power and authority to:

(i) cause the Partnership to act in its capacity as the General Partner of 35 W. Wacker Venture, including, without limitation, to exercise any and all rights, powers and privileges of the General Partner of 35 W. Wacker Venture and to discharge any and all obligations and liabilities of the General Partner of 35 W. Wacker Venture;

(ii) acquire by purchase, lease, or otherwise, any fixtures or personal property, tangible or intangible required in furtherance of the business of the Partnership set forth in Section 4;

(iii) reconstruct, operate, maintain, finance, improve, own, sell, convey, assign, mortgage, or lease the 35 W. Wacker Property and any other personal property acquired by the Partnership pursuant to clause (i);

(iv) Sell, dispose, trade, or otherwise, dispose of any or all of the Partnership's assets, subject to the limitations set forth in this Agreement;

(v) approve the conversion, consolidation, or merger of the Partnership:

(vi) enter into leases, agreements and contracts and give receipts, releases, and discharges, in each case, in furtherance of the business of the Partnership set forth in Section 4;

(vii) purchase liability and other insurance to protect the Partnership's assets and business;

(viii) borrow money for and on behalf of the Partnership, and, in connection therewith, execute and deliver instruments evidencing or securing the same, in furtherance of the business of the Partnership set forth in Section 4;

(ix) execute or modify leases with respect to any part or all of the assets of the Partnership, in furtherance of the business of the Partnership set forth in Section 4:

(x) prepay, in whole or in part, refinance, amend, modify, or extend any mortgages, trust deeds or security agreements which may affect any asset of the Partnership and in connection therewith to execute for and on behalf of the Partnership any extensions, renewals, or modifications of such mortgages, trust deeds or security agreements, in furtherance of the business of the Partnership set forth in Section 4;

(xi) execute any and all other instruments and documents which may be necessary or in the opinion of the General Partner desirable to carry out the intent and purpose of this Agreement, including, but not limited to, documents whose operation and effect extend beyond the term of the Partnership;

(xii) make any and all expenditures which the General Partner, in its sole but reasonable discretion, deems necessary or appropriate in connection with the management of the affairs of the Partnership and the carrying out of its obligations and responsibilities under this Agreement, including, without limitation all reasonable legal, accounting, and other related out of pocket expenses incurred in connection with the organization and financing and operating of the Partnership;

(xiii) invest and reinvest Partnership reserves in short-term instruments or money market funds;

(xiv) appoint Persons to act on behalf of the Partnership and hire employees and agents and appoint officers to perform such functions as from time to time shall be delegated to such employees, agents, and officers by the General Partner;

(xv) determine the compensation of any employees, agents and officers of the Partnership or may delegate some or all compensation decisions to officers or employees of the Partnership; and

(xvi) enter into any kind of activity necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Partnership.

(b) Withdrawal. The General Partner may withdraw at any time by giving written notice to all Partners.

(c) Removal. The General Partner may not be removed without its express written consent.

(d) Compensation. The General Partner shall receive no compensation for managing the business of the Partnership; provided, however, the General Partner shall be reimbursed by the Partnership for any reasonable out-of-pocket expenses incurred by the General Partner on behalf of the Partnership on a monthly basis.

(e) Binding Authority. Only the General Partner shall have the authority to bind the Partnership and no Limited Partner shall have the authority to bind the Partnership.

(f) Services and Fees. The Partnership has caused 35 W. Wacker Venture (i) to amend contemporaneously herewith the Property Management Agreement with The Buck Management Group, Incorporated ("JBC Management"), pursuant to an amendment in the form attached hereto as Exhibit A, and (ii) to amend contemporaneously herewith the Leasing Agreement with JBC Management, in the form attached hereto as Exhibit B, pursuant to which JBC Management provides management and leasing services to the 35 W. Wacker Property.

(g) Notices to Partners. General Partner shall promptly deliver to each Partner any written notice of: (i) default sent by the lender of any indebtedness now, or at any time hereafter, encumbering all or any portion of the 35 W. Wacker Property, and (ii) any notices sent by, or to, any partner in 35 W. Wacker Venture.

SECTION 15. Meetings.

(a) Meetings of Partners. Meetings of Partners for any proper purpose may be called at any time by the General Partner. Partners may participate in any meeting through the use of a conference telephone or similar communications equipment by means of which all individuals participating in the meeting can hear each other, and such participation shall constitute presence in person at the meeting. The Partnership shall give written notice of the date, time, place and purpose of any meeting to all Partners at least ten (10) days and not more than sixty (60) days prior to the date fixed for the meeting. Notice may be waived by any Partner.

(b) Consent of Partners. Any action required or permitted to be taken at any meeting of Partners may be taken by a written consent without a meeting, without prior notice and without a vote. The written consent shall set forth the action so taken and shall be signed by Partners having not less than the minimum number of Percentage Interests that would be necessary to authorize or take such action at a meeting at which all Partners entitled to vote thereon were present and voting. Prompt notice of the taking of action by written consent shall be given to all Partners who did not sign the written consent.

SECTION 16. Voting.

(a) Partners. The General Partner shall decide all matters for the Partnership and need not call any meeting of the Partners prior to taking action; provided, if the General Partner shall at any time own less than a Majority Interest, the affirmative vote or written consent of a Majority Interest shall decide all matters properly brought before the Partners pursuant to this Agreement or the Act. Notwithstanding the foregoing, the General Partner shall reasonably promptly notify the Limited Partner of the following material matters decided by the General Partner: (i) any decisions to sell or refinance the 35 W. Wacker Property or any interest in 35 W. Wacker Venture; (ii) any decisions to admit any new Partners to the Partnership; (iii) any decision to file a voluntary bankruptcy proceeding or not to contest an involuntary bankruptcy proceeding involving the Partnership and/or 35 W. Wacker Venture; (iv) the commencement of litigation by or against the Partnership or 35 W. Wacker Venture (not covered by insurance) involving potential damages or economic risk of $1 million or more, and any settlement of, or judgment entered into with respect to, such litigation; (v) the adoption of, or material amendment to, annual operating and/or capital budgets for the 35 W. Wacker Property; (vi) any decisions to enter into new leases for the 35 W. Wacker Property comprised of at least 100,000 rental square feet, or to modify, amend or terminate any existing lease comprised of at least 100,000 rentable square feet; and (vii) the discovery of any hazardous waste at the 35 W. Wacker Property in violation of applicable environmental laws and any decisions regarding the remediation or removal of any such hazardous waste that is present at the 35 W. Wacker Property in violation of applicable environmental laws. Notwithstanding the foregoing, during such time as JBC Management is the property manager for the 35 W. Wacker Property, the General Partner need not advise the Limited Partner with respect to the decisions discussed in clauses (v), (vi) and (vii) of the preceding sentence.

(b) Voting. A Partner may vote either in person or by written proxy or consent signed by the Partner or by his duly authorized attorney in fact.

SECTION 17. Exculpation, Limitation of Liability and Indemnification.

(a) Exculpation. Notwithstanding anything to the contrary set forth in this Agreement, neither the General Partner nor any Limited Partner shall be liable to the Partnership or to any other Partner for monetary damages for any losses, claims, damages or liabilities arising from any act or omission of such General Partner or Limited Partner arising out of or in connection with this Agreement or the Partnership's business or affairs, except to the extent that such act or omission (1) is attributable to such General Partner's or Limited Partners fraud, bad faith, willful misconduct or gross negligence or (2) was clearly outside the scope of authority granted to such General Partner or Limited Partner under this Agreement (such acts or omissions being hereinafter referred to as "Excluded Matters").

(b) Limitation of Liability. Except as provided in Sections 17-403(b) and (d) of the Act, the debts, obligations and liabilities of the Partnership, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Partnership and the General Partner, and no Limited Partner shall be obligated personally for any such debt, obligation or liability of the Partnership solely by reason of being a Limited Partner.

(c) Indemnification. Other than with respect to Excluded Matters, the Partnership shall indemnify, in accordance with and to the full extent now or hereafter permitted by law, any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, an action by or in the right of the Partnership) by reason of the fact that such Person is or was a Limited Partner, General Partner or officer of the Partnership or an Affiliate thereof (and the Partnership may so indemnify a Person by reason of the fact that such Person is or was an employee or agent of the Partnership, or is or was serving at the request of the Partnership as a director, trustee, member, manager, partner officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise), against any liabilities, expenses (including, without limitation, attorneys' fees and expenses and any other costs and expenses incurred in connection with defending such action, suit or proceeding), judgments, fines and amounts paid in settlement actually and reasonably incurred by such Person in connection with such action, suit or proceeding if such Person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Partnership, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contenders or its equivalent, shall not, of itself, create a presumption (a) that the Person did not act in good faith or in a manner which he or she reasonably believed to be opposed to the best interests of the Partnership, or (b) with respect to any criminal action or proceeding, that the Person had reasonable cause to believe that his or her conduct was unlawful. "Other enterprise" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a Person with respect to an employee benefit plan; and references to serving at the request of the Partnership shall include, without limitation, any service as a member, manager, officer, employee or agent of the Partnership or any other entities in which it has an ownership interest which imposes duties on, or invoices services by, such member, manager, partner, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries.

(d) Expenses. Reasonable expenses, (including, without limitation, attorneys' fees and expenses) incurred by a Limited Partner, General Partner or officer of the Partnership in defending a civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Partnership in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the Limited Partner, General Partner or officer to repay such amount if it shall ultimately be determined that such Limited Partner, General Partner or officer is not entitled to be indemnified by the Partnership under this Section 17 or under any other contract or agreement between such Limited Partner, General Partner or officer and the Partnership. Such expenses (including attorneys' fees) incurred by employees or agents of the Partnership may be so paid upon the receipt of the aforesaid undertaking and such terms and conditions, if any, as the General Partner deems appropriate.

(e) Continuation. The indemnification and advancement of expenses provided by this Section 17 shall continue as to a Person who has ceased to be a Limited Partner, General Partner, officer, employee or agent and shall insure to the benefit of the successors, assigns, heirs, executors and administrators of such a Person.

SECTION 18. Sale of Partnership Interests and New Partners.

(a) Assignment. Except as otherwise permitted in Sections 18(c) and 18(g) herein, any Sale of a Partnership Interest in whole or in part, including, without limitation, pursuant to Section 18(b) shall be permitted only upon compliance with the provisions of Section 18(d) and (e) and, to the extent applicable, upon compliance with the provisions of Section 18(b) and (g). A Sale of a Partnership Interest shall not entitle the assignee to become or to exercise any rights or powers of a Partner until such assignee is admitted as a Partner in accordance with this Agreement. As a condition to any Sale of a Partnership Interest, the Partner must notify the assignee and the Partnership in writing of all obligations of such Partner for liabilities relating to the Partnership and this Agreement, including any obligations to make contributions to the Partnership. Any attempted Sale in contravention of this Section 18 shall be void and of no force or effect except that such Sale shall entitle the transferee only to receive such distributions, to share in such profits and to receive such allocations of income, gain, loss, deduction, credit, tax preference and similar items to which the transferor was entitled to the extent assigned.

(b) Tag-Along And Drag-Along Rights.

(i) Tag-Along. If Wells proposes to effect a Sale to a Person other than: (A) JBC or (B) a Sale to an Affiliate of Wells of less than fifty percent (50%) of the Partnership Interests held by Wells as of the date hereof, Wells shall offer each and every other Partner the opportunity to sell (the "Tag-Along Purchase Offer") to such Person (the "Purchaser") the Tag-Along Portion of such Partner's Partnership Interest for the consideration per percentage of Partnership Interest set forth hereinbelow as the "Tag-Along Price" and otherwise in all material respects on the same terms and conditions upon which Wells sells such portion or all of its Partnership Interest. The Tag-Along Portion shall be the portion of a Partner's Partnership Interest which is equal to (x) the total Partnership Interest of such Partner as of the date that the Tag-Along Notice is provided in accordance with clause (iii) below multiplied by (y) a fraction the numerator of which is the Partnership Interest that Wells proposes to sell as set forth in such Tag-Along Notice and the denominator of which is the total Partnership Interest of Wells as of such date (such portion, the "Tag-Along Portion"). The consideration per percentage Partnership Interest payable to a Partner selling its Tag-Along Portion will be equal to the amount which would be distributed to such Partner per percentage Partnership Interest assuming the Partnership sold all of its assets for a price which would result in Wells receiving the consideration offered to Wells in the proposed Sale upon a liquidation of the Partnership.

(ii) Drag-Along. If Wells proposes to effect a Sale to a Purchaser of all its Partnership Interests, other than: (A) to a Partner or (B) a Sale to an Affiliate of Wells of less than fifty percent (50%) of the Partnership Interests held by Wells as of the date hereof (the "Drag-Along Purchase Offer"; a Tag-Along Purchase Offer and Drag-Along Purchase Offer may each be referred to herein as a "Purchase Offer"), Wells may require each and every other Partner to sell to the Purchaser all Partnership Interests held by such

Partners for the same consideration per percentage of Partnership Interest and otherwise on substantially the same terms and conditions upon which Wells sells its Partnership Interests.

(iii) Exercise of Right. In the event of a Purchase Offer, Wells shall cause the Purchase Offer described in clause (i) or (ii) above, as applicable, to be reduced to writing and shall provide a written notice (the “Tag-Along/Drag-Along Notice”) of the Purchase Offer to the other Partners. The Tag-Along/Drag-Along Notice shall contain written notice, as applicable, of (A) the exercise by Wells of Wells’ drag-along rights pursuant to Section 18(b)(ii), or (B) the Tag-Along rights of the other Partners to sell the Tag-Along Portion of their Partnership Interests pursuant to Section 18(b)(i), as the case may be, and shall set forth the consideration per percentage of Partnership Interest to be paid by the Purchaser and the other terms and conditions of the Purchase Offer. No later than 20 days (subject to the expiration of any applicable waiting period under the Hart Scott Rodino Antitrust Improvements Act of 1976) after receipt of a Tag-Along Notice/Drag Along Notice or in a subsequent notice from Wells (A) in the event of a Drag-Along Purchase Offer, each of the other Partners shall, or (B) in the event of a Tag-Along Purchase Offer, each of the other Partners who elects to participate in such Sale shall, deliver into escrow with Wells all documents reasonably required to be executed in connection with such Purchase Offer to be held for delivery to the Purchaser upon delivery to such Partner of the consideration therefor. In the event that a Partner receives a Tag-Along/Drag-Along Notice pursuant to this Section 18(b), such Partner agrees to use commercially reasonable efforts, in good faith and in a timely manner, to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable, under applicable laws and regulations (including, without limitation, to ensure that all appropriate legal and other requirements are met and all consents of third Persons are obtained), to consummate the proposed transactions contemplated by this Section 18(b). Notwithstanding any other provisions of this Section 18(b), in the event of a Drag-Along Sale, no Partner other than the Partner initiating the Drag-Along Sale shall be required to make any representation or warranty or incur any liability with respect to such Sale other than with respect to (1) such Partner’s clear title to its Partnership Interest; (2) such Partner’s power and authority to complete such sale; and (3) customary accredited investor and related representations and warranties from such Partner if securities are issued by the Purchaser in connection with the Sale. Each other Partner hereby grants to Wells an irrevocable (to the extent permitted by law) power of attorney coupled with an interest to execute and deliver any and all documents and instruments on behalf of such other Partner as Wells may deem necessary or appropriate in order to effectuate a Sale pursuant to the provisions of this Section 18(b).

(iv) Return of Documents. If, for any reason, Wells determines that it cannot complete the Sale of the Partnership Interests, Wells shall cause to be returned to the Partners all documents delivered into escrow pursuant hereto by the Partners, and all the restrictions on Sale or other disposition contained in this Agreement with respect to Partnership Interests shall again be in effect.

(v) Remittance of Consideration. At the closing of the Sale of Partnership Interest pursuant to this Section 18(b), the consideration with respect to the Partnership Interests of any Partner sold pursuant hereto shall be paid directly to each Partner pursuant to written instructions of such Partner.

(vi) No Liability. Notwithstanding anything contained in this Section 18(b), there shall be no liability on the part of Wells to any Partner if the Sale of Partnership Interests pursuant to this Section 18(b) is not consummated for whatever reason. Whether to effect a Sale of Partnership Interests held by the Wells (together with the Partnership Interests of the other Partners pursuant to this Section 18(b)) shall be in the sole and absolute discretion of Wells.

(c) Put of JBC Limited Partner Interests.

(i) In the event that (A) the Partnership acquires any material asset other than as required for the continued operation of the Partnership, 35 West Wacker Venture or the 35 W. Wacker Property without the consent of JBC, or (B) this Agreement or the 35 W. Wacker Venture Agreement is amended without the consent of JBC in the case where such consent is required, as provided in Section 26(i) below, or (C) if the Partnership elects to use the "remedial method" under Section 1.704-3(d) of the Treasury Regulations following Wells' acquisition of the GP Interest, then Wells hereby grants JBC the right and option to require Wells to acquire the entire Partnership Interest of JBC for a purchase price equal to the "Fair Market Value" thereof (such right and option being herein called the "Put"). The Put may be exercised only with respect to all, and not less than all, of the JBC Partnership Interest, and shall be exercisable within thirty (30) days of JBC receiving written notice from Wells that an event permitting the exercise of the Put as described in clause (A) or (B) or (C) above has occurred, by the giving of written notice of exercise to Wells. Notwithstanding the foregoing, if JBC gives notice on or prior to May 31, 2004 that it is exercising the Put, then the purchase price for JBC's Partnership Interest shall be a pro rata amount per percentage of the JBC Partnership Interest based upon the price Wells paid to VV City for the GP Interest under the Purchase Agreement, as adjusted for adjustments made under or pursuant to the Purchase Agreement.

(ii) From and after the giving of notice of exercise of the Put by JBC, this Agreement shall be deemed for all purposes a legally enforceable contract between Wells, on the one hand, and JBC, on the other, for the sale by JBC of its entire Partnership Interest, and the purchase by Wells of such Partnership Interest, subject to and on the terms set forth herein.

(iii) The "Fair Market Value" of the JBC Partnership Interest shall be determined for purposes of the Put in the same manner as the redemption price for the JBC Partnership Interest would be determined in a redemption under Section 18(g) below.

(iv) The "Closing" of the transfer pursuant to the Put shall be held at the office where the principal place of business of the Partnership, at 10:00 a.m. on the 60th day after the election by Wells (or, if such 60th day is not a Business Day, on the next succeeding Business Day), time being of the essence of this Put; provided if the Fair

Market Value has not been determined by such 60th day, the Closing shall occur on the 10th Business Day after such determination is made. On the Business Day immediately prior to Closing, there shall be a preliminary closing at which JBC and Wells shall act diligently and in good faith to agree upon the form and substance of all documents necessary to effectuate the Closing.

(v) At the Closing, JBC shall deliver an assignment and, if requested by Wells, a bill of sale (both with covenants against grantor's acts, covenants of further assurances, and covenants or representations as to authorization, execution and delivery, and binding effect, but with no other covenants unless mutually agreed) from the seller to the purchaser together with such other instruments and documents as may be reasonably necessary to effectuate the sale and transfer to the purchaser, legally sufficient to convey all of the Partnership Interest of JBC to the purchaser, free and clear of all liens, claims, security interests and encumbrances created by JBC or any Affiliate thereof. The purchase price shall be paid at the Closing to JBC, by cash or federal wire transfer of immediately available funds to an account designated by JBC. In the event there are any conveyance, transfer or similar taxes payable as an incident to the conveyances at the Closing, such taxes shall be expenses of JBC.

(vi) Wells shall have the right, in its sole and absolute discretion, to cause its nominee(s) or designee(s) to acquire the JBC Partnership Interest at the Closing but nothing herein shall relieve Wells of its obligations under this Section 18(c).

(d) Limitations on Assignment. No Partner may Sell any Partnership Interest (or any portion thereof or interest therein) to any Person, including without limitation any Sale pursuant to Section 18(b), and no Person shall become a Partner, unless in the opinion of counsel selected by or acceptable to the General Partner, such action will not: (i) subject the Partnership to federal income taxation as an association taxable as a corporation (including, without limitation, causing the Partnership to be classified as a "publicly traded partnership" under Section 7704 of the Code); (ii) or, violate applicable state or federal securities laws (such requirements, the "Assignment Conditions").

(e) New Partners. A Person, including without limitation, an assignee of a Partnership Interest, shall be admitted as a Partner only upon the written consent of the General Partner, which consent may be granted or withheld in the sole and absolute discretion of the General Partner. In the case of an assignment, unless and until the assignee of a Partnership Interest is admitted as a Partner, the assignor, subject to the last sentence of Section 18(a), shall continue to be a Partner, and the assignee shall be a mere assignee under the Act.

(f) Redemption. If requested by a Partner, the Partnership may redeem, but is not obligated to redeem, the Partnership Interest of any such Partner upon the approval of the General Partner.

(g) Restrictions on Transfer or Redemption. If a Limited Partner desires to Sell its Partnership Interest to any party, other than an Affiliate of such Partner, it shall provide written notice thereof to the Partnership, and the Partnership shall have the right to cause such Partner's Partnership Interest to be redeemed for an amount equal to the amount that such Partner would receive if the 35 W. Wacker Property, and any all other assets, if any, owned by the 35 W. Wacker Venture, were sold for their fair market value less all liabilities of 35 W. Wacker Venture and the Partnership, as reasonably agreed upon by such Partner and the General Partner (and including without limitation the payment of all indemnification amounts that would then be owed to Leo Burnett USA, Inc.) and both 35 W. Wacker Venture and the Partnership dissolved and distributed all of their respective assets after payment (or provision for payment) of all their respective liabilities. The Partnership shall have thirty (30) days following receipt of such notice from a Limited Partner to (i) indicate whether or not it desires to redeem such Limited Partner's Partnership Interest and (ii) if it elects to redeem such Limited Partner's Partnership Interest, the proposed fair market value of the foregoing described property, the foregoing liabilities and calculation of the amount payable to such Partner for purposes of such redemption. If the Limited Partner objects to such fair market value, it shall notify the General Partner thereof in writing specifying in reasonable detail the nature of its objection and the parties shall in good faith attempt to resolve such disagreement. If the parties are unable to resolve such disagreement within thirty (30) days after notice, the matter shall be settled by arbitration pursuant to Section 19. If the Partnership elects not to redeem the Partnership Interest, then such Limited Partner shall be permitted to sell and assign its Partnership Interest during the twelve (12) month period thereafter.

SECTION 19. ARBITRATION PROCEDURE.

If the Partners are unable to mutually agree upon the fair market value of the Partnership Interest within the thirty (30) day periods of Section 18(c)(iii) or Section 18(g), as applicable, such value shall be settled at the request of any Partner by arbitration in Chicago, Illinois in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The arbitration shall be conducted by a single arbitrator who shall be mutually selected by JBC and Wells (in the case of a proceeding pursuant to Section 18(c)(iii) or by the Limited Partner and the General Partner (in the case of a proceeding pursuant to Section 18(g) and who shall be an MIA appraiser who shall have at least ten (10) years of commercial real estate experience in the Chicago central business district. Each of the Partners participating in the proceeding shall be required as part of the arbitration of fair market value of the Partnership Interest to present its proposed fair market value of the Partnership Interest to the arbitrator. The arbitrator, in making his decision, shall be required to select that proposal which is the closest to the arbitrator's view of fair market value of the Partnership Interest. If the parties are unable to agree upon an arbitrator within 30 days of notice by either party to the other, then at the written request of either the Selling Partner or the General Partner, each shall select one arbitrator meeting the above qualifications within 30 days of receipt of such request, and the two arbitrators so selected shall appoint the arbitrator meeting the above qualifications to make the determination under this Section. In the event a Partner fails to appoint its arbitrator in accordance with the preceding sentence, the arbitrator appointed by the other Partner shall be the arbitrator for purposes of settling the dispute which is the subject of such arbitration. The determination by the arbitrator shall be final and binding on the Partners and may be entered in any court having jurisdiction thereof. The fees and expenses of the arbitrator and all other expenses of the arbitration shall be paid one-half by the General Partner and one-half by the Partner whose interest is to be sold.

SECTION 20. Dissolution.

The Partnership shall be dissolved and terminated upon the happening of the first to occur of any of the following events:

(a) The expiration of the term of the Partnership;

(b) The approval or written consent of a Majority Interest of the Partners for the dissolution or winding up of the Partnership;

(c) The bankruptcy (as defined in Section 17-402 of the Act) of the General Partner, unless within ninety (90) days of such occurrence the Partnership is continued by the written consent of a Majority Interest of the remaining Partner(s), which consent may be granted or withheld in the sole and absolute discretion of each Partner whose consent is required hereby The Partnership shall automatically continue without any action on the part of the Partners upon the death, retirement, withdrawal, resignation, expulsion or dissolution of a Partner or other event which terminates the continued partnership of a Partner until the Partnership is otherwise dissolved and terminated pursuant to the terms of this Agreement; and

(d) Judicial dissolution pursuant to the Act.

SECTION 21. Winding Up and Distribution of Assets.

(a) Winding Up. If the Partnership is dissolved, the General Partner shall wind up the affairs of the Partnership.

(b) Distribution of Assets. Upon the winding up of the Partnership, the General Partner shall pay or make reasonable provision to pay all claims and obligations of the Partnership, including all costs and expenses of the liquidation and all contingent, conditional, or unmatured claims and obligations that are known to the General Partner but for which the identity of the claimant is unknown. If there are sufficient assets, such claims and obligations shall be paid in full and any such provision shall be made in full. If there are insufficient assets, such claims and obligations shall be paid or provided for according to their priority and, among claims and obligations of equal priority, ratably to the extent of assets available therefor. Any remaining assets shall be distributed as follows:

(i) First, to creditors, including Partners in their capacities as creditors, in the order of priority as provided by law; and

(ii) Second, to Partners in accordance with Section 9 herein.

SECTION 22. Conflict of Interest. No Partner shall be required to act hereunder as its sole and exclusive business activity and any Partner may have other business interests and engage in other activities in addition to those relating to the Partnership (and whether or not competitive with that of the Partnership). Neither the Partnership nor any Partner shall have any right by virtue of this Agreement in or to any other interests or activities or to the income or proceeds derived therefrom. A Partner may transact business with the Partnership and, subject to applicable laws, has the same rights and obligations with respect thereto as any other Person. No transaction between a Partner and the Partnership shall be voidable solely because a Partner has a direct or indirect interest in the transaction if either the transaction is fair and reasonable to the Partnership or the percentage or number of disinterested Partners as required under this Agreement or applicable law, authorize, approve or ratify the transaction.

SECTION 23. Taxation.

(a) Status of the Partnership. The Partners acknowledge that this Agreement creates a partnership for federal and state income tax purposes, and hereby agree not to elect to be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code or any similar state statute and agrees not to elect to cause the Partnership to be treated as a corporation for federal or state income tax purposes.

(b) Tax Elections. The General Partner shall have the authority to may make any and all tax elections or decisions required or permitted under the Code or Treasury Regulations (such elections and decisions to be made in the sole and absolute discretion of the General Partner, determined without regard to the tax consequences of any Partner and no Partner shall have any claim against the General Partner in connection with any such election or decision).

(c) Partnership Tax Returns. The General Partner shall cause the necessary federal income and other tax returns and information returns for the Partnership to be prepared. Each Partner shall provide such information, if any, as may be needed by the Partnership for purposes of preparing such tax returns and information returns. The General Partner shall deliver to each Partner within ninety (90) days after the end of each Taxable Year a copy of the federal income tax returns for the Partnership as filed with the appropriate taxing authorities, and upon the written request of any Partner, a copy of any state and local income tax return as filed.

(d) Tax Audits.

(i) Wells shall act as the "tax matters partner" of the Partnership (the "Tax Matters Partner") as provided in Treasury Regulations promulgated under Section 6231 of the Code. The Tax Matters Partner shall have all the authority and power granted to the tax matters partner under the Code and Treasury Regulations and may exercise such power and authority without the consent of any Partner. If at anytime the Tax Matters Partner elects not to serve as the Tax Matters Partner or ceases to be a Partner, a Majority Interest shall select another Partner to be the Tax Matters Partner. The Tax Matters Partner, as an authorized representative of the Partnership, shall direct the defense of any claims made by the IRS to the extent that such claims relate to the adjustment of Partnership items at the Partnership level. The Tax Matters Partner shall endeavor to settle any such claim or audit in a manner that results in a reasonably consistent adjustment to all Partners (i.e., a proportionate increase in income or gain to all Partners or a proportionate decrease in deductions or loss items to all Partners); provided, however, the foregoing shall not apply to matters regarding allocation of income, gain, loss or deduction under Code Section 704(c) or the Regulations promulgated thereunder, or any related or similar law or regulation (e.g., where by application of such rules, one Partner may be allocated deduction items and another Partner allocated items of income or gain.) The Tax Matters Partner shall keep each Partner advised of all material developments with respect to any proposed adjustment that come to its attention. Each Partner shall give prompt written notice to the Tax Matters Partner of any and all notices (copies of such to be attached to the notice) it receives from the Internal Revenue Service concerning the Partnership, including any notice of audit, any notice of action with respect to a revenue agent's report, any notice of a 30-day appeal letter and any notice of a deficiency in tax concerning the Partnership's federal income tax return. The Partnership may engage an accounting firm and/or a law firm to assist the Tax Matters Partner in discharging his duties hereunder. The Tax Matters Partner shall receive no compensation for serving as the Tax Matters Partner; provided, however, the Tax Matters Partner shall be reimbursed by the Partnership for any reasonable out-of-pocket expenses incurred by the Tax Matters Partner on behalf of the Partnership on a monthly basis.

(ii) The Partnership shall reasonably promptly deliver to each Partner a copy of all notices, communications, reports or writings of any kind with respect to income or similar taxes received from any state or local taxing authority relating to the Partnership that might materially and adversely affect each Partner, and shall keep such Partners advised of all material developments with respect to any proposed adjustment of Partnership items that come to its attention.

(iii) Each Partner shall continue to have the rights described in this Section 23(d) with respect to tax matters relating to any period during which it was a Partner whether or not it is a Partner at the time of the tax audit or contest.

SECTION 24. Securities Matters. Each Partner hereby represents and warrants to the Partnership and each other Partner, as follows: (i) such Partner is receiving the Partnership Interest to be received pursuant hereto for its own account with the present intention of holding such Partnership Interest for purposes of investment, such Partner will not sell its Partnership Interest in a distribution in violation of the federal securities laws or any applicable state securities laws; (ii) such Partner is an accredited investor as defined in Rule 501 of the Securities Act (an "Accredited Investor") and has sufficient knowledge and experience in financial and business matters and investing in entities similar to the Partnership so as to be able to evaluate the risk and merits of its investment in the Partnership and such Partner has had an opportunity to discuss the business, management and financial affairs of the Partnership with the management of the Partnership; (iii) such Partner understands that the Partnership Interests have not been registered under the Securities Act by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof or Rule 505 or 506 promulgated under the Securities Act, and that its Partnership Interest must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act and applicable state securities laws or is exempt from such registration, and (iv) such Partner has the ability to bear the economic risk of acquiring Partnership Interests.

SECTION 25. Representations and Warranties of Partners.

(a) Representations and Warranties of Wells. Wells represents and warrants to JBC as follows:

(1) It is duly organized, validly existing and in good standing under the laws of the state of its formation, and is duly qualified to transact business in the State of Illinois.

(2) It has the legal right, power and authority (y) to enter into this Agreement and (z) to consummate the transactions contemplated hereby.

(3) The execution of this Agreement and the consummation of the transactions contemplated herein will not result in a breach of any of the terms of, or constitute a default under, any agreement or document to which it is a party or by which it is bound, or, to the best of its knowledge, any order, rule or regulation of any court or any government agency or official.

(4) It consents to and approves the First Amendment to the Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture of even date herewith and to the Put and Call Agreement between Wells OP, 35 W. Wacker Venture and Leo Burnett USA, Inc. entered into of even date herewith.

(b) Representations and Warranties of JBC. JBC hereby represents and warrants to Wells as follows:

(1) It is duly organized, validly existing and in good standing under the laws of the state of its formation.

(2) It has the legal right, power and authority (y) to enter into this Agreement and (z) to consummate the transactions contemplated hereby.

(3) The execution of this Agreement and the consummation of the transactions contemplated herein will not result in a breach of any of the terms of, or constitute a default under, any agreement or document to which it is a party or by which it is bound, to the best of its knowledge, any order, rule or regulation of any court or any government agency or official.

(4) It consents to and approves the First Amendment to the Second Amended and Restated Limited Partnership Agreement of 35 W. Wacker Venture of even date herewith and to the Put and Call Agreement between Wells OP, 35 W. Wacker Venture and Leo Burnett USA, Inc. entered into of even date herewith.

SECTION 26. Miscellaneous.

(a) Governing Law. This Agreement and any controversies, claims or arbitration hereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflict of law rules.

(b) Binding Effect. Except as otherwise specifically provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their legal representatives, heirs, administrators, executors, successors and assigns.

(c) Pronouns and Number. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in either the masculine, the feminine or the neuter gender shall include the masculine, feminine and neuter.

(d) Captions. Captions or section headings contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof.

(e) Enforceability. If any provision of this Agreement, or the application of the provision to any Person or circumstance shall be held invalid, the remainder of this Agreement, or the application of that provision to Persons or circumstances other than those with respect to which it is held invalid, shall not be affected thereby.

(f) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

(g) Notices. Any notices permitted or required under this Agreement shall be deemed to have been given when delivered in Person or by courier or three (3) days after being deposited in the United States mail, postage prepaid, and addressed to the Partnership at its principal place of business and to any Partner at the address set forth below. Either Partner may change its address for purposes hereof by notice given to the other Partner.

To Wells: Wells 35 W. Wacker, LLC
6200 The Corners Parkway, Suite 250
Norcross, Georgia 30092
Attn: Chief Real Estate Officer

With a copy to:

Troutman Sanders LLP
600 Peachtree Street, NE, Suite 5200
Atlanta, Georgia 30308
Attn: John W. Griffin, Esq.

To JBC:

Buck 35 Wacker, L.L.C.
233 South Wacker Drive
Suite 550
Chicago, Illinois 60606
Attn: John Q. O'Donnell
Kent Swanson

with a copy to:

Jenner & Block
One IBM Plaza
Chicago, Illinois 60611
Attn: Donald I. Resnick, Esq.

(h) Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters set forth herein and supersedes all prior understandings or agreements between the parties with respect to such matters.

(i) Amendment. The General Partner shall have the power in its sole and absolute discretion, without the consent of the other Partners, to amend this Agreement or the Certificate of Formation as may be required to facilitate or implement any of the following purposes:

(A) to add to the obligations of the General Partner or surrender any right or power granted to the General Partner or any Affiliate of the General Partner for the benefit of the Limited Partners;

(B) to add to or change the name of the Partnership;

(C) to reflect the admission, substitution, termination, or withdrawal of Partners or adjustments to Notional Amounts or Partnership Interests in accordance with this Agreement;

(D) to reflect a change that does not adversely affect any of the other Partners; and

(E) to satisfy any requirement, conditions, or guidelines contained in any order, directive, opinion, ruling or regulation of a federal or state agency or contained in any federal or state statute.

The General Partner will provide ten (10) days' prior written notice to the other Partners when any action under this Section 26(i) is taken. Notwithstanding the forgoing, this Agreement shall not be amended without the consent of each Limited Partner adversely affected if such amendment (a) is not for any of the purposes set forth in clauses (A) through (E) above or (b) would (I) convert a Limited Partner's interest in the Partnership from one class to another class of Limited Partner, (II) modify the limited liability of a Limited Partner interest, (III) alter rights of the Limited Partner to receive distributions and/or tax allocations, or (IV) amend this Section 26(i).

(j) Further Assurances. The Partners shall execute and deliver such further instruments and do such further acts and things as may be required to carry out the intent and purposes of this Agreement. Each Partner shall execute all such certificates and other documents and shall do all such filing, recording, publishing, and other acts as the General Partner deems appropriate to comply with the requirements of law for the formation and operation of the Partnership and to comply with any laws, rules, and regulations relating to the acquisition, operation, or holding of the property of the Partnership.

(k) Third Parties. Nothing in this Agreement, whether express or implied, shall be construed to give any Person other than a Partner or the Partnership any legal or beneficial or other equitable right, remedy or claim under or in respect of this Agreement, any covenant, condition, provision or agreement contained herein or the property of Partnership.

(l) Facsimile Signatures. The facsimile signature of any Partner may be used at all times and for all purposes in place of an original signature.

(m) Reliance upon Books, Reports and Records. Unless he has knowledge concerning the matter in question which makes his reliance unwarranted, each General Partner and Partner shall, in the performance of his duties hereunder, be entitled to rely on information, opinions, reports or statements, including, without limitation, financial statements and other financial data, if prepared or presented by one or more employees of the Partnership or by legal counsel, accountants or other Persons as to matters such General Partner or Partner reasonably believes to be within such Person's professional or expert competence.

(n) Time Periods. In applying any provision of this Agreement which requires that an act be done in or not done in a specified number of days prior to an event or that an act be done during a period of a specified number of days, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

(o) Waiver. No failure by any General Partner or Partner to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

SECTION 27. Withdrawal of VV City. VV City has transferred the GP Interest to Wells, and as a result VV City hereby withdraws as a general partner of the Partnership.

[REMAINDER OF PAGE LEFT BLANK - SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the Partners has executed this Agreement as of the date first above written.

Wells 35 W. Wacker, LLC, a Delaware
limited liability company, as the general partner

By: Wells Operating Partnership, L.P.,
a Delaware limited partnership,
its sole member

By: Wells Real Estate Investment Trust,
Inc., a Maryland corporation,
its sole general partner

By: /s/ Douglas P. Williams

Name: Douglas P. Williams

Title: Executive Vice President

BUCK 35 WACKER, L.L.C.
as a limited partner

By: /s/ John Q. O'Donnell

Name: John Q. O'Donnell

Title: Managing Member

VV USA CITY, L.P.
as the withdrawing General Partner

By: VV USA, LLC, a Delaware limited liability company,
its sole general partner

By: /s/ Alfred Bartkiewicz

Name: Alfred Bartkiewicz

Title: Managing Director

SCHEDULE 1
PARTNERS

Partner	Taxpayer ID Number	Percentage of Partnership Interest	Notional Value of Partner’s Investment in the Partnership
Wells 35 W. Wacker, LLC		**97.9396%**	**$128,163,397**
Buck 35 Wacker, L.L.C.	**36-4190857**	**2.0604%**	**$2,696,232**

EXHIBIT 10.109

PROMISSORY NOTE IN FAVOR OF TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA RELATING TO LEO BURNETT CHICAGO BUILDING

TIAA Appl. #IL-724
M – 000445300

PROMISSORY NOTE

$80,000,000.00

Chicago, Illinois
February 25, 1999

FOR VALUE RECEIVED, 35 W. WACKER VENTURE L.L.C. ("Borrower"), a Delaware limited liability company having its principal place of business at Three Pickwick Plaza, Suite 250, Greenwich, CT 06830, promises to pay to TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA ("Lender"), a New York corporation, or order, at Lender s offices at 730 Third Avenue, New York, New York 10017 or at such other place as Lender designates in writing, the principal sum of Eighty Million and no/100 DOLLARS ($80,000,000.00) (the principal sum or so much of the principal sum as may be advanced and outstanding from time to time, the "Principal"), in lawful money of the United States of America. with interest on the Principal from the date of this Promissory Note (this "Note") through and including March 1, 2006 (the "Maturity Date") at the fixed rate of Seven and 25/100 percent (7.25%) per annum (the "Fixed Interest Rate").

This Note is secured by, among other things, the Mortgage, Assignment of Leases and Rents. Security Agreement and Fixture Filing Statement (the "Mortgage"), dated the date of this Note made by Borrower for the benefit of Lender and New York Life Insurance Company, a New York mutual insurance company as security for the Loan. All capitalized terms not expressly defined in this Note will have the definitions set forth in the Mortgage.

Section 1. Payments of Principal and Fixed Interest.

(a) Borrower will make monthly installment payments ("Debt Service Payments") as follows:

(i) At Closing, a stub payment of interest only on the Principal at the Fixed Interest Rate representing interest from the date of disbursement through and including the balance of the month of February 1999; and

(ii) On April 1, 1999 and on the first day of each succeeding calendar month through and including February 1, 2006, payments in the amount of Five Hundred Seventy Eight Thousand Two Hundred Forty Six and 00/100 Dollars ($578,246.00), each of which will be applied first to accrued interest on the Principal at the Fixed Interest Rate and then to the Principal.

(b) On the Maturity Dale, Borrower will pay the Principal in full together with accrued interest at the Fixed Interest Rate and all other amounts due under the Loan Documents.

Section 2. Prepayment Provisions.

(a) The following definitions apply:

"Discount Rate" means the yield on a U.S. Treasury issue selected by Lender, as published in The Wall Street Journal, two weeks prior to prepayment, having a maturity date corresponding (or most closely corresponding, if not identical) to the Maturity Date, and, if applicable, a coupon rate corresponding (or most closely corresponding, if not identical) to the Fixed Interest Rate, plus fifty (50) basis points.

"Default Discount Rate" means the Discount Rate less 300 basis points.

"Discounted Value" means the Discounted Value of a Note Payment based on the following formula:

$$\frac{NP}{(1 - R/12)} = \text{Discounted Value}$$

$$NP = \text{Amount of Note Payment}$$

R = Discount Rate or Default Discount Rate as the case may be.

n = The number of months between the date of prepayment and the scheduled date of the Note Payment being discounted rounded to the nearest integer.

"Note Payments" means (i) the portion of the scheduled Debt Service Payments attributable to the amount of Principal being prepaid for the period from the date of prepayment through the Maturity Date and (ii) the scheduled repayment of Principal, if any, on the Maturity Date.

"Prepayment Date Principal" means the Principal on the date of prepayment.

(b) This Note may not be prepaid in full or in part before April 1, 2002. Commencing April 1, 2002, provided there is no Event of Default, Borrower may prepay this Note in full, but not in part, on the first day of any calendar month, upon 60 days prior notice to Lender and upon payment in full of the Debt which will include a payment (the "Prepayment Premium") equal to the greater of (i) an amount equal to the product of 1% times the Prepayment Date Principal and (ii) the amount by which the sum of the Discounted Values of Note Payments, calculated at the Discount Rate, exceeds the Prepayment Date Principal. Provided there is no Event of Default, this Note may be prepaid in full without payment of the Prepayment Premium during the last 90 days of the Term. Notwithstanding the first sentence of this section. commencing on April 1, 2001, Borrower shall have a one time right to prepay up to Twenty-Five Million and no/100 Dollars of the Principal provided such payment is accompanied by a premium equal to the greater of (i) an amount equal to the product of 1% times the amount of Principal being prepaid and (ii) the amount by which the sum of the Discounted Values of Note Payments, calculated at the Discount Rate, exceeds the amount of Principal being prepaid. This Note may not be prepaid without simultaneous prepayment in the same amount paid hereunder of any other notes secured by the Loan Documents.

(c) After an Acceleration or upon any other prepayment not permitted by the Loan Documents, any tender of payment of the amount necessary to satisfy the Debt accelerated, any judgment of foreclosure, any statement of the amount due at the time of foreclosure (including foreclosure by power of sale) and any tender of payment made during any redemption period after foreclosure, will include a payment (the "Evasion Premium") equal to the greater of (i) an amount equal to the product of 1% plus 300 basis points times the Prepayment Date Principal. and (ii) the amount by which the sum of the Discounted Values of the Note Payments, calculated at the Default Discount Rate, exceeds the Prepayment Date Principal.

(d) Borrower acknowledges that:

(i) a prepayment will cause damage to Lender,

(ii) the Evasion Premium is intended to compensate Lender for the loss of its investment and the expense incurred and time and effort associated with making the Loan, which will not be fully repaid if the Loan is prepaid;

(iii) it will be extremely difficult and impractical to ascertain the extent of Lender's damages caused by a prepayment after an Event of Default or any other prepayment not permitted by the Loan Documents; and

(iv) the Evasion Premium represents Lender and Borrower's reasonable estimate of Lender's damages for the prepayment and is not a penalty.

Section 3. Events of Default:

(a) It is an "Event of Default" under this Note:

(i) if Borrower fails to pay any amount due, as and when required, under this Note or any other Loan Document and the failure continues for a period of 5 days; or

(ii) if an Event of Default occurs under any other Loan Document.

(b) If an Event of Default occurs, Lender may declare all or any portion of the Debt immediately due and payable ("Acceleration") and exercise any of the other Remedies.

Section 4. Default Rate. Interest on the Principal will accrue at the Default Interest Rate from the date an Event of Default occurs until such Event of Default is cured as permitted by the Loan Documents.

Section 5. Late Charges.

(a) If Borrower fails to pay any Debt Service Payment when due and the failure continues for a period of 5 days or more or fails to pay any amount due under the Loan Documents on the Maturity Date, Borrower agrees to pay to Lender an amount (a "Late Charge") equal to five cents ($.05) for each one dollar ($1.00) of the delinquent payment.

(b) Borrower acknowledges that:

(i) a delinquent payment will cause damage to Lender;

(ii) the Late Charge is intended to compensate Lender for loss of use of the delinquent payment and the expense incurred and time and effort associated with recovering the delinquent payment;

(iii) it will be extremely difficult and impractical to ascertain the extent of Lender's damages caused by the delinquency; and

(iv) the Late Charge represents Lender and Borrower's reasonable estimate of Lender's damages from the delinquency and is not a penalty.

Section 6. Limitation of Liability. This Note is subject to the limitations on liability set forth in the Article of the Mortgage entitled Limitation of Liability".

Section 7. WAIVERS. IN ADDITION TO THE WAIVERS SET FORTH IN THE ARTICLE OF THE MORTGAGE ENTITLED "WAIVERS", BORROWER WAIVES PRESENTMENT FOR PAYMENT, DEMAND, DISHONOR AND, EXCEPT AS EXPRESSLY SET FORTH IN THE LOAN DOCUMENTS, NOTICE OF ANY OF THE FOREGOING. BORROWER FURTHER WAIVES ANY PROTEST, LACK OF DILIGENCE OR DELAY IN COLLECTION OF THE DEBT OR ENFORCEMENT OF THE LOAN DOCUMENTS. BORROWER AND ALL INDORSERS, SURETIES AND GUARANTORS OF THE OBLIGATIONS CONSENT TO ANY EXTENSIONS OF TIME, RENEWALS, WAIVERS AND MODIFICATIONS THAT LENDER MAY GRANT WITH RESPECT TO THE OBLIGATIONS AND TO THE RELEASE OF ANY SECURITY FOR THIS NOTE AND AGREE THAT ADDITIONAL MAKERS MAY BECOME PARTIES TO THIS NOTE AND ANY ORIGINAL INDORSER, SURETY OR GUARANTOR. ADDITIONAL INDORSERS, GUARANTORS OR SURETIES MAY BE ADDED WITHOUT NOTICE AND WITHOUT AFFECTING THE LIABILITY OF THE ORIGINAL MAKER OR

Section 8. Commercial Loan. The Loan is made for the purpose of carrying on a business or commercial activity or acquiring real or personal property as an investment or carrying on an investment activity and not for personal or household purposes.

Section 9. Usury Limitations. Borrower and Lender intend to comply with all Laws with respect to the charging and receiving of interest. Any amounts charged or received by Lender for the use or forbearance of the Principal to the extent permitted by Law, will be amortized and spread throughout the Term until payment in full so that the rate or amount of interest charged or received by Lender on account the Principal does not exceed the Maximum Interest Rate. If any amount charged or received under the Loan Documents that is deemed to be interest is determined to be in excess of the amount permitted to be charged or received at the Maximum Interest Rate, the excess will be deemed to be a prepayment of Principal when paid, without premium, and any portion of the excess not capable of being so applied will be refunded to Borrower. If during the Term the Maximum Interest Rate, if any, is eliminated, then for purposes of the Loan. there will be no Maximum Interest Rate.

Section 10. Applicable Law. This Note is governed by and will be construed in accordance with the Laws of the State of Illinois.

Section 11. Time of the Essence. Time is of the essence with respect to the payment and performance of the Obligations.

Section 12. Cross-Default. A default under any other note now or hereafter secured by the Loan Documents or under any loan document related to such other note constitutes a default under this Note and under the other Loan Documents. When the default under the other note constitutes an Event of Default under that note or the related loan document, an Event of Default also will exist under this Note and the other Loan Documents.

Section 13. Construction. Unless expressly provided otherwise in this Note, this Note will be construed in accordance with the Exhibit attached to the Mortgage entitled "Rules of Construction".

Section 14. Mortgage Provisions Incorporated. To the extent not otherwise set forth in this Note, the provisions of the Articles of the Mortgage entitled "Expenses and Duty to Defend", "Waivers", "Notices", and "Miscellaneous " are applicable to this Note and deemed incorporated by reference as if set forth at length in this Note.

Section 15. Joint and Several Liability: Successors and Assigns. If Maker consists of more than one entity, the obligations and liabilities of each such entity will be joint and several. This Note binds Borrower and successors, assigns, heirs, administrators, executors, agents and representatives and inures to the benefit of Lender and its successors, assigns, heirs, administrators, executors, agents and representatives.

Section 16. Absolute Obligation. Except for the Section of this Note entitled "Limitation of Liability", no reference in this Note to the other Loan Documents and no other provision of this Note or of the other Loan Documents will impair or alter the obligation of Borrower, which is absolute and unconditional, to pay the Principal interest at the Fixed Interest Rate and any other amounts due and payable under this Note, as and when required.

IN WITNESS WHEREOF, Borrower has executed and delivered this Note as of the date first set forth above.

35 W. WACKER VENTURE L.L.C.,
a Delaware limited liability company

By: SOFI IV Arizona Trust,
a Maryland Real Estate Investment Trust

By: /s/ Jerome C. Silvey

Name: Jerome C. Silvey

Title: Executive Vice President

EXHIBIT 10.110

PROMISSORY NOTE IN FAVOR OF NEW YORK LIFE INSURANCE COMPANY RELATING TO LEO BURNETT CHICAGO BUILDING

TIAA Appl. #IL-724
M – 000445300

PROMISSORY NOTE

$80,000,000.00

Chicago, Illinois
February 25, 1999

FOR VALUE RECEIVED, 35 W. WACKER VENTURE L.L.C. (“Borrower”), a Delaware limited liability company having its principal place of business at Three Pickwick Plaza, Suite 250, Greenwich, CT 06830, promises to pay to NEW YORK LIFE INSURANCE COMPANY (“Lender”), a New York mutual insurance company, or order, at Lender s offices at 51 Madison Avenue, New York, New York 10010 or at such other place as Lender designates in writing, the principal sum of Eighty Million and no/100 DOLLARS ($80,000,000.00) (the principal sum or so much of the principal sum as may be advanced and outstanding from time to time, the “Principal”), in lawful money of the United States of America. with interest on the Principal from the date of this Promissory Note (this “Note”) through and including March 1, 2006 (the “Maturity Date”) at the fixed rate of Seven and 25/100 percent (7.25%) per annum (the “Fixed Interest Rate”).

This Note is secured by. among other things, the Mortgage, Assignment of Leases and Rents. Security Agreement and Fixture Filing Statement (the “Mortgage”), dated the date of this Note made by Borrower for the benefit of Lender and New York Life Insurance Company, a New York mutual insurance company as security for the Loan. All capitalized terms not expressly defined in this Note will have the definitions set forth in the Mortgage.

Section 1. Payments of Principal and Fixed Interest.

(a) Borrower will make monthly installment payments (“Debt Service Payments”) as follows:

(i) At Closing, a stub payment of interest only on the Principal at the Fixed Interest Rate representing interest from the date of disbursement through and including the balance of the month of February 1999; and

(ii) On April 1, 1999 and on the first day of each succeeding calendar month through and including February 1, 2006, payments in the amount of Five Hundred Seventy Eight Thousand Two Hundred Forty Six and 00/100 Dollars ($578,246.00), each of which will be applied first to accrued interest on the Principal at the Fixed Interest Rate and then to the Principal.

(b) On the Maturity Dale, Borrower will pay the Principal in full together with accrued interest at the Fixed Interest Rate and all other amounts due under the Loan Documents.

Section 2. Prepayment Provisions.

(a) The following definitions apply:

“Discount Rate” means the yield on a U.S. Treasury issue selected by Lender, as published in The Wall Street Journal, two weeks prior to prepayment, having a maturity date corresponding (or most closely corresponding, if not identical) to the Maturity Date, and, if applicable, a coupon rate corresponding (or most closely corresponding, if not identical) to the Fixed Interest Rate, plus fifty (50) basis points.

“Default Discount Rate” means the Discount Rate less 300 basis points.

“Discounted Value” means the Discounted Value of a Note Payment based on the following formula:

$$\frac{NP}{(1 + R/12)} \quad = \quad \text{Discounted Value}$$

NP = Amount of Note Payment

R	=	Discount Rate or Default Discount Rate as the case may be.
n	=	The number of months between the date of prepayment and the scheduled date of the Note Payment being discounted rounded to the nearest integer.

"Note Payments" means (i) the portion of the scheduled Debt Service Payments attributable to the amount of Principal being prepaid for the period from the date of prepayment through the Maturity Date and (ii) the scheduled repayment of Principal, if any, on the Maturity Date.

"Prepayment Date Principal" means the Principal on the date of prepayment.

(b) This Note may not be prepaid in full or in part before April 1, 2002. Commencing April 1, 2002, provided there is no Event of Default, Borrower may prepay this Note in full, but not in part, on the first day of any calendar month, upon 60 days prior notice to Lender and upon payment in full of the Debt which will include a payment (the "Prepayment Premium") equal to the greater of (i) an amount equal to the product of 1% times the Prepayment Date Principal and (ii) the amount by which the sum of the Discounted Values of Note Payments, calculated at the Discount Rate, exceeds the Prepayment Date Principal. Provided there is no Event of Default, this Note may be prepaid in full without payment of the Prepayment Premium during the last 90 days of the Term. Notwithstanding the first sentence of this section. commencing on April 1, 2001, Borrower shall have a one time right to prepay up to Twenty-Five Million and no/100 Dollars of the Principal provided such payment is accompanied by a premium equal to the greater of (i) an amount equal to the product of 1% times the amount of Principal being prepaid and (ii) the amount by which the sum of the Discounted Values of Note Payments, calculated at the Discount Rate, exceeds the amount of Principal being prepaid. This Note may not be prepaid without simultaneous prepayment in the same amount paid hereunder of any other notes secured by the Loan Documents.

(c) After an Acceleration or upon any other prepayment not permitted by the Loan Documents, any tender of payment of the amount necessary to satisfy the Debt accelerated, any judgment of foreclosure, any statement of the amount due at the time of foreclosure (including foreclosure by power of sale) and any tender of payment made during any redemption period after foreclosure, will include a payment (the "Evasion Premium") equal to the greater of (i) an amount equal to the product of 1% plus 300 basis points times the Prepayment Date Principal. and (ii) the amount by which the sum of the Discounted Values of the Note Payments, calculated at the Default Discount Rate, exceeds the Prepayment Date Principal.

(d) Borrower acknowledges that:

(i) a prepayment will cause damage to Lender,

(ii) the Evasion Premium is intended to compensate Lender for the loss of its investment and the expense incurred and time and effort associated with making the Loan, which will not be fully repaid if the Loan is prepaid;

(iii) it will be extremely difficult and impractical to ascertain the extent of Lender's damages caused by a prepayment after an Event of Default or any other prepayment not permitted by the Loan Documents; and

(iv) the Evasion Premium represents Lender and Borrower's reasonable estimate of Lender's damages for the prepayment and is not a penalty.

Section 3. Events of Default:

(a) It is an "Event of Default" under this Note:

(i) if Borrower fails to pay any amount due, as and when required, under this Note or any other Loan Document and the failure continues for a period of 5 days; or

(ii) if an Event of Default occurs under any other Loan Document.

(b) If an Event of Default occurs, Lender may declare all or any portion of the Debt immediately due and payable ("Acceleration") and exercise any of the other Remedies.

Section 4. Default Rate. Interest on the Principal will accrue at the Default Interest Rate from the date an Event of Default occurs until such Event of Default is cured as permitted by the Loan Documents.

Section 5. Late Charges.

(a) If Borrower fails to pay any Debt Service Payment when due and the failure continues for a period of 5 days or more or fails to pay any amount due under the Loan Documents on the Maturity Date, Borrower agrees to pay to Lender an amount (a "Late Charge") equal to five cents ($.05) for each one dollar ($1.00) of the delinquent payment.

(b) Borrower acknowledges that:

(i) a delinquent payment will cause damage to Lender;

(ii) the Late Charge is intended to compensate Lender for loss of use of the delinquent payment and the expense incurred and time and effort associated with recovering the delinquent payment;

(iii) it will be extremely difficult and impractical to ascertain the extent of Lender's damages caused by the delinquency; and

(iv) the Late Charge represents Lender and Borrower's reasonable estimate of Lender's damages from the delinquency and is not a penalty.

Section 6. Limitation of Liability. This Note is subject to the limitations on liability set forth in the Article of the Mortgage entitled Limitation of Liability".

Section 7. WAIVERS. IN ADDITION TO THE WAIVERS SET FORTH IN THE ARTICLE OF THE MORTGAGE ENTITLED "WAIVERS", BORROWER WAIVES PRESENTMENT FOR PAYMENT, DEMAND, DISHONOR AND, EXCEPT AS EXPRESSLY SET FORTH IN THE LOAN DOCUMENTS, NOTICE OF ANY OF THE FOREGOING. BORROWER FURTHER WAIVES ANY PROTEST, LACK OF DILIGENCE OR DELAY IN COLLECTION OF THE DEBT OR ENFORCEMENT OF THE LOAN DOCUMENTS. BORROWER AND ALL INDORSERS, SURETIES AND GUARANTORS OF THE OBLIGATIONS CONSENT TO ANY EXTENSIONS OF TIME, RENEWALS, WAIVERS AND MODIFICATIONS THAT LENDER MAY GRANT WITH RESPECT TO THE OBLIGATIONS AND TO THE RELEASE OF ANY SECURITY FOR THIS NOTE AND AGREE THAT ADDITIONAL MAKERS MAY BECOME PARTIES TO THIS NOTE AND ANY ORIGINAL INDORSER, SURETY OR GUARANTOR. ADDITIONAL INDORSERS, GUARANTORS OR SURETIES MAY BE ADDED WITHOUT NOTICE AND WITHOUT AFFECTING THE LIABILITY OF THE ORIGINAL MAKER OR

Section 8. Commercial Loan. The Loan is made for the purpose of carrying on a business or commercial activity or acquiring real or personal property as an investment or carrying on an investment activity and not for personal or household purposes.

Section 9. Usury Limitations. Borrower and Lender intend to comply with all Laws with respect to the charging and receiving of interest. Any amounts charged or received by Lender for the use or forbearance of the Principal to the extent permitted by Law, will be amortized and spread throughout the Term until payment in full so that the rate or amount of interest charged or received by Lender on account the Principal does not exceed the Maximum Interest Rate. If any amount charged or received under the Loan Documents that is deemed to be interest is determined to be in excess of the amount permitted to be charged or received at the Maximum Interest Rate, the excess will be deemed to be a prepayment of Principal when paid, without premium, and any portion of the excess not capable of being so applied will be refunded to Borrower. If during the Term the Maximum Interest Rate, if any, is eliminated, then for purposes of the Loan. there will be no Maximum Interest Rate.

Section 10. Applicable Law. This Note is governed by and will be construed in accordance with the Laws of the State of Illinois.

Section 11. Time of the Essence. Time is of the essence with respect to the payment and performance of the Obligations.

Section 12. Cross-Default. A default under any other note now or hereafter secured by the Loan Documents or under any loan document related to such other note constitutes a default under this Note and under the other Loan Documents. When the default under the other note constitutes an Event of Default under that note or the related loan document, an Event of Default also will exist under this Note and the other Loan Documents.

Section 13. Construction. Unless expressly provided otherwise in this Note, this Note will be construed in accordance with the Exhibit attached to the Mortgage entitled "Rules of Construction".

Section 14. Mortgage Provisions Incorporated. To the extent not otherwise set forth in this Note, the provisions of the Articles of the Mortgage entitled "Expenses and Duty to Defend", "Waivers", "Notices", and "Miscellaneous " are applicable to this Note and deemed incorporated by reference as if set forth at length in this Note.

Section 15. Joint and Several Liability: Successors and Assigns. If Maker consists of more than one entity, the obligations and liabilities of each such entity will be joint and several. This Note binds Borrower and successors, assigns, heirs, administrators, executors, agents and representatives and inures to the benefit of Lender and its successors, assigns, heirs, administrators, executors, agents and representatives.

Section 16. Absolute Obligation. Except for the Section of this Note entitled "Limitation of Liability", no reference in this Note to the other Loan Documents and no other provision of this Note or of the other Loan Documents will impair or alter the obligation of Borrower, which is absolute and unconditional, to pay the Principal, interest at the Fixed Interest Rate and any other amounts due and payable under this Note, as and when required.

IN WITNESS WHEREOF, Borrower has executed and delivered this Note as of the date first set forth above.

35 W. WACKER VENTURE L.L.C.,
a Delaware limited liability company

By: SOFI IV Arizona Trust,
a Maryland Real Estate Investment Trust

By: /s/ Jerome C. Silvey

Name: Jerome C. Silvey

Title: Executive Vice President

EXHIBIT 10.111

MORTGAGE ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING STATEMENT RELATING TO LEO BURNETT CHICAGO BUILDING

MORTGAGE, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING STATEMENT

by

35 W. WACKER VENTURE L.L.C.,
as Borrower

for the benefit of

TEACHERS INSURANCE AND ANNUITY ASSOCIATION
OF AMERICA
and
NEW YORK LIFE INSURANCE COMPANY
collectively, as Lender

Property Known As
LEO BURNETT BUILDING
35 West Wacker Drive
Chicago, Illinois 60601

This Mortgage Was Prepared By
And After Recordation This Mortgage Should Be Returned To:

Scott B. Toban, Esq.
SONNENSCHEIN NATH & ROSENTHAL
8000 Sears Tower
Chicago, Illinois 60606

MORTGAGE ASSIGNMENT LEASES AND RENTS,
SECURITY AGREEMENT AND FILING FIXTURE

THIS MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT made this 25th day of February, 1999, by 35 W. WACKER VENTURE, L.L.C. ("**Borrower**"), a Delaware limited liability company, having its principal place of business at Three Pickwick Plaza, Suite 250, Greenwich, Connecticut 06830, for the benefit of TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA ("**TIAA**"), a New York corporation, having an address at 730 Third Avenue, New York, New York 10017 and New York Life Insurance Company ("**NYLIC**"), a New York mutual insurance company, having an address at 51 Madison Avenue, New York, New York 10010 (collectively, TIAA and NYLIC are referred to herein as (the "**Lender**").

RECITALS:

A. Lender agreed to make and Borrower agreed to accept a loan (the "**Loan**") in the maximum principal amount of One Hundred Sixty Million and no/100 Dollars ($160,000,000.00).

B. To evidence the Loan, Borrower executed and delivered to Lender two (2) promissory notes (collectively, the "**Note**") of even date herewith in the principal amounts of Eighty Million and no/100 Dollars ($80,000,000.00) to order of TIAA, and Eighty Million and no/100 Dollars ($80,000,000.00) to order of NYLIC, respectively (those amounts or so much as is outstanding from time to time are referred to collectively as the "**Principal**"), promising to pay the Principal with interest thereon to the order of each of TIAA and NYLIC as respectively set forth in each of the promissory notes constituting the Note and with the balance, if any, of the Debt being due and payable on March 1, 2006 (the "**Maturity Date**").

C. To secure the Note, this Mortgage encumbers, among other things, Borrower's fee interest in the real property located in the City of Chicago, County of Cook, State of Illinois, more particularly described in paragraph 1 of Exhibit A (the "**Loan**").

ARTICLE I.

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Definitions.

Capitalized terms used in this Mortgage are defined in Exhibit B or in the text with a cross-reference in Exhibit B.

Section 1.2 Rules of Construction.

This Mortgage will be interpreted in accordance with the rules of construction set forth in Exhibit C.

ARTICLE II.

GRANTING CLAUSES

Section 2.1. Encumbered Property.

Borrower irrevocably grants, mortgages, war ants, conveys, assigns and pledges to Lender, and grants to Lender a security interest in, the following property, rights, interests and estates now or in the future owned or held by Borrower (the "**Property**") for the uses and purposes set forth in this Mortgage forever.

(i) the Land;

(ii) all buildings and improvements located on the Land (the "**Improvements**");

(iii) all easements; rights of way or use, including any rights of ingress and egress; streets, roads, ways, sidewalks, alleys and passages; strips and gores; sewer rights; water, water rights, water courses, riparian rights and drainage rights; air rights and development rights; oil and mineral rights; and tenements, hereditaments and appurtenances, in each instance adjoining or otherwise appurtenant to or benefiting the Land or the Improvements including, but not limited to, those more particularly described in paragraph 2 of Exhibit A;

(iv) all materials intended for construction, re-construction, alteration or repair of the Improvements, such materials to be deemed included in the Land and the Improvements immediately on delivery to the Land; all fixtures and personal property that are attached to, contained in or used in connection with the Land or the Improvements (excluding personal property owned by tenants), including: furniture; furnishings; machinery; motors; elevators; fittings; microwave ovens; refrigerators; office systems and equipment; plumbing, heating, ventilating and air conditioning systems and equipment; maintenance and landscaping equipment; lighting, cooking, laundry, dry cleaning, refrigerating, incinerating and sprinkler systems and equipment; telecommunications systems and equipment; computer or word processing systems and equipment; security systems and equipment; and equipment leases for any of the property described in this subsection (the "**Fixtures and Personal Property**");

(v) all agreements, ground leases, grants of easements or rights-of-way, permits, declarations of covenants, conditions and restrictions, disposition and development agreements, planned unit development agreements, cooperative, condominium or similar ownership or conversion plans, management, leasing, brokerage or parking agreements or other material documents affecting Borrower or the Land, the Improvements or the Fixtures and Personal Property, including the documents described on Exhibit D but expressly excluding the Leases (the "**Property Documents**");

(vi) all inventory (including all goods, merchandise, raw materials, incidentals, office supplies and packaging materials) held for sale, lease or resale or furnished or to be furnished under contracts of service, or used or consumed in the ownership, use or operation of the Land, the Improvements or the Fixtures and Personal Property, all documents of title evidencing any part of any of the foregoing and all returned or repossessed goods arising from or relating to any sale or disposition of inventory;

(vii) all intangible personal property relating to the Land, the Improvements or the Fixtures and Personal Property, including choses in action and causes of action (except those personal to Borrower), corporate and other business records relating to Borrower or any of the Property, inventions, designs, promotional materials, blueprints, plans, specifications, patents, patent applications, trademarks, trade names, trade secrets, goodwill, copyrights, registrations, licenses, franchises, claims for refunds or rebates of taxes, insurance surpluses, refunds or rebates of taxes and any letter of credit, guarantee, claim, promissory note, including, but not limited to, that certain Promissory Note issued by Winston & Strawn to Harris Trust and Savings Bank and Leo Burnett Company, Inc. dated January 23, 1990 in the aggregate principal amount of $3,196,574.00, that certain Promissory Note issued by Winston & Strawn to Harris Trust and Savings Bank and Leo Burnett Company, Inc. dated May of 1992 in the aggregate principal amount of $68,152.35 and that certain Promissory Note issued by Winston & Strawn to Harris Trust and Savings Bank and Leo Burnett Company, Inc. dated May of 1992 in the aggregate principal amount of $464,489.40, security interest or other security held by or granted to Borrower to secure payment by an account debtor or tenant of any of the accounts of Borrower arising out of the ownership, use or operation of the Land, the Improvements or the Fixtures and Personal Property, and documents covering all of the foregoing; all accounts, accounts receivable, documents, instruments, money, deposit accounts, funds deposited in accounts established with a bank, savings and loan association, trust company or other financial institution in connection with the ownership, use or operation of the Land, the Improvements or the Fixtures and Personal Property, including any reserve accounts or escrow accounts (except for that certain account established pursuant to the Reserve and Security Agreement of even date herewith by and among the Borrower, Lender and an escrow holder), and all investments of the funds and all other general intangibles;

(viii) all awards and other compensation paid after the date of this Mortgage for any Condemnation (the "**Condemnation Awards**");

(ix) all proceeds of and all unearned premiums on the Policies (the "**Insurance Proceeds**");

(x) all licenses, certificates of occupancy, contracts, management agreements, operating agreements, operating covenants, franchise agreements, permits and variances relating to the Land, the Improvements or the Fixtures and Personal Property;

(xi) all books, records and other information, wherever located, which are in Borrower's possession, custody or control or to which Borrower is entitled at law or in equity and which are related to the Property, including all computer or other equipment used to record, store, manage, manipulate or access the information;

(xii) all deposits held from time to time by the Accumulations Depositary to provide reserves for Taxes and Assessments together with interest thereon, if any (the "**Accumulations**"); and

(xiii) all after-acquired title to or remainder or reversion in any of the property described in this Section; all additions, accessions and extensions to, improvements of and substitutions or replacements for any of such property; all products and all cash and non-cash proceeds, immediate or remote, of any sale or other disposition of any of such property, excluding sales or other dispositions of inventory in the ordinary course of the business of operating the Land and the Improvements; and all additional lands, estates, interests, rights or other property acquired by Borrower after the date of this Mortgage for use in connection with the Land or the Improvements, all without the need for any additional mortgage, assignment, pledge or conveyance to Lender but Borrower will execute and deliver to Lender, upon Lender's request, any documents reasonably requested by Lender to further evidence the foregoing.

Section 2.2. Habendum Clause. The Property is conveyed to Lender to have and to hold forever.

Section 2.3. Security Agreement.

(a) The Property includes both real and personal property and this Mortgage is a real property mortgage and also a "security agreement" and a "financing statement" within the meaning of the Uniform Commercial Code. By executing and delivering this Mortgage, Borrower grants to Lender, as security for the Obligations, a security interest in the Property to the full extent that any of the Property may be subject to the Uniform Commercial Code.

(b) This Mortgage constitutes a fixture financing statement under the Laws of the state or commonwealth in which the Property is located and for this purpose, the following information is set forth:

(i) Name and address of Debtor:
35 W. Wacker Venture L.L.C., a Delaware limited liability company
c/o Starwood Capital Group, L.L.C.
Three Pickwick Plaza
Suite 250
Greenwich, CT 06830
Attn: Jerome C. Silvey

(ii) Name and address of Secured Party:
Teacher's Insurance and Annuity Association of America
730 Third Avenue
New York, New York 10017
-and-
New York Life Insurance Company
51 Madison Avenue
New York, New York 10010

(iii) Description of the types (or items) of property covered by this Financing Statement:

All of the property described in sections ii-xiii of the Section entitled "Encumbered Property" described or referred to herein and included as part of the Premises.

(iv) Description of real estate to which collateral is attached or upon which it is located:

Described in Exhibit A.

Lender may file this Mortgage, or a reproduction thereof, in the real estate records or other appropriate index, as a financing statement for any of the items specified above as part of the Property. Any reproduction of this Mortgage or of any other security agreement or financing statement is sufficient as a financing statement.

Section 2.4. Conditions to Grant. This Mortgage is made on the express condition that if Borrower pays and performs the Obligations in full in accordance with the Loan Documents, then, unless expressly provided otherwise in the Loan Documents, the Loan Documents will be released at Borrower's expense.

ARTICLE III

OBLIGATIONS SECURED

Section 3.1. The Obligations. This Mortgage secures the Principal, the Interest, the Late Charges, the Prepayment Premiums, the Expenses, any additional advances made by Lender in connection with the Property or the Loan in accordance with the terms and provisions of the Loan Documents and all other amounts payable by Borrower under the Loan Documents (the "**Debt**") and also secures both the timely payment of the Debt as and when required and the timely performance of all other obligations and covenants to be performed by Borrower under the Loan Documents (the "**Obligations**").

ARTICLE IV

TITLE AND AUTHORITY

Section 4.1. Title to the Property.

(a) Borrower has and will continue to have good and marketable title in fee simple absolute to the Land and the Improvements and good and marketable title to the Fixtures and Personal Property, all free and clear of liens, encumbrances and charges except the Permitted Exceptions. To Borrower's knowledge, there are no facts or circumstances that might give rise to a lien, encumbrance or charge on the Property.

(b) Borrower owns and will continue to own all of the other Property free and clear of all liens, encumbrances and charges except the Permitted Exceptions.

(c) This Mortgage is and will remain a valid and enforceable first lien on and security interest in the Property, subject only to the Permitted Exceptions.

Section 4.2. Authority.

(a) Borrower is and will continue to be (i) duly organized, validly existing and in good standing under the Laws of the state or commonwealth in which it was organized or incorporated and (ii) duly qualified to conduct business, in good standing, in the state or commonwealth where the Property is located.

(b) Borrower has and will continue to have all approvals required by Law or otherwise and full right, power and authority to (i) own and operate the Property and carry on Borrower's business as now conducted or as proposed to be conducted; (ii) execute and deliver the Loan Documents; (iii) grant, mortgage, warrant the title to, convey, assign and pledge the Property to Lender pursuant to the provisions of this Mortgage; and (iv) perform the Obligations.

(c) The execution and delivery of the Loan Documents and the performance of the Obligations do not and will not conflict with or result in a default under any Laws or any Leases or Property Documents and do not and will not conflict with or result in a default under any agreement binding upon any party to the Loan Documents.

(d) The Loan Documents constitute and will continue to constitute legal, valid and binding obligations of Borrower enforceable in accordance with their respective terms.

Section 4.3. No Foreign Person. Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

Section 4.4. Litigation. There are no Proceedings or, to Borrower's knowledge, investigations against or affecting Borrower or the Property and, to Borrower's knowledge, there are no facts or circumstances that might give rise to a Proceeding or an investigation against or affecting Borrower or the Property. Borrower will give Lender prompt notice of the commencement of any Proceeding or investigation against or affecting the Property or Borrower which could have a material adverse effect on the Property or on Lender's interests in the Property or Borrower's ability to perform the Obligations under the Loan Documents. Borrower also will deliver to Lender such additional information relating to the Proceeding or investigation as Lender may request from time to time.

ARTICLE V

PROPERTY STATUS, MAINTENANCE AND LEASES

Section 5.1. Status of the Property.

(a) Borrower has obtained and will maintain in full force and effect all certificates, licenses, permits and approvals that are issued or required by Law or by any entity having jurisdiction over the Property or over Borrower or that are necessary for the Permitted Use, for occupancy and operation of the Property, for the granting of this Mortgage or for the conduct of Borrower's business on the Property in accordance with the Permitted Use.

(b) The Property is and will continue to be serviced by all public utilities required for the Permitted Use of the Property.

(c) All roads and streets necessary for service of and access to the Property for the current or contemplated use of the Property have been completed and are and will continue to be serviceable, physically open and dedicated to and accepted by the Government for use by the public.

(d) The Property is free from damage caused by a Casualty.

(e) All costs and expenses of labor, materials, supplies and equipment used in the construction of the Improvements have been paid in full, except for (i) ongoing maintenance and repair, and (ii) expenses for tenant improvements pursuant to the Leases.

Section 5.2. Maintenance of the Proms. Borrower will maintain the Property in thorough repair and good and safe condition, suitable for the Permitted Use, including, to the extent necessary, replacing the Fixtures and Personal Property with property at least equal in quality and condition to that being replaced and free of liens. Borrower will not erect any new buildings, building additions or other structures on the Land or otherwise materially alter the structural aspects of the Improvements without Lender's prior consent which may be withheld in Lender's sole discretion. The Property will be managed by a property manager satisfactory to Lender pursuant to a management agreement satisfactory to Lender.

Section 5.3. Change in Use. Borrower will use and permit the use of the Property for the Permitted Use and for no other purpose.

Section 5.4. Waste. Borrower will not commit or permit any waste (including economic and non-physical waste), impairment or deterioration of the Property or any material structural alteration, demolition or removal of any of the Property without Lender's prior consent which may be withheld in Lender's sole discretion.

Section 5.5. Inspection of the Property. Subject to the rights of tenants under the Leases, Lender has the right to enter and inspect the Property on reasonable prior notice, except during the existence of an Event of Default, when no prior notice is necessary. As long as there has not been an Event of Default, and as long as no one inspection requires additional inspections, such right shall be exercised no more often than once per year. Lender has the right to engage an independent expert to review and report on Borrower's compliance with Borrower's obligations under this Mortgage to maintain the Property, comply with Law and refrain from waste, impairment or deterioration of the Property and the alteration, demolition or removal of any of the Property except as may be permitted by the provisions of this Mortgage. If the independent expert's report discloses material failure to comply with such obligations or if Lender engages the independent expert after the occurrence of an Event of Default, then the reasonable cost associated with the performance of such independent expert's review and report will be at Borrower's expense, payable promptly following receipt of written demand therefor.

Section 5.6. Leases-and Rents.

(a) Borrower assigns the Leases and the Rents to Lender absolutely and unconditionally and not merely as additional collateral or security for the payment and performance of the Obligations, but subject to a license back to Borrower of the right to collect the Rents unless and until an Event of Default occurs at which time the license will terminate automatically, all as more particularly set forth in the Assignment, the provisions of which are incorporated in this Mortgage by reference; provided, however, that upon the cure of the Event of Default, Borrower's license shall be automatically reinstated.

(b) Borrower appoints Lender as Borrower's attorney-in-fact to execute unilaterally and record, at Lender's election, a document subordinating this Mortgage to the Leases, provided that the subordination will not affect (i) the priority of Lender's entitlement to Insurance Proceeds or Condemnation Awards or (ii) the priority of this Mortgage over intervening liens or liens arising under or with respect to the Leases.

Section 5.7. Parking. Borrower will provide, maintain, police and light parking areas within the Property, including any sidewalks, aisles, streets, driveways, sidewalk cuts and rights-of-way to and from the adjacent public streets, in a manner consistent with the Permitted Use and sufficient to accommodate the greatest of (i) the number of parking spaces required by Law; (ii) the number of parking spaces required by the Leases and the Property Documents; or (iii) one hundred twelve (112) parking spaces, as such number may be reduced to cause the parking area to comply with Laws. The parking areas will be reserved and used exclusively for ingress, egress and parking for Borrower and the tenants under the Leases and their respective employees, customers and invitees and in accordance with the Leases and the Property Documents.

Section 5.8. Separate Tax Lot. The Land and Improvements are and will remain assessed for real estate tax purposes as one or more wholly independent tax lots, separate from any property that is not part of the Property.

Section 5.9. Changes in Zoning or Restrictive Covenants. Borrower will not (i) initiate, join in or consent to any change in any Laws pertaining to zoning, any restrictive covenant or other restriction which would restrict the Permitted Uses for the Property; (ii) permit the Property to be used to fulfill any requirements of Law for the construction or maintenance of any improvements on property that is not part of the Property; (iii) permit the Property to be used for any purpose not included in the Permitted Use; or (iv) impair the integrity of the Property as a single, legally subdivided zoning lot separate from all other property.

Section 5.10. Lender's Right to Appear. Lender has the right to appear in and defend any Proceeding brought regarding the Property and to bring any Proceeding, in the name and on behalf of Borrower, only following Borrower's failure to do so on its own behalf, or at any time in Lender's name, which Lender, in its sole discretion, determines should be brought to protect Lender's interest in the Property.

ARTICLE VI

IMPOSITIONS AND ACCUMULATIONS

Section 6.1. Impositions.

(a) Borrower will pay each Imposition at least 15 days before the date (the "**Imposition Penalty Date**" that is the earlier of (i) the date on which the Imposition becomes delinquent and (ii) the date on which any penalty, interest or charge for non-payment of the Imposition accrues.

(b) Promptly following its payment of Taxes, Assessments or insurance premiums, Borrower will deliver to Lender a receipted bill or other evidence of payment.

(c) Borrower, at its own expense, may contest any Taxes or Assessments, provided that the following conditions are met:

(i) not less than 30 days prior to the Imposition Penalty Date, Borrower delivers to Lender notice of the proposed contest;

(ii) the contest is by a Proceeding promptly initiated and conducted diligently and in good faith;

(iii) there is no Event of Default;

(iv) the Proceeding is permitted under and is conducted in accordance with the Leases and the Property Documents;

(v) the Proceeding precludes imposition of criminal or civil penalties and sale or forfeiture of the Property and Lender will not be subject to any civil suit; and

(vi) Borrower pays all of the contested Taxes or Assessments under protest in any event in accordance with the Laws of Illinois.

(d) Installment Payments. If any Assessment is payable in installments in accordance with its terms, Borrower may pay such Assessment in installments. If the Assessment is only payable in installments following Borrower or a representative of Borrower successfully petitioning to pay the Assessments in installments, then notwithstanding such right, Borrower will nevertheless pay the Assessment in its entirety on the day the first installment becomes due and payable or a lien, unless Lender, in its sole discretion, approves payment of the Assessment in installments.

Section 6.2. Accumulations.

(a) Borrower made an initial deposit with either Lender or a mortgage servicer or financial institution designated or approved by Lender from time to time to receive, hold and disburse the Accumulations in accordance with this Section (the "**Accumulations Depositary**"). On the first day of each calendar month during the Term Borrower will deposit with the Accumulations Depositary an amount equal to one-twelfth (1/12) of the annual Taxes and Assessments as determined by Lender or its designee based upon the last ascertainable tax bill, unless otherwise provided in an agreement among Borrower, Lender and Accumulations Depository. At least 20 days before each Imposition Penalty Date, Borrower will deliver to the Accumulations Depositary any bills and other documents that are necessary to pay the Taxes and Assessments.

(b) The Accumulations will be applied to the payment of Taxes and Assessments. Any excess Accumulations after payment of Taxes and Assessments will be returned to Borrower or credited against future payments of the Accumulations, at Lender's election or as required by Law. If the Accumulations are not sufficient to pay Taxes and Assessments, Borrower will pay the deficiency to the Accumulations Depositary within 5 days of demand. At any time after an Event of Default occurs, Lender may apply the Accumulations as a credit against any portion of the Debt selected by Lender in its sole discretion.

(c) The Accumulations Depositary will hold the Accumulations as security for the Obligations until applied in accordance with the provisions of this Mortgage. If Lender is not the Accumulations Depositary, the Accumulations Depositary will deliver the Accumulations to Lender upon Lender's demand at any time after an Event of Default.

(d) If the Property is sold or conveyed other than by foreclosure or transfer in lieu of foreclosure, all right, title and interest of Borrower to the Accumulations will automatically, and without necessity of further assignment, be held for the account of the new owner, subject to the provisions of this Section and Borrower will have no further interest in the Accumulations.

(e) The Accumulations Depositary has deposited the initial deposit and will deposit the monthly deposits into a separate interest bearing account with Leader denominated as secured party, all in accordance with an agreement among Borrower, Lender and the Accumulations Depositary dated the date of this Mortgage.

(f) Lender has the right to pay, or to direct the Accumulations Depositary to pay, any Taxes or Assessments unless Borrower is contesting the Taxes or Assessments in accordance with the provisions of this Mortgage, in which event any payment of the contested Taxes or Assessments will be made under protest in the manner prescribed by Law or, at Lender's election, will be withheld.

(g) If Lender assigns this Mortgage. Lender will pay, or cause the Accumulations Depositary to pay, the unapplied balance of the Accumulations to or at the direction of the assignee. Simultaneously with the payment, Lender and the Accumulations Depositary will be released from all liability with respect to the Accumulations and Borrower will look solely to the assignee with respect to the Accumulations. When the Obligations have been fully satisfied, any unapplied balance of the Accumulations will be returned to Borrower.

Section 6.3. Changes in Tax Laws. If a Law requires the deduction of the Debt from the value of the Property for the purpose of taxation or imposes a tax, either directly or indirectly, on the Debt, any Loan Document or Lender's interest in the Property, Borrower will pay the tax with interest and penalties, if any. If Lender determines that Borrower's payment of the tax may be unlawful, unenforceable, usurious or taxable to Lender, the Debt will become immediately due and payable on 60 days' prior notice unless the tax must be paid within the 60-day period, in which case, the Debt will be due and payable within the lesser period.

Section 6.4. Reserves. Borrower made an initial deposit of Nine Million Two Hundred Thousand and no/100 Dollars ($9,200,000.00) into an account established as security for the payment and performance of certain indemnification obligations from Borrower to Lender, to be held and disbursed solely in accordance with a Reserve and Security Agreement dated the date of this Mortgage among Borrower, Lender and an escrow holder. Such deposit shall provide cash collateral to protect Lender from any potential liability arising out of Borrower's certain indemnification for taxes pursuant to that certain lease between Borrower and The Leo Burnett Company, Inc., dated December 15, 1997 (the "**Burnett Lease**"). The deposited amount may be reduced from time to time in accordance with the Reserve and Security Agreement referenced above.

ARTICLE VII

INSURANCE, CASUALTY. CONDEMNATION AND RESTORATION

Section 7.1. Insurance Coverages.

(a) Borrower will maintain such insurance coverages and endorsements in form and substance and in amounts as Lender may require in its sole discretion, from time to time. Until Lender notifies Borrower of changes in Lender's requirements, Borrower will maintain not less than the insurance coverages and endorsements Lender required for closing of the Loan.

(b) The insurance, including renewals, required under this Section will be issued on valid and enforceable policies and endorsements satisfactory to Lender (the "**Policies**"). Each Policy will contain a standard waiver of subrogation and a replacement cost endorsement and will provide that Lender will receive not less than 30 days' prior written notice of any cancellation, termination or non-renewal of a Policy or any material change other than an increase in coverage and that Lender will be named under a standard mortgage endorsement as loss payee.

(c) The insurance companies issuing the Policies (the "**Insurers**") must be authorized to do business in the State or Commonwealth where the Property is located, must have been in business for at least 5 years, must carry an A.M. Best Company, Inc. policy holder rating of A or better and an A.M. Best Company, Inc. financial category rating of Class X or better and must be otherwise satisfactory to Lender. Lender may select an alternative credit rating agency and may impose different credit rating standards for the Insurers. Notwithstanding Lender's right to approve the Insurers and to establish credit rating standards for the Insurers, Lender will not be responsible for the solvency of any Insurer.

(d) Notwithstanding Lender's rights under this Article, Lender will not be liable for any loss, damage or injury resulting from the inadequacy or lack of any insurance coverage.

(e) Borrower will comply with the provisions of the Policies and with the requirements, notices and demands imposed by the Insurers and applicable to Borrower or the Property.

(f) Borrower will pay the Insurance Premiums for each Policy no later than the expiration date of the Policy being replaced or renewed and will deliver to Lender an original or, if a blanket policy, a certified copy of each Policy marked "Paid" no later than 30 days following the inception date of the new Policy.

(g) Borrower will not carry separate insurance concurrent in kind or form or contributing in the event of loss with any other insurance carried by Borrower.

(h) Borrower will not carry any of the insurance required under this Section on a blanket or umbrella policy without in each instance Lender's prior approval which may be withheld in Lender's sole discretion. If Lender approves, Borrower will deliver to Lender a certified copy of the blanket policy which will allocate to the Property the amount of coverage required under this Section and otherwise will provide the same coverage and protection as would a separate policy insuring only the Property.

(i) Borrower will give the Insurers prompt notice of any change in ownership or occupancy of the Property. This subsection does not abrogate the prohibitions on transfers set forth in this Mortgage.

Section 7.2 Casualty and Condemnation.

(a) Borrower will give Lender notice of any Casualty immediately after it occurs and will give Lender notice of any Condemnation Proceeding immediately after Borrower receives notice of commencement or notice that such a Condemnation Proceeding will be commencing.

Borrower immediately will deliver to Lender copies of all documents Borrower delivers or receives relating to the Casualty or the Condemnation Proceeding, as the case may be.

(b) Borrower authorizes Lender, at Lender's option, to act on Borrower's behalf to collect, adjust and compromise any claims for loss, damage or destruction under the Policies on such terms as Lender determines in Lender's sole discretion. Borrower authorizes Lender to act, at Lender's option, on Borrower's behalf in connection with any Condemnation Proceeding. Borrower will execute and deliver to Lender all documents requested by Lender and all documents as may be required by Law to confirm such authorizations. Nothing in this Section will be construed to limit or prevent Lender from joining with Borrower either as a co-defendant or as a co-plaintiff in any Condemnation Proceeding.

(c) If Lender elects not to act on Borrower's behalf as provided in this Section, then Borrower promptly will file and prosecute all claims (including Lender's claims) relating to the Casualty and will prosecute or defend (including defense of Lender's interest) any Condemnation Proceeding. Borrower will have the authority to settle or compromise the claims or Condemnation Proceeding, as the case may be, provided that Lender has approved in Lender's sole discretion any compromise or settlement that exceeds $750,000.00. Any check for Insurance Proceeds or Condemnation Awards, as the case may be (the "**Proceeds**") will be made payable to Lender and Borrower. Borrower will endorse the check to Lender immediately upon Lender presenting the check to Borrower for endorsement or if Borrower receives the check first, will endorse the check immediately upon receipt and forward it to Lender. If any Proceeds are paid to Borrower, Borrower immediately will deposit the Proceeds with Lender, to be applied or disbursed in accordance with the provisions of this Mortgage. Lender will be responsible for only the Proceeds actually received by Lender.

Section 7.3. Application of Proceeds. After deducting the costs incurred by Lender in collecting the Proceeds, Lender may, in its sole discretion, (i) apply the Proceeds as a credit against any portion of the Debt selected by Lender in its sole discretion which shall be applied without obligation by Borrower to pay any prepayment premium; (ii) apply the Proceeds to restore the Improvements, provided that Lender will not be obligated to see to the proper application of the Proceeds and provided further that any amounts released for Restoration will not be deemed a payment on the Debt; or (iii) deliver the Proceeds to Borrower.

Section 7.4. Conditions to Availability of Proceeds for Restoration. Notwithstanding the preceding Section, after a Casualty or a Condemnation (a "**Destruction Event**"), Lender will make the Proceeds (less any reasonable out of pocket costs incurred by Lender in collecting the Proceeds) available for Restoration in accordance with the conditions for disbursements set forth in the Section entitled "Restoration", provided that the following conditions are met:

(i) 35 W. Wacker Venture L.L.C., a Delaware limited liability company or the transferee under a Permitted Transfer, if any, continues to be Borrower at the time of the Destruction Event and at all times thereafter until the Proceeds have been fully disbursed;

(ii) No Event of Default under the Loan Documents exists at the time of the Destruction Event and no Event of Default has occurred during the 12 months prior to the Destruction Event;

(iii) all Leases in effect immediately prior to the Destruction Event and all Property Documents in effect immediately prior to the Destruction Event that are essential to the use and operation of the Property continue in full force and effect notwithstanding the Destruction Event;

(iv) if the Destruction Event is a Condemnation, Borrower delivers to Lender evidence satisfactory to Lender that the Improvements can be restored to an economically and architecturally viable unit;

(v) Borrower delivers to Lender evidence satisfactory to Lender that the Proceeds are sufficient to complete Restoration or if the Proceeds are insufficient to complete Restoration, Borrower first deposits with Lender funds ("**Additional Funds**") that when added to the Proceeds will be sufficient to complete Restoration;

(vi) if the Destruction Event is a Casualty, Borrower delivers to Lender evidence satisfactory to Lender that the Insurer under each affected Policy has not denied liability under the Policy as to Borrower or the insured under the Policy;

(vii) Lender is satisfied that the proceeds of any business interruption insurance in effect together with other available gross revenues from the Property are sufficient to pay Debt Service Payments after paying the Impositions, Insurance Premiums, reasonable and customary operating expenses and capital expenditures until Restoration is complete;

(viii) Lender is satisfied that Restoration will be completed on or before the date (the "**Restoration Completion Date**") that is the earliest of (A) 12 months prior to the Maturity Date; (B) 18 months after the Destruction Event; (C) the earliest date required for completion of Restoration under any Lease or any Property Document; or (D) any date required by Law; and

(ix) the annual Rents (excluding security deposits) under Leases in effect on the date of the Destruction Event are providing debt service coverage for the annual Debt Service Payments of 1.35 after payment of annual Insurance Premiums, Impositions and operating expenses of the Property (including ground rent, if any), provided that, if the Rents do not provide such debt service coverage, then Borrower expressly authorizes and directs Lender to apply an amount from the Proceeds to reduction of Principal in order to reduce the annual Debt Service Payments sufficiently for such debt service coverage to be achieved. The reduced debt service payments will be calculated using the Fixed Interest Rate and an amortization schedule that will achieve the same proportionate amortization of the reduced Principal over the then remaining Term as would have been achieved if the Principal and the originally scheduled Debt Service Payments had not been reduced. Borrower will execute any documentation that Lender deems reasonably necessary to evidence the reduced Principal and debt service payments.

Section 7.5. Restoration.

(a) If the total Proceeds for any Destruction Event are $750,000.00 or less and Lender elects or is obligated by Law or under this Article to make the Proceeds available for Restoration, Lender will disburse to Borrower the entire amount received by Lender and Borrower will commence Restoration promptly after the Destruction Event and complete Restoration not later than the Restoration Completion Date.

(b) If the Proceeds for any Destruction Event exceed $750,000.00 and Lender elects or is obligated by Law or under this Article to make the Proceeds available for Restoration, Lender will disburse the Proceeds and any Additional funds (the "**Restoration Funds**") upon Borrower's request as Restoration progresses, generally in accordance with normal construction lending practices for disbursing funds for construction costs, provided that the following conditions are met:

(i) Borrower commences Restoration promptly after the Destruction Event and completes Restoration on or before the Restoration Completion Date;

(ii) if Lender requests, Borrower delivers to Lender prior to commencing Restoration, for Lender's approval, plans and specifications and a detailed budget for the Restoration;

(iii) Borrower delivers to Lender satisfactory evidence of the costs of Restoration incurred prior to the date of the request, and such other documents as Lender may request including mechanics' lien waivers and title insurance endorsements;

(iv) Borrower pays all costs of Restoration whether or not the Restoration Funds are sufficient and, if at any time during Restoration, Lender determines that the undisbursed balance of the Restoration Funds is insufficient to complete Restoration, Borrower deposits with Lender, as part of the Restoration Funds, an amount equal to the deficiency within 30 days of receiving notice of the deficiency from Lender, and

(v) there is no default under the Loan Documents at the time Borrower requests funds or at the time Lender disburses funds.

(c) If an Event of Default occurs at any time after the Destruction Event, then Lender will have no further obligation to make any remaining Proceeds available for Restoration and may apply any remaining Proceeds without any prepayment premium as a credit against any portion of the Debt selected by Lender in its sole discretion.

(d) Lender may elect at any time prior to commencement of Restoration or while work is in progress to retain, at Borrower's expense, an independent engineer or other consultant to review the plans and specifications, to inspect the work as it progresses and to provide reports. If any matter included in a report by the engineer or consultant is unsatisfactory to Lender, Lender may suspend disbursement of the Restoration Funds until the unsatisfactory matters contained in the report are resolved to Lender's satisfaction.

(e) If Borrower fails to commence and complete Restoration in accordance with the terms of this Article, then in addition to the Remedies, Lender may elect to restore the Improvements on Borrower's behalf and reimburse itself out of the Restoration Funds for costs and expenses incurred by Lender in restoring the Improvements, or Lender may apply the Restoration Funds as a credit against any portion of the Debt selected by Lender in its sole discretion.

(f) Lender may commingle the Restoration Funds with its general assets and will not be liable to pay any interest or other return on the Restoration Funds unless otherwise required by Law. Lender will not hold any Restoration Funds in trust. If the Restoration Funds are equal to or greater than Five Million Dollars ($5,000,000), Lender will deposit the Restoration Funds with a depositary satisfactory to Lender under a disbursement and security agreement satisfactory to Lender which shall provide that interest will accrue on such deposit.

(g) Borrower will pay all of Lender's expenses incurred in connection with a Destruction Event or Restoration. If Borrower fails to do so, then in addition to the Remedies, Lender may from time to time reimburse itself out of the Restoration Funds.

(h) If any excess Proceeds remains after Restoration, Lender may elect, in its sole discretion either to apply the excess as a credit against any portion of the Debt as selected by Lender in its sole discretion or to deliver the excess to Borrower.

ARTICLE VIII

COMPLIANCE WITH LAW AND AGREEMENTS

Section 8.1. Compliance with Law. Borrower, the Property and the use of the Property comply in all material respects and will continue to comply in all material respects with Law and with all agreements and conditions necessary to preserve and extend all rights, licenses, permits, privileges, franchises and concessions (including zoning variances, special exceptions and nonconforming uses) relating to the Property or Borrower. Borrower will notify Lender of the commencement of any investigation or Proceeding relating to a possible violation of Law immediately after Borrower receives notice thereof and will deliver promptly to Lender copies of all documents Borrower receives or delivers in connection with the investigation or Proceeding. Borrower will not alter the Property in any manner that would materially increase Borrower's responsibilities for compliance with Law except to the extent necessary to so comply with Law.

Section 8.2. Compliance with Agreements. There are no defaults, events of defaults or events which, with the passage of time or the giving of notice, would constitute an event of default under the Property Documents. Borrower will pay and perform all of its obligations under the Property Documents as and when required by the Property Documents. Borrower will cause all other parties to the Property Documents to pay and perform their obligations under the Property Documents as and when required by the Property Documents. Borrower will not amend or waive any provisions of the Property Documents; exercise any options under the Property Documents; give any approval required or permitted under the Property Documents that would adversely affect the Property or Lender's rights and interests under the Loan Documents; cancel or surrender any of the Property Documents; or release or discharge or permit the release or discharge of any party to or entity bound by any of the Property Documents, without, in each instance, Lender's prior approval (excepting therefrom all service contracts or other agreements entered into in the normal course of business that are cancelable upon not more than 30 days notice). Borrower promptly will deliver to Lender copies of any notices of default or of termination that Borrower receives or delivers relating to any Property Document.

Section 8.3. ERISA Compliance.

(a) Neither Borrower nor any member of Borrower is or will be an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("**ERISA**") that is subject to Title I of ERISA or a "plan" as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code, and neither the assets of Borrower or of Borrower's members are or will constitute "plan assets" of one or more such plans for purposes of Title I of ERISA or Section 4975 of the Code.

(b) Borrower is not and will continue not to be a "**governmental plan**" within the meaning of Section 3(32) of ERISA and transactions by or with Borrower are not and will not be subject to any Laws regulating investments of and fiduciary obligations with respect to governmental plans.

(c) Borrower will not engage in any transaction which would cause any obligation or any action under the Loan Documents, including Lender's exercise of the Remedies, to be a non-exempt prohibited transaction under ERISA.

Section 8.4. Section 6045(e) Filing. Borrower will supply or cause to be supplied to Lender either (i) a copy of a completed Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Proceeds prepared by Borrower's attorney or other person responsible for the preparation of the form, together with a certificate from the person who prepared the form to the effect that the form has, to the best of the preparer's knowledge, been accurately prepared and that the preparer will timely file the form; or (ii) a certification from Borrower that the Loan is a refinancing of the Property or is otherwise not required to be reported to the Internal Revenue Service pursuant to Section 6045(e) of the Code. Under no circumstances will Lender or Lender's counsel be obligated to file the reports or returns.

ARTICLE IX

ENVIRONMENTAL

Section 9.1. Environmental Representations and Warranties.

Except as disclosed in the Environmental Report and to Borrower's knowledge as of the date of this Mortgage:

(i) no Environmental Activity has occurred or is occurring on the Property other than the use, storage, and disposal of Hazardous Materials which (A) is in the ordinary course of business consistent with the Permitted Use; (B) is in compliance with all Environmental Laws and (C) has not resulted in Material Environmental Contamination of the Property; and

(ii) no Environmental Activity has occurred or is occurring on any property in the vicinity of the Property which has resulted in Material Environmental Contamination of the Property.

Section 9.2. Environmental Covenants.

(a) Borrower will not cause or permit any Material Environmental Contamination of the Property.

(b) No Environmental Activity will occur on the Property other than the use, storage and disposal of Hazardous Materials which (A) is in the ordinary course of business consistent with the Permitted Use; (B) is in compliance with all Environmental Laws; and (C) does not create a risk of Material Environmental Contamination of the Property.

(c) Borrower will notify Lender immediately upon Borrower becoming aware of (i) any Material Environmental Contamination of the Property or (ii) any Environmental Activity with respect to the Property that is not in accordance with the preceding subsection (b). Borrower promptly will deliver to Lender copies of all documents delivered to or received by Borrower regarding the matters set forth in this subsection, including notices of Proceedings or investigations concerning any Material Environmental Contamination of the Property or Environmental Activity or concerning Borrower's status as a potentially responsible party (as defined in the Environmental Laws). Borrower's notification of Lender in accordance with the provisions of this subsection will not be deemed to excuse any default under the Loan Documents resulting from the violation of Environmental Laws or the Material Environmental Contamination of the Property or Environmental Activity that is the subject of the notice. If Borrower receives notice of a suspected violation of Environmental Laws in the vicinity of the Property that poses a risk of Material Environmental Contamination of the Property, Borrower will give Lender notice and copies of any documents received relating to such suspected violation.

(d) From time to time at Lender's request, Borrower will deliver to Lender any information known and documents available to Borrower relating to the environmental condition of the Property.

(e) Lender may perform or engage an independent consultant to perform an assessment of the environmental condition of the Property and of Borrower's compliance with this Section on an annual basis or at any time for reasonable cause or after an Event of Default. In connection with the assessment: (i) Lender or consultant may enter and inspect the Property and perform tests of the air, soil, ground water and building materials; (ii) Borrower will cooperate and use diligent, good faith efforts to cause tenants and other occupants of the Property to cooperate with Lender or consultant; (iii) Borrower will receive a copy of any final report prepared after the assessment, to be delivered to Borrower not more than 10 days after Borrower requests a copy and executes Lender's standard confidentiality and waiver of liability letter, (iv) Borrower will accept custody of and arrange for lawful disposal of any Hazardous Materials required to be disposed of as a result of the tests; (v) Lender will not have liability to Borrower with respect to the results of the assessment; and (vi) Lender will not be responsible for any damage to the Property resulting from the tests described in this subsection and Borrower will look solely to the consultants to reimburse Borrower for any such damage. The consultant's assessment and reports will be at Borrower's expense (i) if the reports disclose any material adverse change in the environmental condition of the Property from that disclosed in the Environmental Report; (ii) if Lender engaged the consultant when Lender had reasonable cause to believe Borrower was not in compliance with the terms of this Article and, after written notice from Lender, Borrower failed to provide promptly reasonable evidence that Borrower is in compliance; or (iii) if Lender engaged the consultant after the occurrence of an Event of Default. Lender will make diligent, good faith efforts to cause the consultant to retain (and not be released from) any liability related to the property, but in no event shall failure to achieve such result in liability for the Lender.

(f) If Lender has reasonable cause to believe that there is Environmental Activity at the Property, Lender may elect in its sole discretion to release from the lien of this Mortgage any portion of the Property affected by the Environmental Activity and Borrower will accept the release.

ARTICLE X

FINANCIAL REPORTING

Section 10.1. Financial Reporting.

(a) Borrower will deliver to Lender within 120 days after the close of each Fiscal Year an annual financial statement (the "**Annual Financial Statement**") for the Property for the Fiscal Year, which will include a comparative balance sheet, a cash flow statement, an income and expense statement, a detailed breakdown of all receipts and expenses and all supporting schedules. The Annual Financial Statement will be:

(i) audited by a CPA;

(ii) accompanied by an opinion of the CPA that, in all material respects, the Annual Financial Statement fairly presents the financial position of the Property; and

(iii) separate and distinct from any consolidated statement or report for Borrower or any other entity or any other property.

(b) Borrower will keep full and accurate Financial Books and Records for each Fiscal Year. Borrower will permit Lender or Lender's accountants or auditors to inspect or audit the Financial Books and Records from time to time upon no less than twenty-four (24) hours notice. Borrower will maintain the Financial Books and Records for each Fiscal Year for not less than 3 years after the date Borrower delivers to Lender the Annual Financial Statement and the other financial certificates, statements and information to be delivered to Lender for the Fiscal Year. Financial Books and Records will be maintained at Borrower's address set forth in the section entitled "**Notices**", at the building office located at the Property or at any other location as may be approved by Lender.

Section 10.2. Annual Budget. Not less than 45 days prior to the end of each Fiscal Year, Borrower will deliver to Lender a detailed comparative budget (the "**Budget**") for the Property for the next succeeding Fiscal Year showing anticipated operating expenses, Insurance Premiums, Impositions, leasing commissions, capital improvement costs, tenant improvement costs and any other information Lender requests. Unless Lender notifies Borrower within 45 days after Lender receives the Budget that Lender disputes information in the Budget, the Budget as submitted will constitute the Budget for the next succeeding Fiscal Year. If Borrower concludes in good faith that a Budget needs revision, Borrower will submit a revised Budget to Lender, together with a detailed explanation of the revisions. Unless Lender notifies Borrower within 45 days after Lender receives the revised Budget that Lender disputes information in the revised Budget, the revised Budget as submitted will constitute the Budget for the remainder of the then Fiscal Year. Borrower and Lender will use reasonable efforts to resolve promptly any differences over a Budget or revised Budget. If Borrower and Lender fail to agree on a Budget or revised Budget, Borrower will continue to manage and operate the Property under the last undisputed Budget approved by Lender, allowing for line item increases of up to 5% as compared to the last Budget. Borrower waives any defense or right of offset to the Obligations, and any claim or counterclaim against Lender, arising out of any discussions between Borrower and Lender regarding any Budget or revised Budget delivered to Lender or the resolution of any disagreements relating to a Budget or revised Budget, including any defense, right of offset, claim or counterclaim alleging in substance, that by virtue of such delivery, discussions or resolution, Lender has interfered with, influenced or controlled Borrower or the operations at the Property.

ARTICLE XI

EXPENSES AND DUTY TO DEFEND

Section 11.1. Payment of Expenses.

(a) Subject to any other provision of this Agreement to the contrary, Borrower is obligated to pay all reasonable out of pocket fees and expenses (the "**Expenses**") incurred by Lender or that are otherwise payable in connection with the Loan, the Property or Borrower, including attorneys' fees and expenses and any fees and expenses relating to (i) the preparation, execution, acknowledgement, delivery and recording or filing of the Loan Documents; (ii) any Proceeding or other claim asserted against Lender; (iii) any inspection, assessment, survey and test permitted under the Loan Documents; (iv) any Destruction Event; (v) the preservation of Lender's security and the exercise of any rights or remedies available at Law, in equity or otherwise, following the occurrence of an Event of Default and (vi) the Leases and the Property Documents.

(b) Borrower will pay the Expenses promptly following receipt of written demand, together with any applicable interest, premiums or penalties provided herein. If Lender pays any of the Expenses, Borrower will reimburse Lender the amount paid by Lender immediately upon demand, together with interest on such amount at the Default Interest Rate from the date Lender makes such demand to Borrower through and including the date Borrower reimburses Lender. The Expenses together with any applicable interest, premiums or penalties constitute a portion of the Debt secured by this Mortgage.

Section 11.2. Duty to Defend. If Lender or any of its trustees, officers, participants, employees or affiliates is a party in any Proceeding relating to the Property, Borrower or the Loan, Borrower will indemnify and hold harmless the party and will defend the party with attorneys and other professionals retained by Borrower and approved by Lender. Lender may elect to engage its own attorneys and other professionals, at Borrower's expense, to defend or to assist in the defense of the party. In all events, case strategy will be determined by Lender if Lender so elects and no Proceeding will be settled without Lender's prior approval which may be withheld in its sole discretion.

ARTICLE XII

TRANSFERS, LIENS AND ENCUMBRANCES

Section 12.1. Prohibitions on Transfers, Liens and Encumbrances.

(a) Borrower acknowledges that in making the Loan, Lender is relying to a material extent on the business expertise and net worth of Borrower and Borrower's members and on the continuing interest that each of them has, directly or indirectly, in the Property. Accordingly, except as specifically set forth in this Mortgage, Borrower (i) will not, and will not permit its members to, effect a Transfer without Lender's prior approval, which may be withheld in Lender's sole discretion and (ii) will keep the Property free from all liens and encumbrances other than the lien of this Mortgage and the Permitted Exceptions. A "**Transfer**" is defined as any sale, grant, lease (other than bona fide third-party space leases with tenants), conveyance, assignment or other transfer of or any encumbrance or pledge against, the Property, any interest in the Property, any interest of Borrower's members in the Property, or any change in Borrower's composition, in each instance whether voluntary or involuntary, direct or indirect, by operation of law or otherwise and including the grant of an option or the execution of an agreement relating to any of the foregoing matters.

(b) Borrower represents, warrants and covenants that:

(i) Borrower is a Delaware limited liability company whose managing member is SOFI IV Arizona, Trust, a Maryland real estate investment trust owning 86.78% of the of the interests in Borrower and whose remaining members own 13.22% of the interests in Borrower as follows:

Buck 35 Wacker L.L.C., a Delaware limited liability company - [9.64%] and The Leo Burnett Company, Inc., a Delaware corporation - [3.58%]

The managing member and the other members are referred to as the "**Existing Members**".

(ii) If Borrower's members are in turn partnerships, corporations or limited liability companies, the general partners, principal or members thereof are as follows:

(x) SOFI IV Arizona Trust., a Maryland real estate investment trust whose stock is entirely owned by SOFI IV Arizona, Inc., a Maryland corporation, over ninety percent (90%) of whose stock is owned by Starwood Opportunity Fund IV, L.P.;

(y) Buck 35 Wacker L.L.C., a Delaware limited liability company whose day to day operations are directly controlled and managed by John A. Buck II and/or John Q. O'Donnell either as managers or as managing members; and

(z) The Leo Burnett Company, Inc., a Delaware corporation, which is privately held.

Section 12.2. Permitted Transfers.

(a) Notwithstanding the prohibitions regarding Transfers, a Permitted Transfer may occur without Lender's prior consent, provided that the following conditions are met:

(i) at least 20 days prior to the proposed Permitted Transfer, Borrower delivers to Lender a notice that is sufficiently detailed to enable Lender to determine that the proposed Permitted Transfer complies with the terms of this Section;

(ii) there is no default under the Loan Documents either when Lender receives the notice or when the proposed Permitted Transfer occurs;

(iii) the proposed Permitted Transfer will not result in a violation of any of the covenants contained in the Section entitled, "**ERISA Compliance**" and Borrower will deliver to Lender such documentation of compliance as Lender requests.

(iv) when Lender receives the notice and when the proposed Permitted Transfer occurs, the transferee has never been an adverse party to Lender in any litigation to which Lender was a party; the transferee has never defaulted on a loan from Lender or on any contract or other agreement with Lender, and the transferee has never threatened litigation against Lender (for purposes of this subsection, **"transferee**" includes the transferee's constituent entities at all levels and "Lender" includes Lender's subsidiaries);

(v) Borrower pays all of Lender's expenses relating to the Transfer, including Lender's attorneys' fees; and

(vi) Lender is satisfied that the Property will continue to be managed by a property manager satisfactory to Lender.

(b) Upon compliance with the conditions set forth in the preceding subsection, the following Transfers (the "**Permitted Transfers**") may occur without Lender's prior consent:

(i) Transfers of membership interests in Borrower among the Existing Members, provided that subsequent to the Transfer either SOFI IV Arizona Trust or Buck 35 Wacker L.L.C., remains as managing member of Borrower,

(ii) Transfers by the shareholders/members of SOFI IV Arizona Trust and Buck 35 Wacker L.L.C. respectively, provided that subsequent to such Transfer, SOFI IV Arizona Trust, continues to be controlled directly or indirectly by Starwood Opportunity Fund IV L.P., and Buck 35 Wacker L.L.C.'s day to day operations continue to be directly controlled and managed by John A. Buck II and/or John Q. O'Donnell either as managers or as managing members. It is expressly recognized that, as of the date hereof, one hundred percent of the stock of SOFI IV Arizona Trust is owned by SOFI IV Arizona, Inc. The Lender approves the merger of SOFI IV Arizona Trust and SOFI IV Arizona, Inc., after which over 90% of SOFI IV Arizona Trust stock shall be owned by Starwood Opportunity Fund IV, L.P.;

(iii) Transfers by the shareholders of The Leo Burnett Company, Inc., provided that subsequent to such Transfer either SOFI IV Arizona Trust, or Buck 35 Wacker, L.L.C. is the managing member of Borrower,

(iv) Intentionally Omitted; and

(v) a one-time direct or indirect sale of the Property to an unaffiliated bona fide purchaser, provided that the following conditions are met:

(A) Prior to the Transfer the transferee and its affiliates have a net worth of at least $60,000,000.00;

(B) the transferee is an Institutional Investor or a developer or manager of first-class commercial office real estate comparable to the Property and having a reputation in good standing in the industry as an owner and operator/manager of not less than 5 million square feet of first class office properties of similar quality as the Property;

(C) the transferee has expressly assumed the obligations of Borrower under the Property Documents and under the Loan Documents;

(D) subsequent to the Transfer, the Property is managed by a property manager satisfactory to Lender,

(E) Borrower delivers to Lender a substitute for the environmental indemnity delivered to Lender in connection with the Loan and, if applicable, a substitute guaranty or surety instrument, satisfactory to Lender, executed by a substitute indemnitor, guarantor or surety, as the case may be, satisfactory to Lender in its sole discretion; and

(F) Borrower pays to Lender a transfer fee of not less than 1/2 of one percent (0.5%) of the then-outstanding Principal, such payment in addition to any other costs and expenses to be paid to Lender in accordance with this Article 12.

Upon the occurrence of each of (A) through (F), Borrower shall be released from any obligations under the Loan Documents arising after such occurrence.

Section 12.3. Right to Contest Liens. Borrower, at its own expense, may contest the amount, validity or application, in whole or in part, of any mechanic's, materialmen's or environmental liens in which event Lender will refrain from exercising any of the Remedies, provided that the following conditions are met:

(i) Borrower delivers to Lender notice of the proposed contest not more than 30 days after the lien is filed;

(ii) the contest is by a Proceeding promptly initiated and conducted in good faith and with due diligence;

(iii) here is no Event of Default other than the Event of Default arising from the filing of the lien;

(iv) the Proceeding suspends enforcement of collection of the lien, imposition of criminal or civil penalties and sale or forfeiture of the Property and Lender will not be subject to any civil suit;

(v) the Proceeding does not violate the terms and provisions of any of the Leases or the Property Documents;

(vi) Borrower sets aside reserves or furnishes a bond or other security satisfactory to Lender, in either case in an amount sufficient to pay the claim giving rise to the lien, together with all interest and penalties, or Borrower pays the contested lien under protest; and

(vii) with respect to an environmental lien, Borrower is using diligent, good faith efforts to mitigate or prevent any deterioration of the Property resulting from the alleged violation of any Environmental Laws or the alleged Environmental Activity.

ARTICLE XIII

ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 13.1. Further Assurances.

(a) Borrower will execute, acknowledge and deliver to Lender, or to any other entity Lender designates, any additional or replacement documents and perform any additional actions that Lender determines are reasonably necessary to evidence, perfect or protect Lender's first lien on and prior security interest in the Property or to carry out the intent or facilitate the performance of the provisions of the Loan Documents.

(b) Borrower appoints Lender as Borrower's attorney-in-fact to perform, at Lender's election, any actions and to execute and record any of the additional or replacement documents referred to in this Section, in each instance only at Lender's election and only to the extent Borrower has failed to comply with the terms of this Section.

Section 13.2. Estoppel Certificates.

(a) Within 10 days of Lender's request, Borrower will deliver to Lender, or to any entity Lender designates, a certificate certifying (i) the original principal amount of the Note; (ii) the unpaid principal amount of the Note; (iii) the Fixed Interest Rate; (iv) the amount of the then current Debt Service Payments; (v) the Maturity Date; (vi) the date a Debt Service Payment was last made; (vii) that, except as may be disclosed in the statement, to Borrower's knowledge, there are no defaults or events which, with the passage of time or the giving of notice, would constitute an Event of Default; and (viii) there are no offsets or defenses against any portion of the Obligations except as may be disclosed in the statement.

(b) If Lender requests, Borrower will use diligent, good faith efforts to promptly deliver to Lender or to any entity Lender designates a certificate from each party to any Property Document, certifying that to such party's knowledge the Property Document is in full force and effect with no defaults or events which, with the passage of time or the giving of notice, would constitute an event of default under the Property Document and that there are no defenses or offsets against the performance of its obligations under the Property Document.

(c) If Lender requests, Borrower promptly will deliver to Lender, or to any entity Lender designates, a certificate from each tenant under a Lease then affecting the Property, certifying to any facts regarding the Lease as Lender may require, including that to such tenant's knowledge the Lease is in full force and effect with no defaults or events which, with the passage of time or the giving of notice, would constitute an event of default under the Lease by any party, that the rent has not been paid more than one month in advance and that the tenant claims no defense or offset against the performance of its obligations under the Lease.

ARTICLE XIV

DEFAULTS AND REMEDIES

Section 14.1. Events of Default. The term "**Event of Default**" means the occurrence of any of the following events:

(i) if Borrower fails to pay any amount due, as and when required, under any Loan Document and the failure continues for a period of 5 days;

(ii) if Borrower makes a general assignment for the benefit of creditors or generally is not paying, or is unable to pay, or admits in writing its inability to pay, its debts as they become due; or if Borrower or any other party commences any Proceeding (A) relating to bankruptcy, insolvency, reorganization, conservatorship or relief of debtors, in each instance with respect to Borrower, (B) seeking to have an order for relief entered with respect to Borrower, (C) seeking attachment, distraint or execution of a judgment with respect to Borrower, (D) seeking to adjudicate Borrower as bankrupt or insolvent; (E) seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to Borrower or Borrower's debts; or (F) seeking appointment of a Receiver, trustee, custodian, conservator or other similar official for Borrower or for all or any substantial part of Borrower's assets, provided that if the Proceeding is commenced by a party other than Borrower or any of Borrower's general partners or members, Borrower will have 120 days to have the Proceeding dismissed or discharged before an Event of Default occurs;

(iii) if Borrower is in default beyond any applicable grace and cure period under any other mortgage, deed of trust, deed to secure debt or other security agreement encumbering the Property whether junior or senior to the lien of this mortgage;

(iv) if a Transfer occurs except in accordance with the provisions of this Mortgage;

(v) if Borrower abandons the Property or ceases to conduct its business at the Property; or

(vi) if there is a default in the performance of any other provision of any Loan Document or if there is any inaccuracy or falsehood in any representation or warranty contained in any Loan Document which is not remedied within 30 days after Borrower receives notice thereof, provided that if the default, inaccuracy or falsehood is of a nature that it cannot be cured within the 30-day period but is, in fact, susceptible to cure, and during that period Borrower commences to cure, and thereafter diligently continues to cure, the default, inaccuracy or falsehood, then the 30-day period will be extended for a reasonable period not to exceed 120 days after the notice to Borrower.

Section 14.2. Remedies.

(a) If an Event of Default occurs, Lender may take any of the following actions (the "**Remedies**") without notice to Borrower.

(i) declare all or any portion of the Debt immediately due and payable "**Acceleration**");

(ii) pay or perform any Obligation;

(iii) institute a Proceeding for the specific performance of any Obligation;

(iv) apply for and obtain the appointment of a Receiver to be vested with the fullest powers permitted by Law, without bond being required, which appointment may be made ex parte, as a matter of right and without regard to the value of the Property, the amount of the Debt or the solvency of Borrower or any other person liable for the payment or performance of any portion of the Obligations;

(v) directly, by its agents or representatives or through a Receiver appointed by a court of competent jurisdiction, enter on the Land and Improvements, take possession of the Property, dispossess Borrower and exercise Borrower's rights with respect to the Property, either in Borrower's name or otherwise;

(vi) institute a Proceeding for the foreclosure of this Mortgage or, if applicable, sell by power of sale, all or any portion of the Property;

(vii) institute proceedings for the partial foreclosure of this Mortgage for the portion of the Debt then due and payable, subject to the continuing lien of this Mortgage for the balance of the Debt not then due;

(viii) exercise any and all rights and remedies granted to a secured party under the Uniform Commercial Code; and

(ix) pursue any other right or remedy available to Lender at Law, in equity or otherwise.

(b) If an Event of Default occurs, the license granted to Borrower in the Loan Documents to collect Rents will terminate automatically without any action required of Lender.

Section 143. General Provisions Pertaining to Remedies.

(a) The Remedies are cumulative and may be pursued concurrently or otherwise, at such time and in such order as Lender may determine in its sole discretion and without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Borrower.

(b) The enumeration in the Loan Documents of specific rights or powers will not be construed to limit any general rights or powers or impair Lender's rights with respect to the Remedies.

(c) If Lender exercises any of the Remedies, Lender will not be deemed a mortgagee-in-possession unless Lender has elected affirmatively to be a mortgagee-in-possession.

(d) Lender will not be liable for any act or omission of Lender in connection with the exercise of the Remedies.

(e) Lender's right to exercise any Remedy will not be impaired by any delay in exercising or failure to exercise the Remedy and the delay or failure will not be construed as extending any cure period or constitute a waiver of the default or Event of Default.

(f) If an Event of Default occurs, Lender's payment or performance or acceptance of payment or performanc***e*** will not be deemed a waiver or cure of the Event of Default.

(g) Lender's acceptance of partial payment or receipt of Rents will not extend or affect any grace period, constitute a waiver of a default or Event of Default or constitute a rescission of Acceleration.

Section 14.4. Intentionally Omitted.

Section 14.5. General Provisions Pertaining to Receiver and other Remedies.

(a) If an Event of Default occurs, any court of competent jurisdiction will, upon application by Lender, appoint a Receiver as designated in the application and issue an injunction prohibiting Borrower from interfering with the Receiver, collecting Rents, disposing of any Rents or any part of the Property, committing waste or doing any other act that will tend to affect the preservation of the Leases, the Rents and the Property and Borrower approves the appointment of the designated Receiver or any other Receiver appointed by the court. Borrower agrees that the appointment may be made ex parte and as a matter of right to Lender, either before or after sale of the Property, without further notice, and without regard to the solvency or insolvency, at the time of application for the Receiver, of the person or persons, if any, liable for the payment of any portion of the Debt and the performance of any portion of the Obligations and without regard to the value of the Property or whether the Property is occupied as a homestead and without bond being required of the applicant

(b) The Receiver will be vested with the fullest powers permitted by Law including all powers necessary or usual in similar cases for the protection, possession and operation of the Property and all the powers and duties of Lender as a mortgagee-in-possession as provided in this Mortgage and may continue to exercise all the usual powers and duties until the Receiver is discharged by the court.

(c) In addition to the Remedies and all other available rights, Lender or the Receiver may take any of the following actions:

(1) take exclusive possession, custody and control of the Property and manage the Property so as to prevent waste;

(ii) require Borrower to deliver to Lender or the Receiver all keys, security deposits, operating accounts, prepaid Rents, past due Rents, the Books and Records and all original counterparts of the Leases and the Property Documents;

(iii) collect, sue for and give receipts for the Rents and, after paying all expenses of collection, including reasonable receiver's, broker's and attorney's fees, apply the net collections to any portion of the Debt selected by Lender in its sole discretion;

(iv) enter into, modify, extend, enforce, terminate, renew or accept surrender of Leases and evict tenants except that in the case of a Receiver, such actions may be taken only with the written consent of Lender as provided in this Mortgage and in the Assignment;

(v) enter into, modify, extend, enforce, terminate or renew Property Documents except that in the case of a Receiver, such actions may be taken only with the written consent of Lender as provided in this Mortgage and in the Assignment;

(vi) appear in and defend any Proceeding brought in connection with the Property and bring any Proceeding to protect the Property as well as Borrower's and Lender's respective interests in the Property (unless any such Proceeding has been assigned previously to Lender in the Assignment, or if so assigned, Lender has not expressly assigned such Proceeding to the Receiver and consented to such appearance or defense by the Receiver); and

(vii) perform any act in the place of Borrower that Lender or the Receiver deems necessary (A) to preserve the value, marketability or rentability of the Property; (B) to increase the gross receipts from the Property; or (C) otherwise to protect Borrower's and Lender's respective interests in the Property.

(d) Borrower appoints Lender as Borrower's attorney-in-fact, at Lender's election, to perform any actions and to execute and record any instruments necessary to effectuate the actions described in this Section, in each instance only at Lender's election and only to the extent Borrower has failed to comply with the provisions of this Section.

Section 14.6. General Provisions Pertaining to Foreclosures and the Power of Sale. The following provisions will apply to any Proceeding to foreclose and to any sale of the Property by power of sale or pursuant to a judgment of foreclosure and sale:

(i) Lender's right to institute a Proceeding to foreclose or to sell by power of sale will not be exhausted by a Proceeding or a sale that is defective or not completed;

(ii) any sale may be postponed or adjourned by Lender by public announcement at the time and place appointed for the sale without further notice;

(iii) with respect to sale pursuant to a judgment of foreclosure and sale, the Property may be sold as an entirety or in parcels, at one or more sales, at the time and place, on terms and in the order that Lender deems expedient in its sole discretion;

(iv) if a portion of the Property is sold pursuant to this Article, the Loan Documents will remain in full force and effect with respect to any unmatured portion of the Debt and this Mortgage will continue as a valid and enforceable first lien on and security interest in the remaining portion of the Property, subject only to the Permitted Exceptions, without loss of priority and without impairment of any of Lender's rights and remedies with respect to the unmatured portion of the Debt;

(v) Lender may bid for and acquire the Property at a sale and, in lieu of paying cash, may credit the amount of Lender's bid against any portion of the Debt selected by Lender in its sole discretion after deducting from the amount of Lender's bid the expenses of the sale, costs of enforcement and other amounts that Lender is authorized to deduct at Law, in equity or otherwise; and

(vi) Lender's receipt of the proceeds of a sale will be sufficient consideration for the portion of the Property sold and Lender will apply the proceeds as set forth in this Mortgage.

Section 14.7. Application of Proceeds. Lender may apply the proceeds of any sale of the Property by power of sale or pursuant to a judgment of foreclosure and sale and any other amounts collected by Lender in connection with the exercise of the Remedies to payment of the Debt in such priority and proportions as Lender may determine in its sole discretion or in such priority and proportions as required by Law.

Section 14.8. Power of Attorney. Borrower appoints Lender as Borrower's attorney-in-fact to perform any actions necessary and incidental to exercising the Remedies.

Section 14.9. Tenant at Sufferance. If Lender or a Receiver enters the Property in the exercise of the Remedies and Borrower is allowed to remain in occupancy of the Property, Borrower will pay to Lender or the Receiver, as the case may be, in advance, a reasonable rent for the Property occupied by Borrower. If Borrower fails to pay the rent, Borrower may be dispossessed by the usual Proceedings available against defaulting tenants.

Section 14.10. Illinois Mortgage Foreclosure and Remedies.

(1) All advances, disbursements and expenditures (collectively "advances") made by Lender before and during foreclosure, prior to sale, and where applicable, after sale, for the following purposes, including interest thereon at the Default Interest Rate, are hereinafter referred to as "**Protective Advances**" and shall constitute additional indebtedness hereunder and shall be secured by the lien hereof:

(a) any amount for restoration or rebuilding in excess of the actual or estimated proceeds of insurance or condemnation award for the purpose of such repair or replacement;

(b) advances in accordance with the terms of this Mortgage to: (i) protect, preserve or restore the Property; (ii) preserve the lien of this Mortgage or the priority thereof; or (iii) enforce this Mortgage, as referred to in Subsection (b)(5) of Section 15-1302 of the Illinois Mortgage Foreclosure Law, 735 ILCS 5/15-1101 et seq., as amended from time to time ("Act");

(c) payments of (i) when due installments of principal, interest or other obligations in accordance with the terms of any Prior Encumbrance (as hereinafter defined); (ii) when due installments of real estate taxes and other Impositions; (iii) other obligations authorized by this Mortgage; or (iv) with court approval any other amounts in connection with other liens, encumbrances or interests reasonably necessary to preserve the status of title, all as referred to in Section 15-1505 of the Act;

(d) attorneys' fees and other costs incurred in connection with the foreclosure of this Mortgage as referred to in Sections 1504(d)(2) and 15-1510 of the Act and in connection with any other litigation or administrative proceeding to which the Lender may be or become or be threatened or contemplated to be a party, including probate and bankruptcy proceedings, or in the preparation for the commencement or defense of any such suit or proceeding; including filing fees, appraisers' fees, outlays for documents and expert evidence, witness fees, stenographer's charges, publication costs, and costs (which may be estimated as to items to be expended after entry of judgment) of procuring all such abstracts of title, title charges and examinations, foreclosure minutes, title insurance policies, appraisals, and similar data and assurances with respect to title and Value as Lender may deem reasonably necessary either to prosecute or defend such suit or, in case of foreclosure, to evidence to bidders at any sale which may be had pursuant to the foreclosure judgment the true condition of the title to or the value of the Property;

(e) Lender's fees and costs arising between the entry of judgment of foreclosure and the confirmation hearing as referred to in Subsection (b)(1) of Section 15-1508 of the Act;

(g) Lender's advances of any amount required to make up a deficiency in deposits for installments of Impositions, as may be required of Borrower under this Mortgage;

(h) expenses deductible from proceeds of sale referred to in Subsections (a) and (b) of Section 15-1512 of the Act; and

(i) expenses incurred and expenditures made by Lender for any one or more of the following: (i) if any of the Property consists of an interest in a leasehold estate under a lease or sublease, rentals or other payments required to be made by the lessee under the terms of the lease or sublease; (ii) premiums upon casualty and liability insurance made by Lender whether or not Lender or a receiver is in possession, if reasonably required, without regard to the limitation to maintaining of insurance in effect at the time any receiver or mortgagee takes possession of the Property imposed by Subsection (c)(1) of Section 15-1704 of the Act; (iii) payments required or deemed by Lender to be for the benefit of the Property or required to be made by the owner of the Property under any grant or declaration of easement, easement agreement, reciprocal easement agreement, agreement with any adjoining land owners or other instruments creating covenants or restrictions for the benefit of or affecting the Property, (iv) shared or common expense assessments payable to any association or corporation in which the owner of the premises is a member in any way affecting the Property; (v) operating deficits incurred by Lender in possession or reimbursed by Lender to any receiver; (vi) fees and costs incurred to obtain an environmental assessment report relating to the Property; and (vii) any monies expended in excess of the face amount of the Note.

(2) This Mortgage shall be a lien for all Protective Advances as to subsequent purchasers and judgment creditors from the time the Mortgage is recorded, pursuant to Subsection (b)(5) of Section 15-1302 of the Act.

The Protective Advances shall, except to the extent, if any, that any of the same is clearly contrary to or inconsistent with the provisions of the Act, be included in:

(a) determination of the amount of indebtedness secured by this Mortgage at any time;

(b) the indebtedness found due and owing to the Lender in the judgment of foreclosure and any subsequent amendment of such judgment, supplemental judgments, orders, adjudications or findings by the court of any additional indebtedness becoming due after entry of such judgment, it being hereby agreed that in any foreclosure judgment, the court may reserve jurisdiction for such purpose;

(c) determination of amounts deductible from sale proceeds pursuant to Section 15-1512 of the Act;

(d) determination of the application of income in the hands of any receiver or mortgagee in possession; and

(e) computation of any deficiency judgment pursuant to Subsections (b)(2) and (e) of Section 15-1508 and Section 15-1511 of the Act.

All moneys paid for Protective Advances or any of the other purposes herein authorized and all expenses paid or incurred in connection therewith, including attorneys' fees, and any other moneys advanced by Lender to protect the Property and the lien hereof, shall be so much additional indebtedness secured hereby, and shall become immediately due and payable without notice and with interest thereon at the Default Interest Rate. Inaction of Lender shall never be considered as a waiver of any right accruing to it on account of any default on the part of Mortgagor.

(3) Should the proceeds of the Note or any part thereof, or any amount paid out or advanced hereunder by Lender, be used directly or indirectly to pay off, discharge or satisfy, in whole or in part, any senior mortgage (as described in Subsection (i) of Section 15-1505 of the Act) or any other lien or encumbrance upon the Property or any part thereof on a parity with or prior or superior to the lien hereof "**Prior Encumbrance**", then as additional security hereunder, the Lender shall be subrogated to any and all rights, equal or superior titles, liens and equities, owned or claimed by any owner or holder of said outstanding liens, charges and indebtedness, however remote, regardless of whether said liens, charges and indebtedness are acquired by assignment or have been released of record by the holder thereof upon payment.

(4) If an Event of Default has occurred hereunder, or when the indebtedness hereby secured, or any part thereof, shall become due, whether by acceleration or otherwise, Lender shall have the right to foreclose the lien hereof for such indebtedness or part thereof and pursue all remedies afforded to a mortgagee under and pursuant to the Act.

(5) The proceeds of any foreclosure sale of the Property shall be distributed and applied in accordance with the provisions of Subsection (c) of Section 15-1512 of the Act. The judgment of foreclosure or order confirming the sale shall provide (after application pursuant to Subsections (a) and (b) of said Section 15-1512) for application of sale proceeds in the following order of priority: first, all items not covered by the provisions of said Subsections (a) and (b), which under the terms hereof constitute secured indebtedness additional to that evidenced by the Note, with interest thereon as herein provided; and second, all principal and interest remaining unpaid on the Note.

(6) Upon, or at any time after the filing of a complaint to foreclose this Mortgage, the court in which such complaint is filed shall appoint a receiver of the Property whenever Lender, when entitled to possession, so requests pursuant to Section 15-1702(a) of the Act or when such appointment is otherwise authorized by operation of law. Such receiver shall have all powers and duties prescribed by Section 15-1704 of the Act, including, the power to make leases to be binding upon all parties; including the Borrower after redemption, the purchaser at a sale pursuant to a judgment of foreclosure and any person acquiring an interest in the Property after entry of a judgment of foreclosure, all as provided in Subsection (g) of Section 15-1701 of the Act. In addition, such receiver shall also have the following powers: (a) to extend or modify any then existing leases, which extensions and modifications may provide for terms to expire, or for options to lessees to extend or renew terms to expire, beyond the maturity date of the indebtedness hereunder and beyond the date of the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such leases, and the options or other such

provisions to be contained therein, shall be binding upon Borrower and all persons whose interests in the Property are subject to the lien hereof and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption, discharge of the mortgage indebtedness, satisfaction of any foreclosure judgment, or issuance of any certificate of sale or deed to any purchaser, and (b) all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Property during the whole of the period of receivership. The court from time to time, either before or after entry of judgment of foreclosure, may authorize the receiver to apply the net income in his hands in payment in whole or in part of (a) the indebtedness secured hereby, or by or included in any judgment of foreclosure or supplemental judgment or other item for which Lender is authorized to make a Protective Advance; and (b) the deficiency in case of a sale and deficiency.

(7) In any case in which under the provisions of this Mortgage Lender has a right to institute foreclosure proceedings, whether before or after the whole principal sum secured hereby is declared to be immediately due as aforesaid, or whether before or after the institution of legal proceedings to foreclose the lien hereof or before or after judgment thereunder, and at all times until confirmation of sale, Borrower shall forthwith, upon demand of Lender, surrender to Lender and Lender shall be entitled to take and upon Lender's request to the court to be placed in actual possession of, Lender shall be placed in possession of the Property or any part thereof; personally, or by its agent or attorneys as provided in Subsections (b)(2) and (c) of Section 1701 of the Act. In such event Lender in its discretion may, with or without force and with or without process of law, enter upon and take and maintain or may apply to the court in which a foreclosure is pending to be placed in possession of all or any part of said Property, together with all documents, books, records, papers and accounts of Borrower or then owner of the Property relating thereto, and may exclude Borrower, its agents or servants, wholly therefrom and may, as attorney in fact or agent of Borrower, or in its own name as Lender and under the powers herein granted, hold, operate, manage and control the Property and conduct the business, if any, thereof, either personally or by its agents, and with full power to use such measures, legal or equitable, as in its discretion or in the discretion of its successors or assigns may be deemed proper or necessary to enforce the payment or security of the avails, rents, issues, and profits of the Property, including actions for the recovery of rent, actions in forcible detainer and actions in distress for rent, and with full power. (a) to cancel or terminate any lease or sublease for any cause or on any ground which would entitle Borrower to cancel the same; (b) to elect to disaffirm any lease or sublease which i**s** then subordinate to the lien hereof; (c) to extend or modify any then existing leases and to make new leases, which extensions, modifications and new leases may provide for terms to expire, or for options to lessees to extend or renew terms to expire, beyond the maturity date of the indebtedness hereunder and beyond the date of the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such leases, and the options or other such provisions to be contained therein, shall be binding upon Borrower and all persons whose interests in the Property are subject to the lien hereof and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the Mortgage indebtedness, satisfaction of any foreclosure decree, or issuance of any certificate of sale or deed to any purchaser, (d) to enter into any management, leasing or brokerage agreements covering the Property; (e) to make all

necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Property as to it may seem judicious; (f) to insure and reinsure the same and all risks incidental to Lender's possession, operation and management thereof; and (g) to receive all of such avails, rents, issues and profits; hereby granting full power and authority to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter, without notice to Borrower. Without limiting the generality of the foregoing provisions of this Section, Lender shall also have all power, authority and duties as provided in Section 15-1703 of the Act.

(8) Borrower acknowledges that the Property does not constitute agricultural real estate, as said term is defined in Section 15-1201 of the Act or residential real estate as defined in Section 15-1219 of the Act. Borrower hereby waives any and all rights of redemption from sale under any judgment of foreclosure of this Mortgage on behalf of Borrower and on behalf of each and every person acquiring any interest in or title to the Property of any nature whatsoever, subsequent to the date of this Mortgage. The foregoing waiver of right of redemption is made pursuant to the provisions of Section 15-1601(b) of the Act.

(9) At all times, regardless of whether any Loan proceeds have been disbursed, this Mortgage secures (in addition to the amounts secured hereby) the payment of any and all Loan commissions, service charges, liquidated damages, expenses and advances due to or incurred by Lender in connection with the Loan; provided, however, that in no event shall the total amount secured hereby exceed two hundred percent (200%) of the face amount of the Note.

(10) At the option of Lender, this Mortgage shall become subject and subordinate, in whole or in part (but not with respect to priority of entitlement to insurance proceeds or any Condemnation Awards), to any and all leases of all or any part of the Property upon the execution by Lender and recording thereof, at any time hereafter in the appropriate official records of the County wherein the Property are situated, of a unilateral declaration to that effect.

ARTICLE XV

LIMITATION OF LIABILITY

(a) Notwithstanding any provision in the Loan Documents to the contrary, except as set forth in subsections (b) and (c), if Lender seeks to enforce the collection of the Debt, Lender will foreclose this Mortgage instead of instituting an independent suit against the Borrower to collect the Debt. If a lesser sum is realized from a foreclosure of this Mortgage and sale of the Property than the then outstanding Debt, Lender will not institute any Proceeding against Borrower, for or on account of the deficiency, except as set forth in subsections (b) and (c).

(b) The limitation of liability in subsection (a) will not affect or impair (i) the lien of this Mortgage or Lender's other rights under the Loan Documents, including Lender's right as mortgagee or secured party to commence an action to foreclose any lien or security interest Lender has under the Loan Documents; (ii) the validity of the Loan Documents or the Obligations; (iii) Lender's rights under any Loan Document that are not expressly non-recourse; or (iv) Lender's right to present and collect on any letter of credit or other credit enhancement document held by Lender in connection with the Obligations.

(c) The following are excluded and excepted from the limitation of liability in subsection (a) and Lender may recover personally against Borrower for the following:

(i) all losses suffered and liabilities and expenses incurred by Lender relating to any fraud or intentional and material misrepresentation or omission by Borrower or any of Borrower's members, officers, or principals in connection with (A) the performance of any of the conditions to Lender making the Loan; (B) any inducements to Lender to make the Loan; (C) the execution and delivery of the Loan Documents; (D) any certificates, representations or warranties given in connection with the Loan; or (E) Borrower's performance of the Obligations. Notwithstanding the foregoing, the Borrower shall not be personally liable for damages arising from such actions of Borrower's member if such member was The Leo Burnett Company, Inc. and if Borrower provides evidence to the satisfaction of Lender, in its sole discretion, that the actions giving rise to such losses, liabilities and expenses taken by The Leo Burnett Company, Inc. were solely in its capacity as tenant under the Burnett Lease and not in its capacity as a member of Borrower,

(ii) all Rents derived from the Property after a default under the Loan Documents which default is a basis of a Proceeding by Lender to enforce collection of both the Debt and all moneys that, on the date such a default occurs, are on deposit in one or more accounts used by or on behalf of Borrower relating to the operation of the Property, except to the extent properly applied to payment of Debt Service Payments, Impositions, Insurance Premiums and any reasonable and customary expenses incurred by Borrower in the operation, maintenance and leasing of the Property or delivered to Lender,

(iii) the cost of remediation of any Environmental Activity affecting the Property, any diminution in the value of the Property arising from any Environmental Activity affecting the Property and any other losses suffered and liabilities and expenses incurred by Lender relating to a default under the Article entitled "**Environmental**";

(iv) all security deposits collected by Borrower or any of Borrower's predecessors and not refunded to Tenants in accordance with their respective Leases, applied in accordance with the Leases or Law or delivered to Lender, and all advance rents collected by Borrower or any of Borrower's predecessors and not applied in accordance with the Leases or delivered to Lender,

(v) the replacement cost of any Fixtures or Personal Property removed from the Property after a default occurs;

(vi) all losses suffered and liabilities and expenses incurred by Lender relating to any acts or omissions by Borrower that result in physical waste on the Property;

(vii) all protective advances and other payments made by Lender pursuant to express provisions of the Loan Documents to protect Lender's security interest in the Property or to protect the assignment of the property described in and effected by the Assignment, but only to the extent that the Rents would have been sufficient to permit Borrower to make the payment prior to Lender making such protective advance or other payment and Borrower failed to make such payment after request from Lender,

(viii) all mechanics' or similar liens relating to work performed on or materials delivered to the Property prior to Lender exercising its Remedies, but only to the extent Lender had advanced funds to pay for the work or materials after Borrower either has failed to pay for such work or materials or has failed to provide adequate security to Lender in accordance with the provisions of this Mortgage;

(ix) all Proceeds that are not applied in accordance with this Mortgage or not paid to Lender as required under this Mortgage;

(x) all losses suffered and liabilities and expenses incurred by Lender relating to a Transfer that is not permitted under the Section entitled "**Permitted Transfers**".

(xi) all losses suffered and liabilities and expenses incurred by Lender relating to forfeiture or threatened forfeiture of the Property to the Government due to intentional acts of Borrower, and

(xii) all losses suffered and liabilities and expenses incurred by Lender relating to any default by Borrower under any of the provisions of this Mortgage relating to ERISA, including the prohibition on any Transfer that results in a violation of ERISA.

(d) Nothing under subparagraph (a) above will be deemed to be a waiver of any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code or under any other Law relating to bankruptcy or insolvency to file a claim for the full amount of the Debt or to require that all collateral will continue to secure all of the Obligations in accordance with the Loan Documents.

ARTICLE XVI

WAIVERS

SECTION 16.1. WAIVER OF STATUTE OF LIMITATIONS. BORROWER WAIVES THE RIGHT TO CLAIM ANY STATUTE OF LIMITATIONS AS A DEFENSE TO BORROWER'S PAYMENT AND PERFORMANCE OF THE OBLIGATIONS.

SECTION 16.1. WAIVER OF NOTICE. BORROWER WAIVES THE RIGHT TO RECEIVE ANY NOTICE FROM LENDER WITH RESPECT TO THE LOAN DOCUMENTS EXCEPT FOR THOSE NOTICES THAT LENDER IS EXPRESSLY REQUIRED TO DELIVER PURSUANT TO THE LOAN DOCUMENTS.

SECTION 16.3. WAIVER OF MARSHALLING AND OTHER MATTERS. BORROWER WAIVES THE BENEFIT OF ANY RIGHTS OF MARSHALLING OR ANY OTHER RIGHT TO DIRECT THE ORDER IN WHICH ANY OF THE PROPERTY WILL BE (i) SOLD; OR (ii) MADE AVAILABLE TO ANY ENTITY IF THE PROPERTY IS SOLD BY POWER OF SALE OR PURSUANT TO A JUDGMENT OF FORECLOSURE AND SALE. BORROWER ALSO WAIVES THE BENEFIT OF ANY LAWS RELATING TO APPRAISEMENT, VALUATION, STAY, EXTENSION, REINSTATEMENT, MORATORIUM, HOMESTEAD AND EXEMPTION RIGHTS OR A SALE IN INVERSE ORDER OF ALIENATION.

SECTION 16.4. WAIVER OF TRIAL BY JURY. BORROWER AND LENDER WAIVE TRIAL BY JURY IN ANY PROCEEDING BROUGHT BY OR AGAINST, OR COUNTERCLAIM OR CROSS-COMPLAINT ASSERTED BY OR AGAINST, LENDER OR BORROWER RELATING TO THE LOAN, THE PROPERTY DOCUMENTS OR THE LEASES.

SECTION 16.5. WAIVER OF COUNTERCLAIM. BORROWER WAIVES THE RIGHT TO ASSERT A COUNTERCLAIM OR CROSS-COMPLAINT, OTHER THAN COMPULSORY OR MANDATORY COUNTERCLAIMS OR CROSS-COMPLAINTS, IN ANY PROCEEDING LENDER BRINGS AGAINST BORROWER RELATING TO THE LOAN, INCLUDING ANY PROCEEDING TO ENFORCE REMEDIES.

SECTION 16.6. WAIVER OF JUDICIAL NOTICE AND HEARING. BORROWER WAIVES ANY RIGHT BORROWER MAY HAVE UNDER LAW TO NOTICE OR TO A JUDICIAL HEARING PRIOR TO THE EXERCISE OF ANY RIGHT OR REMEDY PROVIDED BY THE LOAN DOCUMENTS TO LENDER AND BORROWER WAIVES THE RIGHTS, IF ANY, TO SET ASIDE OR INVALIDATE ANY SALE DULY CONSUMMATED IN ACCORDANCE WITH THE PROVISIONS OF THE LOAN DOCUMENTS ON THE GROUND (IF SUCH BE THE CASE) THAT THE SALE WAS CONSUMMATED WITHOUT A PRIOR JUDICIAL HEARING.

SECTION 16.7. WAIVER OF SUBROGATION. BORROWER WAIVES ALL RIGHTS OF SUBROGATION TO LENDER'S RIGHTS OR CLAIMS RELATED TO OR AFFECTING THE PROPERTY OR ANY OTHER SECURITY FOR THE LOAN UNTIL THE LOAN IS PAID IN FULL AND ALL FUNDING OBLIGATIONS UNDER THE LOAN DOCUMENTS HAVE BEEN TERMINATED.

SECTION 16.8. GENERAL WAIVER. BORROWER ACKNOWLEDGES THAT (A) BORROWER AND BORROWER'S PARTNERS, MEMBERS OR PRINCIPALS, AS THE CASE MAY BE, ARE KNOWLEDGEABLE BORROWERS OF COMMERCIAL FUNDS AND EXPERIENCED REAL ESTATE DEVELOPERS OR INVESTORS WHO UNDERSTAND FULLY THE EFFECT OF THE ABOVE PROVISIONS; (B) LENDER WOULD NOT MAKE THE LOAN WITHOUT THE PROVISIONS OF THIS ARTICLE; (C) THE LOAN IS A COMMERCIAL OR BUSINESS LOAN UNDER THE LAWS OF THE STATE OR COMMONWEALTH WHERE THE PROPERTY IS LOCATED, NEGOTIATED BY LENDER AND BORROWER AND THEIR RESPECTIVE ATTORNEYS AT ARMS LENGTH; AND (D) ALL WAIVERS BY BORROWER IN THIS ARTICLE HAVE BEEN MADE VOLUNTARILY, INTELLIGENTLY AND KNOWINGLY, AFTER BORROWER FIRST HAS BEEN INFORMED BY COUNSEL OF BORROWER'S OWN CHOOSING AS TO POSSIBLE ALTERNATIVE RIGHTS, AND HAVE BEEN MADE AS AN INTENTIONAL RELINQUISHMENT AND ABANDONMENT OF A KNOWN RIGHT AND PRIVILEGE. THE FOREGOING ACKNOWLEDGEMENT IS MADE WITH THE INTENT THAT LENDER AND ANY SUBSEQUENT HOLDER OF THE NOTE WILL RELY ON THE ACKNOWLEDGEMENT.

ARTICLE XVII

NOTICES: RELIANCE ON TIAA

Section 17.1. Notices. All acceptances, approvals, consents, demands, notices, requests, waivers and other communications (the “yes”) required or permitted to be given under the Loan Documents must be in writing and (a) delivered personally by a process server providing a sworn declaration evidencing the date of service, the individual served, and the address where the service was made; (b) sent by certified mail, return receipt requested; or (c) delivered by nationally recognized overnight delivery service that provides evidence of the date of delivery, with all charges prepaid (for next morning delivery if sent by overnight delivery service), addressed to the appropriate party at its address listed below:

If to Lender.	Teachers Insurance and Annuity
Association of America
730 Third Avenue
New York, New York 10017
Attention:	Director Portfolio Management
For Mortgage and Real Estate Division
Application #IL-724
Mortgage #000445300

with a courtesy copy to:	Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, New York 10017
Attention:	Vice President and Chief Counsel
Mortgage and Real Estate Law
Application #IL-724
Mortgage #000445300

and a Copy to:	New York Life Insurance Company
51 Madison Avenue
New York, New York 10010
Attn:	Mortgage Loan Administration
Real Estate Department

and:	New York Life Insurance Company
51 Madison Avenue
New York, New York 10010
Attn:	Office of the General Counsel-Real Estate
Steven Tuttle, Esq.

and:

Sonnenschein Nath & Rosenthal
8000 Sears Tower
Chicago, Illinois 60606
Attn: Eric M. Schiller, Esq.

If to Borrower:

35 W. Wacker Venture, L.L.C.
c/o Starwood Capital Group
Three Pickwick Plaza Suite 250
Greenwich, CT 06830
Attn: Jerome C. Silvey

Starwood Asset Management, L.L.C.
320 Interstate North Parkway Suite 220
Atlanta, GA 30339
Attn: Michael Casey

With a courtesy
copy to:

Buck 35 Wacker L.L.C.
c/o the John Buck Company
233 South Wacker Drive Suite 550
Chicago, Illinois 60606-6300
Attn: Kent A. Swanson

and:

Katten Muchin and Zavis
525 West Monroe Street Suite 1600
Chicago, Illinois 60661-3693
Attn: Seth R. Madorsky, Esq.

and:

Rinaldi & Associates
Three Pickwick Plaza Suite 250
Greenwich, CT 06830
Attn: Ellis F. Rinaldi, Esq.
Eric W. Franklin, Esq.

Lender and Borrower each may change from time to time the address to which Notices must be sent, by notice given in accordance with the provisions of this Section. All Notices given in accordance with the provisions of this Section will be deemed to have been received on the earliest of (i) actual receipt; (ii) Borrower's rejection of delivery; or (iii) 3 Business Days after having been deposited in any mail depository regularly maintained by the United States postal service, if sent by certified mail, or 1 Business Day after having been deposited with a nationally recognized overnight delivery service, if sent by overnight delivery or on the date of personal service, if served by a process server.

Section 17.2. Change in Borrower's Name or Place of Business. Borrower will immediately notify Lender in writing of any change in Borrower's name or the place of business set forth in the beginning of this Mortgage.

Section 17.3. Reliance on TIAA. All acts of and communications relating to the loan secured hereby by TIAA shall be deemed to be made as agent for Lender, and shall be legally conclusive and binding; and Borrower or any third party (including any court) may and shall rely only on any and all communications or acts of TIAA with respect to the exercise of any rights or the granting of any consent, waiver or approval on behalf of Lender in all circumstances where an action by Lender is required or permitted pursuant to this Agreement or the provisions of any other Loan Document or by applicable Law without the right or necessity of making any inquiry of NYL as to the authority of TIAA with respect to such matter. In no event shall any of the foregoing limit the rights or obligations of TIAA or NYL with respect to each other pursuant to this Agreement or any other agreement between TIAA and NYL.

ARTICLE XVIII

MISCELLANEOUS

Section 18.1. Applicable Law. The Loan Documents are governed by and will be construed in accordance with the Laws of the State of Illinois without regard to conflict of law provisions.

Section 18.2. Usury Limitations. Borrower and Lender intend to comply with all Laws with respect to the charging and receiving of interest. Any amounts charged or received by Lender for the use or forbearance of the Principal to the extent permitted by Law, will be amortized and spread throughout the Term until payment in full so that the rate or amount of interest charged or received by Lender on account of the Principal does not exceed the Maximum Interest Rate. If any amount charged or received under the Loan Documents that is deemed to be interest is determined to be in excess of the amount permitted to be charged or received at the Maximum Interest Rate, the excess will be deemed to be a prepayment of Principal when paid, without premium, and any portion of the excess not capable of being so applied will be refunded to Borrower. If during the Term the Maximum Interest Rate, if any, is eliminated, then for the purposes of the Loan, there will be no Maximum Interest Rate.

Section 183. Lender's Discretion. Wherever under the Loan Documents any matter is required to be satisfactory to Lender, Lender has the right to approve or determine any matter or Lender has an election, Lender's approval, determination or election will be made in Lender's reasonable discretion unless expressly provided to the contrary.

Section 18.4. Unenforceable Provisions. If any provision in the Loan Documents is found to be illegal or unenforceable or would operate to invalidate any of the Loan Documents, then the provision will be deemed expunged and the Loan Documents will be construed as though the provision was not contained in the Loan Documents and the remainder of the Loan Documents will remain in full force and effect.

Section 18.5. Survival of Borrower's Obligations. Borrower's representations, warranties and covenants contained in the Loan Documents will continue in full force and effect and survive (i) satisfaction of the Obligations; (ii) release of the lien of this Mortgage; (iii) assignment or other transfer of all or any portion of Lender's interest in the Loan Documents or the Property; (iv) Lender's exercise of any of the Remedies or any of Lender's other rights under the Loan Documents; (v) a Transfer; (vi) amendments to the Loan Documents; and (vii) any other act or omission that might otherwise be construed as a release or discharge of Borrower, provided that in the case of (i) or (ii) above, such representations, warranties and covenants shall not survive longer than 18 months after such satisfaction or release.

Section 18.6. Relationship Between Borrower and Lender: No Third Party Beneficiaries.

(a) Lender is not a partner of or joint venturer with Borrower or any other entity as a result of the Loan or Lender's rights under the Loan Documents; the relationship between Lender and Borrower is strictly that of creditor and debtor. Each Loan Document is an agreement between the parties to that Loan Document for the mutual benefit of the parties and no entities other than the parties to that Loan Document will be a third party beneficiary or will have any claim against Lender or Borrower by virtue of the Loan Document. As between Lender and Borrower, any actions taken by Lender under the Loan Documents will be taken for Lender's protection only, and Lender has not and will not be deemed to have assumed any responsibility to Borrower or to any other entity by virtue of Lender's actions.

(b) All conditions to Lender's performance of its obligations under the Loan Documents are imposed solely for the benefit of Lender. No entity other than Lender will have standing to require satisfaction of the conditions in accordance with their provisions or will be entitled to assume that Lender will refuse to perform its obligations in the absence of strict compliance with any of the conditions.

Section 18.7. Partial Releases: Extensions: Waivers. Lender may: (i) release any part of the Property or any entity obligated for any of the Obligations; (ii) extend the time for payment or performance of any of the Obligations or otherwise amend the provisions for payment or performance by agreement with any entity that is obligated for the Obligations or that has an interest in the Property; (iii) accept additional security for the payment and performance of the Obligations; and (iv) waive any entity's performance of an Obligation, release any entity or individual now or in the future liable for the performance of the Obligation or waive the exercise of any Remedy or option. Lender may exercise any of the foregoing rights without notice, without regard to the amount of any consideration given, without affecting the priority of the Loan Documents, without releasing any entity not specifically released from its obligations under the Loan Documents, without releasing any guarantor(s) or surety(ies) of any of the Obligations, without effecting a novation of the Loan Documents and, with respect to a waiver, without waiving future performance of the Obligation or exercise of the Remedy waived.

Section 18.8. Service of Process. Borrower irrevocably consents to service of process by registered or certified mail, postage prepaid, return receipt requested, to Borrower at its address set forth in the Article entitled "**Notices**".

Section 18.9. Entire Agreement. Oral agreements or commitments between Borrower and Lender to lend money, to extend credit or to forbear from enforcing repayment of a debt, including promises to extend or renew the debt, are not enforceable. Any agreements between Borrower and Lender relating to the Loan are contained in the Loan Documents, which contain the complete and exclusive statement of the agreements between Borrower and Lender, except as Borrower and Lender may later agree in writing to amend the Loan Documents. The language of each Loan Document will be construed as a whole according to its fair meaning and will not be construed against the draftsman.

Section 18.10. No Oral Amendment. The Loan Documents may not be amended, waived or terminated orally or by any act or omission made individually by Borrower or Lender but may be amended, waived or terminated only by a written document signed by the party against which enforcement of the amendment, waiver or termination is sought.

Section 18.11. Severability. The invalidity, illegality or unenforceability of any provision of any of the Loan Documents will not affect any other provisions of the Loan Documents, which will be construed as if the invalid, illegal or unenforceable provision never had been included.

Section 18.12. Covenants Run with the Land. Subject to the restrictions on transfer contained in the Article entitled "**TRANSFERS, LIENS AND ENCUMBRANCES**", all of the covenants of this Mortgage and the Assignment run with the Land, will bind all parties hereto and all tenants and subtenants of the Land or the Improvements and their respective heirs, executors, administrators, successors and assigns, and all occupants and subsequent owners of the Property, and will inure to the benefit of Lender and all subsequent holders of the Note and this Mortgage.

Section 18.13. Time of the Essence. Time is of the essence with respect to Borrower's payment and performance of the Obligations.

Section 18.14. Subrogation. If the Principal or any other amount advanced by Lender is used directly or indirectly to pay off, discharge or satisfy all or any part of an encumbrance affecting the Property, then Lender is subrogated to the encumbrance and to any security held by the holder of the encumbrance, all of which will continue in full force and effect in favor of Lender as additional security for the Obligations.

Section 18.15. Joint and Several Liability. If Borrower consists of more than one person or entity, the obligations and liabilities of each such person or entity under this Mortgage are joint and several.

Section 18.16. Successors and Assign. The Loan Documents bind the parties to the Loan Documents and their respective successors, assigns, heirs, administrators, executors, agents and representatives and inure to the benefit of Lender and its successors, assigns, heirs, administrators, executors, agents and representatives.

Section 18.17. Duplicates and Counterparts. Duplicate counterparts of any Loan Documents, other than the Note, may be executed and together will constitute a single original document.

Section 18.18. Exculpation. It is agreed that SOFI IV Arizona Trust is a Maryland real estate investment trust and that the name "SOFI IV Arizona Trust" is a designation of SOFI IV Arizona Trust and its trustees, as trustees and not personally, under SOFI IV Arizona Trust's Declaration of Trust, and all persons dealing with SOFI IV Arizona Trust shall look solely to SOFI IV Arizona Trust's assets for the enforcement of any claims against SOFI IV Arizona Trust. The trustees, officers, agents and security holders of SOFI IV Arizona Trust assume no personal liability for obligations entered into on behalf of SOFI IV Arizona Trust, and their respective individual assets shall not be subject to the claims of any person.

IN WITNESS WHEREOF, Borrower has executed and delivered this Mortgage as of the date first set forth above.

35 W. WACKER VENTURE L.L.C.,
a Delaware limited liability company

By: SOFI IV Arizona Trust,
a Maryland real estate investment trust

By: /s/ Jerome C. Silvery

Name: Jerome C. Silvey

Title: Executive Vice President

STATE OF Connecticut)
) ss
COUNTY OF Fairfield)

I, *Costas Thanasoulis*, a notary public in and for said County, in the State aforesaid, DO HEREBY CERTIFY that *Jerome C. Silvey*, the *Executive Vice President* of *SOFI IV Arizona Trust*, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed, sealed and delivered the said instrument in his/her capacity as Executive Vice President of such *SOFI IV Arizona Trust* as his/her free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and official seal, this 17th day of February, 1999.

/s/ Costas Thanasoulis

Notary Public

My commission expires:

COSTAS THANASOUUS
NOTARY PUBLIC
MY COMMISSION EXPIRES FEB. 28. 2002

EXHIBIT 10.112

LEASE AGREEMENT WITH LEO BURNETT USA, INC. FOR A PORTION OF LEO BURNETT CHICAGO BUILDING

AMENDED AND RESTATED LEASE

THIS AMENDED AND RESTATED LEASE (the “Lease”) is made as of the 15th day of December, 1997 between 35 W. Wacker Venture, L.L.C., a Delaware limited liability company (“Landlord”), and LEO BURNETT COMPANY, INC., a Delaware corporation (“Tenant”);

WITNESSETH

WHEREAS, Landlord’s predecessor in interest, Harris Trust and Savings Bank, not individually but solely as Trustee under Trust Agreement dated September 24, 1986 and known as Trust No. 43770 (“Trustee”), and Tenant entered into: (i) a certain Lease dated as of January 22, 1987; (ii) a certain First Amendment to Lease dated as of February 13, 1991, and (iii) a certain Second Amendment to Lease dated as of January 8, 1993 (said Lease, as amended by the First Amendment to Lease and Second Amendment to Lease is called the “Existing Lease”), pursuant to which Trustee leased to Tenant and Tenant leased from Trustee certain Premises (hereinafter defined) currently occupied by Tenant in the Land and Building (each hereinafter defined) commonly known as 35 W. Wacker Drive, Chicago, Illinois;

WHEREAS, pursuant to a certain Agreement Regarding Acquisition of Limited Liability Company Interest dated as of October 3, 1997 (the “Contribution Agreement”), Tenant has agreed to cause Trustee to convey unto Landlord, all of Trustee’s right, title and interest in and to the Land and Building (the “Contribution”);

WHEREAS, the Contribution Agreement provides for the termination of the Existing Lease upon the closing of the Contribution, and the entering into by Landlord and Tenant of this Lease pursuant to which Landlord will lease to Tenant, and Tenant will lease from Landlord, the Premises for a term beginning on the closing date of the Contribution and ending on the date(s) set forth herein;

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. TERMINATION OF LEASE. The Existing Lease shall terminate as of 11:59 p.m. on December 14, 1997 (the “Existing Lease Termination Date”), which is the day immediately preceding the Commencement Date (hereinafter defined) of this Tease as if such Existing Lease Termination Date were set forth in the Existing Lease as the expiration date of the term of the Existing Lease; except that Tenant and Landlord shall remain liable for all obligations of such party accruing under the Existing Lease prior to such Existing Lease Termination Date.

2. LEASING AGREEMENT. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the premises described in Paragraph 2.A. of this Lease (the “Premises”) in the building commonly known as 35 West Wacker Drive, Chicago, Illinois (the “Building”) located on the land, legally described in Exhibit A hereto, on the west one half of the block bounded by State Street, Wacker Drive, Dearborn Street and Lake Street, all in the City of Chicago, Cook County, Illinois (together with all present and future easements and other rights appurtenant thereto, the “Land”), subject to the covenants, terms, provisions and conditions of

this Lease. The Building is comprised of a fifty (50) story office tower (the “Office Tower”) and a three (3) story retail bustle (the “Retail Space”). Tenant accepts the Premises in its “as is” condition as of the date hereof. During the Term of this Lease, Tenant shall have the right to use the one Building docking office (and adjoining storage area) on lower Wacker Drive used by Tenant as of the date hereof for the continued use of Tenant’s loading dock personnel in the same manner as used by Tenant as of the date hereof for shipping and receiving of materials. No agreement of Landlord to alter, remodel, decorate, clean or improve the Premises or Building (or to provide Tenant with any credit or allowance for the same), and no representation regarding the condition of the Premises or Building, have been made by or on behalf of Landlord or relied upon by Tenant, except as may be expressly stated herein.

Except as otherwise provided herein, Landlord specifically excepts and reserves to itself the use of any roof decks, the exterior portions of the Premises, and such areas within the Premises required for installation of utility lines and other installations required to service other occupants of the Building and to maintain and repair same, and no rights are conferred upon Tenant, and Landlord specifically excepts and reserves to itself, unless otherwise specifically provided, all rights to the land and improvements below the lowest floor level of the Premises, to the improvements and air rights above the Premises and to the land and improvements located outside the demising walls of the Premises.

A. The “Premises” means and includes the Office Tower Premises and the Retail Space Premises (both, as hereinafter defined). The “Office Tower Premises” means and includes: (i) floors two through twenty-nine, inclusive, in the Office Tower which the parties hereto acknowledge and agree contain 608,656 RSF; (ii) Suite 3401 in the Office Tower which the parties hereto acknowledge and agree contains 25,000 RSF; and (iii) Suite 3740 in the Office Tower, which the parties hereto acknowledge and agree Contains 1,278 RSP. The “Retail Space Premises” means and includes Suite R-9 in the Retail Space, which the parties hereto acknowledge and agree contains 8,889 RSP.

B. “RSF” shall mean, as the context requires, one square foot or a number of square feet of Rentable Area in any given space.

C. “Rentable Area” shall be computed by measuring to the inside finished surface of the dominant portion (50% or more of the vertical floor-to-ceiling dimension) of the permanent outer building wall (including windows or glass panels; if the windows are thermal pane windows, the inside finished surface shall be deemed to be the center line of the air space between such thermal panes) without deduction for any columns or projections necessary to the Building and shall include all areas within such inside finished surface other than public stairs (stairs shall be deemed public if they constitute part of the Building’s public stair system even if used by Tenant for access between floors of the Premises to the extent permitted by law and barred to other tenants except in cases of emergency), interior balconies, if any, elevator shafts, flues, stacks, pipe shafts and other major vertical penetrations of the floor,

Rentable Area shall include:

(1) With respect to each single tenancy floor, toilets, air conditioning rooms, fan rooms, janitor closets, lobbi elevator lobbies, electrical closets and telephone and other telecommunication closets within and serving only such floor (or only floors occupied by the same tenant); and

(2) With respect to each multiple tenancy floor, for each particular premises on that floor, its share of the areas described in the preceding clause (1), together with the particular premises' share of all public corridors and other public areas on such floor, as they may be adjusted from time to time. The tenant spaces on a multiple tenancy floor shall share 100% of the Rentable Area of that full floor. The share of each tenant's space shall be based upon the usable area contained in that tenant's space (which shall be measured to the center of partitions that separate such space from other tenant spaces or public areas) compared to the total usable area on that full floor.

(3) With respect to each single or multiple tenancy floor, such floor's proportionate share (based on such floor's Rentable Area without such added factor compared to the Building's Rentable Area without such added factor) of the public lobby area in the Building; provided, however, that, as of the Commencement Date, the ratio of Tenant's Rentable Area with such added factor to Tenant's usable area (such usable area to be measured on the basis of standards established by BOMA) shall not exceed 1.12 to 1.00.

The parties hereto acknowledge and agree that, as of the date hereof: (1) the Rentable Area of the Building contains 1,117,978 RSF with the Office Tower cont 1,075,876 RSF and the Retail Space containing 42,102 RSP; and (ii) the aggregate Rentable Area of the Premises contains 643,823 RSF. Landlord shall not increase Tenant's Proportionate Share Taxes - Office Tower, Tenant's Proportionate Share Taxes - Retail Space, Tenant's Proportionate Share Operating Expenses - Office Tower or Tenant's Proportionate Share Operating Expenses - Retail Space (all, as hereinafter defined) except for additions to the RSF of the Premises due to expansions of the Premises by Tenant pursuant to Paragraphs 30 and 32 hereof. If the Rentable Area of either the Premises or the Building (or any above described portion thereof) changes in any Calendar Year during the Term of this Lease, or any renewal thereof, such Rentable Area shall be recomputed as aforesaid by Architect (as hereinafter defined) and all applicable adjustments hereunder shall be made as of the date of each such change. In the event of any dispute over Rentable Areas, Tenant shall make payments based on the Rentable Areas determined by Landlord until resolution of such dispute at which time any necessary adjustments shall be made and any amounts due to Landlord or Tenant as a result shall be paid within thirty (30) days after demand together with interest on such adjusted amount at 2% over the Prime Rate.

3. TERM. The term of this Lease (the "Term") shall begin on December 15, 1997 (the "Commencement Date"). Unless sooner terminated as provided herein, the Term shall end with the last day of the one hundred eightieth (180th) full calendar month subsequent to the Commencement Date (for example, December 31, 2012, if the Commencement Date were to be December 18, 1997), as such date may be extended by the exercise of any one or more of the options conferred upon Tenant under this Lease (the "Termination Date"). Notwithstanding the foregoing, the Termination Date for Suite 3401 of the Premises shall be December 31, 2004.

4. BASE RENT. Tenant shall pay to Landlord or Landlord's agent at the office of Landlord's agent at 35 W. Wacker Drive, Suite 3860, Chicago, Illinois 60606, or at such other place as Landlord may from time to time designate in writing, in coin or currency which, at the time of payment, is legal tender for private or public debts in the United States of America, "Base Rent" at annual rate which is e to the number of RSF within the Premises (excluding, however, the 1,278 RSF of Suite 3740, for which Base Rent shall at no time accrue or be payable during the Term of this Lease or any Extension Term) times $14.55, net of Operating Expenses and Taxes. Such annual rate shall be paid in monthly installments of one-twelfth of the then-current annual rate in advance on or before the first day of each and every month during the Term, without any set-off, abatement, counterclaim or deduction whatsoever, except as otherwise provided herein. If the Term commences other than on the fist day of a month, the Base Rent for such month shall be prorated. The prorated Base Rent for the portion of the month in which the Term commences shall be paid on the first day of the Term. The Base Rent for the initial Space and any other space added to the Premises pursuant to Paragraph 30 hereof, shall be increased on each anniversary of the Commencement Date by multiplying the then applicable Base Rent by the decimal equivalent of 2.5 % (i.e. .025). A schedule of Base Rent for the Premises for the initial Term of this lease is attached herewith as Exhibit B.

5. ADDITIONAL RENT. In addition to paying the Base Rent specified in Paragraph 4 hereof, Tenant shall pay as "Additional Rent" for the Term an amount equal to "Tenant's Expense Participation Amount" determined from time to time during the Term pursuant to this Paragraph 5. The Base Rent and the Additional Rent are sometimes herein collectively referred to as the "Rent." Tenant's obligation to pay rent is an independent covenant and is a separate obligation, except as otherwise set forth herein. Except as otherwise provided in this Paragraph 5, all amounts due under this Paragraph 5 as Additional Rent shall be payable for the same periods and to the same party and at the same place as the Base Rent. Without limitation on other obligations of Tenant which shall survive the expiration of the Term, the obligations of Tenant to pay the Additional Rent provided for in this Paragraph S with respect to periods during the Term shall survive the expiration of the Term. For any partial Calendar Year, Tenant shall be obligated to pay only a pro rata share of the Additional Rent, based on the number of the days of the Term falling within such Calendar Year.

A. Definitions As used in this Paragraph 5, the terms:

(1) "Calendar Year" shall mean each calendar year in which any part of the Term falls.

(2) “Tenant’s Proportionate Share” at any time during the Term shall mean the percentage calculated by dividing the number of RSF contained in the Premises by the number of RSF contained in the Building.

(3) “Tenant’s Proportionate Share Taxes - Office Tower” at any time during the Term shall mean the percentage calculated by dividing the number of RSF contained in the Office Tower Premises by the number of RSF contained in the Office Tower.

(4) “Tenant’s Proportionate Share Taxes - Retail Space” at any time during the Term shall mean the percentage calculated by dividing the number of RSF contained in the Retail Space Premises by the number of RSF contained in the Retail Space.

(5) “Tenant’s Proportionate Share Operating Expenses - Office Tower” at any time during the Term shall mean the percentage calculated by dividing the number of RSF contained in the Office Tower Premises by 1,065,926 RSF.

(6) “Tenant’s Proportionate Share Operating Expenses - Retail Space” at any time during the Term shall mean the percentage calculated by dividing the number of RSF contained in the Retail Space Premises by 26,344 RSF.

(7) “Taxes” shall mean in any Calendar Year all real estate taxes and assessments, special or otherwise, sewer rents, rates, charges, water taxes or transit taxes, upon or with respect to the Land and/or Building and ad valorem taxes for any personal property used in connection therewith, which are paid or payable during such Calendar Year (but shall not include any such taxes or assessments which are a lien but are not payable during such Calendar Year). Should the State of Illinois, or any political subdivision thereof, or any other governmental authority having jurisdiction over the Land and/or the Building, (a) impose or increase a tax, assessment, charge or fee which Landlord shall be required to pay, by way of substitution in whole or in part for such real estate taxes and ad valorem personal property taxes or an increase therein, or (b) impose or increase an income or franchise tax or a tax on rents in substitution in whole or in part for a tax levied against the Land and/or the Building and/or the personal property used in connection with the Land or Building, or an increase therein, all such taxes, assessments, fees or charges (hereinafter defined as “in lieu of taxes”) shall, to the extent they do constitute such a substitution, be deemed to constitute Taxes hereunder if paid or payable during a Calendar Year Taxes shall also include, in the year paid, all fees and costs reasonably incurred by Landlord in seeking to obtain a reduction of, or a limit on the increase in, any Taxes (and landlord shall seek to obtain such a reduction of or a limit on the increase in Taxes each and every year), but only to the extent of any reduction or limitation so obtained. Except as hereinafter provided with regard to “in lieu of taxes,” Taxes shall not include any inheritance, estate, succession, transfer, gift, franchise, net income or capital stock tax, or any penalties for the late payment by Landlord of any Taxes.

“In lieu of taxes” shall also mean leasehold taxes imposed upon the Landlord in connection with the leasing and operation of the Building or the Land, except to the extent such taxes constitute income or other taxes imposed upon or measured by the general net income or profits of the Landlord.

In the event that landlord is required by federal, state or local statute or ordinance to collect taxes imposed upon Tenant in connection with this Lease, Tenant shall cooperate with Landlord in the collection and payment of same, shall execute and deliver such forms and other documents as shall be reasonably required to enable Landlord to collect and ay such taxes and shall remit to Landlord all required payments, including interest and penalties prior to the date said taxes are due and payable. In the event that such taxes may be paid directly by Tenant, Tenant shall cooperate with Landlord in making any requests or applications to enable Tenant, rather than landlord, to pay such tax, and Tenant shall pay such tax directly to the appropriate governmental authorities after the required approvals are obtained.

(8) "Operating Expenses" shall mean all expenses, costs and d (other than Taxes) of every kind and nature paid or accrued (with any appropriate accounting adjustments if the manner of accounting for any item is changed during the Term) by Landlord in any Calendar Year in connection with the management, operation, leasing and repair of the Land and Building and personal, property used solely in connection therewith (specifically including the provision of any of the future services described in Paragraph 7A(9)), except the following:

(a) Costs of alterations of any tenant's premises, including, but not limited to, preparing tenantable space for a tenant's initial occupancy or lease renewal or extension;

(b) Principal or interest payments on loans secured by mortgages or trust deeds on the Building and/or the Land (including any refinancings of the Building and/or the Land), or lease rentals paid or payable on any ground or underlying lease;

(c) Costs of capital improvements, except that Operating Expenses shall include: (i) the cost of any capital improvements completed after the Commencement Date which are not a part of the initial construction of the Building and which are reasonably estimated by Landlord to reduce Operating Expenses, provided (v) such cost must be evenly amortized by Landlord over the useful life of the capital improvement, with interest on the unamortized amount at the prime or base rate of interest announced from time to time by The First National Bank of Chicago, or another major national bank selected by Landlord if The First National Bank of Chicago shall not at anytime be in existence or be announcing a prime or base rate ("Prime Rate"), (w) such amortized costs (including interest as aforesaid) shall only be included in Operating Expenses under this Lease for that portion of the useful life of the capital improvement which fails within the Term, (x) that portion of the annual amortized costs (including interest as aforesaid) to be included in Operating Expenses shall be the lesser of such annual costs or the projected annual reduction in Operating Expenses for that portion of the useful life of the capital improvement which falls within the Term, as reasonably estimated by Landlord and certified by a qualified engineer in detail by expense category prior to making such capital improvement, (y) all elements of such projection shall be completed in accordance with generally accepted accounting principles and practices in effect at the time the capital improvement is proposed to be made; and (z) a copy of such projection of the underlying calculations shall be furnished to Tenant prior to Landlord's including the cost of any such capital improvement in Operating Expenses; and (ii) provided that conditions (i)(v) and (i)(w) above are satisfied, the cost of any capital improvement made by Landlord to keep the Land or Building in compliance with all governmental rules and regulations enacted after the Commencement Date;

(d) All expenses for which Landlord has received any reimbursement to the extent of such reimbursement, other than indirect reimbursement by the payment by any tenant of base rent or its share of Operating Expenses;

(e) Attorneys' fees, costs and disbursements and other expenses incurred in connection with tenant leases, including, without limitation, negotiations with prospective tenants or disputes with any tenant but excluding any expenses incurred in the performance of any of Landlord's obligations under such tenant leases which are reimbursed by tenant payment of Operating Expenses;

(f) Expenses for repairs or other work occasioned by a casualty, except that Operating Expenses shall include the deductible amount permitted in Paragraph 11.C.;

(g) Depreciation;

(h) Real estate brokers' commissions or compensation and other expenses (including, without limitation, architectural, space planning or engineering services) incurred in leasing or procuring tenants;

(i) The cost of any electric current furnished for lighting and equipment (other than for the operation of fan moms, telephone closets and other elements of the Building's shared systems) located in the Premises or in premises occupied by any other tenant in the Building;

(j) The cost of correcting defects in the construction of the Building or in the Building equipment provided that this shall not exclude the cost of normal repair, maintenance and replacement expected with the construction materials and equipment installed in the Building in light of their specifications;

(k) The cost of any repair made by Landlord pursuant to or as a result of condemnation;

(l) The cost of installing, operating and maintaining any specialty facility, such as an observatory, broadcasting facilities, luncheon club, athletic or recreational club, cafeteria or dining facility;

(m) The cost of any repairs, alterations, additions, charges, replacements and other items not specifically referred to in this Paragraph 5 and which, under generally accepted accounting principles, are properly classified as capital expenditures;

(n) Any management or other fees and expenses paid to an agent which is related to Landlord or its beneficiary to the extent such fees are in excess of the customary amounts which would be paid in the absence of such relationship;

(o) Executive salaries or fringe benefits of personnel above the grade of Building Manager;

(p) Expenses incurred in connection with services or other benefits of a type which are not available generally to all office tenants of the Building;

(q) Any penalty charges incurred by Landlord due to the violation of any law, order or regulation of any authority;

(r) Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord;

(s) Advertising and promotional expenditures;

(t) Costs for sculptures, paintings and other objects of art located within the Building, except only for the costs of maintaining such objects in the public areas of the Building;

(u) Expenses incurred by Landlord, if any, in connection with the operation, cleaning, repair, safety, management, security, maintenance or other services of any kind provided to the portions of the Building which are leased for retail purposes, if retail tenants do not participate in paying such costs and expenses as a separate component of their rent. If the foregoing is the case, then the calculation of RSF in the Building shall exclude the retail space. If they do participate in paying for such costs and expenses, then only that portion of such costs and expenses that reflects a higher cost and expense due to greater usage by retail tenants shall be excluded from Operating Expenses;

(v) Expenses incurred by Landlord, if any, in connection with the operation of the parking garage in the Building;

(w) Any management fee in excess of 1.5% of the annual Gross Revenue (as hereinafter defined) of the Building;

(x) Costs of relocating tenants of the Building;

(y) Taxes;

(z) Interest or penalties for late payment for fuel, gas steam, electricity, water, sewer or other utilities;

(aa) Costs incurred in connection with a transfer or disposal of all or any part of the Building or Land or any interest therein or in Landlord or any entity comprising Landlord; and

(bb) Expenses incurred by Landlord in connection with night cleaning of the Retail Space, provided, however, that Tenant shall pay Landlord directly (as opposed to as an Operating Expense pass-thru) for Landlord's actual costs incurred in connection with the night cleaning of the Retail Space Premises.

(9) "Tenant's Expense Participation Amount" with respect to each Calendar Year, shall equal the sum of: (i) Tenant's Proportionate Share Taxes - Office Tower of the Taxes for the Office Tower for such Calendar Year, (ii) Tenant's Proportionate Share Taxes - Retail Space of the Taxes for the Retail Space for such Calendar Year, (iii) Tenant's Proportionate Share Operating Expenses - Office Tower of Operating Expenses for the Office Tower for such Calendar Year, and (iv) Tenant's Proportionate Share Operating Expenses - Retail Space of Operating Expenses for the Retail Space for such Calendar Year, as such Proportionate Shares may be adjusted from time to time during such Calendar Year. Notwithstanding the foregoing, prior to calculating Tenant's Proportionate Share Operating Expenses - Office Tower for each Calendar Year, the total amount of Operating Expenses for the Office Tower for each Calendar Year shall be reduced by $50,000.00.

(10) " Gross Revenue" as used herein shall mean the aggregate of all rents, income and receipts of every kind and description actually received by or for the account of Landlord in connection with or arising from the use, occupancy or operation of the Building, including, without limitation, (a) base or fixed rent, percentage and other amounts payable as rent, other charges, fees and payments received from tenants including, without limitation, operating expenses and real estate taxes payable by any tenant pursuant to any leases; and (b) proceeds of business interruption and rent loss insurance to the extent received by Landlord in lieu of the receipts described in (i) above; provided, however, that Gross Revenues shall not include: (1) any security deposits received until applied to rent; (ii) any income amount received which is considered an extraordinary financial item, or an amount not received in the ordinary course of business under any lease; (iii) any loan repayments by tenants for above standard tenant improvements (other than loan repayments, including principal and interest, made by Winston & Strawn pursuant to its lease for space in the Building); (iv) any net income collected in connection with the provision of any extra services by Landlord to a tenant; and (v) interest or other investment income.

(11) If the Building is not 95% or more occupied during all or any portion of a Calendar Year then Landlord may elect to make an appropriate adjustment of the Operating Expenses that vary according to the occupancy level of the Building for such Calendar Year to determine the amount of such Operating Expenses that would have been paid or incurred had the Building been 95% occupied and the amount so determined shall, be deemed to have been the amount of such Operating Expenses for such Calendar Year.

B. Payment of Additional Rent. Landlord shall furnish Tenant, at least thirty (30) days prior to the commencement of each Calendar Year and from time to time (but not more than twice) during each such Calendar Year, written statements setting forth Landlord's then-current reasonable estimate of Tenant's Expense Participation Amount for such Calendar Year. Tenant shall pay to Landlord as Additional Rent on the first thy of each month during each Calendar Year, together with the payment of Base Rent, if any, an amount equal to one-twelfth (1/12th) of Landlord's then-current reasonable estimate of Tenant's Proportionate Share Operating Expenses - Office Tower of Operating Expenses for the Office Tower for such Calendar Year and one-twelfth (1/12th) of Landlord's then-current reasonable estimate of Tenant's Proportionate Share Operating Expenses - Retail Space of Operating Expenses for the Retail Space for such Calendar Year, plus any amounts that would have been paid for months prior to the current month if Landlord's current estimate had been in effect during those months. Tenant shall pay to Landlord not later than fifteen (15) days prior to the date on which Taxes are required to be paid by Landlord, Tenant's Proportionate Share Taxes - Office Tower of Taxes payable for the Office Tower and Tenant's Proportionate Share Taxes - Retail Space of Taxes payable for the Retail Space for each Calendar Year. Landlord shall provide Tenant with a copy of the most recent Tax bills for the Office Tower and Retail Space and a statement indicating Tenant's Proportionate Share Taxes - Office Tower of Taxes for the Office Tower and Tenant's Proportionate Share Taxes - Retail Space of Taxes for the Retail Space at least forty (40) days prior to the date such Taxes are due. In addition to the foregoing, for the first twelve (12) months of the Term, on the first day of each such month, Tenant shall pay to Landlord an amount equal to the sum of (1) one twenty-fourth (1/24th) of Tenant's Proportionate Share Taxes - Office Tower of Taxes for the Office Tower which were paid for Calendar Year 1996 and (ii) one-twenty fourth (1124th) of Tenant's Proportionate Share Taxes - Retail Space of Taxes for the Retail Space which were paid for Calendar Year 1996 (said sum, the "Tax Escrow"). Landlord shall place the Tax Escrow in a separate account, invest such payments in reasonable and liquid securities at the direction of Tenant and at Tenant's expense. Following the final payment of Taxes payable for the Calendar Year 1997 and each subsequent Calendar Year, Landlord shall notify Tenant of any Increases in Taxes from the prior Calendar Year and shall apply for Tenant's benefit any interest earned on the amount held in the Tax Escrow during the prior Calendar Year, and shall remit any excess interest to Tenant, or request Tenant to fund any shortfall into the Tax Escrow, so that at all times the Tax Escrow shall contain at lease one half of the amount of Tenant's Proportionate Share Taxes - Office Tower of Taxes for the Office Tower and Tenant's Proportionate Share Taxes - Retail Space of Taxes for the Retail Space paid for the then most recent Calendar Year. Tenant shall deposit into the Tax Escrow any such shortfall amount within thirty (30) days of Landlord's request. If Tenant fails to pay to Landlord Tenant's Proportionate Share - Office Tower of Taxes for the Office Tower and Tenant's Proportionate Share Taxes - Retail Space of Taxes for the Retail Space for the Calendar Year when due as provided herein, Landlord may apply the Tax Escrow to the amount of Taxes owed by Tenant. If any portion of the Tax Escrow is applied to the payment of Taxes, Tenant shall, within thirty (30) days after the written request of Landlord, pay to l an amount sufficient to replenish the Tax Escrow to its original level. On the Termination Date, Tenant shall pay into the Tax Escrow an amount necessary to increase the Tax Escrow to the amount of Tenant's Proportionate Share Taxes - Office Tower of Taxes for the Office Tower and Tenant's

Proportionate Share Taxes - Retail Space of Taxes for the Retail Space for Taxes which have accrued in the Calendar Year in which the Termination Date occurs through the Termination Date. Landlord shall use the Tax Escrow for the payment of Tenant's share of Taxes for the final Calendar Year of the Term and shall pay any excess remaining in the Tax Escrow (and any interest earned thereon) to Tenant within thirty (30) days. If Tenant's share of Taxes for the final Calendar Year of the Term exceeds the amount held in the Tax Escrow, Tenant shall, within thirty (30) days after the written request of landlord, pay such excess to Landlord. Notwithstanding anything to the contrary contained herein, Tenant shall pay Tenant's Proportionate Share Taxes - Office Tower of 1997 Taxes for the Office Tower and Tenant's Proportionate Share Taxes - Retail Space of 1997 Taxes for the Retail Space for the entire Calendar Year 1997, regardless of when the Commencement Date of this Lease actually occurs. Tenant also agrees that it shall remain responsible for Tenant's Proportionate Share Taxes - Office Tower and Tenant's Proportionate Share Taxes - Retail Space for any Contraction Space with respect to which Tenant has exercised its option under Section 31 for the Calendar Year in which such Contraction Space is vacated by Tenant through the applicable Contraction Date, although payable in the subsequent Calendar Year.

Landlord agrees to keep true and accurate records of all Operating Expenses. Prior to May 1 of each Calendar Year, Landlord shall submit to Tenant a detailed statement certified by a certified public accountant (the TM Statement") setting faith (A) the actual amount of Operating Expenses and Taxes for the previous Calendar Year, (B) the amount of Tenant's Expense Participation Amount on account of such previous Calendar Year and (C) the payments made by Tenant on account thereof. If the installments made on account of such previous Calendar Year exceed Tenant's Expense Participation Amount due on account of such Calendar Year, as shown on the Operating Statement, such excess shall be credited by Landlord against the next succeeding installment(s) of Tenant's Expense Participation Amount; provided if Tenant is not in default under this Lease, Landlord shall at Tenant's request refund such excess to Tenant within thirty (30) days of such request. If, however, said installment(s) are less than Tenant's Expense Participant Amount due on account of such Calendar Year, as shown on the Operating Statement, then Tenant agrees to pay to Landlord the amount necessary to make up any deficiency within thirty (30) days after the delivery of the Operating Statement to Tenant.

C. Miscellaneous re Additional Rent. If the date the Term commences is not the first day of a Calendar Year, or if the date of expiration or termination of this Lease is not the last day of a Calendar Year, the Tenant's Expense Participation Amount shall be prorated based upon the number of days of the applicable partial Calendar Year within the Term.

Every Operating Statement given by Landlord pursuant to Paragraph 5.B shall be conclusive and binding upon Tenant unless (i) Tenant shall notify Landlord that it disputes the correctness of the then current Operating Statement or Operating Statements from the previous two (2) years, specifying the particular respects in which the Operating Statement is claimed to be incorrect, and (ii) if such dispute shall not have been settled by agreement, it shall be settled by submission of such dispute to a national public accounting firm acceptable to Landlord and Tenant, at the expense of Tenant, except as hereinafter provided, for a final and binding determination. Pending the determination of such dispute, Tenant shall within thirty (30) days after receipt of such Operating Statement, pay any deficiency in Tenant's Expense Participation Amount payment if due in accordance with the Operating Statement, and such payment shall be without prejudice to Tenant's position. If the dispute shall be determined in Tenant's favor, Landlord shall, on demand, pay Tenant the amount of Tenant's overpayment of Tenant's Expense Participation Amount, if any, resulting from compliance with the Operating Statement. If the discrepancy was greater than two percent (2%) of the correct Operating Statement, Landlord shall pay to Tenant interest on such overpayment at the rate of two percent (2%) per annum over the Prime Rate. Landlord agrees to grant Tenant reasonable access to Landlord's books and records, during normal business hours, at Landlord's office, for the purpose of verifying Operating Expenses incurred by Landlord, and to make copies of any and all bills and vouchers relating thereto, subject to reimbursement by Tenant for the cost of such copies.

In the event that a review of landlord's books and records pursuant to this Paragraph 5 reveals that Landlord his overstated its Operating Expenses for the applicable Calendar Year by 3% or more of the actual Operating Expenses incurred for such Calendar Year, Landlord shall also reimburse Tenant for the reasonable expenses incurred by Tenant in conducting such review of Landlord's books and records and for the amounts paid to the public accounting firm. In the event that there is an error of less than 3% in Landlord's statement of the Operating Expenses, then Tenant shall pay the cost of the public accounting firm.

Tenant shall pay, in addition to Tenant's Expense Participation Amount, all actual and reasonable expenses, costs and disbursements incurred by Landlord and not included in Operating Expenses and which solely are attributable to the operation and maintenance of equipment installed in the Premises at Tenant's request for the exclusive use of Tenant, and which is not generally available to other tenants of the Building.

6. USE OF THE PREMISES. The Premises may be used and occupied for any lawful purpose consistent with the operation of a first-class office building in Chicago, Illinois, provided that any such use and occupancy complies with all applicable building and zoning laws, codes and ordinances and such use is not dangerous to person or property, does not invalidate or increase Landlord's insurance premiums, does not create a nuisance or unreasonably disturb any other tenant of the Building and does not injure the reputation of the Building. Tenant may, if Tenant so elects, install and operate vending machines for the exclusive use of Tenant's employees and invitees to dispense hot and cold beverages, ice cream, candy, food and cigarettes, provided that such machines shall be maintained in a neat and sanitary condition and shall comply with all applicable laws and ordinances. In addition, Tenant may, if Tenant so elects, install, equip and operate one or more cafeterias or dining rooms in the Premises and serve alcoholic beverages therein for the exclusive use of Tenant's employees and invitees, subject to compliance with all applicable codes and ordinances and provided (a) Tenant has delivered to Landlord certificates evidencing satisfactory insurance against any liability of Landlord arising from such serving of alcoholic beverages in the Premises; and (b) Tenant has made all appropriate utility modifications at its expense and subject to Landlord's reasonable approval and implemented appropriate pest control measures.

Subject to Landlord's reasonable approval, Tenant shall have the right from time to time to the use of the Building lobby for Tenant sponsored presentations (a "Presentation") for up to a total of ten (10) days during each Calendar Year. Tenant shall provide Landlord with at least fourteen (14) days prior notice of a Presentation (the "Presentation Notice"). Landlord shall be deemed to have approved a Presentation if Landlord does not object in writing to Tenant within seven (7) days after receipt of a Presentation Notice.

7. SERVICES.

A. List of Services. Landlord shall provide the following services at all times during the Term, subject to the following:

(1) Heating, ventilating and air-conditioning on all business days in accordance with the performance condition standards set forth in Exhibit C hereto. The term "business day" means Monday through Friday during the period from 8 am, to 6 p.m. and on Saturday during the period from 8 a.m. to 1 p.m., legal holidays excluded. The term legal holiday" means New Year's Day, Memorial Day, the 4th of July, Labor Day, Thanksgiving Day and Christmas Day. If Tenant shall require heating, ventilating or air conditioning service at any other time ("after-hours"), Landlord shall furnish such after-hours service upon advance notice from Tenant given prior to 5:00 p.m. on any business day (noon on Saturdays) and on the previous business day with respect to after-hours service on Sunday or any legal holiday. Tenant shall pay for such after-hours service at Landlord's reasonable actual cost (including overhead but not profit) of furnishing same. In the event the after-hours service is requested and shared by other tenants on the same floor, Tenant's share of such costs shall be appropriately reduced.

Use of the Premises, or any part thereof, in a manner exceeding the performance conditions (including occupancy and connected electrical load) specified in Exhibit C or rearrangement of partitioning which interferes with normal operation of the heating, ventilation and air-conditioning in the Premises, may require change in the heating, ventilation and air-conditioning system servicing the Premises. Such changes, so occasioned, shall be made if feasible by Landlord at Tenant's expense upon Landlord's or Tenant's request therefor.

(2) Subject to the Building performance standards specified in Exhibit C, sufficient electrical capacity to operate typewriters, calculating machines, photocopying machines, data processing equipment, personal computers, laptop computers, and other equipment and accessories customarily used by means of standard floor, ceiling or wall outlets within the Premises. If any electrical equipment requires air-conditioning in excess of Building standard, the same shall be installed at Tenant's expense and Tenant shall pay all operating costs relating thereto.

If Tenant's requirements for electricity are in excess of those set forth in this clause (2) the Landlord reserves the right to require Tenant to pay the cost of installation, operation and maintenance of the conduit, wiring and other equipment necessary to supply electricity for such excess use requirements at the Tenant's expense by arrangement with Commonwealth Edison Company or another approved local utility.

Tenant shall bear the responsibility of replacement of all lamps and tubes for lighting fixtures, which Tenant may purchase from its own suppliers and install by its own maintenance persons. The brand and type of such lamps and tubes shall be reasonably approved by Landlord, such approval to be based solely upon Landlord's desire to maintain a substantially uniform color and intensity of the interior lighting in the Building.

(3) Adequate hot and cold City water from the regular Building outlets for drinking, lavatory and toilet purposes. The water pressure must be a minimum of 35 to 40 pounds per square inch and the hot water temperature must be 100°. Tenant shall pay the cost of installation, maintenance and replacement of any additional water requirements and equipment for any kitchen purposes in connection with the permitted dining rooms or cafeterias.

(4) Janitorial services as specified in Exhibit D attached hereto and identified as "Janitorial Services." Landlord will supply all necessary janitorial products in its performance of Janitorial Services. Subject to Landlord's reasonable approval and for so long as it does not cause any problems or disputes with any unions representing other workers in the Building, Tenant may contract with its own janitor to provide supplementary janitorial services to the Premises. Landlord shall have no liability whatsoever for any losses or damages resulting from the acts or omissions of Tenant's own janitor and Tenant hereby indemnities and holds Landlord harmless from any such losses or damages. In contracting with such janitor, Tenant will not knowingly take any action which will directly result in picketing of the Building or the conceited withholding of services by any employees of Landlord or Landlord's beneficiary and should any such action occur Tenant will take any reasonable steps available to bring such action to an end.

(5) Window washing for the inside and outside of windows in the Building's perimeter walls as may be situated in the Premises at intervals to be determined by Landlord, but not less than four times per year.

(6) Adequate automatic passenger elevator service available 24 hours a day, seven days a week.

(7) Freight elevator services subject to reasonable scheduling by Landlord and appropriate charges for night and weekend use.

(8) Building Directory for Tenant with one line for Tenant for every 400 RSF in the Premises from time to time but not to exceed 1,500 lines. Landlord's design and placement of all Building Directories shall be subject to Tenant's reasonable approval.

(9) Landlord agrees to furnish such other services as are customarily furnished by landlords of other first-class office buildings in the City of Chicago, to the extent such service can be provided without additional capital improvements and provided the cost of such services can be included in the Operating Expenses. Notwithstanding the foregoing, Landlord shall not decrease the level of quality of services provided to Tenant as of the date hereof.

B. Billing for Electricity. Tenant shall pay for the use of all electrical service to the Premises. Provided that Landlord can make satisfactory arrangements with the utility company supplying electricity to the Premises for separate metering and billing, Tenant shall be billed directly by such utility company. In the event that for any reason the Premises are metered, but Tenant cannot be billed directly, Landlord shall forward each bill received by it with respect to the Premises to Tenant and Tenant shall pay it promptly in accordance with its terms.

Landlord has advised Tenant that presently Commonwealth Edison (the "Electric Service Provider") provides electricity service to the Building. Notwithstanding the foregoing, if permitted by law, Landlord shall have the right at any time and from time to time during the Term of this Lease to either contract for electricity service from a different company or companies providing electricity service (each such company, an "Alternate Service Provider") or continue to contract for electricity service from the Electric Service Provider; provided, however, that all Alternate Service Providers selected by Landlord shall provide electricity service to the Building and Premises at a level which is identical or better than the electricity service provided by the Electric Service Provider and such new electricity service will not increase Tenant's electricity costs.

C. Interruption of Services. Unless repairs, renewals or improvements for services can be made during business hours without material interference with Tenant's business operations, Landlord shall make such repairs, alterations, or replacements during nonbusiness hours except in the event of an emergency. Landlord further agrees, where practical, to notify Tenant in advance prior to the cessation of such service, and to estimate the duration of such cessation. Tenant also agrees to notify Landlord of any interruption of services that Tenant discovers.

If the Landlord ceases to furnish any of the services referred to in this Paragraph 7 and if (i) as a result of such cessation, the Premises, or any floor within the Premises, is rendered untenantable (meaning Tenant's inability to use any or all of the floor(s) (or any part thereof) within the Premises in the normal course of its business) and (II) such cessation continues for a period of three (3) business days, then, the Rent payable hereunder shall be equitably abated based upon the percentage of the space in the Premises so rendered untenantable and not then being used by Tenant in the ordinary course of Its business operations. The foregoing abatement shall become effective as of the first business day following the day the affected floor(s) become(s) untenantable. Landlord agrees to use all commercially reasonable efforts to cure the cessation of service(s) as promptly as reasonably practicable. Tenant agrees to cooperate with Landlord in abiding by all reasonable rules and regulations that Landlord prescribes for proper functioning of utilities and Building services. Tenant agrees not to tamper or adjust any utilities or associated equipment unless authorized in writing by Landlord.

D. Charges for Services. Except as otherwise provided in this Paragraph 7 or in Paragraph 5, all services shall be provided by Landlord and the cost of providing such services shall be included in Operating Expenses. Charges for any service for which Tenant is required to pay directly, rather than by Tenant's Expense Participation Amount, shall be due and payable at the same time as the installment of Rent with which they are billed, or if billed separately, shall be due and payable within thirty (30) days after such billing.

E. Energy Conservation. Notwithstanding anything to the contrary in this Paragraph 7 or elsewhere in this Lease, if the federal government, the State of Illinois or the City of Chicago requires that temperature conditions be maintained other than as set forth in Exhibit C, then landlord shall be deemed to be performing its obligation to furnish heating, ventilating and cooling pursuant to the requirements of this Lease if it furnishes such heating, ventilating and cooling as so required. Landlord shall give Tenant notice of such requirements as soon as reasonably possible after Landlord’s receipt of notice of such requirements.

8. REPAIRS. Except to the extent that Landlord has the obligation to rebuild pursuant to Paragraph 12 hereof, Tenant will, subject to Paragraph 11.A., at Tenant’s own expense, perform any maintenance, repairs and replacements of the Premises that are (i) caused by the neglect or misuse of Tenant, its employees, contractors, agents, invitees or licensees, or (ii) required to keep the floors, ceilings, walls, partitions, and other interior portions of the Premises which are not a part of the Building’s shared systems in good repair and tenantable condition, reasonable wear and tear excepted. If the Tenant does not commence any such required maintenance, repair or replacement within ten (10) days of the request of Landlord to do so, or if after such commencement, Tenant does not thereafter diligently pursue same to completion, Landlord may, but need not, make such repairs and replacements, and Tenant shall pay Landlord the cost thereof.

Landlord, as an Operating Expense (except as otherwise provided in Paragraph 5), shall keep and maintain the Building and its fixtures, appurtenances, systems and facilities serving the Premises, in good working order, condition and repair and shall make all repairs, structural and otherwise, interior and exterior, as and when needed in or about the Building and the Premises, except for those repairs for which Tenant is responsible pursuant to any other provisions of this Lease. Without limiting the generality of the foregoing, Landlord shall repair and maintain, and if necessary, replace (1) building structure, foundation, roof, gutters, exterior wails, window coverings, windows, and all other exterior and structural parts of the Building, (ii) hails, stairways and entry ways, elevators and common passageways and all other common areas of the Building, (iii) elevator lobbies and restrooms on each floor of the Premises (provided Tenant has not hired its own janitorial contractor to perform such repair and maintenance), and (iv) all elements of the plumbing system, the sprinkler system, the light fixtures and electrical distribution system, the heating, ventilating and air conditioning system and any other of the Building’s shared systems located within the Premises. Nothing contained in this Paragraph 8 shall require Landlord to paint or decorate the Premises. If the Landlord does not commence any required maintenance, repair or replacement within thirty (30) days of the request of Tenant to do so (or in cases of emergency within twenty-four (24) hours after notice), or if after such commencement, Landlord does not thereafter diligently pursue same to completion, Tenant may, but need not, make such repairs and replacements, and Landlord shall pay Tenant the cost thereof within ten (10) days after notice given from Tenant to Landlord specifying such costs.

Except as expressly otherwise provided in this Lease, Landlord shall have no liability to Tenant by reason of any inconvenience, annoyance, interruption or injury to business arising from Landlord’s making any repairs or changes which Landlord is required or permitted by this Lease, or required by law, to make in or to any portion of the Building or the Premises, or in or to the fixtures, equipment or appurtenances of the Building or the Premises, provided that Landlord shall use due diligence with respect thereto. In case of repairs or changes which are made within the Premises, unless such repairs, renewals or improvements can be made during business hours without material interference with Tenant’s business operations, Landlord shall make such repairs, alterations, or replacements during non-business hours, except in the event of an emergency.

9. ADDITIONS AND ALTERATIONS.

A. (i) Tenant may, at its discretion and its expense, carpet and decorate (i.e., paint, carpet, cover walls or ceilings, change furnishings, change or move non-demising walls provided same does not affect any building systems) and, if and as permitted by law, install an alarm and public address system (provided such public address system does not create excessive noise affecting other tenants and it is in compliance with all applicable codes) in such portion of the "public stairways" as run between the floors comprising the Premises and a door or other device barring access to such floors from lower floors except in emergency. Tenant may from time to time during the Term, at its expense, make other alterations, additions, inst substitutions, and improvements (herein collectively called TM in and to the Premises, excluding Structural Changes (as hereinafter defined), subject to the provisions of this Paragraph 9. If any changes performed by Tenant pursuant to this Paragraph 9 require that a City of Chicago Building Permit be issued and that drawings of such changes must be submitted to the City of Chicago for the issuance of the Building Permit, Tenant will provide Landlord with notice of such changes and supply Landlord with a copy of the drawings for such changes and the Building Permit. Notwithstanding anything to the contrary contained herein, Landlord's approval is not required for any changes pursuant to this Paragraph 9A(i).

(ii) If the change involves any work which: (1) involves a penetration or other alteration of the structural components of the Building, including, but not limited to, floor slabs (other than electrical outlets), load bearing walls or columns or demising walls, or (2) alters a primary Building system which serves other premises within the Building (collectively, "Structural Changes"), then Tenant shall, at least thirty (30) days prior to commencing any Structural Changes, notify Landlord of the nature and extent of such change and shall also submit reasonably detailed plans and specifications with such notice showing all the planned changes. Tenant shall not make any Structural Change without Landlord's prior consent, which consent shall not be unreasonably withheld, and Landlord may Impose reasonable conditions with respect to Structural Changes, including, without limit requiring Tenant to furnish Landlord with an itemization and security for the payment of all costs to be incurred with such changes, insurance against liabilities which may arise out of such Structural Changes, plans and specifications plus permits necessary for such changes and Landlord may require that all contractors and subcontractors be approved in advance by Landlord, which approval shall not be unreasonably withheld. The work necessary to make any Structural Changes shall be done at Tenant's expense by Tenant's contractors. Tenant shall reimburse Landlord for Landlord's reasonable and actual costs in reviewing and approving work done by Tenant's contractors. Upon completion of such work Tenant shall deliver to Landlord, if payment is made directly to contractors, evidence of payment, contractors' affidavits and full and final waivers of all liens for labor, services or materials all in form reasonably satisfactory to Landlord. Tenant shall defend and bold Landlord and the Land and Building harmless from all costs, damages, liens and expenses related to changes made by Tenant or its contractors, and relating to non-payment by Tenant of the cost of such changes. All work done by Tenant or its contractors pursuant to Paragraphs 8 or 9 shall be done in a first-class workmanlike manner using only good grades of materials and shall comply with all insurance requirements and all applicable laws and ordinances and rules and regulations of governmental departments or agencies. In luring such contractors, Tenant will not knowingly take any action which will directly result in picketing of the Building or the concerted withholding of services by any employees of Landlord or Landlord's beneficiary and should any such action occur Tenant will take any reasonable steps available to bring such action to an end.

B. All changes, whether temporary (to the extent then existing) or permanent in character, made or paid for by Landlord or Tenant, shall without compensation to Tenant become Landlord's property at the termination of this Lease by lapse of time or otherwise. Tenant shall remove any Structural Changes and restore the Premises to their condition existing prior to such Structural Changes on or before the termination of this Lease if Landlord notified Tenant at the time Landlord approved the making of such Structural Changes that Landlord required such removal. Except for the aforementioned limited obligation of Tenant to remove certain Structural Changes, upon termination of this Lease, Tenant shall have no obligation to remove any changes and to restore the Premises to their condition prior to such changes.

10. COVENANT AGAINST LIENS. Tenant has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether Created by act of Tenant, operation of law or otherwise, to attach to or be placed upon Landlord's title or interest in the Land, Building or Premises, and any and all liens and encumbrances created by Tenant shall attach to Tenant's interest only. Tenant covenants and agrees not to suffer or permit any lien of mechanics or materialmen or others to be placed against the Land, Building or the Premises with respect to work or services claimed to have been performed for or materials claimed to have been furnished to Tenant or to the Premises by contractors retained by Tenant, and, in case of any such lien attaching, or claim thereof being asserted, Tenant covenants and agrees within thirty (30) days of learning thereof to cause it to be released and removed of record or to be bonded over by a title insurer or surety reasonably satisfactory to Landlord. In the event that any such lien is not so released and removed or bonded over, landlord, at its sole option, may take all action necessary, and to investigate the validity thereof, to release and remove such lien, and Tenant shall promptly, upon notice, reimburse Landlord for all reasonable sums, costs and expenses (including reasonable attorneys' fees) incurred by Landlord in connection with the release and removal of such lien.

11. INSURANCE.

A. Waiver of Subrogation. Subject to the limitations set forth below in this Paragraph 1l.A., Landlord and Tenant each hereby waive any and every claim for recovery from the other for any and ali loss or damage to the Building or Premises or to the contents thereof, which loss or damage is covered by the provisions of any insurance policy carried, or insurance evidencing the coverages required in (BXL) and (B)(2) hereof in form reasonably satisfactory to Landlord, which certificates shall in each case state that such insurance may not be canceled without at least thirty (30) days' prior written notice to Landlord.

B. **[Insert Page 20 which seems to be missing from this scan]**

C. Landlord's Coverage. Landlord hereby agrees to insure the Building and all portions of the Premises not required to be insured by Tenant during the Term on an "all risks' of physical loss or damage basic including boiler and machinery coverage, in an amount that meets any coinsurance clauses of the policy and is equal to one hundred percent (100%) of the full replacement cost of the Building (excluding the cost of foundation, excavation and footings below the lowest basement floor) subject to a reasonable deductible. Landlord shall carry rent loss insurance in an amount equal to not less than twelve (12) months of gross Building rents and earthquake/flood insurance in an amount customary for first-class office buildings in Chicago, Illinois. Landlord shall also carry Commercial General Liability Insurance with at least the same coverages and amounts as required of Tenant above. All insurance policies shall include cross liability and severability of interest endorsements. Landlord shall deliver to Tenant, certificates of such insurance in form reasonably satisfactory to Tenant, which certificates shall in each case state that such insurance may not be canceled or materially changed without at least thirty (30) days' prior written notice to Tenant, and said insurance policies shall be endorsed so that such insurance policies may not be canceled or materially changed without at least thirty (30) days' prior written notice to Tenant. All insurance policies shall be with an insurance company having an AM Best Rating of A- X or better or an insurance company of equivalent financial standing.

D. Workmen's Compensation Coverage. Both Landlord and Tenant shall carry Workmen's Compensation coverage at such times and in such amounts as may be required by applicable statutes, and at the request of the other party, shall supply a certificate evidencing such coverage.

E. Avoid Action Increasing Rates. Tenant shall comply with all applicable laws and ordinances, all orders and decrees of court and all requirements of other governmental authorities, and shall not, directly or indirectly, make any use of the Premises which may thereby be prohibited or be dangerous to person or property or which may jeopardize any insurance coverage or may increase the cost of insurance or require additional insurance coverage. If by reason of the failure of Tenant to comply with the provisions of this Paragraph 11 .B., any insurance coverage is jeopardized or insurance premiums are increased, Landlord shall have the option, if the insurance coverage is jeopardized, to enjoin the use which jeopardizes the coverage, and if the insurance premium is increased, to require Tenant to make immediate payment of the increase.

12. FIRE OR CASUALTY.

If the Building or the Premises shall be partially or totally damaged or destroyed or rendered untenantable by fire or other cause at airy time during the first ten (10) Calendar Years of the Term, Landlord shall be obligated and shall proceed with reasonable diligence to repair the damage and restore and rebuild the Building and the Premises at its expense as promptly as reasonably practicable; provided, however, that Landlord shall not be required to repair or replace any property required to be insured by Tenant pursuant to Paragraph 11 B.(2).

In the event Landlord is obligated pursuant hereto to restore and rebuild the Premises, or any portion thereof, as a result of a fire or other cause, Landlord shall be obligated to restore or rebuild those portions of the improvements in the Premises or the affected portion thereof, which would be L property upon termination of the Lease to the condition they were in immediately prior to such d or destruction, except that the replacement items shall be new rather than used.

If the Premises, or any portion thereof, shall be rendered untenantable as a result of fire or other cause, all Rents payable hereunder shall be equitably abated to the extent that the Premises shall have been rendered untenantable, such abatement to be for the period from the date of such damage or destruction to the Premises to the date the Premises are no longer untenantable.

If, at any lime after the first ten (10) years Calendar Years of the Term, less than 50% of the Building shall be rendered untenantable by fire or other casualty, Landlord shall be obligated and shall proceed with reasonable diligence to repair the damage and restore and rebuild the Building and the Premises at its expense; provided, however, that Landlord shall not be required to repair or replace any property required to be insured by Tenant pursuant to Paragraph 11 .B.(2).

If, at any time after the first ten (10) Calendar Years of the Term, 50% or more of the Premises or the Building shall be rendered untenantable or inaccessible by fire or other casualty, Landlord shall notify Tenant within one hundred twenty (120) days after the date of such fire or other casualty of Landlord's reasonable estimate for the amount of time from the date of such fire or other casualty necessary to make the required repairs and tender the Premises to Tenant (the "Rebuild Notice"). Provided Tenant is not in default hereunder (beyond any applicable cure period), Tenant may, upon notice to Landlord within thirty (30) days after Tenant's receipt of the Rebuild Notice, obligate Landlord to repair the damage and restore the Premises at Landlord's e (the "Obligation Notice") as promptly as reasonably practicable; provided, however, that Tenant's Obligation Notice shall be effective only if at the time of service of such notice, the following conditions (the Rebuild Conditions") shall be satisfied:

A. Tenant shall exercise its option on the first Extension Term as provided in Paragraph 34 of this Lease; provided, however, that the term of such first Extension Term shall be increased to the extent necessary to extend the Term of this Lease so that there shall be a total of ten (10) years remaining in the Term of the Lease (measured from the date Landlord delivers the restored Premises to Tenant); and

B. Tenant shall waive its contraction options under Paragraph 31 of this Lease. Provided the Obligation Notice is effective, Landlord shall be obligated and shall proceed with reasonable diligence to repair the damage and restore and rebuild the Building and the Premises at Landlord's expense; provided, however, that Landlord shall not be required to repair or replace any property required to be insured by Tenant pursuant to Paragraph l1.B.(2). If Tenant does not provide Landlord with the Obligation Notice within thirty (30) days of Tenant's receipt of the Rebuild Notice, Landlord shall have no obligation to rebuild the Premises, and Landlord may, at its option, terminate this Lease by giving written notice thereof to Tenant. In the event that such notice of termination shall be given, this Lease shall terminate as of the date provided in such notice of termination with the same effect as if that date were the expiration date of the Term.

Any dispute which may arise between the parties with respect to the meaning or application of any of the provisions of this Paragraph 12 shall be determined by a partner at an architectural firm acceptable to Landlord and Tenant whose fees and expenses shall be borne equally by Landlord and Tenant ("Architect"). If Landlord and Tenant cannot agree on an Architect, then each shall select an architect and the two architects shall select a third architect whose decision shall be binding on the parties.

13. WAIVER OF CLAIMS. Neither Landlord nor Landlord's beneficiaries, nor the agents, officers, directors, shareholders, partners or principals (disclosed or undisclosed) of either of them shall be liable to Tenant or Tenant's shareholders, agents, employees, invitees, licensees or other occupants of the Premises, for any injury or damage to, or loss (by theft or otherwise) of any of Tenant's property or of the property of any other person, irrespective of the cause of such injury, damage or loss (including the acts or negligence of any tenant or of any owners or occupants of adjacent or neighboring property or caused by operations in construction of any private, public or quasi-public work) unless due to the negligence of Landlord, or Landlord's beneficiaries or the agents, officers, directors, partners, principals (disclosed or undisclosed) or employees of either of them as to matters required to be insured by Landlord under this Lease, or due to the negligence of Landlord, or Landlord's beneficiaries or the agents, officers, directors, partners, principals (disclosed or undisclosed) or employees of either of them as to all other matters. Neither Tenant, nor Tenant's shareholders, agents, employees, invitees, licensees or other occupants of the Premises shall be liable to Landlord, Landlord's beneficiaries, or the agents, officers, directors, shareholders, partners or principals (disclosed or undisclosed) of either of them for injury or damage to, or loss (by theft or otherwise) of any of the property of any other person, irrespective of the cause of such injury, damage or loss (including the acts of negligence of any tenant or any owners or occupants of the adjacent or neighboring property or caused by operations in construction of any private, public or quasi-public work) unless due to the negligence of Tenant or Tenant's shareholders, agents or employees, as to matters required to be insured by Tenant or due to the negligence of Tenant or Tenant's shareholders or agents, as to all other matters. Landlord, Landlord's beneficiaries, and the agents, officers, directors, partners or

principals (disclosed or undisclosed) of either of them shall not be liable, to the extent of Tenant's recovery under any insurance carried by it, whether or not required to be carried by the terms of this Lease, for any loss or damage to any person or property even if due to the negligence of Landlord, Landlord's beneficiaries or the agents, officers, directors, partners or principals (disclosed or undisclosed) of either of them. Similarly, Tenant and Tenant's shareholders, agents, employees, invitees, licensees or other occupants of the Premises shall not be liable to Landlord, or Landlord's beneficiaries to the extent of Landlord's or Landlord's beneficiaries' recovery under any insurance carried by it, whether or not required to be carried by the terms of this Lease, for any loss or damage to any person or property even if due to the negligence of Tenant or Tenant's shareholders, agents, employees, invitees, licensees or other occupants of the premises. Landlord and Tenant shall each make all reasonable efforts to recover from its insurers any claim which may provide a recovery to the other.

14. NONWAIVER. No waiver of any provision of this Lease shall be implied by any failure of Landlord or Tenant to enforce any remedy on account of the violation of such provision, even if such violation be continued or repeated subsequently, and no express waiver shall affect any provision other than the one specified in such waiver and that one only for the time and in the manner specifically stated. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Term or of Tenant's right of possession hereunder or after giving of notice shall reinstate, continue or extend the Term or affect any notice given Tenant prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of such Rent shall not waiver or affect such notice, suit or judgment.

15. CONDEMNATION. If all or substantially all of the Land and the Building (herein in this Paragraph 15 sometimes collectively called the "Project") is taken by condemnation permanently, or for a period in excess of one (1) year, this Lease shall terminate automatically.

If the taking is of less than substantially all of the Projector is for a period of less than the aforesaid year, and if this Lease is for any reason not terminated pursuant to the following grammatical paragraph, Landlord shall as soon as possible (but in no event longer than one (1) year) restore the Project as nearly as can practicably be clone (including the Premises) using all of the award received by Landlord (but not in excess thereof) so as to provide to the extent reasonably possible comparable space and amenities to those enjoyed by Tenant under this Lease prior to the taking (or Tenant's Proportionate Share thereof in case of the application of subparagraph B below); in such event this Lease shall continue in force at the square foot rental rates and adjustment herein provided for the Premises applied to the RSF of the Premises existing in the Project as restored (or Tenant's Proportionate Share thereof in case of the application of subparagraph B below), but rent shall abate as to periods when the Premises is not available for normal use by Tenant as a result of such taking and work of restoration.

If the taking is of less than substantially all of the Project or is for a period of less than the aforesaid year, then notwithstanding the foregoing grammatical paragraph, Landlord and Tenant shall have the right to terminate this lease in the following circumstances:

A. Landlord may terminate if in Landlord's reasonable business judgment restoration of the Project to substantially the same size and quality is not economically justified;

B. Tenant may terminate if (1) more than twenty-five percent (25%) of the Premises is so taken by eminent domain and (2) within sixty (60) days after such taking Landlord has not been able to provide other comparable space in the Building to temporarily add to the Premises to restore the size of the Premises to at least eighty-five percent (85%) of its Rentable Area prior to such taking and Landlord will not, based on Landlord's estimate of the Rentable Area of the restored Building (such estimate to be delivered to Tenant not more than forty-five (45) days after such taking), be able to restore the Premises to 100% of their Rentable Area prior to such taking by a date not more than one year after the date of such taking. Landlord shall not be bound to offer Tenant more than Tenant's Proportionate Share (based on the Premises compared to the Building prior to such taking) of the restored Building, and if Tenant fails to terminate this Lease as provided herein, the size of the Premises and the Rent shall be reduced to such share of the restored Building;

C. Either Landlord or Tenant may terminate if the taking occurs within twenty-four (24) months prior to the then effective termination date of the Term, as it may have been extended.

In any of the above termination cases, such termination notice must be given not more than sixty (60) days after the taking (the taking for purposes of this Paragraph shall be the date when the taking authority requires possession) and termination must be effective for the portion not taken not less than thirty (30) or more than ninety (90) days after such notice is given. For the portion taken, the termination shall be effective as of the date of the taking. No money or other consideration shall be payable by the Landlord to the Tenant in the case of termination under any of the above provisions, and Tenant shall have no right to share in the condemnation award except that Tenant shall have the right to recover out of the award all costs and expense incurred by Tenant in moving to other space and the amount of the unamortized cost of all improvements and additions located in the Premises (not including the Allowance contributed by Landlord).

16. ASSIGNMENT AND SUBLETTING.

A. Except as provided below, Tenant shall not, without the prior written approval of landlord, which approval shall not be unreasonably withheld, (i) assign, convey or mortgage this Lease or any interest hereunder, ii) permit to occur or permit to exist any assignment of this Lease or (unless bonded or insured over as provided in Paragraph 10 hereof) any lien upon Tenant's interest, voluntarily or by operation of law; (iii) sublet space in the Premises; or (iv) except in the case of (iii) above, permit the use of the Premises by any parties other than (a) Tenant and any Affiliate (as hereinafter defined) of Tenant, and (b) shareholders, employees and invitees of any of the foregoing. There shall be no partial assignment of Tenant's interest in this Lease. Any assignment of 100% thereof shall be governed by Paragraph 16.E. Except as provided in Paragraph 16.B., the word "assignment" in this Paragraph shall mean a 100% assignment. The term "sublease" and all words derived therefrom, as used in this Paragraph 16, shall include any subsequent sublease or assignment under such sublease. Notwithstanding anything to the contrary contained herein, Landlord's approval of any sublease by Tenant pursuant to (iii) above shall be limited to Landlord’s reasonable approval of the identity of the proposed subtenant, and the approval conditions listed in the final sentence of the following paragraph.

Landlord’s election to accept any assignee or subtenant as the tenant hereunder and to collect rent from such assignee or subtenant shall not release Tenant or any subsequent tenant from any covenant or obligation under this Lease except as may be expressly provided in Landlord’s written consent Landlord’s consent to any assignment, subletting or transfer shall not constitute a waiver of Landlord’s right to withhold its consent to any future assignment, subletting or transfer, including assignment, subletting or transfer by any subtenant. Landlord may condition its consent upon execution by the subtenant or assignee of an instrument confirming such restrictions on further subleasing or assignment and joining in the waivers and indemnities made by Tenant hereunder. To obtain the consent of Landlord to an assignment or subletting, Tenant shall submit to Landlord at least thirty (30) days prior to the proposed effective date of the assignment or sublease a written notice thereof. Landlord shall not be deemed to have unreasonably withheld its consent to a proposed sublease or assignment if its consent is withheld because: (1) Tenant is then in default hereunder (beyond any applicable cure period); (2) any notice of termination of this Lease or termination of Tenant’s possession shall have been given pursuant hereto and the matter or occurrence giving rise to such notice has not been cured; (3) the proposed sublease or assignment will, as proposed, violate any city, stare or federal law, ordinance or regulation; (4) the proposed use of the Premises by the subtenant or assignee does not conform to the use set forth in Paragraph 6 hereof; or (5) the proposed subtenant or assignee is engaged in a business that would be deleterious to the reputation of the Building.

B. Landlord shall be deemed to approve of any assignment or sublease (however Tenant shall notify Landlord of such assignment or sublease) to: (1) any party resulting from a merger or consolidation with Tenant so long as Tenant or any Affiliate (as hereinafter defined) is the surviving dominant party after such merger (ii) any party succeeding to the business and assets of Tenant; or (iii) any Affiliate of Tenant. For purposes of this Lease, an "Affiliate" shall mean any firm, person, corporation or entity now or hereafter controlling, controlled by or under common control with Tenant and such control is exercised via the ability to direct or cause the direction of, the management and policies of the other, whether through the ownership of voting securities, common directors or officers, or otherwise. At any time during the Term of this tease if Tenant transfers all or a part of Tenant's United States business operations as of October 1, 1997 (the "U.S. Business") to an Affiliate or any other firm, person, corporation or entity (collectively, a "Successor Entity"), such Successor Entity shall be made a party to this Lease and shall be jointly responsible with Tenant for all obligations under this Lease. The previous sentence shall apply to any transferee of any such Successor Entity, unless Tenant or any Successor Entity provides Landlord with reasonably acceptable credit documentation evidencing Tenant's and any Successor Entity's financial capacity to perform their obligations under this Lease.

C. If at any time Tenant subleases (each sublease, a "Tenant Sublease") to a total of 200,000 square feet of space in the Premises, "Sublease Profits" (as defined in Paragraph 16.1).) shall be allocated in the following manner:

(i) If there is 150,000 or more RSP then available for lease in the Building at the time of execution of a Tenant Sublease, Landlord and Tenant shall divide Sublease Profits between them equally.

(ii) If there is less than 150,000 RSF then available for lease in the Building at the time of execution of a Tenant Sublease, Tenant shall retain 100% of all Sublease Profits.

Notwithstanding the foregoing, if Tenant subleases more than 200,000 square feet of space in the Premises, the Sublease Profits for the portion of such space above 200,000 square feet shall be equally divided between Landlord and Tenant, regardless of the amount of vacant space in the Building at the time of the sublease. Calculations of Sublease Profits and sublease RSF percentage limitations shall be made on a monthly basis throughout the Term.

D. "Sublease Profits" shall mean the entire excess, after deduction of all reasonable costs of subletting (including, without limitation, marketing costs, rent concessions, reasonable attorneys' fees, commissions and tenant improvement allowances), of revenues generated by the subleasing of the Premises or portions thereof over the Rent applicable thereto. All such revenues shall be applied first to reimbursement of such costs of subletting until they are paid in full. Not more than thirty (30) days after the commencement date of a sublease which will produce Sublease Profits and annually thereafter, Tenant shall furnish Landlord with a sworn statement setting forth in detail the computation of the Sublease Profits on such sublease (which computation shall be based upon generally accepted accounting principles).

Every such statement shall be conclusive and binding upon Landlord as to the Sublease Profits paid prior to the date of such statement unless within thirty (30) days after the receipt of such statement, Landlord shall notify Tenant that it disputes the correctness of the statement, specifying the particular respects in which the statement is claimed to be incorrect. If such dispute shall not have been settled by agreement within thirty (30) days after delivery of Landlord's dispute notice, it shall be settled by submission of such dispute to a national public accounting firm acceptable to Landlord and Tenant, at the expense of Landlord, except as hereinafter provided, for a final and binding determination. Upon determination of auth dispute, such Sublease Profits shall be recalculated and any overpayment shall be returned, or underpayment promptly made, on demand plus interest on such overpayment or underpayment at the rate of two percent (2%) per annum over the Prime Rate. Tenant agrees to grant Landlord reasonable access to Tenant's office for the purpose of verifying Sublease Profits and to make copies of any and all bills, vouchers and other documents relating thereto, subject to reimbursement by Landlord for the cost of such copies. In the event that a review of Tenant's books and records pursuant to this Paragraph reveals that Tenant has understated Sublease Profits by in excess of five percent (5%) of the actual Sublease Profits payable to Landlord, Tenant shall also reimburse Landlord for the reasonable expenses incurred by Landlord in conducting such review of Tenant's books and records and the accounting firm costs. If a part of the consideration for any subletting shall be payable other than in cash, the payment to Landlord shall be payable in cash based on the cash value of the other non cash considerations. Tenant shall pay Landlord its share of the Sublease Profits promptly upon Tenant's receipt from time to time of periodic payments from a subtenant or at such other time as Tenant shall realize the Sublease Profits from such sublease. Landlord shall not be responsible for any deficiency in amounts received for a sublease in relation to the Rent due hereunder.

E. In case Tenant proposes to Landlord an assignment of 100% of its interest in this Lease by the notice described in Paragraph 16.A hereof, Landlord shall have the option to terminate this Lease, If Landlord wishes to exercise its option to terminate, Landlord shall, within fifteen (15) days after Landlord's receipt of the notice from Tenant described in Paragraph 16.A., send to Tenant a notice of termination. The date on which such termination will be effective shall be the proposed commencement date of the assignment. Tenant shall automatically be released from all obligations under this Lease to be performed after the effective date of such termination. Landlord shall have no option to terminate this Lease for assignments or sublets pursuant to Paragraph 16.B hereof.

If Landlord approves such assignment but does not so terminate this Lease, Tenant may proceed with the proposed assignment. Landlord and Tenant shall share in the ratio of 50% to 50% the profits from said assignment calculated and verified in the same fashion as described in Paragraph 16.D. above.

17. SURRENDER OF POSSESSION. On the last day of the Term, or upon any earlier termination of this Lease, or upon any re-entry by Landlord upon the Premises, Tenant shall quit and surrender the Premises to Landlord. Tenant shall remove all of Tenant's trade fixtures, furniture and other personal property therefrom, shall restore the Premises wherever such removal results in damage thereto and shall otherwise generally leave the Premises in a reasonably tenantable condition. Any interest of Tenant in the alterations, improvements and additions to the Premises shall, without compensation to Tenant, become Landlord's property at the termination of this lease by lapse of time or otherwise and such alterations, improvements and additions shall be relinquished to Landlord. Tenant shall remove alterations, additions and improvements and make such restorations to the Premises as are required pursuant to Paragraph 9.B herein.

If Tenant shall fail or refuse to remove any of Tenant's property from the Premises, Tenant shall be conclusively presumed to have abandoned the same, and title thereto shall thereupon pass to Landlord without any cost either by setoff, credit, allowance or otherwise.

18. HOLDING OVER. Tenant shall pay to Landlord Rent at an annual rate equal to the greater of (1) Current Market Rate for the Premises, determined, if necessary, in accordance with Paragraph 30.G. hereof, or (ii) one hundred fifty percent (150%) of then current Base Rent for the Premises, plus one hundred fifty percent (150%) of the Additional Rent paid by Tenant during the previous Calendar Year herein provided, payable in monthly installments on the first day of each month or portion thereof for which Tenant shall retain possession of the Premises or any part thereof after the expiration or termination of the Term or of Tenant's right of possession, whether by lapse of time or otherwise. Tenant shall also pay all damages sustained by Landlord by reason of such retention if such retention shall continue for thirty (30) or more days.

19. ESTOPPEL CERTIFICATE. Landlord and Tenant each agree, from time to time upon not less than tea (10) days' prior request by the other party, to execute, acknowledge and deliver to the other party a statement in writing certifying (i) that this Lease is unmodified and in full force and effect (or if there have been modifications, a description of such modifications and that the Lease as modified is in full force and effect); (ii) whether the Term has commenced and the dates to which Rent and other charges have been paid; (iii) that the other party is not in default under any provision of this Lease, to the knowledge of the party furnishing the certificate, or i in default, the nature thereof in detail (and in case of certificates requested of Tenant, that, to the best knowledge of Tenant, Tenant has no existing defenses, set-offs, or claims hereunder, or, if any, specifying same); and (iv) such further matters as reasonably may be requested, it being intended that any such statement may be relied upon by any prospective assignee or sublessee of any tenant (including Tenant) of the Building, any mortgagees or prospective mortgagees thereof, any lender to Tenant, or any prospective and/or subsequent purchaser or transferee of all or part of Landlord's interest in the Land and/or Building or of Tenant's interest in the Premises.

20. SUBORDINATION. This Lease shall be prior to any mortgage or ground or underlying lease; provided, however, Tenant agrees to subordinate its rights hereunder at all times to (i) the lien of any mortgage or mortgages designated by Landlord and to all advances made or thereafter made upon the security thereof, and (ii) to all future ground leases or underlying leases of the Land and the Building designated by Landlord and to execute any such reasonable agreements evidencing such subordination as may be reasonably required by the mortgagee, trustee or ground or underlying lessor, as the case may be, and to attorn to and to recognize, as Landlord, the purchaser at a foreclosure sale or the mortgagee, trustee or its nominee in the event the mortgagee, trustee or such nominee accepts a deed in lieu of foreclosure, or the ground or underlying lessor in the event of the termination of such underlying or ground lease in return for and upon delivery to Tenant by such mortgagee, trustee or ground or underlying lessor, as the case may be (each being referred to as a "Lender"), of an agreement in a form reasonably satisfactory to Lender and Tenant providing that in the event of a foreclosure of

such mortgage or the giving of a deed in lieu of foreclosure or termination of such ground or underlying lease, this Lease shall not be terminated and Tenant may remain in possession of the Premises pursuant to the terms of this Lease and retain all of the rights, options and privileges granted to it hereunder as long as Tenant continues to perform its obligations hereunder and further providing that the purchaser at a foreclosure sale or transferee in the case of a deed in lieu of foreclosure or ground or underlying lessor, as the case may be, will assume all of the obligations of Landlord in such case; provided, however, that the holder of any mortgage, or purchaser at any foreclosure sale, as the case may be, shall not be bound by any prepayment of Base Rent or Additional Rent which Tenant may have paid in excess of the amounts then due for the current month (the "SNDA"). Tenant agrees to enter into an SNDA with any future Lender whose terms are no less favorable to Lender than those contained in the SNDA entered into between Tenant and Citicorp Real Estate, Inc. concurrently herewith.

Tenant also agrees to give any holder of any first mortgage, by registered or certified mail, a copy of any notice or claim of default served upon the Landlord by Tenant, provided that prior to such notice Tenant has been notified in writing (by way of service on Tenant of a copy of an assignment of Landlord's interests in leases, or otherwise) of the address of such first mortgage holder.

21. CERTAIN RIGHTS RESERVED BY LANDLORD.

A. Landlord shall have the following rights without liability to Tenant for damage or injury to property, person or business on account of the exercise thereof, and the exercise of any such rights shall not be deemed to constitute an eviction or disturbance of Tenant's use or possession of the Premises and shall not give rise to any claim for set off or abatement of rent or any other claims:

(1) To install, affix and maintain any and all signs on the exterior and on the interior of the Building; except that there shall be no signs for retail or commercial tenants in the lobby of the office portion of the Building and, other than for a tenant then having 400,000 RSF or more under lease ("Large Tenant"), there shall be no sign on the exterior of the Building indicating the occupancy of any tenant in the Building without the approval of Tenant which it may reasonably withhold. If there shall be a sign proposed for a Large Tenant, Tenant shall have the right to approve: (i) the installation of the sign and (ii) the text, location, size and style of such sign, such approvals not to be unreasonably withheld or delayed, and Tenant shall also have the right to equivalent signage. All Tenant's tights to approve under this subparagraph shall exist only so long as Tenant (including any Affiliate or Successor Entity) is not in default hereunder (beyond any applicable cure period) and occupies at least 400,000 RSF in the Building. Landlord hereby approves all Tenant signage existing as of the date hereof. Landlord shall have the right to approve (which approval not to be unreasonably withheld) all additional lobby or exterior signage proposed by Tenant and not existing as of the date hereof.

(2) To decorate or to make repairs, alterations, additions, or improvements, whether structural or otherwise, in and about the Building, or any part thereof, and for such purposes to enter upon the Premises, and during the continuance of any of such

work, to temporarily close doors, entryways, public space and corridors in the Building and to interrupt or temporarily suspend services or use of facilities, all without affecting any of Tenant's obligations hereunder, so long as the Premises are accessible and usable and provided that Landlord shall use due diligence with respect thereto. Unless such repairs, renewals or improvements can be made during business hours without material interference with Tenant's business operations and, except in the case of an emergency, Landlord shall make such repairs, alterations, or replacements during non-business hours;

(3) To furnish door keys or magnetic cards for the entry door(s) in the Premises at the commencement of the Lease and to retain at all times, and to use in appropriate instances, keys or magnetic cards to all doors within and into the Premises; provided that such system will permit the Landlord upon request of Tenant to cancel the effectiveness of the card held by any shareholder or employee or invitee of Tenant upon such person's departure from Tenant or for any other reason. Tenant agrees to purchase only from Landlord additional duplicate keys or magnetic cards as required (at Landlord's actual cost for such keys or magnetic cards), to change no locks or magnetic card readers, and not to affix locks or magnetic card readers on doors without the prior written consent of the Landlord not to be unreasonably withheld; provided that Landlord shall respond to Tenant's request for such consent with reasonable promptness. Upon the expiration of the Term or Tenant's right to possession, Tenant shall return all keys or magnetic cards to Landlord and shall disclose to Landlord the combination of any safes, cabinets or vaults left in the Premises;

(4) To designate a building standard window covering for exclusive use throughout the Building;

(5) To approve the weight, size and location of safes, vaults, library shelving, file storage e and other heavy equipment and articles in and about the Premises and the Building so as not to exceed the legal live load per square foot designated by the structural engineers for the Building, and to require all such items and furniture and similar items to be moved into or out of the Building and Premises only at such times and in such manner as Landlord shall reasonably direct in writing. Tenant shall not install or operate machinery or any mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises without the prior written consent of Landlord, not to be unreasonably withheld;

(6) To establish reasonable controls for the purpose of regulating all property and packages, both personal and otherwise, to be moved into or out of the Building and Premises and all persons using the Building after normal office hours;

(7) To reasonably regulate delivery and service of supplies and the usage of the loading docks, receiving areas and freight elevators;

(8) To show the Premises to prospective tenants within the final twelve (12) months of the Term (as the same may be extended), at reasonable times, and in a manner not to interfere with Tenant's use and enjoyment of the Premises and, if vacated or abandoned, to show the Premises at any time and to prepare the Premises for reoccupancy;

(9) To erect, use and maintain pipes, ducts, wiring and conduits, and appurtenances thereto, in and through the Premises at reasonable locations that do not unreasonably interfere with Tenant's business;

(10) To enter the Premises at any reasonable time upon reasonable prior notice (except no notice shall be required in the case of emergency) to inspect the Premises;

(11) Only Landlord or one or more persons approved by Landlord will be permitted to furnish bootblacking and barbering. Landlord may fix the hours during which, and the regulations under which, such supplies and services are to be furnished. Landlord expressly reserves the right to act as, or to designate, at any time and from time to time, an exclusive supplier of all or any one or more of said supplies and services, provided all such supplies and services shall be furnished on a basis which is reasonably competitive to that which would otherwise be directly available to Tenant; and Landlord furthermore expressly reserves the right to exclude from the Building any person attempting to furnish any of said supplies or services but not so designated by Landlord. Notwithstanding the foregoing, Tenant shall have the right to specify the vendors for other supplies and services for the Premises, subject to Landlord's approval, which approval shall not be unreasonably withheld or delayed;

(12) To close the Building after hours and on any day which is not a business day, subject, however, to Tenant's right to admittance to the Premises at any time under such reasonable regulations as Landlord may prescribe from time to time, which may include but shall not be limited to, a requirement that persons entering or leaving the Building identify themselves to a watchman by registration or otherwise and establish their right to enter or leave the Building.

22. RULES AND REGULATIONS. Tenant agrees to observe the Rules and Regulations for Tenant attached hereto as Exhibit B and made a part hereof. L shall have the right from time to time to prescribe additional rules and regulations which, in its reasonable judgment, may be desirable for the use, entry, operation and management of the Premises and Building, each of which rules and regulations and any amendments thereto shall become a part of this Lease. Tenant shall comply with all such ivies and regulations, provided such ivies and regulations are uniformly enforced against all Building tenants and except to the extent that such rules and regulations unreasonably contradict or abrogate any right or privilege herein expressly granted to Tenant. Landlord will provide Tenant with a written copy of any modifications to the Rules and Regulations.

23. REMEDIES. If default shall be made in the payment of the Rent or any installment thereof or in the payment of any other sum required to be paid by Tenant under this Lease and such default shall continue for ten (10) days after written notice to Tenant; or if default shall be made in the observance or performance of any of the other covenants or conditions in this Lease which Tenant is required to observe and perform and such default shall continue for thirty (30) days after written notice to Tenant, unless with respect to any non

monetary default which cannot be cured within thirty (30) days, Tenant, in good faith, promptly after receipt of such notice, shall have commenced and thereafter shall continue diligently to reasonably prosecute and complete all action necessary to cure such default within an additional forty-five (45) days; or if a default which involves a hazardous condition is not cured by Tenant as promptly as reasonably possible upon written notice to Tenant; or if any involuntary petition in bankruptcy shall be filed against Tenant under any federal or state bankruptcy or insolvency act and shall not have been dismissed within ninety (90) days from the filing thereof, or if a receiver shall not have been dismissed within ninety (90) days from the date of his appointment, or if Tenant shall make an assignment for the benefit of creditors, or if Tenant shall admit in writing Tenant's inability to meet Tenant's debts as they mature, the levy upon execution or the attachment by legal process of the leasehold interest of Tenant or the filing or creation of a lien in respect of such leasehold interest, which lien shall not be released or discharged within thirty (30) days after the date of filing, bankruptcy, reorganization, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law are instituted by or against Tenant and not dismissed within ninety (90) days after institution, then Landlord may treat the occurrence of any one or more of the foregoing events as a breach of this Lease, and thereupon at its option may, with or without any additional notice or demand of any kind to Tenant or any other person, have any one or more of the following described remedies in addition to all other rights and remedies provided at law or in equity or elsewhere herein:

(1) Landlord may terminate this Lease and the Term created hereby, in which event Landlord may forthwith repossess the Premises and be entitled to recover forthwith, as damages a sum of money equal to all sums due and owing Landlord hereunder to said date, all reasonable costs and expenses incurred by Landlord as a result of Tenant's default, including reasonable attorneys' fees, the excess of the then present value of the Rent provided to be paid by Tenant for the balance of the Term over the fair market rental value (discounted to present value) of the Premises, after deduction of all anticipated expenses or reletting, for such period, and the unamortized portion of the Allowance given Tenant hereunder (assuming an amortization of such amount over the shortest period allowable under the Internal Revenue Code for the type of Improvements installed in the Premises). In computing present value, a discount rate equal to the rate of interest on the most recently issued 10 Year U.S. Treasury bonds shall be used. Should the fair market rental value of the Premises, after deduction of a reasonable estimate expenses of reletting, for the balance of the Term exceed the present value of the Rent provided to be paid by Tenant for the balance of the Term, Landlord shall have no obligation to pay to Tenant the excess of any part thereof; and

(2) Landlord may terminate Tenant's right of possession and may repossess the Premises by forcible entry and detainer suit, by taking peaceful possession or otherwise, without terminating this Lease or Tenant's obligation to pay Rent hereunder, in which event Landlord shall attempt to relet the same for the account of Tenant, for such rent and upon such terms as shall be reasonably satisfactory to Landlord. For the purpose of such reletting, Landlord is authorized to decorate, repair, remodel or alter the Premises If Landlord shall fall to relet the Premises, Tenant shall pay to Landlord as damages a sum equal to the amount of the Rent reserved in this Lease for the balance of the Term, as and when payable pursuant to this Lease. If the Premises are relet and a sufficient sum shall not be realized from such reletting after paying all of the reasonable

costs and expenses of all decoration, repairs, remodeling, alterations and additions and the expenses of such reletting and of the collection of the rent accruing therefrom to satisfy the Rent provided for in this Lease, Tenant shall satisfy and pay the same upon demand therefor from time to time. Tenant shall not be entitled to any rents received by Landlord in excess of the Rent provided for in this Lease. Tenant agrees that Landlord may file suit to recover any sums falling due under the terms of this Paragraph 23 from time to time and that no suit for or recovery of any portion due Landlord hereunder shall be any defense to any subsequent action brought for any amount not theretofore reduced to judgment in favor of Landlord or otherwise recovered by Landlord.

In the event Landlord defaults in the performance of any of its obligations to Tenant hereunder, or breaches any representation, express or implied, to Tenant in connection with this Lease, and such default or breach continues for a period of thirty (30) days following written notice thereof from Tenant to Landlord unless with respect to a default or breach which cannot be cured within thirty (30) days, Landlord, in good faith, promptly after receipt of such notice, shall have commenced and thereafter shall continue diligently to reasonably prosecute and complete all action necessary to cure such default within an additional forty-five (45) days, then Tenant may (i) take such action as is reasonably necessary to cure Landlord’s default, (ii) bring suit against Landlord for damages, and/or c bring suit to specifically enforce Landlord’s obligations under this Lease. In the event Tenant cures such default by Landlord as provided In item (1), Landlord will reimburse Tenant for all reasonable costs and expenses incurred by Tenant in curing Landlord’s default within ten (10) days after notice from Tenant given from time to time as costs are incurred. Notwithstanding the foregoing, in cases of emergency, Tenant may cure Landlord’s obligations if Landlord fails to commence the cure thereof as soon as reasonably possible following Tenant’s notice to Landlord.

24. EXPENSES OF ENFORCEMENT.

A. Tenant shall pay upon demand all Landlord's reasonable costs, charges and expenses, including the reasonable fees and cut-of-pocket expenses of counsel, agents and others retained by Landlord incurred in successfully enforcing Tenant's obligations hereunder or incurred by Landlord in any litigation, negotiation or transaction in which Tenant causes Landlord without Landlord's fault to become involved or concerned.

B. Landlord shall pay upon demand all Tenant's reasonable costs, charges and expenses, including the reasonable fees and out-of-pocket expenses of counsel, agents and others retained by Tenant incurred in successfully enforcing Landlord's obligations hereunder or incurred by Tenant in any litigation, negotiation or transaction in which Landlord causes Tenant without Tenant's fault to become involved or concerned.

25. COVENANT OF OUIET ENJOYMENT. Landlord covenants that Tenant, on paying the Rent, charges for services and other payments herein reserved and on keeping, observing and performing all the other terms, covenants, conditions, provisions and agreements herein contained on the part of Tenant to be kept, observed and performed, shall, during the Term, peaceably and quietly have, hold and enjoy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof and Landlord shall defend, at Landlord's sole cost and expense, Tenant's right of quiet enjoyment.

26. REAL ESTATE BROKER. Landlord and Tenant represent to each other that neither has dealt with any real estate broker with respect to this Lease except for LaSalle Partners Limited, which is a consultant to Tenant and is to be paid by Tenant at its sole cost and expense, and The John Buck Company, which is a consultant to Landlord and is to be paid by Landlord at its sole cost and expense. To each party's knowledge, except for the aforementioned brokers, no other broker initiated or participated in the negotiation of this Lease, submitted or showed the Premises to Tenant or is entitled to any commission in connection with this Lease, and each agrees to indemnify, defend and hold the other harmless from all claims from any other real estate broker for commission or fees in connection with this Lease claiming through such representing party.

27. MISCELLANEOUS.

A. Building Name. Provided Tenant (including any Affiliate or Successor Entity) occupies at least 400,000 RSF in the Building and is not in default hereunder (beyond any applicable cure period), the Building shall be named "The Leo Burnett Building at 35 West Wacker Drive", and Tenant shall have the sole right, from time to time, to change said name, subject to the written approval of Landlord, which approval shall not unreasonably be withheld or delayed.

B. Approval of Tenants. Provided Tenant is not in default hereunder (beyond any applicable cure period) and so long as Tenant (including any Affiliate or Successor Entity) shall occupy at least 400,000 RSF within the Building, Tenant shall have the right to approve any lease first entered into after the date hereof (excluding renewals or expansions of existing tenants) to (1) any advertising agency (a "Restricted Tenant") and (ii) to any tenant in which the name “Burnett” or any confusingly similar name is a part. Such approval may be arbitrarily withheld. Landlord shall request such approval in writing and if Tenant does not object in writing within ten (10) days of receipt of Landlord’s notice, then Tenant shall be deemed to have approved the proposed lease. Notwithstanding the foregoing, Landlord may lease up to 25,000 RSF on one (1) floor above the 34th floor of the Building to one (1) Restricted Tenant without Tenant’s approval, provided, however, that Landlord may not lease any space in the Building to any of the following companies (including any firm, person, corporation or entity now or hereafter controlling, controlled by or under common control with said companies and such control is exercised via the ability to direct or cause the direction of, the management and policies of the other, whether through the ownership of voting securities, common directors or officers, or otherwise) or any successor entity or any other party who succeeds to a material portion of said companies’ business which portion competes with the business then being conducted by Tenant: (i) Interpublic Group Cos Inc., (ii) Omnicom Group Inc., (iii) True North Communications, (iv) Cordiant ADS, (v) Grey Advertising, (vi) WPP Group, and (vii) Young & Rubicam.

C. Rights Cumulative. All rights and remedies of Landlord and Tenant under this Lease shall be cumulative, and none shall exclude any other rights and remedies allowed by law.

D. Interest. All payments becoming due under this Lease and remaining unpaid when due shall bear interest until paid at the rate of two percent per annum above the Prime Rate (but in no event at a rate which is more than the highest rate which is at the time lawful in the State of Illinois).

E. Terms. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed.

F. Successors and Assigns. Any reference in this Lease to Landlord or Tenant shall extend also to its respective successors and assigns, unless expressly provided to the contrary. Each of the provisions of this Lease shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective successors or assigns, provided this Paragraph 27.F. shall not permit any assignment by Tenant contrary to the provisions of Paragraph 16 hereof.

G. Lease Contains All Terms. All of the representations and obligations of Landlord and Tenant are contained herein and in the Exhibits attached hereto, and no modification, waiver or amendment of this Lease or of any of its conditions or provisions shall be binding upon the Landlord or Tenant unless in writing signed by Landlord or Tenant, as the case may be, or by a duly authorized agent of Landlord or Tenant, as the case may be, empowered by a written authority signed by Landlord or Tenant, as the case may be.

H. Delivery for Examination. Submission of the Lease for examination shall not bind either party in any manner, and no Lease or obligations by either party shall arise until this instrument is signed by both Landlord and Tenant and delivery is made to each.

I. Transfer of Landlord's Interest. Tenant acknowledges that Landlord and any of its successors and assigns may assign its interest in this Lease to a mortgage lender as additional security on condition that such an assignment shall not release Landlord from its obligations hereunder and that Tenant shall continue to look to Landlord for the performance of its obligations hereunder. Notwithstanding aforesaid, Tenant agrees that the then Landlord shall not be liable for any acts or omissions on the part of any successor, assignee or transferee of Landlord after Landlord has made a bona fide conveyance of ownership of the Land and Building.

J. Landlord's Title. Landlord's title is and always shall be paramount to the title of Tenant. Nothing herein contained shall empower Tenant to commit or engage in any act which can, shall or may encumber the title of Landlord.

K. Recording. This Lease may be recorded by Tenant, and Tenant may record a memorandum thereof in form and substance reasonably approved by Landlord.

L. Captions. The captions of Paragraphs and subparagraphs are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such paragraphs or subparagraphs.

M. Only Landlord/Tenant Relationship. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Landlord and Tenant, it being expressly understood and agreed that neither the method of computation of Rent nor any act of the parties hereto shall be deemed to create any relationship between Landlord and Tenant other than the relationship of landlord and tenant.

N. Application of Payments. Landlord shall have the right to apply payments received from Tenant pursuant to this Lease (regardless of Tenant's designation of such payments) to satisfy any obligations of Tenant hereunder, in such order and amounts as Landlord, in its reasonable discretion, may elect.

O. Time of Essence. Time is of the essence of this Lease and each of its provisions.

P. Governing Law. Interpretation of this Lease shall be governed by the law of the State of Illinois.

Q. Partial Invalidity. If any term, provision, or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease (or the application of such term, provision or condition to persons or circumstances other than those in respect of which it is invalid or unenforceable) shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.

R. Sculptures. As long as Tenant (including any Affiliate and Successor Entity) occupies at least 400,000 RSF in the Building, Landlord hereby agrees to keep all sculptures located in the Building lobby as of the date hereof in the Building lobby.

28. LANDLORD’S SPECIAL COVBNANTS. Landlord covenants and agrees with Tenant that:

A. Parking. Tenant shall have the right to lease for the initial fifteen (15) years of the Term up to 75 parking spaces in the Building’s underground garage at the rate of $250.00 per space, per month (inclusive of all taxes), which amount shall not be subject to escalation; except that in addition to, and concurrently with, the payment of the foregoing $250 parking charge, Tenant shall pay to Landlord for each of its parking spaces, the $30.00 per month tax/fee imposed by the City of Chicago upon Landlord for each vehicle parked in the garage. Landlord and Tenant acknowledge and agree that Tenant shall not be responsible for any increases to the foregoing City of Chicago tax/fee or any new parking taxes or fees, but said $30.00 per month tax/fee shall be reduced by the amount of any reduction, if any, to the foregoing tax/fee levied by the City of Chicago. Such spaces shall be for the exclusive use by Tenant and shall be in locations designated by Tenant, such rights to extend through the term of this Lease and any extensions thereof, and to include the right to sublease such spaces. In addition, Tenant shall be entitled, at regular annual Building rates therefor, to any parking spaces which were rented by the immediately preceding tenants in space added to the Premises after the Commencement Date. Tenant may release such parking spaces, or any thereof, so leased at any time(s) on not less than thirty (30) days’ notice and shall not have any rights for the number of spaces so released at any time thereafter, Tenant may request additional parking spaces over and above the 75 space allocation which, subject to availability, shall be provided at the monthly rate then prevailing in similar parking structures in downtown Chicago. Landlord shall provide reduced parking rates for bikes and motorcycles consistent with rates for bikes and motorcycles charged by similar parking structures in downtown Chicago. Landlord shall continue to provide the amount, type and quality of parking services which Landlord provides as of the date hereof, including, but not limited to, car washes. If in the future Landlord provides reserved parking spaces to other tenants In the Building, landlord shall also provide Tenant with the same right to have reserved parking as provided to such other tenant.

Landlord acknowledges that Tenant has a storage and workshop space on level P-2 of the Building’s parking garage (the “Storage and Workshop Space”), which the parties acknowledge and agree contains approxim2tely 1,500 RSP and occupies six (6) parking spaces. With respect to the Storage and Workshop Space, on or before the Commencement Date, Tenant shall, in Tenant’s sole discretion, either (i) vacate the Storage and Workshop Space and remove all of Tenant’s belongings from the Storage and Workshop Space, (ii) elect to have the six (6) spaces of the Storage and Workshop Space included as part of the aforementioned 75 parking spaces allocated to Tenant or (iii) elect to lease the six (6) spaces of the Storage and Workshop Space for the Term and to pay for such six (6) spaces at the monthly rate for parking spaces charged by Landlord for spaces in the Building parking garage other than Tenant’s 75 spaces.

B. Communication System. Tenant shall have the right to maintain any satellite, microwave, or other communication systems, if any, belonging to Tenant and installed upon the Building’s roof as of the Commencement Date hereof. In addition, Tenant shall have the right at any time during the Term (or any extension thereof) to lease from Landlord up to 400 contiguous square feet of additional space on the roof of the Building at no cost to Tenant for a satellite, microwave or other communications system, so long as such system does not impair the use by other tenants of their space in the Building or other satellite, microwave or other communication systems then installed, or in Landlord's reasonable judgment, compromise the aesthetics of the Building. Once Tenant installs any of the foregoing systems, Landlord shall not enter into any new agreements with any other tenants for the installation of a satellite, microwave or other communications system which impairs the use by Tenant of: (1) its space in the Building, or (II) any satellite, microwave or other communication systems then installed by Tenant. Tenant shall submit plans for such system and the names of the contractors who will be installing such system, all of which shall be subject to Landlord's reasonable approval. Tenant shall pay all costs related to the installation, operation and maintenance of such system, including without limitation, the cost of any structural modifications to the Building made by Landlord and necessary, in the opinion of Landlord's structural engineer, to accommodate the system. Tenant shall, at Landlord's option, remove any system(s) at the expiration of the Term, unless the Term is extended, in which case Tenant shall, at Landlord's option, remove the system(s) at the expiration of the Term as extended. In each case, Tenant shall restore the Building to the condition existing prior to the installation of any such system(s). Tenant shall secure all zoning and regulatory approvals necessary for the system, at its expense.

C. Right of First Refusal for Roof Space. In addition to the above rights to rent space on the roof, Landlord hereby grants Tenant a right of first refusal for any proposed leasing of space on the roof of the Building to any other party. At such time as Landlord desires to enter into a lease of any part or portion of the space on the roof of the Building with a bonafide tenant, Landlord shall give Tenant written notice of the terms and conditions of the proposed lease. Tenant shall have ten (10) business days from the receipt of such notice to notify Landlord in writing that Tenant elects to lease said space on the same terms and condition as contained in Landlord's notice, and in such case, Landlord and Tenant shall then enter into a lease of said space. If Tenant exercises this right, Tenant shall in fact use said roof apace for satellite, microwave or communications purposes. In the event Tenant does not exercise such election within said ten (1.0) day period, then Tenant shall be deemed to have waived this right of first refusal for the proposed lease, but such waiver shall be only for the lease proposed in Landlord's notice and not for any subsequent proposed lease of space on the roof. If the proposed lease does not become effective within ninety (90) days after Landlord's notice, then Tenant shall again have this right of first refusal with respect to that proposed lease.

In no event shall Landlord allow any roof space to be used in a manner that unreasonably interferes with Tenant's satellite, microwave or other communications system on the roof.

D. Landlord's Alterations After Construction. Other than as is specifically allowed under the paragraphs of this Lease, so long as Tenant (including any Affiliate or Successor Entity) occupies at least 400,000 RSF of the Building and is not in default hereunder (beyond any applicable cure period), then the Landlord shall not, without in each case obtaining the prior written consent of Tenant, construct, install or make any major alteration to, or change in, the exterior or facade of the Building, elevator lobby design or signage, elevator cab upgrades, bathroom upgrades or corework, unless such major alterations or changes are approved by Tenant, such approval not to be unreasonably withheld or delayed.

29. NOTICES. All notices to be given under this Lease shall be in writing and delivered personally or deposited in the United States mail, certified or registered mail with return receipt requested, postage prepaid, addressed as follows:

A. If to Landlord, to:

The John Buck Company
233 South Wacker Drive
Suite 550
Chicago, Illinois 60606
Attention: President

and to:

Starwood Capital Group, L.P.
Three Pickwick Plaza
Suite 250
Greenwich, Connecticut 06830
Attention: Madison Grose and Jonathan Eilian

or to such other person or such other address designated by notice sent by Landlord to Tenant.

B. If to Tenant:

Leo Burnett Company, Inc.
35 West Wacker Drive
Chicago, Illinois 60601
Attention: General Counsel

with a copy (in the case of notice of default) to the attention of:

Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601
Attention: Stephen G. Tomlinson, Esq.

or to such other address as is designated by Tenant in a notice to Landlord.

Notice by mail shall be deemed to have been given on the second business day after deposit in the United States mail as aforesaid.

30. TENANT'S EXPANSION.

A. Tenant shall have and is hereby granted the options to add the Expansion Space (hereinafter described in the following table), for the remaining Term of this Lease and any extensions thereof upon the same terms, covenants and conditions contained in this Lease, except for the payment of Base Rent (which shall be payable in the amounts described below) and except as otherwise specifically provided in this Paragraph 30. Tenant's obligation to pay Tenant's Expense Participation Amount, Base Rent and any other Rent or Additional Rent for any particular Expansion Space shall commence on the date such space is actually made available to Tenant to be added to the Premises. In the event that Tenant exercises its expansion option(s) pursuant to this Paragraph 30, the Expansion Space thereby added to the Premises shall become a part of the Premises for all purposes of this Lease, and any reference to the term "Premises" shall be deemed to refer to and include any such Expansion Space, except as otherwise expressly provided otherwise in this Lease.

(i) **Space** **Called**	**(ii)** **Floor**	**(iii)** **Period, based on anniversaries of Commencement Date within which Space becomes part of the Premises**	**(iv)** **Base Rent When such Space Becomes Part of the Premises**
"First Expansion Space"	32nd floor 25,000 square feet	Six months before to Six months after 5th [2002] anniversary	95% of "Market Rate"

(i) **Space** **Called**	**(ii)** **Floor**	**(iii)** **Period, based on anniversaries of Commencement Date within which Space becomes part of the Premises**	**(iv)** **Base Rent When such Space Becomes Part of the Premises**
"Second Expansion Space"	38th floor 25,000 square feet	Six months before to Six months after 5th [2007] anniversary	95% of "Market Rate"

B. Tenant's options to expand shall be exercised as follows: On each occasion, Landlord shall give Tenant notice of each particular Expansion Space, the dates on which such spaces will be tendered to Tenant (the "Specification Notice"), and the rent for such Expansion Space, not less than fifteen (15) months prior to the earliest date stated in the Specification Notice for delivery of any such Expansion Space (the "Availability Date"). Tenant shall deliver a non-binding written notice to Landlord of its intent to exercise its option to expand not less than thirteen (13) months prior to the Availability Date of the Expansion Space (the "Option Notice"). If Tenant does not agree to the rent specified in the Specification Notice, Tenant shall state in its Option Notice that is desires the Market Rate to be calculated pursuant to Paragraph 30.G. Thereafter, the Market Rate for the particular Expansion Space will be so calculated. Such calculation shall reflect the Market Rate that would be payable per annum for a term commencing on the first day of the term for the particular Expansion Space with respect to which the calculation is being made, provided that such calculations shall be final and shall not be recalculated at the actual commencement of such Expansion Space term (if any). If Tenant fails to give its non-binding written notice of its intent to exercise its option to expand when due as hereinabove provided, Tenant will be deemed to have waived such option to expand.

If Tenant exercises its expansion option, Landlord shall deliver possession of each particular Expansion Space to Tenant within a period extending six (6) months prior to, until six (6) months after, the Availability Date contained in the Specification Notice (the "Delivery Window"). Landlord shall use reasonable efforts to deliver the Expansion Space to Tenant within the Delivery Window and Landlord shall take all commercially reasonable actions to remove holdover tenants from the Expansion Space. Landlord acknowledges that remedies at law will not be adequate for the damages Tenant will incur for a failure by Landlord to deliver the Expansion Space within the Delivery Window. Therefore, if Landlord fails to deliver the Expansion Space within the Delivery Window, Tenant may pursue an action for specific performance. In addition, Landlord shall have the right, by notice to Tenant from time to time at least six (6) months prior to the then current Availability Date for any floor of any Expansion Space, to change the location of such floor, provided that If the floor or floors being replaced were to be contiguous to the Premises when added to the Premises, the replacement floor or floors so designated must also be contiguous to the Premises when added to the Premises. Tenant's right to add floors pursuant to these subparagraphs 30.A. and 30.B. shall be exercised in full floor increments.

C. Each Expansion Space (or part thereof) shall become part of the Premises and, except as provided in Paragraph 30.8., Tenant's rental obligation for such Expansion Space (or part thereof) shall commence upon its delivery to Tenant in accordance with Paragraphs 30.A. and 30.B.

D. Notwithstanding anything to the contrary contained herein, (i) if Tenant exercises its first Contraction Option set forth in Paragraph 31 (i.e. year 2000), Landlord may designate the Contraction Space set forth in the 2000 Contraction Option as the First Optional Expansion Space; and (ii) if Tenant exercises its second Contraction Option set forth in Paragraph 31 (i.e. year 2005), Landlord may designate the Contraction Space set forth in such 2005 Contraction Option as the Second Optional Expansion Space. Landlord shall not lease space of less than 3,000 RSF on any floor which is subject to any of Tenant's expansion options without the prior written consent of Tenant, which consent may be withheld in Tenant's sole discretion.

E. Tenant's notice of exercise of an option for Optional Expansion Space or notice of exercise of any other rights or options granted pursuant to Paragraphs 31, 32, 34 and 35 of this Lease shall be effective only if at the time of service of such notice of exercise the following conditions (the "Expansion Conditions") shall be satisfied:

(1) Landlord shall not have notified Tenant that Tenant is in default in the performance of any of the monetary or material non-monetary terms, covenants, and conditions contained in this Lease which default has not been cured;

(2) This Lease shall not have been terminated and shall be in full force and effect; and

(3) There shall not have been any assignment of Tenant's interest in this Lease except as provided in Paragraph 30.H.

F. The Base Rent for the First Expansion Space and Second Expansion Space (as the case may be) shall be at a rate equal to 95% of the Market Rate (defined hereinafter) for such space. For purposes of this Paragraph 30, "Rate shall mean the fair net rental per annum (which shall be net of all Taxes and Operating Expenses) for a lease (but not a sublease) by a new tenant for "comparable space" (hereinafter defined) for a period commencing when the fair net rental being determined would first be payable, assuming no rent abatements of any kind per rentable square foot, for a term equal to the number of years remaining in the Term (including any Extension Term, with respect to winch Tenant has delivered its final binding written notice pursuant to Paragraph 34). The calculation of Market Rate shall be calculated on a net present value basis and shall take into account (and the fair net rental shall be decreased by the present value of any then market brokers' commission and of any then market tenant improvement, free rent other concession which would be available to a new tenant, and shall also take into account (and the fair net rental shall be increased by) the present value of the cost of any actual brokers' commission or actual tenant improvement, free rent or other concession, if any, agreed by the Landlord and Tenant to be payable or to be granted to Tenant in connection with the particular expansion option with respect to which Tenant has given its non binding notice. The calculation of Market Rate shall also be based on the assumption that there will be no financial escalation of Rent or stepping of Rent or similar increases over time other than the 2.5% annual increase to Base Rent provided for in Paragraph 4. The calculation of Market Rate shall also take into account that Tenant pays Tenant's Proportionate Share of the Operating Costs and Taxes in each fiscal year. As used herein, the term "comparable space" means similar space in office buildings in the central business district of Chicago where the Building is located, which are comparable to the Building in reputation, quality, age, size, location, and level and quality of services provided, and which have similar occupancy of the Building, but excluding those leases where tenants have an equity interest in the building.

G. For purposes of Paragraphs 30 and 34 of this Lease 'Market Rate" shall be determined as follows:

(1) (1) On or before five (5) days after the time at which Tenant must provide the Landlord with its non-binding written notice under this Lease of its intent to exercise any of its rights to: (i) expand the Premises under this Paragraph 30 or, (ii) extend the Term of this Lease under Paragraph 34, Landlord and Tenant shall commence negotiations to agree upon the Market Rate (to be multiplied by the RSF in the Premises) applicable thereto. If the Landlord and Tenant are unable to reach agreement on the Market Rate within twenty-one (21) days after the date negotiations commenced, then the Market Rate shall be determined in accordance with Paragraph 30.G.(2) below.

(2) If the Landlord and Tenant are unable to reach agreement on the Market Rate within said twenty-one (21) day period, then within seven (7) days, the Landlord and Tenant shall each simultaneously submit to each other in a sealed envelope its good

faith estimate of the Market Rate (each, a 'Good Faith Estimate'). If the higher of such estimates is not more than one hundred five percent (105%) of the lower of such estimates then the Market l shall be the average of the two estimates and shall be final and binding on Landlord and Tenant and Tenant's Option Notice shall become binding upon Tenant. Otherwise, within five (5) days after the expiration of such seven (7) day period Tenant may submit the question to arbitration in accordance with Paragraph 30.G.(3) below.

(3) If the Landlord and Tenant are unable to agree upon the Market Rate by exchange of Good Faith Estimates, then Tenant may, by written notice to Landlord within five (5) days after the exchange of Good Faith Estimates pursuant to Paragraph 30.G.(2) above, request to resolve the dispute by arbitration, whereupon Tenant's Option Notice shall become binding upon Tenant. If Tenant does not provide such notice within the aforementioned five (5) days, Tenant will be deemed to have waived its option to expand under this Paragraph 30 or its option to extend the Term of this Lease under Paragraph 34, as applicable. Within seven (7) days after the receipt of such request, the parties shall select, as an arbitrator, a mutually acceptable independent MAI appraiser with experience in real estate activities, including at least five (5) years experience in appraising office space in the central business district of the City of Chicago (a "Qualified Appraiser"). If the parties cannot agree on a Qualified Appraiser, then within a second period of seven (7) days, each shall elect a Qualified Appraiser and within ten (10) days thereafter the two appointed Qualified Appraisers shall select a third Qualified Appraiser and the third Qualified Appraiser shall be the arbitrator and shall determine the Market Rate. If one party shall fail to make such appointment within said second seven (7) day period, then the Qualified Appraiser chosen by the other party shall be the sole arbitrator.

(4) Once the arbitrator has been selected as provided in Paragraph 30.G.(3) above, then, as soon thereafter as practicable but in any case within twenty-one (21) days, the arbitrator shall select one of the two Good Faith Estimates of Market Rate previously submitted by the Landlord and Tenant in accordance with 30.G.(2) above, which shall be the one that is closer to the fair market net rental value as determined by the arbitrator. The value so selected shall be the Market 1 The decision of the arbitrator as to the Market Rate shall be submitted in writing to, and be final and binding on, the Landlord and Tenant. If the arbitrator believes that expert advice would materially assist him, he may retain one or more qualified persons, including but not limited to, legal counsel, brokers, architects or engineers, to provide such expert advice. The party whose estimate is not chosen by the arbitrator shall pay the costs of the arbitrator and of any experts retained by the arbitrator. Any fees of any counsel or expert engaged directly by the Landlord or Tenant, however, shall be borne by the party obtaining such counsel or expert.

H. The provisions of this Paragraph 30 and Paragraphs 31, 32 and 34, and 35 shall apply only to Tenant, and shall not inure to the benefit of any assignee of Tenant other than (i) any party resulting from a merger or consolidation with Tenant so long as Tenant or an Affiliate is the dominant and controlling party after such merger, (ii) any party succeeding to the business and assets of Tenant, or (iii) any Affiliate of Tenant.

I. Any space added to the Premises pursuant to this Paragraph 30 shall be delivered by Landlord to Tenant in broom clean condition, but otherwise as is, and Landlord shall have no obligation to contribute to the cost of any construction or remodeling by Tenant.

J. Promptly after Tenant's exercise of any expansion option, Landlord shall prepare an amendment to the Lease, in a form reasonably satisfactory to Landlord and Tenant, to reflect the increase to the size of the Premises and Tenant's Proportionate Share and any other appropriate terms, due to the exercise of such expansion option. Tenant shall execute and return such an amendment to the Lease within fifteen (15) days after its submission to Tenant.

31. CONTRACTION OPTION. Tenant shall, provided that all the Expansion Conditions are then satisfied, have the option (the "Contraction Option") to exclude from the Premises an area of one full floor of Premises designated by Tenant as hereinafter provided, which contraction will be effective as of February 28, 2000, 2005, and 2010 (the "Contraction Date"). Space designated by Tenant to be excluded from the Premises (the "Contraction Space") must be at a non-contiguous floor or the upper [or lower] end of the largest contiguous 2 block pace then leased by Tenant. The Contraction Option shall be exercised, of the essence, by notice given by tenant to Landlord, on or before twelve (12) months prior to any such Contraction Date identifying the Contraction Space (the "Contraction Notice"). Each time Tenant fails to timely deliver its Contraction Notice, Tenant will be deemed to have waived such Contraction Option for the applicable Lease year. If Tenant timely delivers its Contraction Notice, then as of the relevant Contraction Date: (1) Tenant shall vacate the Contraction Space and surrender possession thereof to Landlord in accordance with the requirements of this Lease; (ii) the Rentable Area of the Premises shall be reduced by the Rentable Area of the Contraction Space so surrendered; and (iii) Tenant's Proportionate Share shall be reduced by a percentage derived by dividing the Rentable Area of the Contraction Space surrendered by the I Area of the Office Portion of the Building. If Tenant fails to completely vacate the Contraction Space and surrender possession thereof to Landlord in accordance with Paragraph 17 of the Lease on or before the Contraction Date, such failure shall be treated as a holding over by Tenant, and Landlord shall be entitled to all of its remedies thereof pursuant to Paragraph 18 of this Lease. Notwithstanding any such vacation and surrender, Tenant shall remain liable for the payment to Landlord of' all rent and other sums due or accrued, and for the performance and keeping of all the covenants, agreements and obligations under this Lease to be performed, paid and kept by Tenant with respect to the Contraction Space prior to the Contraction Date. Promptly after Tenant's exercise of its Contraction Option, Landlord shall prepare an amendment to the Lease in a form reasonably satisfactory to Landlord and Tenant to reflect the reduction to the size of the Premises and Tenant's Proportionate Share and any other appropriate terms, due to the return of the Contraction Space. Tenant shall execute and return such an amendment to the Lease within fifteen (15) days after its submission to Tenant.

32. RIGHT OP FIRST REFUSAL. Provided Tenant (including any Affiliate or Successor Entity) occupies at least 400,000 RSF in the Building and is not in default hereunder (beyond any applicable cure period), subject to Paragraph 32.B. below, and subject to any expansion, renewal, first offer, and first refusal options of any current tenant(s) in the Building (individually, the ("Prior Tenant") during the Term of this Lease, Tenant shall, provided all Expansion Conditions are then satisfied, have and is hereby granted a right of first refusal on any space in the Building of 5,000 RSF or more, that is not originally demised to Tenant under this lease (collectively, the "Refusal Space") which right shall be exercised in accordance with the procedures set forth in Paragraph 32.A. below.

A. If at any time during the Term of this Lease any Refusal Space becomes available for lease to anyone other than a Prior Tenant, Landlord shall give written notice thereof to Tenant ("Landlord's Refusal Notice"). Landlord's Refusal Notice must be given not less than six (6) months nor more than twelve (12) months in advance of such availability and shall contain a summary of the terms upon which landlord intends to offer the Refusal Space for lease to the market (the "Third Party Lease"). Landlord's Refusal Notice shall specifically indicate the monthly payment stream (the "Monthly Payment"). The Monthly Payment is a level monthly payment over the term of the Third Party Lease which, when discounted at a monthly equivalent rate equal to a ten percent (10%) annual rate, for the term of the Third Party Lease, equals the same net present value as the economic terms (including, but not limited to, the net rental rate, free rent period, tenant improvement allowances and leasing commissions) of the Third Party Lease. Such Monthly Payment shall be the monthly rental rate for the Refusal Space. Tenant shall notify Landlord in writing within fifteen (15) days of receipt of Landlord's Refusal Notice whether it desires to lease the Refusal Space on the terms set forth in Landlord's Refusal Notice; and failure to notify Landlord within said fifteen (15) day period shall be deemed a refusal by Tenant. After any such refusal or deemed refusal, Tenant shall have no further tights to such Refusal Space and Landlord shall be free to lease such space to any person or entity for any term, subject to Tenant's other options set forth in this Lease and subject to the following conditions:

(i) The net present value as of the proposed commencement date of the Third Party Lease expressed as a single dollar figure, discounted using a rate of ten percent (10%) per annum, of all rent (other than such tenant's proportionate share of operating expenses and taxes) of whatever nature or however denomirl2ted for the term of the Third Party Lease less such net present value of all other proposed economic terms of the Third Party Lease shall not be less than ninety-five percent (95%) of the comparable amount determined by using the economic terms set forth in the Landlord's Refusal Notice for the space in question;

(ii) The Third Party Lease must be executed within six (6) months after the date of the Landlord's Refusal Notice; and

(iii) If a Third Party Lease does not meet the foregoing conditions, then Landlord shall not enter into the Third Party Lease until Landlord again complies with the provisions of this Paragraph 32 by delivering a new landlord's Refusal Notice to Tenant and Tenant does not exercise its right of first refusal to lease such space on the terms and conditions set forth in the second Landlord's Refusal Notice within the applicable time periods.

Upon the expiration of the Third Party Lease, Tenant shall again have a right of first refusal on the terms set forth in this Paragraph 32 with respect to the space covered thereby.

B. If Tenant exercises its right of first refusal with respect to such Refusal Space, such space shall be added to the Premises subject to the following:

(i) If Tenant exercises its right of first refusal for a Refusal Space within the first ten (10) Calendar Years of the Term of the Lease, such Refusal Space shall be added to the Premises for the remaining Term of the Lease (including any exercised Extension Term(s)) on (1) all of the terms, covenants and conditions specified in Landlord's Refusal Notice (including, but not limited to, the Monthly Payment), and (ii) the terms, covenants and conditions of this Lease to the extent that such terms, covenants and conditions of this Lease do not conflict with landlord's Refusal Notice;

(ii) If Tenant exercises its right of first refusal for a Refusal Space after the first ten (10) Calendar Years of the Term of the Lease, and such Refusal Space is less than 50,000 RSF, then such Refusal Space shall be added to the Premises for the remaining Term of the Lease (including any exercised Extension Term(s)) on (1) all of the terms, covenants and conditions specified in Landlord's Refusal Notice (including, but not limited to, the Monthly Payment), and (ii) the terms, covenants and conditions of this Lease to the extent that such terms, covenants and conditions of this Lease do not conflict with landlord's Refusal Notice;

(iii) If Tenant exercises its right of first refusal for a Refusal Space after the first ten (10) Calendar Years of the Term of the Lease, and such Refusal Space is greater than 50,000 RSF, then such Refusal Space shall be added to the Premises for the term indicated in the Landlord's Refusal Notice, up to a maximum term of ten (10) years, on (i) all of the terms, covenants and conditions specified in Landlord's Refusal Notice (including, but not limited to, the Monthly Payment), and (ii) the terms, covenants and conditions of this Lease to the extent that such terms, covenants and conditions of this Lease do not conflict with Landlord's Refusal Notice.

provided, however, that notwithstanding anything contained herein to the contrary, during the Extension Terms, if any, rent and all other economic terms applicable to any Refusal Space shall be adjusted in the manner provided in Paragraph 34 hereof, and the rent and other economic terms described in Landlord's Refusal Notice shall not apply in any Extension Term. Any Refusal Space added to the Premises pursuant to this Paragraph 32.B. shall become a part of the Premises for all purposes of this Lease, and any reference in this Lease to the term "Premises" shall be deemed to refer to and include such portion of the Refusal Space, except as expressly provided otherwise in this Lease.

C. Promptly after Tenant's exercise of its right of first refusal pursuant to this Paragraph 32., Landlord shall prepare an amendment to the Lease, in a form reasonably satisfactory to Landlord and Tenant, to reflect changes in the size of the Premises, Base Rent, Tenant's Proportionate Share and any other appropriate terms, due to the addition of the Refusal Space. Tenant shall execute and return such an amendment to the Lease within fifteen (15) days after its submission to Tenant.

33. LIMITATIONS ON LIABILITY: CONFIDENTIALITY.

It is expressly understood and agreed by Tenant that none of Landlord's covenants, undertakings or agreements are made or intended as personal covenants, undertakings or agreements by• Landlord, or its beneficiaries, and any liability for damage or breach or nonperformance by Landlord shall be collectible only out of Landlord's interest in the Building and Land, if any, and no personal liability is assumed by, nor at any time may be assailed against Landlord, its beneficiaries or any of their heirs, legal representatives, successors and assigns, all such liabilities, if any, being expressly waived and released by Tenant.

Landlord further agrees, subject to the terms and provisions below, and except as specifically set forth herein, to keep confidential any non-public financial information of Tenant or its shareholders disclosed to Landlord under the provisions of this Lease; provided, however, that nothing herein shall restrict or prohibit disclosure of any such information: (a) that was or becomes generally available to the public other than as a result of disclosure by Landlord; (b) that was or becomes available on a non-confidential basis from a source other than Tenant (provided that such source was not bound by a confidentiality agreement with Tenant known to Landlord after reasonable inquiries, if any, which a reasonable person under the circumstances would have made); (c) to the extent required by statute, rule, regulation, law, governmental authority or judicial process; (d) to any of the following: (:1) any entity which controls, is controlled by or is under common control with Landlord; (ii) any successor of Landlord; and/or (iii) any actual or potential purchaser, assignee or transferee of all or any portion of the Building; (e) in connection with Landlord's administration of the Lease, to any of its examiners, accountants, attorneys, consultants, appraisers, auditors or agents, to the extent reasonably required; or (1) to any other person or entity to the extent reasonably required in connection with any litigation, or proceeding to enforce remedies under this Lease. Landlord shall require that those persons and entities to whom disclosure is made pursuant to Paragraph 33(d and e), agree to be bound by the provisions of this Paragraph 33 in the event disclosure is required to be made pursuant to Paragraph 33(c), Landlord shall give Tenant notice thereof as promptly as practicable under the circumstances and Tenant shall have the right to seek an appropriate protective order (the "Confidentiality Requirements"). The provisions of this Paragraph 33 shall supersede in their entirety all prior agreements and understandings concerning confidentiality or disclosure of information entered into by Landlord and Tenant (or a parent, subsidiary of a of either or both of the foregoing) with respect to the matters set forth herein.

34. TENANT'S OPTIONS TO EXTEND. Tenant shall, provided that all of the Expansion Conditions are then satisfied, have the right to extend the term of this Lease for four additional periods of five (5) years each (each such period is called an "Extension Term"). Each Extension Term shall be upon the same terms, covenants and conditions contained in this Lease, except the amount of the annual Ease Rent payable during any Extension Term, and any

reference in the Lease to the “Term” of the Lease shall be deemed to include any Extension Term and apply thereto, unless it is expressly provided otherwise. Tenant shall have no extension option beyond the aforesaid four consecutive five year extension options. Any termination of this Lease during the initial Term of this Lease shall terminate all rights under this Paragraph 34.

A. The Base Rent during an Extension Term for any space then constituting a portion of the Premises (including, without limitation, any Expansion Space) shall be at a rate equal to 95% of the “Market Rate”. For purposes of this Paragraph 34, “Market Rate” shall mean the fair net rental per annum (which shall be net of all Taxes and Operating Expenses) for a period commencing when the fair net rental being determined would first be payable, assuming no rent abatements of any kind, per rentable square foot for an existing tenant entering into any renewal lease for “comparable space” (hereinafter defined), for a term equal to the Extension Term, but excluding any renewal by an existing tenant at a rent agreed to at an earlier date pursuant to a tenant’s renewal option. The calculation of Market Rate shall be calculated on a net present value basis and shall take into account (and the fair net rental shall be increased by) the present value of the cost of any actual brokers’ commission or actual tenant improvement, free rent or other concession, if any, agreed by the Landlord and Tenant to be payable or to be granted to Tenant in connection with the particular extension option with respect to which Tenant has given its non-binding notice). The calculation of Market Rate shall also be based on the assumption that there will be no financial escalation of Rent or stepping of Rent or inii1 increases over time. The calculation of Market Rate shall also take into account that Tenant pays Tenant’s Proportionate Share of the Operating Costs and Taxes in each fiscal year. M used herein, the term “comparable space” means similar size space in office buildings in the central business district of Chicago where the Building is located, which are comparable to the Building in reputation, quality, age, size, location, and level and quality of services provided, and which have similar occupancy of the Building, but excluding those leases where tenants have an equity interest in the building.

B. Each option to extend shall be exercised by Tenant giving non-binding notice to Landlord not later than eighteen (18) months prior to the end of the initial Term (or 18 months prior to the end of the first, second, or third extensions thereof, as the case may be), to extend the Term of this Lease (the “Extension Notice”). Thereafter, the Market Rate for the particular Extension Term shall be calculated pursuant to Paragraph 30.G. Such calculation shall reflect the Market Rate that would be payable per annum for a term commencing on the first day of the particular Extension Term with respect to which the calculation is being made, provided that such recalculation shall be final and shall not be recalculated at the actual commencement of such Extension Term. If Tenant fails to timely give the Extension Notice, Tenant will be deemed to have waived such option to extend. If Tenant fails to exercise any particular option to extend set forth herein, then all subsequent options to extend the Term shall expire.

35. RIGHT OP FIRST OFF PURCHASE.

A. Right of First Offer. Subject to and upon the terms and conditions hereinafter set forth, Landlord hereby grants to Tenant the right of first offer (herein sometimes called the (“Right of First Offer”) during the Term (including any Extension Term) to purchase the Building and Land, or any portion thereof or interest therein (herein referred to as the

“Offered Property”) in the event Landlord elects, at any time daring the Lease Term, to offer the Offered Property for sale. If, during the Lease Term, Landlord elects to offer the Offered Property for Sale, Landlord shall give written notice (“Notice of Offer”) to Tenant setting forth the cash price at which Landlord intends to offer the Offered Property for sale, together with the other material terms and conditions of such offer (herein called the Offer’). Tenant shall have the right, at its option, exercisable as hereinafter provided, to purchase the Offered Property for the price and on the same terms and conditions set forth In the Offer.

B. Exercise. Provided that all the Expansion Conditions are then satisfied, the Right of First Offer shall be exercised, if at all, by Tenant giving written notice of exercise thereof (a “First Offer Notice”) to Landlord within 30 calendar days (the “First Offer Notice Period”) after receipt by Tenant of the Notice of Offer and pursuant to Paragraph 35.A. If Tenant provides Landlord with a First Offer Notice, Tenant shall have three (3) months to close under the terms of the Offer. If Tenant fails to close within such period, then Tenant’s Right of First Offer shall terminate.

C. Non-Exercise. In the event Tenant does not timely exercise its Right of First Offer with respect to any Notice of Offer, Landlord shall have six (6) months to market the Offered Property covered by the subject Offer to any third party who is willing to purchase the Offered Property in accordance with such Offer. If no contract is executed within said six (6) month period, Tenant’s Right of First Offer with respect to the Offered Property shall be reinstated. Should Landlord materially change the economic or financial terms of the Offer presented to Tenant, or enter into a contract or contract amendment which materially changes the economic or financial terms of the Offer presented to Tenant, then such modified or amended Offer or contract, as the case may be, shall constitute a new Offer hereunder and Tenant’s Right of First Offer shall apply thereto, obligating Landlord to present such new Offer to Tenant and entitling Tenant the right to exercise the Right of First Offer as to such new Offer in the manner hereinbefore provided. For the purposes of this Paragraph 35.C., a “material” change in the economic terms of the Offer shall mean a change in the total economic terms of the Offer of greater than or equal to 3%. In the event of any sale to a third party in accordance with the requirements of this Paragraph 35, upon the closing of such purchase this Right of First Offer shall be deemed to automatically expire with respect to the Offered Property and Tenant, at Landlord’s request, shall promptly execute and deliver to Landlord an instrument releasing and quitclaiming any and all interest Tenant would otherwise have under this Paragraph 35 to the purchaser of the Offered Property.

D. Third Party Offers. Any offer made by a third party to Landlord for the purchase of the Offered Property, other than in lieu of condemnation, shall give Tenant the same rights under this Paragraph 35 as if such offer were an offer made by Landlord for the sale of the Offered Property.

E. Exceptions to Right of First Offer. Tenant’s Right of First Offer shall not apply to: (a) any Offered Property acquired by a third party in a condemnation proceeding or a conveyance in lieu of condemnation; (b) any conveyance resulting from the foreclosure of a mortgage or other instrument encumbering the Offered Property, or any deed (or transfer or other form of conveyance or assignment) given or made in lieu of such foreclosure; (c) any transfer by a partnership to any of its partners; (d) any transfer between or among partners; (e) any transfer to an affiliate of Landlord. As used herein the term “affiliate” means any equity holder of the transferring entity, any corporation or entity owned or controlled, directly or indirectly by the transferring entity.

36. CONSENTS. Whenever under any terms or provisions of this Lease either party’s consent or approval is required or requested or performance by either party of any act or other matter or thing is to be to the satisfaction of or acceptable to the other party, such consent or approval shall not be unreasonably withheld or delayed and such party shall not be unreasonable in withholding its satisfaction or acceptance, always excepting any instance where it is provided that such party may act arbitrarily or at its discretion and any instance in which specific standards for consent or approval are provided In this Lease.

37. TAX CONSEQUENCE OFFSET. Pursuant to the Contribution Agreement and the terms of that certain Amended and Restated Limited Liability Company Agreement for 35 W. Wacker Venture L.L.C. (the “Venture Agreement”), dated of even date hereof, Landlord has agreed to comply with the Transfer Prohibition (as defined in the Venture Agreement) and to maintain a level of non-recourse debt against the Building and the Land sufficient to avoid any adverse tax consequences to Tenant throughout the Restrictive Period (as defined in the Venture Agreement). Pursuant to Section 25 of the Venture Agreement, Landlord has agreed to indemnify Tenant against (I) any violations of the Transfer Prohibition and (ii) Landlord’s failure to comply with the aforementioned debt maintenance requirement. In order to secure Landlord’s indemnity obligations under Section 25 of the Venture Agreement, Landlord and Tenant hereby acknowledge and agree that Tenant shall be permitted to offset against Rent accruing under this Lease if Landlord fails to make any payments in respect of amounts due under the indemnification provisions of Section 25 of the Venture Agreement, an amount equal to the indemnification payments to have been made under said Section 25. Such offset shall be made against Rent next becoming due under this Lease until the offset is fully exhausted. Notwithstanding the foregoing, such offset shall be limited to a maximum of $9,200,000.00.

38. FINANCIAL FORMATION. During each Calendar Year of the Term of this Lease, upon not less than thirty (30) nor more than sixty (60) days written notice from Landlord to Tenant, Landlord and Landlord’s lender may review Tenant’s audited financial statements for the then most recent Calendar Year (to the extent available) at the Premises and under Tenant’s supervision (the ‘Financial Review”). Except as provided below, Landlord and Landlord’s lender shall not perform a Financial Review more than once per Calendar Year (the “Annual Financial Review”) during the Term hereof and Landlord and Landlord’s lender shall not be entitled to copies of such audited financial statements or any supporting documentation. Each Annual Financial Review shall be subject to the Confidentiality Requirements set forth in Paragraph 33 herein. In addition to the Annual Financial Review, Landlord shall have a one time right to conduct a Financial Review, subject to the Confidentiality Requirements, under each of the following circumstances: (I) with the lead underwriter who is managing the underwriting of securities to be offered in connection with the transfer of the ownership interests in the Landlord or the Property to a real estate investment trust or partnership controlled by a real estate investment trust pursuant to the terms of the Venture Agreement; and (ii) following the expiration of the Restrictive Period, with the purchaser or a representative of the purchaser in connection with the sale of the Building after the Restrictive Period. If Landlord foregoes its Annual Financial Review for any Calendar Year, Landlord shall, also have the one time right in that Calendar Year to conduct a Financial Review, subject to the Confidentiality Requirements, under either circumstance (i) or circumstance (ii) above.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date first above written.

LANDLORD:	35 W. WACKER VENTURE L.L.C., a Delaware limited liability company		
	By:	SOFI IV ARIZONA, INC., a Maryland Corporation, its manager	
	By:	/s/ Jerome C. Silvey	
	Name:	Jerome C. Silvey	
	Title:	Senior Vice President	
TENANT:	LEO BURNETT COMPANY, INC., a Delaware limited liability company		
	By:	Illegible	
	Name:	Illegible	
	Title:	Vice Chairman and Chief Administrative Officer	

EXHIBIT A

LEGAL DESCRIPTION OF REAL PROPERTY

LOTS 1, 3 AND 4 IN THE LEO BURNETT RESUBDIVISION OF A TRACT OF LAND IN THE EAST HALF OF TEE SOUTHEAST QUARTER OF SECTION 9, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED MARCH 15, 1990 AS DOCUMENT NUMBER 90117214, IN COOK COUNTY, ILLINOIS.

PIN.:	LOT 1	17-09-426-030
	LOT 3	17-09-426-032
	LOT 4	17-09-426-033

(Common Street Address 35 W. Wacker Drive, Chicago, Illinois)

EXHIBIT 10.113

LEASE AGREEMENT WITH WINSTON & STRAWN, LLP FOR A PORTION OF LEO BURNETT CHICAGO BUILDING

LEASE

Dated as of January 25, 1988

BETWEEN

HARRIS TRUST AND SAVINGS BANK, not individually,
But solely as Trustee under Trust Agreement
Dated September 24, 1986 and known as
Trust No. 43770

AND

LEO BURNETT COMPANY, INC.

(Landlord)

AND

WINSTON & STRAWN

an Illinois general partnership

(Tenant)

Location of the Property:

35 WEST WACKER DRIVE
CHICAGO, ILLINOIS

TABLE OF CONTENTS

Page

1. TERM AND PREMISES. 1

A. Term. 1

B. Premises. 1

C. Delivery. 1

D. Delays. 2

E. Memorandum. 3

2. BASE RENT 3

3. ADDITIONAL RENT. 4

A. Definitions. 5

B. Allocation of Operating Expenses. 8

C. Expense Adjustment. 9

D. Tax Adjustment. 9

E. Books and Records. 10

4. DESIGN AND CONSTRUCTION OF THE PREMISES. 10

A. Base Building Construction. 10

B. Additional Work. 10

C. Tenant’s Work. 11

D. Landlord’s Work. 11

E. The Loan and the Allowance. 11

F. Plans. 12

G. Landlord’s Construction Cost Estimate. 13

H. Payment and Application of Allowance. 13

I. Tenant’s Right to Require Competitive Bids. 14

J. Tenant Delays. 14

K. Original Premises Only. 15

L. Standard of Care. 15

5. USE OF THE PREMISES. 15

A. Reserved Areas. 15

B. Permitted Use. 16

C. Compliance with Laws. 16

6. POSSESSION 16

7. SERVICES 17
A. List of Services. 17
B. Billing for Electricity. 18
C. Interruption of Services. 19
D. Charges for Services. 20
E. Energy Conservation. 20
8. REPAIRS 20
9. ADDITIONS AND ALTERATIONS. 21
10. COVENANT AGAINST LIENS 21
11. INSURANCE. 22
A. Waiver of Subrogation. 22
B. Tenant’s Coverage. 22
C. Landlord’s Coverage. 23
D. Avoid Action Increasing Rates. 23
E. Unobtainability. 23
12. FIRE OR CASUALTY. 23
13. WAIVER OF CLAIMS. 25
14. NONWAIVER. 25
15. CONDEMNATION. 25
16. ASSIGNMENT AND SUBLETTING. 27
17. SURRENDER OF POSSESSION. 30
18. HOLDING OVER. 30
19. ESTOPPEL CERTIFICATE. 31
20. OBLIGATIONS TO MORTGAGEES. 31
A. Subordination. 31
B. Notice to Landlord and Mortgagee. 32
21. CERTAIN RIGHTS RESERVED BY LANDLORD. 32
22. RULES AND REGULATIONS. 34
23. LANDLORD’S REMEDIES. 34
24. EXPENSES OF ENFORCEMENT. 36
25. COVENANT OF QUIET ENJOYMENT. 36
26. REAL ESTATE BROKER. 36
27. MISCELLANEOUS. 37

A. Rights Cumulative. 37
B. Interest. 37
C. Terms. 37
D. Binding Effect. 37
E. Lease Contains All Terms. 37
F. Delivery for Examination. 37
G. No Air Rights. 37
H. Transfer of Landlord's Interest. 38
I. Landlord's Title. 38
J. Prohibition Against Recording. 39
K. Captions. 39
L. Only Landlord/Tenant Relationship. 39
M. Application of Payments. 39
N. Definition of Landlord and Tenant. 39
O. Time of Essence. 39
P. Governing Law. 39
Q. Partial Invalidity. 39
28. LANDLORD'S SPECIAL AGREEMENTS. 40
A. Parking. 40
B. Telecommunication Dish. 40
C. Building Quality. 40
D. Elevators. 41
E. Storage Space. 41
F. Mezzanine. 41
29. NOTICES. 41
30. TENANT'S EXPANSION. 42
31. LIMITATION ON LIABILITY 46
32. TENANT'S OPTION TO EXTEND. 47
33. CONSENTS. 47
34. DETERMINATION BY ARBITRATION 48

EXHIBITS

EXHIBIT A	FLOOR PLAN OF PREMISES
EXHIBIT B	LEGAL DESCRIPTION OF LAND
EXHIBIT C	BR/RSF
EXHIBIT D	BASE BUILDING SHELL AND CORE DEFINITION AS IT APPLIES TO TENANT FLOORS
EXHIBIT E	SPECIFICATIONS FOR BUILDING STANDARD TENANT IMPROVEMENTS
EXHIBIT F	JANITORIAL SERVICES
EXHIBIT G	FORM OF TENANT ESTOPPEL CERTIFICATE
EXHIBIT H	RULES AND REGULATIONS
EXHIBIT I	LEGAL DESCRIPTION OF HOTEL SITE
EXHIBIT J	MEMORANDUM OF LEASE
EXHIBIT K	BASE BUILDING PLANS AND SPECIFICATIONS
EXHIBIT L	FORM OF PROMISSORY NOTE

LEASE

35 WEST WACKER DRIVE

CHICAGO, ILLINOIS

AGREEMENT OF LEASE made as of this 25th day of January, 1988 (hereinafter referred to as the "Lease") between HARRIS TRUST AND SAVINGS BANK, not individually but as trustee under a trust agreement dated September 24, 1986 and known as Trust No. 43700 ("Trustee") and LEO BURNETT COMPANY, INC., a Delaware corporation and the sole beneficiary of Trustee ("Burnett") (Trustee and Burnett being hereinafter collectively referred to as "Landlord"), and WINSTON & STRAWN, an Illinois general partnership, whose present address is One First National Plaza, Chicago, Illinois 60603 (hereinafter referred to as "Tenant");

WITNESSETH:

Landlord hereby agrees to lease to Tenant, and Tenant hereby agrees to accept, the premises (hereinafter referred to as the "Premises") on Floors 48 through 40 inclusive as designated on the plans attached hereto as Exhibit A in the building to be known as 35 West Wacker Drive (hereinafter referred to as the "Building") to be located on a parcel of land at the southeast corner of Wacker Drive and Dearborn Street, in the City of Chicago, Cook County, Illinois and more particularly described in Exhibit B attached hereto and made a part hereof (hereinafter referred to, together with all present and future easements, additions, improvements and other rights appurtenant thereto, as the "Land"), subject to the terms and conditions of this Lease.

In consideration thereof, Landlord and Tenant covenant and agree as follows:

1. TERM AND PREMISES.

A. Term. The term of this Lease (hereinafter referred to as the "Term") shall commence on the date (hereinafter referred to as the "Commencement Date") which is the later of the Full Delivery Date (as defined below) or April 1, 1989. Unless sooner terminated as provided herein, the Term shall end on the thirty-first day of December 2009, as such date may be extended pursuant to Paragraph 1.D. below or by the exercise of the option conferred upon Tenant under this Lease (hereinafter referred to as the "Termination Date").

B. Premises. The Premises include the highest floor in the Building, other than any area occupied by mechanical equipment, and eight (8) contiguous full floors and contain 207725 RSF (as defined in Paragraph 2 hereof).

C. Delivery. Landlord shall use its best efforts to achieve substantial completion of the Building and Premises pursuant to the Building Plans (as defined in Paragraph 4.A. hereof) and pursuant to the Plans (as defined in Paragraph 4.F. hereof) and to deliver the Premises for Tenant's occupancy by April 1, 1989 which date shall be extended as a result of Tenant Delays (as defined in Paragraph 4.J. (hereof) and Unavoidable Delays for a period equal to any and all such Delays. The date on which the full Premises are so substantially completed and delivered to tenant for occupancy is hereinafter referred to as the "Full Delivery Date." Notwithstanding the foregoing, in no event shall the Full Delivery Date occur until (i) Tenant shall have had access to the Premises for the purpose of any construction and installation to be performed by Tenant, for a period of thirty (30) days and (ii) Landlord shall have given Tenant thirty (30) days' prior notice as to the date of the Full Delivery Date. "Unavoidable Delays" shall man delays or interruptions caused by strikes, lockouts, failure of power, restrictive governmental laws or regulations, condemnations, riots, insurrections, war, fire, or other casualty, acts of God, or other reasons not within the control of the party delayed in performing work or doing acts required under the terms of this Lease. It shall be a condition of the right to claim an extension of time as a result of an Unavoidable Delay that the party seeking such extension shall notify the other party (i) within thirty (30) days after such party has knowledge of the existence of the Unavoidable Delay(s) specifying the nature and estimated length thereof, and (ii) within thirty (30) days after the termination of such Unavoidable Delay.

D. Delays.

(i) If the Full Delivery Date has not occurred prior to February 1, 1990, which date shall be extended (a) as a result of Tenant Delays for a period equal to any and all such Tenant Delays and (b) as a result of Unavoidable Delays for a period equal to any and all such Unavoidable Delays, but not more than six (6) months as a result of Unavoidable Delays, Tenant shall have the right to terminate this Lease. Such termination shall only be effective if Tenant gives written notice of termination to Landlord not later than thirty (30) days after such date. This Lease shall terminate upon such notice without further liability of Landlord or Tenant, except that on such termination Landlord shall reimburse Tenant for Tenant's Hold-over Costs as provided in Paragraph 1.D.(iii) following. Tenant shall have a period of thirty (30) days after its notice of termination to remove its trade fixtures and its furniture and other personal property as permitted under Paragraph 17 hereof. Neither Landlord nor Tenant shall be responsible to make any reimbursement to the other for any costs incurred or items delivered pursuant to this Lease, other than the Hold-over Costs. All improvements to the Premises other than the items which Tenant may remove under Paragraph 17 hereof shall be and remain the property of Landlord.

(ii) Unless Tenant gives notice to terminate this Lease pursuant to Paragraph 1.D.(i) above, this Lease shall continue in full force and effect.

(iii) Landlord shall reimburse Tenant for "Hold-over Costs" (as hereinafter defined) incurred by Tenant, as and when the Hold-over Costs are incurred and promptly after notice thereof by Tenant, because the Commencement Date has not occurred on or before April 30, 1989, which date shall be extended as a result of and for a period equal to any and all Tenant Delays to the extent such date is not met by reason of such Tenant Delays (the "Hold-over Date"). For purposes of this part (iii) of Paragraph 1.D., (a) Tenant Delays shall be calculated on a floor-by-floor basis, and (b) Tenant Delays which delay substantial completion of only some floor or floors of the full Premises shall extend the date of April 30, 1989, only with respect to such portion of the full Premises. As used herein, the term "Hold-over Costs" shall mean and include only (a) extra moving and storage expenses and other relocation expenses (if a double move or longer storage is made necessary), (b) rental costs (which term includes, without limitation, operating expenses and taxes) in excess of the Rent that would be payable hereunder (without regard to any abatement provided for herein) for space which Tenant occupies because the Commencement Date has not occurred by the Hold-over Date except that such rental costs prior to January 1, 1990 plus a period equal to any Tenant

Delays shall not include rental costs attributable to Tenant's current space at One First national Plaza, (c) any increase in the costs of labor or material for Tenant's improvements to the Premises because the Commencement Date has not occurred by the Hold-over Date, (d) any reasonable additional fees for Tenant's Space Planner for performing additional fees for Tenant's Space Planner for performing additional or out-of-sequence services because the Commencement Date has not occurred by the Hold-over Date, and (e) any other reasonable out-of-pocket costs paid by Tenant as a result of such delay.

(iv) Except for the termination right and "Hold-over Costs" expressly provided in this Paragraph 1, and the extension of the Term, Base Rent abatement and Additional Rent Limitation provided for below, Landlord shall have no liability to Tenant as the result of a delay in the Commencement Date if the Commencement Date occurs after April 1, 1989.

(v) In the event that the Full Delivery Date is delayed beyond January 1, 1990 and to the extent that such delay is not caused by reason of Tenant Delays and the Lease is not terminated pursuant to Paragraph 1.D.(i) above, the Termination date shall be extended for a period equal to any and all such delays other than Tenant Delays.

(vi) To the extent that the Full Delivery Date is delayed due to Tenant Delays, the Full Delivery Date for the purpose of Tenant's rental obligations shall be deemed to have occurred on the date it would have occurred but for such Tenant Delays and Tenant's rental obligations shall commence on the basis of such date, but Base Rent shall not in any event commence before the Base Rent Commencement Date (as defined in Paragraph 2 below).

E. Memorandum. Within sixty (60) days after the Full Delivery Date, if it is deemed necessary by either party, Landlord and Tenant agree to enter into a Lease amendment for the purpose of memorializing the Commencement Date, the Full Delivery Date and the Termination Date, and clarifying and evidencing such other matters as Landlord or Tenant may reasonably request.

2. BASE RENT.

Tenant shall pay to Landlord or Landlord's agent at 35 West Wacker Drive, Chicago, Illinois, or at such other place as Landlord may from time to time designate in writing, in currency which, at the time of payment, is legal tender for private or public debts in the United States of America, "Base Rent" at an annual rate which is equal to the number of RSF within the Premises times the particular BR/RSF (as hereinafter defined) in effect at such time for the RSF within the Premises. Such annual rate shall be paid in monthly installments of one-twelfth of the then-current annual rate in advance on or before the first day of each and every month during the Term without demand and without any set-off or deduction whatsoever, except as expressly provided herein, and except that all Base Rent for an space leased hereunder shall be abated until the later of (i) January 1, 1990, or (ii) the date which is nine (9) months after the Full Delivery Date (but such nine (9) month period shall be reduced by a period equal to delay in occurrence of the Full Delivery Date caused by Tenant Delays) (the "Base Rent Commencement Date"). Any Base Rent payable for the partial month in which the Base Rent Commencement Date occurs shall be paid on the first day of the following month.

"BR/RSF" shall mean the amounts determined in accordance with the schedule attached hereto as Exhibit C.

"RSF" shall mean, as the context requires, one square foot or a number of square feet of Rentable Area in any given space. Landlord's architect shall certify the number of RSF in the Building and the Premises to Tenant prior to the Commencement Date. In the event of a change in the RSF of the Building or the Premises after such certification, Landlord's architect shall certify such change to Tenant and Tenant's Proportionate Share (defined below) and such other calculations provided for herein which are affected by the RSF of the Building and the Premises shall be adjusted in proportion therewith.

"Rentable Area" shall be computed by measuring to the inside finished surface of the glass line (including windows or glass panels) without deduction for any columns or projections necessary to the Building and shall include all areas within such inside finished surface, other than retail areas (as used herein, retail areas shall include areas used for any commercial use), public stairs, elevator shafts, flues, stacks, pipe shafts and other major vertical penetrations of the floor. Rentable Area shall include:

(i) With respect to each single tenancy floor, toilets, air-conditioning rooms, fan rooms, janitor closets, lobbies, elevator lobbies, electrical closets and telephone and other telecommunication closets within and serving only such floor (or only floors occupied by the same tenant); and

(ii) With respect to each multiple tenancy floor, for each particular premises on that floor, its share of the areas described in the preceding clause (i) together with the particular premises' share of all public corridors and other public areas on such floor, as they may be adjusted from time to time. The tenant spaces on a multiple tenancy floor shall share 100% of the Rentable Area of that full floor. The share of each tenant's space shall be based upon the usable area contained in that tenant's space (which shall be measured to the center of partitions that separate such space from other tenant spaces or public areas) compared to the total usable area on that full floor.

The Rentable Area of the Building shall not include the lobby of the Building or portions of the Building mezzanine, first floor or basement or any other portions of the Building which are leased for or designed to be used for retail or parking or storage purposes.,

3. ADDITIONAL RENT.

In addition to paying the Base Rent specified in Paragraph 2 hereof, Tenant shall pay as "Additional Rent" the amounts described in this Paragraph 3. The Base Rent and the Additional Rent are sometimes herein collectively referred to as the "Rent." All additional Rent shall be payable for the same periods and in the same manner, time and place as the Base Rent, except that Additional Rent shall commence on the Commencement Date, without any initial abatement. Without limitation on other obligations of Tenant which shall survive the expiration of the Term, the obligations of Tenant to pay additional Rent accrued prior to the Termination Date shall survive the expiration of the Term. For any partial Calendar Year, Tenant shall be obligated to pay only a pro rata share of the Additional Rent for such Calendar Year, based on the number of days of the Term falling within such Calendar year. Notwithstanding anything to the contrary contained herein, for Calendar Years 1989, 1990, 1991 and 1992 only (subject to the following sentence), Tenant shall pay as Additional Rent for the applicable Calendar Year, the lesser of (i) Additional Rent as calculated herein, or (ii) $0.833 per RSF per month for that portion of the Term falling within 1989 and 1990, $0.958 per RSF per month for that portion of the Term falling within 1991, and $1.125 per RSF per month for that portion of the Term falling within 1992 as the case may be (the "Additional Rent Limitations"). In the event that the Commencement Date is delayed beyond January 1, 1990, then, to the extent that such delay is not the result of a Tenant Delay, the starting and ending dates of the Additional Rent Limitation for 1992 shall be extended into 1993 for a period of time equal to the amount of time the Commencement Date is so delayed beyond January 1, 1990 by delays other than Tenant Delays.

A. Definitions. As used in this Paragraph 3, the terms:

(i) "Calendar Year" shall mean each calendar year in which any part of the Term falls, through and including the year in which the Term expires.

(ii) "Tenant's Proportionate Share" shall mean the percentage calculated by dividing the number of RSF contained in the Premises by the number of RSF contained in the Building. If at any time there has been delivered to Tenant for occupancy less than all of the Premises, and Tenant has accepted such delivery for occupancy by Tenant, Tenant's Proportionate Share during such period shall be based on the RSF contained in the portion of the Premises as has been delivered to Tenant from time to time. Wherever Tenant is required to pay Tenant's Proportionate Share of an item of Taxes or Operating Expenses pursuant to this Paragraph 3, the cost to Tenant for such item (on a per RSF basis) shall never be more than the lowest cost (on a per RSF basis) allocated to and paid for on account of such item for any other portions of the Rentable Area of the Building.

(iii) "Taxes" shall mean taxes levied, assessed or imposed against Landlord in connection with the Land, the Rentable Area of the Building, the operation thereof or any rights or responsibilities related thereto. "Taxes" shall mean in any Calendar Year: (a) real estate taxes and assessments, special or otherwise, levied or assessed upon the Land or the Rentable Area of the Building; (b0 ad valorem taxes for any personal property owned or leased by Landlord and used exclusively in connection with the Rentable Area of the Building; (c) any tax, assessment, charge or fee which is imposed in substitution for, or in lieu of an increase in, such real estate taxes or ad valorem personal property taxes; (d) ANY INCOME OR FRANCHISE TAX BASED ON Landlord's income from the Land and the Rentable Area of the Building which taxes such income in a different manner than income from sources other than the ownership and operation of income-producing real estate and which taxes such income solely because it is from the ownership and operation of income-producing real estate; and (e) a tax on rents or leases. Taxes shall also include, in the year paid, all reasonable fees for consultants and attorneys and all other costs incurred by Landlord in seeking to obtain a reduction of, or a limit on the increase in, any Taxes, regardless of whether any reduction or limitation is obtained. Taxes shall not include any inheritance, estate, succession, transfer, gift, franchise, or capital stock tax or any income taxes other than those described above. With respect to any Taxes which include assessments against income or property not related to the Land or the Rentable Area of the building, Taxes shall include only that portion of such Taxes which would be payable if the Land and the Rentable Area of the Building and all rights related thereto were the only assets of Landlord.

(iv) "Operating Expenses" shall mean all expenses, costs and disbursements of every kind and nature (determined for the applicable Calendar Year on an accrual basis) paid by Landlord in connection with the management, operation, maintenance and repair of the Land and the Rentable Area of the Building, except the following:

a. Costs of capital improvements, renovations or decorating for any tenant's premises;

b. Principal or interest payments on loans secured by mortgages or trust deeds on the Building or Land or rent payable on any ground lease of the Land;

c. Costs of capital improvements to the Land or Rentable Area of the Building, except that Operating Expenses shall include (a) the cost of any capital improvement completed after full completion of the Building to Base Building Condition which is initially projected in good faith by Landlord to reduce any component of Operating Expenses, provided that the cost of the capital improvement does not exceed $50,000, or if such cost does exceed $50,000, then (i) such cost must be evenly amortized over the useful life of each such capital improvement with interest on the unamortized amount at the rate which is the lower of (x) 1% per annum above the alternate base rate II rate of interest announced from time to time by Citibank, N.A. ("Citibank") or the prime rate announced from time to time by any other bank designated by Landlord if Citibank is not at any time announcing its alternate base rate II (but in no event at a rate which is more than the highest lawful rate allowable in the State of Illinois) ("Prime Rate"), or (y) the rate of interest paid by Landlord to obtain the funds for such improvement (ii) such amortized costs (including interest as aforesaid) shall only be included in Operating Expenses under this Lease for that portion of the useful life of the capital improvement which falls within the Term, (iii) that portion of the annual amortized costs (including interest as aforesaid) to be included in Operating Expenses shall be the lesser of such annual costs or the reasonably projected annual reduction in Operating Expenses for that portion of the useful life of the capital improvement which falls within the Term, as reasonably estimated by Landlord in detail by expense category prior to making such capital improvement, (iv) all elements of such projection shall be completed in accordance with generally accepted accounting principles and practices in effect at the time the capital improvement is proposed to be made, and (v) a copy of such projection and the underlying calculations shall be furnished to Tenant upon request by Tenant prior to Landlord's including the cost of any such capital improvement in Operating Expenses; and (b) provided that conditions (a)(i) and (a)(ii) above are satisfied, the cost of any capital improvement which is made by Landlord to keep the Land or Rentable Area of the Building in compliance with all governmental rules and regulations applicable from time to time thereto, except those enacted prior to the Full Delivery Date, provided that the maximum amount payable by Tenant in any Calendar Year through and including the year 2009 as a result of the amortized compliance costs permitted to be included in Operating Expenses under this clause (b) of Paragraph 3.A.(iv)(c) shall not exceed the product of One Dollar ($1.00) and the RSF then contained in the Premises;

d. All expenses for which Landlord is entitled to receive any reimbursement to the extent of such entitlement, other than indirect reimbursement by the payment by any tenant of base rent or its share of Operating Expenses;

e. Depreciation;

f. The cost of correcting defects in the construction of the Building or in the Building equipment provided that this shall not exclude the cost of normal repair, maintenance and replacement (other than capital improvements) expected with the construction materials and equipment installed in the Building in light of their specifications;

g. Any penalty charges incurred by Landlord due to the violation of any law;

h. Costs for sculptures, paintings and other objects of art located within the Building, except only for the costs of maintaining and protecting such objects in the public areas of the Building;

i. Attorneys' fees, costs and other expenses incurred in connection with obtaining or servicing any loans related to the Land or Building;

j. Attorneys' fees, costs and disbursements and other expenses incurred in connection with tenant leases, including, without limitation, negotiations with prospective tenants or disputes with any tenant, but Operating Expenses shall include any expenses incurred in the performance of any of Landlord's obligations under such tenant leases which are reimbursed by tenants' payment of Operating Expenses;

k. Expenses for repairs or other work occasioned by a casualty, except that Operating Expenses shall include the cost of repairs or other work occasioned by a casualty to the extent that such cost is not covered by Landlord's insurance described in Paragraph 12.C. hereof because of the deductible amount permitted in Paragraph 12.C.;

l. Taxes;

m. Real estate brokers' commissions or compensation and other expenses (including, without limitation, architectural, space planning or engineering services) incurred in leasing or procuring tenants;

n. The cost of any repair made by Landlord pursuant to or as a result of condemnation;

o. The cost of installing, operating and maintaining any specialty facility, such as an observatory, broadcasting facilities, luncheon club, athletic or recreational club, cafeteria or dining facility;

p. Executive salaries above the grade of Building Manager;

q. Expenses incurred in connection with services or other benefits of a type or quantity which are not provided to Tenant but which are provided to another tenant or occupant of the Building (including, without limitation, increased insurance costs by reason of a special or additional risk related to another tenant);

r. Any fees and expenses paid to an agent which is related to Landlord or Beneficiary to the extent such fees or expenses are in excess of the customary market amounts which would be paid in the absence of such relationship;

s. Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord; and

t. Expenses incurred by Landlord, if any, in connection with the operation, cleaning, repair, safety, management, security, maintenance or other services of any kind provided to any portions of the Building which are leased, or designed to be used for, retail garage or storage purposes.

B. Allocation of Operating Expenses. If at any time during the Term less than ninety-five percent (95%) of the then current Rentable Area of the Building is occupied by tenants, at Landlord's option those components of Operating Expenses which vary with occupancy shall be removed from general Operating Expenses and allocated to the portion of the Building which is actually occupied by tenants and generating such components of Operating Expenses. Such special allocation shall be made on a pro rata basis over the occupied Rentable area in the Building, based on both the comparative Rentable Areas of the occupied premises and the portion of such Calendar Year during which such premises were occupied. Notwithstanding the foregoing, Tenant shall not be obligated to pay more for any such allocated expense than Tenant would pay if the then current Rentable Area of the Building was ninety-five percent (95%) occupied by tenants. Operating Expenses which do not vary with occupancy, such as public liability insurance and lobby maintenance, will continue to be allocated on a pro rata basis over the Rentable Area of the Building whether or not occupied and Tenant shall only be responsible for its Proportionate Share of such Operating Expenses.

C. Expense Adjustment. Tenant shall pay to Landlord or Landlord's agent as Additional Rent, an amount ("Expense Adjustment Amount") equal to Tenant's Proportionate Share of the amount of Operating Expenses incurred with respect to each Calendar Year plus Tenant's pro rata share of the special allocation of Operating Expenses to occupied premises if Paragraph 3.B. is applicable for such Calendar Year. The Expense Adjustment Amount with respect to each Calendar Year shall be paid in monthly installments during such Calendar year in an amount reasonably estimated by Landlord and communicated by written notice to Tenant. The monthly estimated installments shall not be changed more than twice in any Calendar Year. Such estimates shall be computed in a reasonable manner and shall take into account actual increases in Operating Expenses for the preceding Calendar Year. In no event shall such estimates exceed the maximum Additional Rent that could be payable by Tenant as a result of the operation of the applicable Additional Rent Limitation, if any, for such Calendar Year. Landlord shall cause to be kept books and records showing Operating Expenses in accordance with an appropriate system of accounts and accounting practices consistently maintained. Following the close of each Calendar Year, Landlord shall cause the amount of the Expense Adjustment Amount for such Calendar Year to be computed based on Operating Expenses for such Calendar Year and shall deliver to Tenant a statement of such amount plus a statement of all estimated installments paid by Tenant with respect to such Calendar Year. Such statement shall be prepared and certified by a certified public accountant, setting forth in detail the computation of the Expense Adjustment Amount. Tenant shall pay to Landlord any deficiency shown by such statement within thirty (30) days after receipt of such statement. If the installments paid exceed the amount due, Landlord shall either credit the excess against payments next due to Landlord from Tenant hereunder or, if such credit is in excess of payments due within thirty (30) days thereafter and if Tenant is not then in default hereunder, refund the excess to Tenant within fifteen (15) days thereafter. The obligation of Landlord to refund excess amounts shall survive expiration of the Term. Delay in computation of the Expense Adjustment Amount shall not be deemed a default hereunder or a waiver of Landlord's right to collect the Expense Adjustment Amount; however, in the event of such a delay which extends more than ninety (90) days after Landlord has received all bills and invoices necessary to so compute the Expense Adjustment Amount, Landlord shall pay or credit to Tenant interest at the rate of one percent (1%) plus Prime Rate on any excess amount which Landlord is obligated to credit or refund to Tenant calculated from such 90th day until the amount is so credited or refunded to Tenant.

D. Tax Adjustment. Tenant shall pay to Landlord or Landlord's agent as Additional Rent, an amount ("Tax Adjustment Amount") equal to Tenant's Proportionate Share of the amount of Taxes due and payable during each Calendar Year. The Tax Adjustment Amount shall be paid in monthly installments during the Term in an amount reasonably estimated from time to time by Landlord and communicated by written notice to Tenant if such taxes are required to be paid or deposited by Landlord in monthly installments. If such taxes are not required to be so paid or deposited by Landlord, the Tax Adjustment Amount shall be paid not later than thirty (30) days prior to the date on which such Taxes are required to be paid by Landlord. If Tenant's Proportionate Share of any installment of Taxes which is payable at any time during the Term exceeds the amount of such installments then held by Landlord, Tenant shall, within thirty (30) days after the written request of Landlord, pay such excess to Landlord. Following the final payment of Taxes for each Calendar Year, Landlord shall cause the amount of the Tax Adjustment Amount for such Calendar Year to be computed and deliver to Tenant a statement of such amount plus a statement of all estimated installments paid by Tenant applied to such Taxes and any balance then held by Landlord. Landlord shall credit to Tenant interest on any monthly installments at the rate of 1% per annum above the Prime Rate. If the installments then held by Landlord exceed the amount reasonably necessary, when aggregated with subsequent monthly installments, to pay the next installment of Taxes, Landlord shall either credit the excess against payments next due to Landlord from tenant hereunder or, if such credit is in excess of payments due within thirty (30) days thereafter and if Tenant is not then in default hereunder, refund the excess to Tenant within fifteen (15) days thereafter. The obligation of Landlord to refund any such excess shall survive the expiration of the Term. The amount of any refund of Taxes received by Landlord shall be credited against Taxes for the year in which such refund is received. In determining the amount of Taxes for any year, the amount of special assessments to be included shall be limited to the amount of the installment (plus any interest payable thereon) of such special assessment required to be paid during such year as if the Landlord had elected to have such special assessment paid over the maximum period of time permitted by law. All references to Taxes "for" a particular year shall be deemed to refer to Taxes payable during such year without regard to when such Taxes are levied or assessed. Delay in computation of the Tax Adjustment Amount shall not be deemed a default hereunder or a waiver of Landlord's right to collect the Tax Adjustment Amount.

E. Books and Records. Landlord agrees to keep true and accurate records of all Operating Expenses and Taxes. Landlord agrees to grant Tenant and Tenant's agents reasonable access to Landlord's books and records during normal business hours at Landlord's office for the purpose of verifying Operating Expenses and Taxes incurred by Landlord and to make copies of any and all bills and vouchers relating thereto, subject to reimbursement by Tenant for the cost of such copies. Tenant shall keep all such information confidential. In the event that a review of Landlord's books and records pursuant to this Paragraph 3.E. reveals that Landlord has overstated its Operating Expenses or Taxes for the applicable Calendar Year, Landlord shall refund the amount of such overstatement, with interest thereon at 1% per annum above the Prime Rate, and if such overstatement is in excess of three percent (3%) of the actual Operating Expenses or Taxes incurred fore such Calendar Year, Landlord shall also reimburse Tenant for the reasonable expenses incurred by Tenant in conducting such review of Landlord's books and records and for the amounts paid to any public accounting firm reasonably acceptable to Landlord and Tenant.

4. DESIGN AND CONSTRUCTION OF THE PREMISES.

A. Base Building Construction. Landlord will diligently proceed, at Landlord's cost and expense, to construct the Building and the Premises to "Base Building Condition" as described in Exhibit D attached hereto and made a part hereof, and in accordance with the plans and specifications identified on Exhibit K as such plans and specifications may be amended from time to time, provided that such amendments do not materially and adversely affect the quality or appearance of the Building or the size or configuration of the floors in the Building (the "Building Plans"). The Building is being designed by Kevin Roche John Dinkeloo and Associates, in association with Shaw and Associates (collectively, the "Architect").

B. Additional Work. Landlord will perform, at Tenant's request, and upon submission by Tenant of the necessary plans and specifications in accordance with

Paragraph 4.F. hereof, additional work in the Premises (the "Additional Work") over and above that specified in Paragraph 4.A above, subject to the terms and conditions of this Paragraph 4.B. and Paragraphs 4.C., 4.D. and 4.E. hereof. If included in Tenant's plans and specifications, Landlord will supply and install the items described on Exhibit E attached hereto and made a part hereof (the "Building Standard Work") in the Premises in Landlord's standard manner. Landlord agrees that the unit prices for all items of Building Standard Work shall not exceed Landlord's actual costs therefor, which costs shall be those charged to Landlord by its contractors.

C. Tenant's Work. The term "Tenant's Work" shall mean items installed in the Premises by either Landlord or Tenant and that are not permanently affixed to the Building or which may be removed without causing substantial damage to the Building, including, but not limited to, all items of personal property, furnishing, equipment and trade fixtures and any items which are expected to require replacement during the Term. That portion of the Additional Work which constitutes Tenant's Work shall be at Tenant's sole expense. The cost of such work shall be due and payable by the Tenant to the Landlord on the Commencement Date, except as provided in Paragraphs 4.E. and 4.H. hereof. The Tenant shall take legal title to all items comprising the Tenant's Work.

D. Landlord's Work. That portion of the Additional Work done pursuant to this Paragraph which consists of items which are permanently affixed to the Building and which may not be removed without causing substantial damage to the Building ("Landlord's Work") shall be at the Landlord's expenses, up to the amount of the "Allowance" as provided in Paragraph 4.E. hereof. Landlord will take title to all items comprising the Landlord's Work and all such items shall remain as part of the premises upon termination of the Lease.

E. The Loan and the Allowance. The Landlord shall lend to the Tenant on the Commencement Date (the 'Loan") the amount by which the sum of (i) Sixty Dollars ($60.00) per RSF for the Premises as determined pursuant to paragraph 1 hereof as of January 1, 1988 plus (ii) Two Hundred Thousand Dollars ($200,000.00) plus (iii) an amount equivalent to Seven and 26/100 Dollars ($7.26), times the RSF of the Premises on April 1, 1988 ("Rent-based Allowance"), plus (iv) an additional amount equal to 4.5% per annum on the Rent-based Allowance from the date of execution hereof to the Commencement Date (collectively, the "Allowance") exceeds the cost of Landlord's Work. The proceeds of the Loan shall be disbursed to Tenant, and Tenant shall use such proceeds, solely for purposes of reimbursing Tenant for Tenant's Work and paying costs of moving, furnishing, the acquisition and installation of telephone, data and word processing equipment, space planning, architectural fees and acquisition of assets comprising Tenant's Work for inclusion in the Premises. The amount of the proceeds of the Loan outstanding from time to time shall be amortized based on a twelve (12) percent per annum rate of interest over the period from the Base Rent Commencement Date through the Termination Date for the initial Term. The Loan shall be payable by the Tenant in equal monthly installments of principal and interest at the same time and in the same manner specified for payment of the Base Rent in Paragraph 2 hereof. Prepayment of the Loan will be prohibited. On or before the Commencement Date, Landlord and Tenant shall agree in writing on the amount of the Loan and the monthly installments payable thereon and Tenant shall execute and deliver to Landlord a promissory note therefor in the form attached hereto as Exhibit L and made a part hereof. The monthly Base Rent payable during each such month of the initial Term shall be reduced by the monthly amount of principal and interest actually paid by Tenant on the Loan for such month.

F. Plans.

(i) Tenant has delivered to Landlord definitive single-line space plans prepared by ISD and dated November 16, 1987 regarding the location of its library, central filing, other heavy storage, heavy equipment areas and internal stairways. Tenant agrees to deliver to Landlord complete single-line space plans by January 30, 1988.

(ii) Landlord promptly, after receipt of such single-line space plans, shall direct its mechanical and electrical engineers to consult with Tenant to prepare mechanical and electrical drawings for such portions of the Premises. Tenant shall cooperate with Landlord's engineers and provide all information necessary for the completion of the mechanical and electrical drawings by April 15, 1988. Landlord shall pay the fees for the engineers to prepare Tenant's mechanical and electrical plans up to a maximum amount of $0.35 per RSF of the Premises and any excess of such fees over such maximum amount shall be paid by Tenant either directly or out of the proceeds of the Loan.

(iii) Landlord shall deliver to Tenant, as soon as reasonably practical (based on the detail and complexity of the plans and specifications) and, by May 1, 1988, preliminary pricing based on the single-line space plans and such outline specifications as Tenant may provide. Such preliminary pricing shall be based on the Landlord's best estimates for Tenant's budgeting and planning purposes, but shall not constitute any commitment by Landlord regarding the actual cost of construction Landlord and Tenant shall meet as required to discuss, revise and approve the single-line space plans and preliminary pricing by May 15, 1988.

(iv) On or before May 30, 1988, Tenant shall deliver to Landlord architectural construction drawings (including (1) to the extent necessary, furniture plans showing details of space occupancy, (2) sprinkler locations, (3) reflected ceiling plans, (4) partition and door location plans, (5) electrical and telephone plans noting any special requirements, (6) fire safety systems, (7) detail plans and (8) finish plans and schedules) and specifications for the work to be performed in such portions of the Premises which are acceptable to Tenant and sufficient in all respects for issuance of a building permit. Tenant shall also, on or before May 30, 1988, approve early release for construction of elevators, electrical work, sprinklers and duct work. Such plans shall be subject to Landlord's reasonable approval, and if Landlord does not approve the same, Landlord shall within ten (10) days after delivery of such plans to Landlord advise Tenant of the changes required in such plans, drawings and specifications so that they will meet Landlord's reasonable approval. Tenant shall deliver to Landlord within ten (10) days after Tenant's receipt of such advice, revised architectural drawings and specifications incorporating such changes (the "Plans"). Landlord's advice shall not in any way constitute a representation or warranty of Landlord as to the adequacy of the Plans for Tenant's purposes, but shall only mean that Landlord deems the Plans compatible with the Building's systems and structure. Tenant agrees that the Plans must be released and issued for pricing on or before June 15, 1988. Notwithstanding anything to the contrary in this Lease, the Plans must be completed and released for commencement of construction no later than July 30, 1988. Landlord will use its best efforts to commence construction of the Additional Work by August 1, 1988. Tenant may exclude certain portions of the premises from the Plans for improvement at a future date. Later construction of such excluded portions shall be made in accordance with the time periods for plan preparation, review and pricing then required by Landlord for similarly sized projects.

G. Landlord's Construction Cost Estimate. Within thirty (30) days after submission by Tenant to Landlord of the Plans, Landlord shall provide Tenant a price for the performance of such work by Landlord's contractors, with a detailed breakdown of such price. It is understood that such price will include a construction coordination fee and overhead payable to Landlord in the aggregate amount of the lesser of $1.00 per RSF of the Premises or two percent (2%) of the total construction costs. It is also understood that Tenant shall be subject to no additional markups, profit or general conditions in connection with construction, other than such markups, profit or general conditions as Landlord negotiates with its contractors on landlord's (and Burnett's) own behalf and that, in any event, Landlord's general contractor's (or construction manager's) overhead, fee (including profit) and general conditions for such work shall not exceed fifteen percent (15%) of the total construction costs. Such overhead, profit and general conditions shall not include any profits payable to Landlord. Landlord shall be reimbursed by such general contractor or construction manager of Landlord for out-of-pocket payments made or actual expenses incurred by Landlord in connection with such construction, such as utility and hoisting costs during construction, solely out of the general conditions payable to such general contractor or construction manager. By written notice not later than ten (10) days following receipt of Landlord's price, Tenant shall have the right to require Landlord to submit such work for competitive bids as provided in Paragraph 4.I. hereof, and Tenant shall receive a copy of all bids as received by Landlord. The prices agreed to pursuant to this Paragraph 4.G or Paragraph 4.I. shall be confirmed in writing by Landlord and Tenant prior to the commencement of construction of such work.

H. Payment and Application of Allowance. To the extent the cost of all the Additional Work exceeds the Allowance, Tenant shall pay to Landlord such excess as provided in this Paragraph 4.H. For payment purposes only, such excess shall be estimated based upon the Landlord's reasonable estimate of the total cost of all work to be performed pursuant to Paragraphs 4.B., 4.C. and 4.D. for the amounts stated in Paragraph 4.G. If such estimated excess is greater than or equal to ten percent (10%) of the Allowance , such estimated excess shall be paid by Tenant from time to time during construction (after Landlord has expended $16.50 per RSF of the Premises on Additional Work) base don the percentage of completion of the work within ten (10) days after Tenant's receipt of invoices, contractors' sworn statements and lien waivers therefor but no sooner than five (5) days prior to Landlord's payment date for such invoices. If such estimated excess is less than ten percent (10%) of the Allowance, the actual excess shall be paid by Tenant after the Full Delivery Date within fifteen (15) days after Tenant's receipt of invoices, contractor's sworn statements and lien waivers for the work to be performed pursuant to paragraph 4.B. Tenant shall be entitled to apply to such excess any credit due Tenant in accordance with Exhibit D. If required by Landlord's mortgage lender, Tenant's obligation to pay such excess shall be confirmed in writing by Tenant and Tenant shall provide such reasonable evidence of available funds to pay for such excess as Landlord's lender may reasonably request. Landlord shall submit all invoices, contractors' sworn statement and lien waivers to Tenant when submitted to the Architect and at least twenty (20) days prior to the scheduled payment date for such invoices. Tenant will be permitted to withhold that portion of the final payment which, in Tenant's reasonable estimate is necessary to pay for the completion of "punch list" items existing as of the date of the final invoice.

I. Tenant's Right to Require Competitive Bids. By written notice not later than (x) five (5) days after Tenant's receipt of Landlord's preliminary cost estimate for the work, as provided in Paragraph 4.F. (iii) hereof or (y) not later than five (5) days after Tenant's receipt of Landlord's construction cost pricing as provided in Paragraph 4. G., Tenant shall have the right to require Landlord's general contractor or construction manager for tenant improvements to solicit bids from up to two (2) additional contractors for any subcontracted work. Such additional subcontractors will be selected from a pre-approved list prepared by Tenant and Landlord when Tenant notifies Landlord that it will require such additional bids. If either or both of such additional bids are lower than the original subcontractor's bid, Tenant ay, by written notice to Landlord not more than five (5) business days after receipt of such bids, select one of the lower bids and Landlord shall cause such subcontractor to be retained to perform the subcontracted work. The prices agreed to pursuant to this Paragraph 4.I. or pursuant to Paragraph 4.,G. shall be confirmed in writing by Landlord and Tenant prior to commencement of the construction of the work.

J. Tenant Delays. The term "Tenant Delay" shall mean that portion of a delay which (i) is not an Unavoidable Delay, and (ii) is caused by Tenant's act or omission, including without limitation:

(a) Tenant's failure to furnish information or drawings, plans and specifications as specified in this Paragraph 4;

(b) Tenant's failure to make any required decision within the time period required for such decision in this Paragraph 4;

(c) Tenant's request for materials, finishes or installations other than or in excess of Landlord's Building Standard Work which have delivery or installation dates which will not permit completion by April 1, 1989, provided that, prior to approving such request, Landlord notifies Tenant that such request will not permit completion by April , 1989;

(d) Tenant's changes in any drawings, plans and specifications after Landlord's approval thereof, to the extent not caused by errors or omissions of Landlord; and

(e) The performance of any other work in the Premises by any person, firm or corporation employed by or on behalf of Tenant (other than Landlord, its agents or contractors or such subcontractors as are retained pursuant to Paragraph 4.I. above).

It shall be a condition of the right to claim a tenant Delay that Landlord notify Tenant within ten (10) days after Landlord or an officer of Landlord's beneficiary or such beneficiary's construction supervisor learns of a delay which is a Tenant Delay. "Tenant Delay" shall not include (i) the time taken by subcontractors to submit additional bids, if so requested by Tenant in accordance with Paragraph 4.I., or (ii) any delay period which would in any event (if the Tenant Delay had not occurred) have resulted from an Unavoidable Delay or from any other cause, unless the Tenant Delay is the primary cause of such other cause and shall be reduced by an amount of time equal to any actual time saved by Tenant in meeting subsequent deadlines earlier than required.

K. Original Premises Only. This Paragraph 4 shall apply only to the Premises as determined pursuant to paragraph 1 hereof and shall not be applicable to any space subsequently added to the Premises, whether by option or right of first refusal under this Lease or otherwise, or to any portion of the Premises upon a renewal or extension of the Term of this Lease, whether by option under this Lease or otherwise, except that any unused portion of the Loan and any unused portion of the credit to Tenant pursuant to Exhibit D shall be available to Tenant for space subsequently added to the Premises.

L. Standard of Care. Landlord shall proceed diligently to commence and construct the Premises in accordance with this Paragraph 4. Landlord warrants to Tenant that all improvements constructed by Landlord on each floor of the Premises pursuant to this Paragraph 4 shall be free from defects in material and workmanship for the longer of (a) one (1) year following the delivery of such floor of the Premises, and (b) the warranty period granted Landlord by any manufacturer., supplier, contractor, subcontractor, or similar party with respect to such material and workmanship. Landlord’s liability for such construction, whether under this Lease or otherwise shall be limited to replacement of improvements which Tenant claims to be defective by written notice to Landlord given not later than the end of such one (1) year period or thirty (30) days before the end of such other warranty period, as the case may be. Under no circumstances shall Landlord be liable for consequential or incidental damages, nor shall Landlord be liable for damages caused by Tenant’s unreasonable use of or damage to the improvements.

5. USE OF THE PREMISES.

A. Reserved Areas. This Lease does not give Tenant any right to use, and Landlord hereby excludes and reserves for its sole and exclusive use, the following areas in and about the Premises: janitor closets, stairways and stairwells, fan, mechanical, electrical, telephone and similar rooms (other than those installed for Tenant’s exclusive use); elevator, pipe and other vertical shafts, flues and ducts; all areas above the acoustical ceiling and below the finished floor covering installed in the Premises (other than as required for construction and operation of the Premises and the operation of the Premises and the operation of Tenant’s business in the Premises); all other structural or mechanical elements serving other areas of the Building; and, subject to the terms of Paragraph 27.G. hereof, all subterranean, mineral, air, light and view rights. Landlord shall use such reserved areas at reasonable times and shall use its best efforts not to interfere materially with Tenant’s use and enjoyment of the Premises. Notwithstanding the foregoing reservation by Landlord, Tenant shall be permitted the reasonable use of such areas of the Building as are necessary for the connection and operation of the communications services and equipment for the Premises, and shall be permitted to use the emergency access stairways between the floors of the Premises for access between such floors, to the extent such use is lawful. Tenant shall have the right to use and enjoy the access areas and common areas of the Land and building to the same extent as other tenants.

B. Permitted Use. Tenant shall use and occupy the Premises as law offices and any other lawful purposes consistent with first-class office buildings.

C. Compliance with Laws.

(i) Tenant shall not use or permit the use of any part of the Premises for any purpose prohibited by law. Tenant shall, at its sole expense, and subject to Landlord's compliance with subparagraph (ii) below, comply with and conform to all of the requirements of all governmental authorities having jurisdiction over the Building which relate in any way to the particular improvements, use and occupancy of the Premises by Tenant throughout the entire Term of this Lease.

(ii) Landlord shall not use or permit the use of any part of the Premises, Building or Land for any purpose prohibited by law. Landlord represents and Burnett warrants to Tenant that upon completion of the Building and Premises in accordance with the Building Plans, the Premises and Building will be in compliance with all applicable laws, ordinances and regulations.

6. POSSESSION.

A. Possession of the Premises shall be tendered to Tenant by Landlord when Landlord has substantially completed its express obligations hereunder to improve the Premises and the Building.

B. For purposes hereof, Landlord's obligations to substantially complete the Premises shall be deemed to be met when the Premises are completed as specified in the Building Plans and in the Plans (except for any work such as telephones and shelves which the Landlord does not install), notwithstanding the fact that minor or insubstantial details of construction or mechanical adjustment remain to be performed, provided that the noncompletion of such items does not materially interfere with Tenant's use of or access to the Premises or the ability of tenant to prepare the Premises for Tenant's occupancy. The joint determination of Landlord's Architect for the Building and ISD, or such other architect space planner or other building design professional as Tenant shall appoint and Landlord shall reasonably approve ("Tenant's Space Planner"), shall be final and conclusive on the parties as to whether such obligations have been substantially completed; Tenant shall have access to the Premises for a period of thirty (30) days prior to the Commencement Date for purposes of installing equipment and furnishings, and such access shall be given when the Building and Premises are sufficiently complete to permit such work to be done in an orderly manner and to protect such work.

C. The Tenant's taking possession of any portion of the Premises shall be conclusive evidence that such portion of the Premises was in good order and satisfactory condition when the tenant took possession, except as to latent defects and defects contained on a punch list to be prepared and signed by Landlord and Tenant based on an inspection made prior to the date on which Tenant takes possession of such portion of the Premises. Tenant may reserve objections by including such items on the punch list, even if Landlord does not agree with such objections. Such taking possession and delivery of a punch list shall not limit or affect Landlord's warranty set forth in Paragraph 4.I. hereof. Landlord shall proceed with due diligence to complete all agreed punch list items and to correct latent defects promptly after discovery thereof. No promise of the Landlord to construct, alter, remodel or improve the Premises or the Building and no representation by Landlord or its agents respecting the Condition of the Premises or the Building have been made to Tenant or relied upon by Tenant other than as may be contained in this Lease.

7. SERVICES.

A. List of Services. Landlord shall provide the following services on all days during the term, unless otherwise stated:

(i) Heating and air conditioning, including circulation of conditioned air, when necessary for normal comfort in the Premises, from Monday through Friday, during the period from 8 a.m. to 6 p.m. and on Saturday during the period from 8 a.m. to 1 p.m., excepting legal holidays. The term "legal holidays" for the purposes of this Lease means New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Landlord's obligations with respect to heating and air conditioning are subject to all governmental rules, regulations and mandatory guidelines applicable thereto and Landlord shall not reduce the hours or standard of heating air conditioning or ventilating services unless required to do so by applicable governmental rules, regulations, laws or ordinances. If Tenant shall require heating, ventilating or air conditioning at any time other than as set forth in this Paragraph 7.A.(i) ("after-hours), Landlord shall furnish such after-hours service upon at least one (1) hour advance notice from any employee authorized by Tenant to furnish such notice. Tenant shall pay for such after-hours service at Landlord's reasonable actual cost of furnishing same. In the event the after-hours service is requested and shared by other tenants, Tenant's share of such costs shall be appropriately reduced. Landlord estimates, without guaranteeing or promising the same, that the cost of after-hours air conditioning will be between $55.00 and $75.00 per hour for one floor in 1986 dollars and that the cost for additional floors shall be less than the cost for the initial floor.

(ii) Adequate electrical wiring and facilities for equipment and fixtures installed in accordance with the Building Plans and Plans and for Tenant's incidental uses. Tenant shall bear the cost of replacement of all lamps, tubes, ballasts and starters for lighting fixtures at competitive prices. With respect to such incidental uses, adequate electrical wiring and facilities will be furnished in the Premises by Landlord, provided that (a) the connected electrical load of the incidental use equipment does not exceed an average of three (3) watts per square foot of the Premises; (b) the electricity so furnished for incidental uses will be at a nominal 120/208 volts and no electrical circuit for the supply of such incidental use will have a current capacity exceeding 20 amperes; and (c) such electricity will be used only for equipment and accessories normal to office usage. The maximum capacity of the total electrical service to the Premises to be supplied by Landlord shall be five (5) watts per RSF. If Tenant's requirements for electricity for incidental uses or for maximum capacity are in excess of those set forth in the preceding sentences, the Landlord reserves the right to require Tenant to install the conduit, wiring and other equipment necessary to supply electricity for such excess incidental use requirements at the Tenant's expense by arrangement with Commonwealth Edison Company or another approved local utility.

(iii) Heated and unheated city water from the regular Building outlets for drinking, lavatory (including showers, if installed) and toilet purposes.

(iv) Janitorial services as specified in Exhibit F attached hereto and made a part hereof.

(v) Window washing of the inside and outside of those windows in the Building's perimeter walls which are situated in the Premises at intervals to be determined by Landlord, but not less than four (4) times per year.

(vi) Adequate automatic passenger elevator service at all times (and such adequate service shall mean and include (i) at all times at least two (2) passenger elevators shall be available for call to the Premises, (ii) during business hours all passenger elevators in the high rise elevator bank shall be available for call to the Premises (subject to normal maintenance and repairs), (iii) Floor 35 shall be the lowest floor in the high rise elevator bank, and (iv) if elected by Tenant, the provision of the elevator service described in Paragraph 28.D. hereof).

(vii) Freight elevator service for normal office deliveries during regular business hours, subject to scheduling by Landlord. If Tenant shall request after-hours use of the freight elevator, Tenant shall pay for such after-hours service at Landlord's actual cost of furnishing same.

(viii) Building directory with one line for Tenant for every 400 RSF in the Premises from time to time, but not to exceed 1000 lines.

(ix) Security services as are customarily furnished by other landlords of other first-class office buildings in the City of Chicago.

(x) Maintenance of interior and exterior common areas of the Building consistent with maintenance of other first-class office buildings in the City of Chicago.

B. Billing for Electricity.

(i) Separate Metering. Tenant shall pay for the use of all electrical service to the Premises (other than the electrical service necessary for Landlord to fulfill its obligation to provide heating and air conditioning as provided in Subparagraph 7A(i) hereof) provided that Landlord can make satisfactory arrangements with the utility company supplying electricity to the Premises for separate metering and billing. Tenant shall be billed directly by such utility company and Tenant agrees to pay each bill promptly in accordance with its terms. In the event that for any reason Tenant cannot be billed directly, Landlord shall forward each bill received by it with respect to the Premises to Tenant and Tenant shall pay it promptly in accordance with its terms.

(ii) Lack of Separate Metering. If the Premises cannot be separately metered for any reason, Tenant shall pay Landlord as Additional Rent, in monthly installments at the time prescribed for monthly installments of Rent, an amount, as reasonably estimated by Landlord from time to time, and based upon evaluations made by an engineer selected by Landlord and approved by Tenant, which Tenant would pay for such electricity if the same were separately metered to the Premises by the local electric utility company and billed to Tenant at such utility company's then current rates, but, in any event, without markup or profit to Landlord.

C. Interruption of Services.

Except for the limited abatement of Rent upon a fire or casualty described in Paragraph 12, and except as provided in the succeeding provisions of this Paragraph 7.C., Tenant agrees that Landlord shall not be liable in damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service, or for any diminution in the quality or quantity thereof, when such failure or delay or diminution is occasioned, in whole or in part, by repairs, renewals, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas or other fuel, or water, at the Building after reasonable effort so to do, by any accident or casualty whatsoever, by act or default of Tenant or other parties, or by any cause beyond Landlord's reasonable control. Except as hereinafter stated, such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this lease. Unless such repairs, renewals or improvements can be made during business hours without material interference with Tenant's business operations, Landlord shall make such repairs, alterations, or replacements during non-business hours. Landlord further agrees, where practical, to notify Tenant in advance prior to the cessation of such service, and to estimate the duration of such cessation.

If Landlord ceases to furnish any of the services referred to in this Paragraph 7 and if (i) Landlord does not cure such failure within five (5) days after written notice from tenant to Landlord that Tenant intends to procure such services and (ii) tenant does not interfere with the use and enjoyment of the Building by other tenants, Tenant may procure such services from another source until such time as Landlord furnishes such service to Tenant and Landlord shall pay on demand the reasonable amount by which the cost of such service exceeds what such cost would have been to Tenant if Landlord had provided such service.

If Landlord ceases to furnish any of the services referred to in this Paragraph 7 or such services are interrupted, and if (i) such cessation does not arise as a result of an act or omission of Tenant (ii) such cessation does not arise as a result of a matter or condition affecting two or more city blocks, such as a city-wide power outage, (iii) as a result of such cessation, the Premises, or any floor within the Premises, is rendered untenantable (meaning a lack of elevator access or the inability to use any or all of the floor(s) within the Premises in the normal course of its business) and Tenant in fact so ceases to use such floor(s) for the normal conduct of its business, and (iv) such cessation continues for a period of seventy-two (72) consecutive hours, then, in addition to any other remedies that may be available to Tenant, the Rent payable hereunder shall be equitably abated based upon the percentage of the space in the Premises so rendered untenantable and not being used by Tenant. If such cessation was caused by Landlord's negligence or willful misconduct or was susceptible of being cured by reasonable and prompt action by Landlord and Landlord failed to cure such cessation within such 72-hour period or such longer period as may be reasonably required, Landlord shall reimburse Tenant on demand for all direct damages, such as the cost of relocating or obtaining temporary telephone or other office services, but not consequential damages, incurred by Tenant as a result thereof. The foregoing abatement of Rent shall become effective as of the first business day following the day the affected floors) become(s) untenantable and Tenant ceases to use such floors) for the normal conduct of its business.

D. Charges for Services. Except as otherwise provided herein, the cost of providing all services required to be provided by Landlord shall be included in Operating Expenses. Charges for any service for which Tenant is required to pay directly, from time to time hereunder, including but not limited to hoisting services after-hours or during construction of the Premises or after-hours heating or air conditioning shall be due and payable ten (10) days after billing. There shall be no charge for freight elevator service in connection with Tenant's move-in of its furniture and personal property, but the cost of elevator and hoisting service in connection with the construction of Tenant's improvements will be payable by Tenant.

E. Energy Conservation. Notwithstanding anything to the contrary in this Paragraph 7 or elsewhere in this Lease, Landlord shall have the right to institute such policies, programs and measures on a Building-wide basis (i) with Tenant's reasonable consent, as may be necessary or desirable, in Landlord's reasonable judgment, for the conservation and/or preservation of energy or energy related services, or (ii) as may be required to comply with any applicable codes, rules and regulations.

8. REPAIRS.

(i) Tenant will, at Tenant's own expense, and subject to Landlord's compliance with its obligations in subparagraph (iii) below, keep the Premises in good order, repair and condition at all times during the Term, and Tenant shall promptly and adequately repair all damage to the Premises and replace or repair all damaged or broken fixtures and appurtenances, under the supervision and subject to the approval of the Landlord, and within any reasonable period of time specified by the Landlord. If Tenant does not do so, Landlord may, upon five (5) days' notice to Tenant or without notice in the case of emergencies, but need not, make such repairs and replacements, and Tenant shall pay Landlord the reasonable cost thereof, forthwith upon being billed for same.

(ii) Landlord may, but shall not be required to, enter the Premises at all reasonable times to make such repairs, alterations, improvements and additions to the Premises or to the Building or to any equipment located in the Building as Landlord shall desire or deem necessary or as Landlord may be required to do by governmental authority or court order or decree; provided, however, that Landlord shall make such repairs, alterations, improvements and additions with minimal interference with Tenant's use of the Premises and Landlord shall leave the portion of the Premises affected by such work in broom-clean condition upon the completion of such work. To the extent possible, Landlord will cause any unusually disruptive activities to be conducted outside of normal business hours.

(iii) Landlord will, at Landlord's expense, keep the Land, Building and Building systems in good order, repair and condition at all times during the Term, and Landlord shall promptly and adequately repair all damaged or broken fixtures upon thirty (30) days' notice to Landlord or without notice in case of emergencies and without unreasonable interference to the use of the Building and other tenants, Tenant may, but need not make such repairs and replacements, and, in addition to any other remedies Tenant may have hereunder, Landlord shall reimburse Tenant for the reasonable cost thereof, forthwith upon being billed for same.

9. ADDITIONS AND ALTERATIONS.

A. Tenant shall not, without the prior written consent of Landlord, make any alterations, improvements (except normal decorating) or additions to the Premises. Landlord's consent shall not be unreasonably withheld so long as such alterations, improvements and additions are consistent with the permitted uses of the Premises set forth in Paragraph 5.B. hereof and do not adversely affect the mechanical, electrical or structural components or common systems of the Building. If Landlord consents to said alterations, improvements or additions, Landlord may impose such reasonable conditions with respect thereto as Landlord deems appropriate, including, without limitation, requiring Tenant to furnish Landlord with insurance against liabilities which may arise out of such work, plans and specifications plus permits necessary for such work and "as-built" drawings or an accurately marked record set of drawings showing the actual location of said alterations, improvements and additions. The work necessary to make any alterations, improvements or additions to the Premises, whether prior to or subsequent to the Commencement Date, shall be done at Tenant's expense by contractors which are reasonably acceptable to Landlord. Tenant shall promptly pay when due, the cost of all such work and of all decorating required by reason thereof. Tenant shall pay to Landlord all reasonable actual costs incurred by Landlord by reason of Landlord's involvement with such work, including without limitation, costs and expenses incurred by Landlord to have such work inspected. All work done pursuant to Paragraph 8 or 9 shall be done in a first-class workmanlike manner using only good grades of materials and shall comply with all insurance requirements and all applicable laws and ordinances and rules and regulations of governmental departments or agencies.

B. All alterations, improvements and additions to the Premises, except Tenant's Work that is actually removed by Tenant, whether temporary or permanent in character, made or paid for by Landlord or Tenant, shall without compensation to Tenant become Landlord's property at the termination of this Lease by lapse of time or otherwise and shall be relinquished to Landlord in good condition, ordinary wear and tear and casualty damage referred to in Paragraph 12 excepted. Tenant shall remove certain alterations, improvements and additions on or before the termination of this Lease if (i) Landlord requests their removal, (ii) such items are not standard demising walls or other typical office improvements and (iii) Landlord notified Tenant at the time Landlord approved the installation of such items that Landlord reserved the right to require such removal (in which case Tenant shall remove the same as provided in Paragraph 17).

10. COVENANT AGAINST LIENS.

Tenant has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Tenant, operation of law or otherwise, to attach to or be placed upon Landlord's title or interest in the Land, Building or Premises, and any and all liens and encumbrances created by Tenant shall attach to Tenant's interest only. Except for work or services performed, or materials furnished, by Landlord or its contractors with respect to which Tenant has paid any amounts due to Landlord hereunder, Tenant covenants and agrees not to suffer or permit any lien of mechanics or materialmen or others to be placed against the Land, Building or the Premises with respect to work or services claimed to have been performed for or materials claimed to have been furnished to Tenant or the Premises, and, in case of any such lien attaching, or claim thereof being asserted, Tenant covenants and agrees within ten (10) business days of learning thereof to cause it to be released and removed of record or to be bonded over by a title insurer or surety reasonably satisfactory to Landlord; provided however, that Tenant shall have the right to contest in good faith and with reasonable diligence the validity of any such lien or claim upon furnishing Landlord with such security with respect to such lien or claim as may be acceptable to Landlord in its reasonable discretion. In the event that such lien is not immediately released and removed, or bonded over, or having commenced to contest the same and having given such security, if Tenant shall fail to prosecute such contest with due diligence or fail to maintain such security, Landlord, at its sole option, may take all action necessary to release and remove such lien (without any duty to investigate the validity thereof) and Tenant shall promptly upon notice reimburse Landlord for all sums, costs and expenses (including reasonable attorney's fees) incurred by Landlord in connection with such lien.

11. INSURANCE.

A. Waiver of Subrogation. Landlord and Tenant each hereby waive any and every claim for recovery from the other for any and all loss of or damage to the Building or Premises or to the contents thereof, which loss or damage is insurable by insurance policies generally available from time to time during the Term. Inasmuch as this mutual waiver will preclude the assignment of any such claim by subrogation (or otherwise) to an insurance company (or any other person), Landlord and Tenant each agree to give to each insurance company which has issued, or in the future may issue, to it policies of physical damage insurance, written notice of the terms of this mutual waiver, and to have said insurance policies properly endorsed, if necessary, to prevent the invalidation of said insurance coverage by reason of said waiver. In the event either party's insurer shall refuse to permit such waiver or agreement even with an additional charge, then, so long as the addition of the other party as an additional named insured is permitted and does not reduce the amount recoverable under the terms of the policy by the insuring party or otherwise adversely affect the insurance coverage, the insuring party shall add the other party as an additional insured. If either party's insurer shall refuse both to permit such waiver or agreement even with an additional charge and to name the other party as an additional insured without adversely affecting the insurance coverage, then, in order to permit the other party to obtain alternative insurance, the mutual waivers contained in the first sentence of this Paragraph 11.A. will continue to be effective for a period of ten (10) days after the other party has been provided with written notice of the insurer's refusal.

B. Tenant's Coverage. Tenant shall purchase and maintain insurance during the entire Term for the benefit of Tenant and Landlord (as their interest may appear) with terms, coverages and in companies satisfactory to Landlord, and with such increases in limits as Landlord may from time to time reasonably request,, but initially Tenant shall maintain the following coverages in the following amounts:

(i) Comprehensive General Liability Insurance naming Tenant, Landlord, Landlord's beneficiary and Landlord's management agent covering any liability for bodily injury, personal injury and property damage arising out of Tenant's operations, assumed liabilities or use of the Premises, for limits of liability not less than:

Combined Single Limit	$3,000,000 each occurrence
Bodily Injury and	$3,000,000 annual aggregate
Property Damage Liability	
Personal Injury Liability	$3,000,000 annual aggregate

(ii) Physical Damage Insurance covering all office furniture, trade fixtures, office equipment, merchandise and all other items of Tenant's property on the Premises. Such insurance shall be written on an "all risks" of physical loss or damage basis, for the full replacement cost value of the covered items subject to a reasonable deductible and in amounts that meet any coinsurance clause of the policies of insurance.

(iii) "Dram-shop" Insurance naming Tenant, Landlord, Landlord's beneficiary and Landlord's management agent covering any liability that might arise from the provision or use of alcoholic beverages by Tenant on the Premises in an amount reasonably satisfactory to Landlord from time to time in light of statutory limits.

Tenant shall, prior to the commencement of the Term, furnish to Landlord certificates evidencing such coverage, which certificates shall state that such insurance coverage may not be changed or cancelled without at least ten (10) days' prior written notice to Landlord and Tenant.

C. Landlord's Coverage. Landlord hereby agrees to insure the Building and all portions of the Premises not required to be insured by Tenant during the Term on an "all risks" of physical loss or damage basis, in an amount that meets any coinsurance clauses of the policy and is equal to one hundred per cent (100%) of the full replacement cost of the Building (including all tenant improvements which will become the property of the Landlord upon termination of Tenant's lease but excluding the cost of foundation, excavation and footings below the lowest basement floor) subject to a reasonable deductible. Landlord shall deliver to Tenant, certificates of such insurance in form reasonably satisfactory to Tenant, which certificates shall in each case state that such insurance may not be cancelled without at least ten (10) days' prior written notice to tenant.

D. Avoid Action Increasing Rates. Tenant shall comply with all applicable laws and ordinances, all orders and decrees of court and all requirements of other governmental authorities, and shall not, directly or indirectly, make any use of the Premises which may thereby be prohibited or be dangerous to person or property or which may jeopardize any insurance coverage or may increase the cost of insurance or require additional insurance coverage. If by reason of the failure of Tenant to comply with the provisions of this Paragraph 11.D., any insurance premiums are increased, Tenant shall make immediate payment of the increased insurance premium.

E. Unobtainability. In the event that either Landlord or Tenant is unable, after reasonable effort, to obtain or maintain the types and amounts of insurance required under this Paragraph 11, such party shall obtain and maintain at least such insurance as is commonly maintained by similarly situated tenants or landlords, as the case may be, in first-class office buildings in the City of Chicago and shall promptly notify the other party of such reduced coverage.

12. FIRE OR CASUALTY.

A. Paragraph 8 hereof notwithstanding, if the Premises or the building (including machinery or equipment used in its operation) shall be damaged by fire or other casualty, and if this Lease is not terminated by Landlord or Tenant as described in this Paragraph as a result thereof, Landlord shall repair and restore the same with reasonable promptness, subject to reasonable delays for insurance adjustments and delays caused by matters beyond Landlord's reasonable control, but if Landlord had in force at the time of loss insurance in full compliance with Paragraph 11.C. hereof, then Landlord shall not be obligated to expend therefor an amount in excess of the proceeds of insurance recovered with respect thereto plus the deductible amount then carried by Landlord. Landlord shall give Tenant, within forty-five (45) days of any such damage, Landlord's reasonable estimate of the time necessary to make the required repairs. If at any time after December 31, 2009 any such damage renders all or a substantial portion of the Building untenantable and Landlord reasonably estimates the time required for repair and restoration to be in excess of one year from the date of such fire or other casualty, and Landlord elects not to repair or restore the Building to its prior condition and configuration, Landlord shall have the right to terminate this Lease as of the date of such damage (with appropriate prorations of Rent being made for Tenant's possession subsequent to the date of such damage of those tenantable portions of the Premises) upon giving written notice to Tenant at any time within forty-five (45) days after the date of such damage. Rent shall abate on those portions of the Premises as are, from time to time, untenantable as a result of damage by fire or other casualty and Landlord shall notify Tenant thirty (30) days prior to the date when such abatement period shall end and the Premises shall no longer be untenantable. For the purposes of this Lease, a portion of the Premises shall be deemed to be untenantable if such portion cannot reasonably be used for the normal conduct of Tenant's business or if adequate elevator access thereto is not available.

B. If a material part of the Premises or a material part of any portion of the Building which serves the Premises (for example, common areas or Building systems) shall be rendered untenantable by fire or other casualty, and this Lease shall not have been terminated by Landlord as provided in Paragraph 12.A. Landlord shall notify Tenant within forty-five (45) days after the date of such fire or other casualty of its reasonable estimate of the amount of time necessary to make the required repairs and tender the Premises to Tenant from the date of such fire or other casualty. If Landlord's estimate is in excess of one year from the date of such fire or other casualty, or, if the fire or casualty occurs within two (2) years of the end of the Term and Landlord's estimate is in excess of ninety (90) days from the date of such fire or other casualty, then Tenant, within sixty (60) days after the date of such fire or other casualty may serve notice on Landlord of its intention to terminate this Lease. If Tenant delivers such election to terminate, this Lease shall terminate on the date of delivery of such notice as if such termination date were the expiration of the Term.

C. Landlord shall repair and restore only those alterations, additions or improvements in the Premises or the decorations thereto which were provided by Landlord at the beginning of the Term or consented to by Landlord thereafter pursuant to Paragraph 9 hereof. If Tenant desires any other repairs or restoration which would constitute upgrading of the Premises and if Landlord consents thereto, the same shall be done at Tenant's sole cost and expense subject to all of the provisions of Paragraphs 8 and 9 hereof. Tenant acknowledges that Landlord shall be entitled to the full proceeds of any insurance coverage carried by Landlord for damage to alterations, additions, improvements or decorations which would become Landlord's property upon the termination of this Lease.

13. WAIVER OF CLAIMS.

A. To the extent not prohibited by law, and except for the wrongful or negligent act or omission of any of them, Trustee and Burnett, and their respective partners, affiliates, officers, agents and employees shall not be liable for any damage either to person, property or business or resulting from the loss of use thereof sustained by Tenant or by other persons due to the Building or any part thereof or any appurtenances thereof becoming out of repair, or due to the happening or any accident or event in or about the Building, including the Premises, or due to any act or neglect of any tenant or occupant of the Building. Tenant further agrees that all personal property upon the Premises, or upon loading docks, receiving and holding areas, storage areas or freight elevators of the Building, shall be at the risk of Tenant only, and that, except for the wrongful or negligent acts or omissions of Trustee or Burnett, or their respective partners, affiliates, officers, agents or employees, Landlord shall not be liable for any loss or damage thereto or theft thereof. The waiver set forth in this paragraphs is intended to cover situations and occurrences not specifically addressed by this Lease, and is not intended to relieve Landlord of responsibility for the performance of Landlord's obligations under this Lease, including, without limitation the obligations of Paragraph 28.C. hereof.

B. To the extent not prohibited by law, Tenant and Tenant's partners, affiliates, officers, agents and employees shall not be liable for any damage either to person, property or business or resulting from the loss of use thereof sustained by Landlord or by other persons due to the Premises or any part thereof or any appurtenances thereto becoming out of repair, or due to the happening or any accident or event in or about the Premises, or due to any act or neglect of any other tenant or occupant of the Building.

14. NONWAIVER.

No waiver of any provision of this Lease shall be implied by any failure of Landlord or Tenant to enforce any remedy on account of the violation of such provisions, even if such violation be continued or repeated and subsequently, and no express waiver shall affect any provision other than the one specified in such waiver and that one only for the time and in the manner specifically stated. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Term or of Tenant's right of possession hereunder or after the giving of any notice shall reinstate, continue or extend the Term or affect any notice given Tenant prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment.

15. CONDEMNATION.

A. If all or substantially all of the Land and the Building (herein in this Paragraph 15 sometimes collectively called the "Project") is taken by condemnation permanently, or for a period in excess of five (5) years, then, at the election of either party, upon notice to the other party within thirty (30) days after the party giving such notice has knowledge of the existence and extent of the taking, this Lease shall terminate as of the date of such taking.

B. If the taking is of less than substantially all of the Project or is for a period of less than the aforesaid years, and if this lease is for any reason not terminated pursuant to Paragraph 15.C. below, Landlord shall as soon as possible restore the Project as nearly as can practicably be done (including the Premises) using all of the award received by Landlord (but not in excess thereof) so as to provide to the extent reasonably possible comparable space and amenities to those enjoyed by Tenant under this Lease prior to the taking (or Tenant's Proportionate Share of the Project in case of the application of subparagraph C.(ii) below); in such event this Lease shall continue in force at the square foot rental rates and adjustment herein provided for the Premises applied to the rentable square feet of the Premises existing in the Project as restored (or Tenant's Proportionate Share of the Project in case of the application of subparagraph C.(ii) below), but rent shall abate as to periods when the Premises is untenantable as a result of such taking and work of restoration.

C. If the taking is of less than substantially all of the Project or is for a period of less than the aforesaid years, then notwithstanding Paragraph 15.B. above, Landlord and Tenant shall have the right to terminate this lease in the following circumstances:

(i) Landlord may terminate if (1) in Landlord's reasonable business judgment restoration of the Project to substantially the same size and quality is not economically justified and (2) more than ten percent (10%) of the gross area of the Building is so taken by eminent domain;

(ii) Tenant may terminate if (1) any portion of the Premises is so taken by eminent domain and (2) within sixty (60) days after such taking Landlord has not been able to provide other comparable space in the Building to temporarily add to the Premises to restore the size of the Premises to its Rentable Area prior to such taking and Landlord will not, based on landlord's estimate of the Rentable Area of the restored Building (such estimate to be delivered to Tenant not more than forty-five (45) days after such taking), be able to restore the Premises to 100% of their Rentable Area prior to such taking by a date not more than one year after the date of such taking. Landlord shall not be bound to offer Tenant more than Tenant's Proportionate Share (based on the Premises compared to the Building prior to such taking) of the restored Building and if Tenant fails to terminate this Lease as provided herein the size of the Premises and the Rent shall be reduced to such share of the restored building;

(iii) Either Landlord or Tenant may terminate this lease if the taking occurs within twelve (12) months prior to the then effective Termination Date of the Term, as it may have been extended.

D. In any of the above termination cases, such termination notice must be given not more than sixty (60) days after the taking (the taking for purposes of this Paragraph shall be the date when the taking authority requires possession) and termination must be effective for the portion not taken not less than thirty (30) or more than ninety (90) days after such notice is given. For the portion taken, the termination shall be effective as of the date of the taking. The amount of damages resulting to Landlord and Tenant respectively, and to their respective interests in and to the Building and in, to and in connection with this Lease, by reason of such exercise of the power of eminent domain, shall be separately determined and computed by the court having jurisdiction and separate awards and judgments with respect to such damages to Landlord and Tenant, respectively, and to each of their respective interests, shall be made and metered. In the event that such court shall make a single award without separately determining the respective interests of Landlord and Tenant, and if Landlord and Tenant shall not agree in writing as to their respective portions of such award within twenty (20) days after the date of the final determination by such court of the amount thereof, Landlord and Tenant agree to submit the matter to such court on stipulation for the purpose of a judgment determinative of their respective shares. Tenant shall have the right to seek a separate award, if available, for loss or damage of its business or personal property in the premises or relocation costs. Any provisions of this Lease which provide for termination of the this Lease upon a taking shall not cause Tenant's rights to any award to be less than would exist in the absence of such provisions. Notwithstanding any of the foregoing provisions of this Paragraph 15 to the contrary, Tenant's rights to receive any award (other than separate awards for business or personal property losses or relocation costs) shall be subject and subordinate to the rights of any future ground lessors and the holders of nay mortgages or trust deeds now or hereinafter in force against the Land and building with respect to such award.

16. ASSIGNMENT AND SUBLETTING.

A. Subject to any provisions of this Paragraph 16 to the contrary, Tenant shall not, without the prior written consent of Landlord, (i) assign, convey or mortgage this Lease or any interest hereunder; (ii) permit to occur or permit to exist any assignment of this Lease, or any lien upon Tenant's interest, voluntarily or by operation of law; (iii) sublet the Premises or any part thereof; or (iv) permit the use of the Premises by any parties other than Tenant and its employees and clients. Any such action on the part of Tenant shall be void and of no effect. There shall be no partial assignment of Tenant's interest in this Leases. The term "sublease" and all words derived therefrom, as used in this Paragraph 16, shall include any subsequent sublease or assignment of such sublease and any other interest arising under such sublease. Except as provided herein, Landlord's consent to any assignment, subletting or transfer or landlord's election to accept any assignee, subtenant or transferee as the tenant hereunder and to collect rent from such assignee, subtenant or transferee shall not release Tenant or any subsequent tenant from any covenant or obligation under this Lease. Landlord's consent to any assignment, subletting or transfer shall not constitute a waiver of Landlord's right to withhold its consent to any future assignment, subletting, or transfer,. Landlord may condition its consent upon execution by the subtenant or assignee of an instrument confirming such restrictions on further subleasing or assignment and joining in the waivers and indemnities made by Tenant hereunder.

B. Notwithstanding the foregoing, Tenant shall have the right to assign this Lease or any interest herein, or to sublet the Premises or any part thereof (such assignment or subletting is hereinafter referred to as a "Permitted Transfer") to (i) any successor entity of Tenant resulting from a merger or consolidation with Tenant and engaged primarily in the provision of legal services, (ii) any entity (other than an entity described in subparagraph (i)) succeeding to the legal business of Tenant, or (iii) any affiliate of Tenant which is involved in the delivery or support of legal services; provided however that any such successor or affiliated entity descried in subparagraph (ii) or (iii) shall (a) have, in the reasonable judgment of Landlord, a financial condition at least equal to Tenant, (b) not violate any of the conditions set forth in Paragraph 16.D. and (c) expressly assume all of Tenant's obligations and liabilities hereunder. Landlord's first offer rights under Paragraph 16.E. and termination rights set forth in Paragraph 16.F. hereof shall not be exercisable with respect to any Permitted Transfer.

C. If Tenant desires the consent of Landlord to an assignment or subletting, Tenant shall submit to Landlord at least thirty (30) days prior to the proposed effective date of the assignment or sublease a written notice (the "Sublease Notice") which includes:

1. All documentation then available related to the proposed sublease or assignment (copies of final executed documentation to be supplied on or before the effective date); and

2. Sufficient information to permit Landlord to determine the identity and character of the proposed subtenant or assignee and the financial condition of the proposed assignee.

D. If Landlord does not exercise its right of first offer pursuant to Paragraph 16.E. or terminate this Lease, in whole or in part, pursuant to Paragraph 16.F., it shall only withhold its consent to a proposed assignment or subletting if:

1. In the reasonable judgment of Landlord the subtenant or assignee is of a character or engaged in a business which is not in keeping with the standards maintained by Landlord in the Building;

2. In the reasonable judgment of Landlord the subtenant or assignee does not have a financial condition comparable to tenant at the time of the execution of this Lease.

3. In the reasonable judgment of Landlord the purpose for which the subtenant or assignee intends to use the subleased space is in violation of the terms of this Lease.

If Landlord consents to such an assignment, or if the assignment is a Permitted Transfer, the assigning Tenant shall be released from its obligations hereunder arising after the effective date of such assignment so long as Landlord has received an assumption agreement, in form reasonably satisfactory to Landlord, executed by such assignee assuming all of Tenant's obligations hereunder.

E. Landlord shall have a right of first offer with respect to any sublease (other than a Permitted Transfer) which Tenant proposes to make at any time during the Term. Such right shall be assigned by Landlord to Burnett. Prior to entering into a sublease of any portion of the Premises (other than a Permitted Transfer) Tenant shall give landlord written notice ("First Offer Notice") of the terms upon which Tenant is willing to make such a sublease to Landlord. Landlord shall advise Tenant in writing of Landlord's election to make such a sublease no later than fifteen (15 days after Tenant has submitted to Landlord a First Offer Notice with respect to such sublease. If Landlord fails to so exercise its right of first offer within such 15 day period, Landlord shall be deemed to have waived such right as to the proposed sublease described in such First Offer Notice, but not as to any future subleases of the same space or other space in the Premises. If Landlord waives such right, Tenant shall have the right to make a sublease with another party, but such sublease must in all material respects be on terms that are substantially identical with the terms set forth in the First Offer Notice. If Landlord does exercise such right, Tenant will promptly enter into a sublease with Burnett on the terms contained in such First Offer Notice. Tenant acknowledges that the execution and delivery of such a sublease with Burnett shall not in any way diminish or affect Tenant's obligations under this and shall not be deemed a merger which would terminate this Lease as to such space or affect the Rent payable under this lease.

F. Landlord shall have the right to terminate this Lease ("Recapture Right") in the event of a proposed assignment by Tenant of its interest in this Lease or a proposed sublease of substantially all of the Premises for all or substantially all of the remaining Term (including the 10 year renewal term) to any party other than pursuant to a Permitted Transfer, provided that landlord shall exercise such Recapture Right only if Burnett then projects that it will need to occupy all or substantially all of the Premises during the Term, including the 10 year renewal term, whether or not such renewal has then been exercised. Such Recapture Right must be exercised by Landlord, if at all, by giving written notice to Tenant of such election within thirty (30) days after landlord's receipt of the Sublease Notice proposing such assignment or sublease. If Landlord fails to so exercise its Recapture Right within such thirty (30) day period, Landlord shall be deemed to have waived its Recapture Right as to the proposed assignment or sublease described in such Sublease notice, but not as to any future proposed assignments or subleases. If Landlord does elect to exercise its Recapture Right, this Lease shall be terminated on the date proposed in the Sublease Notice for occupancy of all or substantially all of the Premises by the assignee or subtenant, as if such date were the Termination Date of this Lease.

G. If (i) Landlord has elected not to exercise the Recapture right under Paragraph 16.F., (ii) the proposed assignment will become effective prior to the end of the original twenty (20) year Term and (iii) Tenant so requests in writing as a part of the Sublease Notice for such assignment, Landlord will permit the proposed assignee to exercise Tenant's rights to extend the Term under Paragraph 32 but unless such assignment is a Permitted Transfer, such assignee may only extend the Term for a period equal to ten (10) years minus the period of time between the effective date of such assignment and the end of the original twenty (20) year Term.

H. In the event of any Permitted Transfer or in the event that Landlord consents to any assignment or sublease of any portion of the Premises, Tenant shall pay to Landlord any reasonable attorneys' fees and out-of-pocket expenses actually incurred by Landlord in connection with such assignment or sublease plus, in the case of assignments or subleases which do not constitute Permitted Transfers, fifty percent (50%) of all "Sublease Profits" (defined below) derived by Tenant from such assignment or sublease. Notwithstanding the foregoing, Landlord shall not be entitled to any Sublease Profits in the event of a sublease or assignment in connection with a Permitted transfer pursuant to Paragraph 16.B. hereof. "Sublease Profits" shall mean the entire excess, after deduction of all reasonable costs of subletting (including costs allocable to such space which were paid under this Lease for any period during which such space was vacant prior to the commencement of rental payments under such assignment or sublease), of revenues generated by the subleasing of the Premises or portions thereof over the Rent applicable thereto. All such revenues shall be applied first to reimbursement of such costs of subletting until they are paid in full. Not more than thirty (30) days after the commencement date of a sublease which will produce Sublease Profits and annually thereafter, Tenant shall furnish Landlord with a sworn statement, certified by an independent certified public accountant, setting forth in detail the computation of Sublease Profits (which computation shall be based upon generally accepted accounting principles), and Landlord, or its representatives, shall have access to the books, records and papers of Tenant in relation thereto, and to make copies thereof. Any rent net of reasonable expenses in excess of that paid by Tenant hereunder realized by reason of such assignment shall be deemed an item of such Sublease Profits. If a part of the consideration for such assignment shall be payable other than in cash, the payment to landlord shall be payable in accordance with the foregoing percentage of the cash and other non-cash considerations in such form as is satisfactory to landlord and Tenant. Such percentage of Sublease Profits shall be paid to Landlord promptly by Tenant upon Tenant's receipt from time to time of periodic payments from such assignee or subtenant or at such other time as Tenant shall realize Sublease Profits from such assignment or sublease. If such sublease or assignment is part of a larger transaction in which other assets of Tenant are being transferred, the consideration for the assignment or sublease shall be the fair market value of such assignment or sublease.

17. SURRENDER OF POSSESSION.

Upon the expiration of the Term or upon the termination of Tenant's right of possession, whether by lapse of time or at the option of Landlord as herein provided, Tenant shall forthwith surrender the Premises to Landlord in good order, repair and condition, ordinary wear and tear and casualty damage referred to in Paragraph 12 hereof excepted. Except for items which Tenant may remove, and does in fact remove, prior to the termination of this Lease, any interest of Tenant in the alterations, improvements and additions to the Premises made or paid for by Landlord or Tenant shall, without compensation to Tenant, become Landlord's property at the termination of this Lease by lapse of time or otherwise and such alterations, improvements and additions shall be relinquished to Landlord. Prior to the termination of the Term or of Tenant's right of possession, Tenant may remove Tenant's Work from the Premises. Tenant shall not have any obligation to remove, unless and to the extent required under Section 9.B., any alterations, improvements or additions, which shall include built-in furniture or shelves and all other attached items. Tenant shall pay to Landlord upon demand the cost of repairing any damage to the Premises and to the Building caused by any such removal. If Tenant shall fail or refuse to remove any property from the Premises, Tenant shall be conclusively presumed to have abandoned the same, and title thereto shall thereupon pass to Landlord without any cost either by setoff, credit, allowance or otherwise, and Landlord may at its option accept the title to such property or at Tenant's expense may (i) remove the same or any part in any manner that landlord shall choose, repairing any damage to the Premises caused by such removal, and (ii) store, destroy or otherwise dispose of the same without incurring liability to tenant or any other person.

18. HOLDING OVER.

Tenant shall pay to Landlord an amount as Rent equal to 150% of one-twelfth of the Base Rent, and 100% of one-twelfth of the Additional Rent paid by Tenant during the previous Calendar Year herein provided during each month or portion thereof for which Tenant shall retain possession of the Premises on a per diem basis or any part thereof after the expiration or termination of the Term or of Tenant's right of possession, whether by lapse of time or otherwise, and also, provided that Landlord shall have given sixty (60) days' notice to Tenant of Landlord's projected use of the Premises, Tenant shall pay all damages sustained by Landlord, whether direct or consequential, on account thereof. Notwithstanding the foregoing, in the event Tenant's holdover is caused by an event which affects the Building generally, Tenant shall not be obligated to pay the amounts set forth in this Paragraph 18 during such period, but Tenant shall be obligated to pay Rent at the rate set forth herein for the Calendar Year immediately preceding such period. The provisions of this Paragraph 18 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law.

19. ESTOPPEL CERTIFICATE.

Landlord and Tenant each agree that, from time to time upon not less than fifteen (15) business days' prior request by the other party, to execute, acknowledge and deliver to the other party a statement in writing certifying (i) that this Lease is unmodified and in full force and effect (or if there have been modifications, a description of such modifications and that the Lease as modified is in full force and effect); (ii) whether the Term had commenced and the dates to which Rent and other charges have been paid; (iii) that the other party is not in default under any provision of this Lease, or, if in default, the nature thereof in detail; (iv) in case of certificates requested of Tenant, such further matters as are set forth on the form of estoppel certificate attached hereto as Exhibit G and made a part hereof, to the extent then true; and (v) such further matters as reasonably may be requested, it being intended that any such statement may be relied upon by any prospective assignee or sublessee of any tenant (including Tenant) of the Building, any mortgagees or prospective mortgagees thereof, any lender to Tenant, or any prospective and/or subsequent purchaser or transferee of all or a part of Landlord's interest in the Land and/or Building or of Tenant's interest in the Premises. Landlord and Tenant agree that any non-public information disclosed in any estoppel certificates delivered pursuant to this Paragraph 19 shall only be disclosed to parties having a legitimate business interest in the Building or Land.

20. OBLIGATIONS TO MORTGAGEES.

A. Subordination. This Lease is subject and subordinate to all present and future ground or underlying leases of the Land and to the lien of any mortgages or trust deeds now and hereafter in force against the Land or Building and to all renewals, extensions, modifications, consolidation and replacements thereof, and to all advances made or hereafter to be made upon the security thereof; provided, however, that such subordination is subject to delivery by Landlord of a Non-Disturbance Agreement (defined below) executed by any such mortgagee or ground or underlying lessor. At Landlord's request (and after consent from any prior mortgagee or lessor if Tenant has agreed not to so subordinate without such consent), Tenant shall execute such further instruments or assurances as Landlord may deem necessary to evidence, confirm or effectuate such subordination of this Lease thereto or, if requested, to make Tenant's interest in this Lease superior thereto. If any mortgage shall be foreclosed or property encumbered thereby is transferred in lieu of foreclosure, or if any ground or underlying lease be terminated, (i) the liability of the mortgagee or trustee hereunder or purchaser at such foreclosure sale or the liability of a subsequent owner designated as Landlord under this Lease shall exist only with respect to the period during which such trustee, mortgagee, purchaser or owner is the owner of the Land or Building and such liability shall not exist with respect to the period after further transfer of ownership and in no event shall any such party have any liability whatsoever for the acts of the Landlord prior to any such transfer or any liability for any deposits made by Tenant hereunder unless such deposits have been transferred to such party; provided however, that such party shall have liability to perform all of the Landlord's continuing obligations, if any, that have not been performed as of the date of transfer; and (ii) in return for and upon delivery to Tenant by any such mortgagee, trustee, purchaser or owner of an agreement (a "Non-Disturbance Agreement") agreeing that in the event of a foreclosure of such mortgage or the giving of a deed in lieu of foreclosure or termination of any such ground or underlying lease, this Lease shall not be terminated and Tenant may remain in possession of the Premises pursuant to the terms of this Lease and retain all of the rights, options and privileges granted to it hereunder as long as Tenant continues to perform its obligations hereunder and further agreeing that the purchaser at a foreclosure sale or transferee in the case of a deed in lieu of foreclosure or ground or underlying lessor or trustee, as the case may be, will assume all of the obligations of Landlord in such case, Tenant will agree to attorn to and recognize as Landlord, the purchaser at any foreclosure sale under any mortgage or any transferee in the case of a deed in lieu of foreclosure or any ground lessor or trustee, by executing such instruments as may be required by the mortgagee, trustee, transferee or ground lessor. Tenant shall also, as a condition to its execution of this Lease receive a Non-Disturbance Agreement from the current mortgagee of the Land and Building.

B. Notice to Landlord and Mortgagee. In the event of any act or omission by Landlord which would give Tenant the right to damages from Landlord or the right to terminate this Lease, Tenant will not sue for such damages or exercise any such right to terminate until (i) it shall have given written notice of the act or omission to Landlord and to the holder(s) of the indebtedness or other obligations secured by any mortgage or deed of trust affecting the Premises or of any ground or underlying lease, if the name and address of such holder(s) have been furnished to Tenant, and (ii) (x) in the case of monetary defaults, fifteen (15) days shall have elapsed after the passing of any cure period for such defaults as Landlord may be entitled to and such mortgagee or ground or underlying lessor shall fail to cure such default, or (y) in the case of non-monetary defaults, thirty (30) days shall have elapsed after the passing of any cure period for such defaults as Landlord may be entitled to and such mortgagee or ground or underlying lessor shall fail to cure such default; provided, however that if such default cannot be cured within such time, and if such default does not involve a condition which renders all or a material part of the Premises untenantable, and such mortgagee or ground or underlying lessor is diligently pursuing such cure, then such mortgagee or ground or underlying lessor shall have such additional time as is reasonably necessary to cure such default but not to exceed one hundred twenty (120) days.

21. CERTAIN RIGHTS RESERVED BY LANDLORD.

Landlord shall have the following rights, each of which Landlord may exercise without notice to Tenant (except that Landlord shall give reasonable notice prior to exercising such rights if it is reasonably possible for Landlord to give such notice and if Tenant’s use of the Premises would be materially adversely affected by the failure to give such notice) and without liability to Tenant for damagee, or injury to property, person or business on account of the exercise thereof, and the exercise of any such rights shall not be deemed to constitute an eviction or disturbance of Tenant’s use or possession of the Premises and except as otherwise provided for in this Lease shall not give rise to any claim for set-off or abatement of rent or any other claim:

(i) Subject to Tenant’s approval, which shall not be unreasonably withheld, to change the name or street address of the Building to any name other than 35 West Wacker Drive or the Leo Burnett Building. It shall not be unreasonable for Tenant to withhold its approval to any name which would publicize the name of another tenant providing legal services or would materially adversely affect Tenant’s image or business. In the event that Landlord changes the name of the Building after the date of this Lease, Landlord shall reimburse Tenant for all reasonable out-of-pocket expenses incurred by Tenant in connection with such change.

(ii) To install, affix and maintain any and all signs on the exterior or interior of the Building, subject to the following conditions: (w) there shall be no illuminated signs on the top of the Building, (x) except for Burnett, no other tenant’s name shall be more prominently , displayed than Tenant's name, and no other tenant (other than tenants occupying the retail portion of the Building) shall have its name displayed on the exterior of the Building without Tenant's consent (y) no exterior signs shall be affixed in any manner which materially interferes with Tenant's view from the Premises and all exterior signage shall be consistent with that displayed in other first-class, institutional quality buildings similar to the Building, and (z) Tenant shall retain the right to affix signage to the walls of elevator lobbies on the full floors within the Premises, subject to Landlord's reasonable approval of the design and installation of such signage.

(iii) To decorate or to make repairs, alterations, additions, or improvements, whether structural or otherwise, in and about the Building, or any part thereof, and for such purposes to enter upon the Premises, and during the continuance of any of said work, to temporarily close doors, entryways, public space and corridors in the Building and to interrupt or temporarily suspend services or use of facilities, all without affecting any of Tenant's obligations hereunder, so long as the Premises are reasonably accessible and usable and provided that Landlord shall use due diligence with respect thereto. Unless such repairs or improvements can be made during business hours without material interference with Tenant's business operations, Landlord shall make such repair's or improvements after-hours.

(iv) To furnish door keys or magnetic cards for the entry door(s) in the Premises at the commencement of the Lease and to retain at all times, and to use in appropriate instances, keys to all doors within and into the Premises. Tenant agrees to purchase only from Landlord additional duplicate keys as required, to change no locks, and not to affix locks on doors without the prior written consent of the Landlord. Notwithstanding the provisions for Landlord's access to Premises, and except for wrongful or negligent acts or omissions of, or attributable to, Trustee or Burnett (including, without limitation, breaches of any obligations hereunder), Tenant relieves and releases the Landlord of all responsibility arising out of theft, robbery, pilferage and personal assault. Upon the expiration of the Term or Tenant's right to possession, Tenant shall return all keys to Landlord and shall disclose to Landlord the combination of any safes, cabinets or vaults left in the Premises.

(v) To designate and approve all window coverings used in the Building; provided that Landlord shall not change the type of window coverings permitted in the Premises from the type required prior to the Commencement Date without the approval of Tenant, which approval shall not be unreasonably withheld if Landlord shall pay any costs incurred by Tenant by reason of such change.

(vi) To approve the weight, size and location of safes, vaults, vertical files and other heavy equipment and articles in and about the Premises and the Building so as not to exceed the legal live load per square foot designated by the structural engineers for the Building, which legal live load shall be no less than fifty (50) pounds per square foot plus twenty (20) pounds per square foot for partitions, and to require all such items and furniture and similar items to be moved into or out of the Building and Premises only at such times and in such manner as Landlord shall direct in writing. Tenant shall not install or operate machinery or any mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises without the prior written consent of Landlord. Movements of Tenant's property into or out of the Building or Premises and within the Building are entirely at the risk and responsibility of Tenant, and Landlord reserves the right to require permits before allowing any property to be moved into or out of the Building or Premises.

(vii) To establish controls for the purpose of regulating all property and packages, both personal and otherwise, to be moved into or out of the Building and Premises and all persons using the Building after normal office hours.

(viii) To regulate delivery and service of supplies and the usage of the loading docks, receiving areas and freight elevators.

(ix) To show the Premises to prospective tenants at reasonable times during the last twelve (12) months of the Term and, if vacated or abandoned, to show the Premises at any time and to prepare the Premises for re-occupancy.

(x) Upon reasonable notice to Tenant, to enter the Premises at any reasonable time to inspect the Premises.

(xi) To grant to any person or to reserve unto itself the exclusive right to conduct any business or render any service in the Building. If Landlord elects to make available to tenants in the Building any services or supplies, or arranges a master contract therefor, Tenant agrees to obtain its requirements, if any, therefor from Landlord or under any such contract, provided that the charges therefor are reasonable, the quality of such services or supplies is acceptable to Tenant and the services or supplies relate to the operation of the Building rather than to the operation of Tenant's business in the Building. Further, the foregoing right shall not give Landlord the right to control the computer or communication systems to be used by Tenant, or to require Tenant to participate in any shared use of a computer or communication system.

22. RULES AND REGULATIONS.

Tenant agrees to observe the rules and regulations for the Building attached hereto as Exhibit H and made a part hereof. Landlord shall have the right from time to time to prescribe additional rules and regulations which, in its judgment, may be desirable for the use, entry (provided that entry shall be permitted on a 24 hour per day, 7 days per week basis), operation and management of the Premises and Building, each of which rules and regulations and any amendments thereto shall become a part of this Lease; provided, however, that Landlord shall not prescribe or enforce such rules and regulations in a discriminatory manner as between Tenant and the other tenants in the Building. Tenant shall comply with all such rules and regulations; provided, however, that such rules and regulations shall not conflict with the terms of this Lease.

23. LANDLORD'S REMEDIES.

If default shall be made in the payment of the Rent or any installment thereof or in the payment of any other sum required to be paid by Tenant under this Lease (including the Loan) or under the terms of any other agreement between Landlord and Tenant and such default shall continue for ten (10) days after written notice to Tenant, or if default shall be made in the observance or performance of any of the other covenants or conditions in this Lease which Tenant is required to observe and perform and such default shall continue for thirty (30) days after written notice to Tenant, unless with respect to any default which cannot be cured within thirty (30) days, Tenant, in good faith, promptly after receipt of such notice shall have commenced and thereafter shall continue diligently to prosecute all action necessary to cure such default and shall complete such cure, in any event, not more than one hundred twenty (120) days after such notice; or if a default involves a hazardous condition and is not cured by Tenant as promptly as is reasonably possible upon written notice to Tenant, or if the interest of Tenant in this Lease shall be levied on under execution or other legal process, or if any voluntary petition in bankruptcy or for corporate reorganization or any similar relief shall be filed by Tenant, or if any involuntary petition in bankruptcy shall be filed against Tenant under any federal or state bankruptcy or insolvency act and shall not have been dismissed within ninety (90) days from the filing thereof, or if a receiver shall be appointed for Tenant or any of the property of Tenant by any court and. such receiver shall not have been dismissed within ninety (90) days from the date of his appointment, or if Tenant shall make an assignment for the benefit of creditors, or if Tenant shall admit in writing Tenant's inability to meet Tenant's debts as they mature, then Landlord may treat the occurrence of any one or more of the foregoing events as a breach of this Lease, and thereupon at its option may, upon notice to Tenant, have any one or more of the following described remedies in addition to all other rights and remedies provided at law or in equity or elsewhere herein:

(i) Landlord may terminate this Lease and the Term created hereby, in which event Landlord may forthwith repossess the Premises and be entitled to recover forthwith, in addition to any other sums or damages for which Tenant may be liable to Landlord (including the then-remaining principal balance of the Loan), as damages a sum of money equal to the excess of the "present value" of the Rent provided to be paid by Tenant for the balance of the Term over the "present value" of the fair market rent for the Premises for the balance of the Term, after deduction of all anticipated expenses of reletting, -for such period. As used herein, "present value" shall be calculated using a discount rate equal to the then current yield of United States Treasury obligations having a maturity date closest to the Termination Date. Should the "present value" of the fair market rent for the Premises, after deduction of all anticipated expenses of reletting, for the balance of the Term exceed the "present' value" of the Rent provided for in this Lease for the balance of the Term, Landlord shall have no obligation to pay to Tenant the excess or any part thereof or to credit such excess or any part thereof against any other sums or damages for which Tenant may be liable to Landlord; and

(ii) Landlord may terminate Tenant's right of possession and may repossess the Premises by forcible entry and detainer suit, by taking peaceful possession or otherwise, without terminating this Lease, in which event Landlord may, but shall be under no obligation to, relet the same for the account of Tenant, for such rent and upon such terms as shall be satisfactory to Landlord in Landlord's reasonable judgment. For the purpose of such reletting, Landlord is authorized to decorate, repair, remodel or alter the Premises, to the extent reasonably necessary to permit reletting on terms similar to the terms of this Lease. If Landlord shall fail after reasonable efforts to relet the Premises or otherwise to mitigate damages, Tenant shall pay to Landlord as damages a sum equal to the amount of the Rent reserved in this Lease for the balance of the Term payable in such amounts and at such times as Rent would otherwise be payable under the terms of this Lease. If the premises are relet and a sufficient sum shall not be realized from such reletting after paying all of the costs and expenses of all decoration, repairs, remodeling, alterations and additions and the expenses of such reletting and of the collection of the rent accruing therefrom to satisfy the Rent provided for in this Lease, Tenant shall satisfy and pay the same at such times as Rent would otherwise be payable under the terms of this Lease. Tenant shall not be entitled to any rents received by Landlord from the reletting of the Premises in excess of the Rent provided for in this Lease, except that any such excess received prior to the judicial determination of Landlord's damages shall be taken into account in determining such damages. Tenant agrees that Landlord may file suit to recover any sums falling due under the terms of this Paragraph 23 from time to time and that no suit or recovery of any portion due Landlord hereunder shall be any defense to any subsequent action brought for any amount not theretofore reduced to judgment in favor of Landlord.

24. EXPENSES OF ENFORCEMENT.

A. Tenant shall pay upon demand all Landlord's costs, charges and expenses including the fees and out-of-pocket expenses of counsel, agents and others retained by Landlord incurred in successfully enforcing. Tenant's obligations hereunder.

B. Landlord shall pay upon demand all Tenant's costs, charges and expenses including the fees and out-of-pocket expenses of counsel, agents and others retained by Tenant incurred in successfully enforcing Landlord's obligations hereunder.

25. COVENANT OF QUIET ENJOYMENT.

Landlord covenants that Tenant, on paying the Rent, charges for services and other payments herein reserved and on keeping, observing and performing all the other terms, covenants, conditions, provisions and agreements herein contained on the part of Tenant to be kept, observed and performed, shall, during the Term, peaceably and quietly have, hold and enjoy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof. Landlord represents and Burnett warrants that Trustee holds clear title to the Land and Building subject only to the "Permitted Exceptions" listed on Exhibit B. Tenant shall have the right, at Tenant's option and expense, to seek to obtain a policy of leasehold title insurance insuring the leasehold estate created hereby, in such commercially reasonable amount as Tenant shall elect and subject to no exceptions other than the "Permitted Exceptions." If Tenant seeks to obtain such a policy and is unable to do so because of a matter relating to Landlord's title, or other matter not relating specifically to Tenant's identity or to a matter caused by Tenant, Tenant may terminate this Lease by written notice to Landlord, but only if Tenant gives notice of such termination within forty-five (45) days of recordation of the memorandum described in Paragraph 27.J.

26. REAL ESTATE BROKER.

Tenant represents that Tenant has dealt with (and only with) The John Buck Company ("JBC") and U.S. Equities Realty, Inc. ("U.S. Equities") as brokers in connection with this Lease, and that insofar as Tenant knows, no other broker negotiated this Lease or is entitled to any commission in connection therewith. Landlord represents that Landlord has dealt with (and only with) JBC and U.S. Equities as brokers in connection with this Lease and that insofar as Landlord knows, no other broker negotiated this Lease or is entitled to any commission in connection therewith. Landlord shall pay any commission owed to JBC in connection with this Lease and Tenant shall pay any commission owed to U.S. Equities in connection with this Lease. Tenant agrees to indemnify, defend and hold Landlord and its partners, employees, agents, their officers and partners, harmless from and against any claims made by any broker or finder including U.S. Equities based on an agreement with Tenant for a commission or fee in connection with this Lease, provided that Landlord has not in fact retained such broker or finder. Landlord agrees to indemnify, defend and hold Tenant and its partners, employees, agents, their officers and partners, harmless from and against any claims made by any broker or finder including JBC based on an agreement with Landlord for a commission or fee in connection with this Lease, provided that Tenant has not in fact retained such broker or finder.

27. MISCELLANEOUS.

A. Rights Cumulative. All rights All rights and remedies of Landlord and Tenant under this Lease shall be cumulative and none shall exclude any other rights and remedies allowed by law.

B. Interest. All payments becoming due under this Lease and remaining unpaid when due shall bear interest until paid at one percent (1%) per annum plus the Prime Rate (but in no event at a rate which is more than the highest rate which is at the time lawful in the State of Illinois).

C. Terms. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed.

D. Binding Effect. Each of the provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective successors or assigns, provided this clause shall not permit any assignment by Tenant contrary to the provisions of Paragraph 16 hereof.

E. Lease Contains All Terms. All of the representations and obligations of Landlord and Tenant are contained herein and in the Exhibits attached hereto, and no modification, waiver or amendment of this Lease or of any of its conditions or provisions shall be binding upon the Landlord or Tenant unless in writing signed by Landlord or Tenant, as the case may be, or by a duly authorized agent of Landlord or Tenant, as the case may be, empowered by a written authority signed by Landlord or Tenant, as the case may be.

F. Delivery for Examination. Submission of the Lease for examination shall not bind Landlord or Tenant in any manner, and no Lease or obligations of the Landlord or Tenant shall arise until this instrument is signed by both Landlord and Tenant and delivery is made to each.

G. No Air Rights. Except as expressly provided in this Lease, no rights to any view or to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease. Notwithstanding the foregoing, Landlord agrees that it will not, without the prior written consent of Winston & Strawn or its "Qualified Successor" for so long as Winston & Strawn or such "Qualified Successor" occupies at least 150,000 RSF of the Building under this Lease, develop or permit the development of the land legally described in Exhibit I attached hereto (the "Hotel Site") to a height (including towers, elevator penthouses and antennae) which surpasses the ceiling of the thirty-fourth (34th) floor of the Building (the "Height Restriction"). As used herein, the term "Qualified Successor" shall mean, through December 31, 2009, Tenant and any assignee or subtenant of Tenant and shall mean, at all times on and after January l, 2010, only Winston & Strawn or any successor entity of Winston & Strawn resulting from a merger or consolidation with Winston & Strawn or any entity succeeding to the business or assets of Winston & Strawn. Landlord further agrees that any conveyance of the Hotel Site by Landlord will be subject to the Height Restriction, other than a conveyance required by the City of Chicago under that certain Redevelopment Agreement, dated as of March 11, 1986 between the City of Chicago and Buck-Wexler Associates ("Redevelopment Agreement"). Tenant acknowledges that Landlord is not presently able to record the Height Restriction against the Hotel Site due to the rights of the City of Chicago under the Redevelopment Agreement. However, Landlord represents and warrants to Tenant that, pursuant to the rights of Landlord under the Redevelopment Agreement, Landlord has the ability to prevent development of a building on the Hotel Site which would exceed the Height Restriction. Landlord agrees that if the City or any other party should propose to develop a building on the Hotel Site that would exceed the Height Restriction, Landlord will, at its expense, take all legal steps to prevent construction of any portion of such building which would exceed the Height Restriction. Landlord will promptly record the Height Restriction against the Hotel Site after the rights of the City of Chicago under the Redevelopment Agreement to cause a conveyance of the Hotel Site have expired or been terminated, which recording shall effectively prohibit any owner, tenant or other party which has, or may in the future have, an interest in the Hotel Site from exceeding the Height Restriction. If the Height Restriction against the Hotel Site has not been so recorded and if the Height Restriction has been exceeded, regardless of whether or not Landlord has performed its obligations hereunder and without limiting Landlord's liability for any breach of such obligations, Tenant shall receive an annual Base Rent abatement, during the period of time in which the Height Restriction is exceeded equal to the product of (x) Five Dollars ($5.00) and (y) fifty percent (50%) of the RSF of every floor of the Premises above the 34th Floor that is lower than the highest point of the improvements on the Hotel Site.

H. Transfer of Landlord's Interest. Tenant acknowledges that Landlord has the right to transfer its interest in the Land and Building and in this Lease. Tenant agrees that in the event of any such transfer, if such transferee assumes all of Landlord's obligations hereunder, Landlord shall automatically be released from all liability under this Lease arising on or after the date of such transfer and Tenant shall look solely to such transferee for the performance of Landlord's obligations arising hereunder on or after such date. Notwithstanding any such transfer, Burnett shall continue to be personally liable for the specific obligations described in the last sentence of Paragraph 31.B. hereof. Tenant further acknowledges that Landlord may assign its interest in this Lease to a mortgage lender as additional security and agrees that such assignment shall not release Landlord from its obligations hereunder and that Tenant shall continue to look to Landlord for the performance of its obligations hereunder. Tenant further agrees that if any such lender shall so require, Tenant shall execute and deliver estoppel certificates in form and substance as set forth in Exhibit G attached hereto, to the extent the matters described therein are true.

I. Landlord's Title. Subject to the terms of this Lease and Tenant's rights hereunder, Landlord's title is and always shall be paramount to the title of Tenant and nothing herein contained shall empower Tenant to commit or engage in any act which can, shall or may encumber the title of Landlord.

J. Prohibition Against Recording. This Lease shall not be recorded by Tenant or by anyone acting through, under or on behalf of Tenant, and the recording thereof in violation of this provision shall make this Lease null and void at Landlord's election, but the parties shall execute and record a memorandum hereof in the form attached hereto as Exhibit J and made a part hereof.

K. Captions. The captions of Paragraphs and subparagraphs are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such paragraphs or subparagraphs.

L. Only Landlord/Tenant Relationship. Nothing contained in this lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Landlord and Tenant, it being expressly understood and agreed that neither the method of computation of Rent nor any act of the parties hereto shall be deemed to create any relationship between Landlord and Tenant other than the relationship of landlord and tenant.

M. Application of Payments. In the event of a default by Tenant hereunder, Landlord shall have the right to apply payments received from Tenant pursuant to this Lease (regardless of Tenant's designation of such payments) to satisfy any obligations of Tenant hereunder, in such order and amounts, as Landlord in its sole discretion, may elect.

N. Definition of Landlord and Tenant. All indemnities, covenants and agreements of Landlord and Tenant contained herein which inure to the benefit of the other party shall be construed to also inure to the benefit of the other party's beneficiaries and their officers, partners, agents and employees.

O. Time of Essence. Time is of the essence of this Lease and each of its provisions.

P. Governing Law. Interpretation of this lease shall be governed by the laws of the State of Illinois.

Q. Partial Invalidity. If any term, provision or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease (or the application of such term, provision or condition to persons or circumstances other than those in respect to which it is invalid or unenforceable) shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.

28. LANDLORD'S SPECIAL AGREEMENTS.

Landlord covenants and agrees with Tenant that:

A. Parking. Tenant shall have the right to lease for the full Term its pro rata share of the remaining parking spaces in the Building made available to tenants after allocation to Burnett, at the "market rate". from time to time for parking spaces in the Building. Such pro rata share shall be a fraction, the numerator of which is the RSF of the Premises from time to time and the denominator of which is the RSF of the Building less the RSF of the premises occupied by Burnett from time to time. Notwithstanding any allocation to Burnett, Tenant shall in all events have the right to lease spaces at the rate of one (1) space per 10,000 RSF for the first 200,000 RSF of the Premises. As used in this Paragraph 28.A., "market rate" shall mean the rate at which parking spaces are available in similarly situated first-class office buildings in Chicago. Tenant may release its parking spaces, or any thereof, so leased at any time(s) on not less than thirty (30) days' notice to Landlord and shall not have any rights for the number of spaces so released at any time thereafter.

B. Telecommunication Dish. Tenant shall have the right at any time during the Term, at Tenant's expense, but without payment of Rent therefor to Landlord, to locate on the roof of the Building a telecommunication dish not to exceed eight (8) feet in diameter. (When used herein, references to the telecommunications dish shall also be deemed to include reference to other types of communication equipment which is not harmful to the Building structure or operation and which does not have a more adverse effect on the appearance of the Building than the described telecommunication dish.) The location of such dish shall be subject to the rights of any tenant who may have previously placed a telecommunication dish on the roof if Tenant's installation would interfere with the rights of such prior tenant. but Landlord shall not grant any other tenant (including Burnett) rights which would preclude Tenant's location of a telecommunication dish without first giving Tenant thirty (30) days in which to elect the location of its own dish. Tenant shall submit plans for such dish and the names of the contractors who will be installing such dish, all of which shall be subject to Landlord's reasonable approval. Tenant shall pay all costs related to the installation, operation and maintenance of such dish, including without limitation, the cost (including overhead) of any structural modifications to the Building made by Landlord and necessary, in the opinion of Landlord's structural engineer, to accommodate the dish. Tenant shall maintain the dish and shall and hereby does indemnify and defend Landlord from and against all loss, cost, liability and expense arising out of or in connection with the installation, operation, maintenance or removal of any such dish. Tenant shall, at Landlord's option, remove the dish at the expiration of the Term. Tenant shall secure all zoning and regulatory approvals necessary for the dish, at its expense. Tenant's installation of a telecommunication dish shall be subject to such rules and regulations of general applicability, which rules shall not unreasonably preclude the installation or maintenance of a telecommunication dish, as Landlord may promulgate with respect to roof top installations.

C. Building Quality. Landlord covenants and agrees that throughout the Term, the aesthetic and functional quality of the Building shall be maintained in a manner consistent with the ownership of the Building by an institutional-type owner which occupies a major portion of the Building as its headquarters office. Such quality assurance shall include maintenance performed in accordance with the guidelines as to frequency and cleaning and service standards described on Exhibit F attached hereto and made a part hereof. In all places in this Lease in which reference is made to a "first class" or similar standard as applicable to the Building or its operation, a reference to the standard described in this paragraph shall be deemed to be included therein. Landlord acknowledges that the making and performance of Landlord's covenant and agreement in this paragraph is a material inducement to Tenant in entering into this Lease.

D. Elevators. Tenant shall have the right to use in common with all tenants of Floors 35 through 47 only and their invitees, at least six (6) elevator cabs, which 6 cabs, together with the additional exclusive or common use elevator cab described in the following sentence, shall comprise all of the elevator cabs within the high rise elevator bank in the Building. In the event Tenant initially occupies at least 150,000 RSF of the Building and so long as Tenant or a subtenant of Tenant occupies such amount of space, Landlord shall, at Tenant's option, provide Tenant with either an additional common elevator or the exclusive use of one elevator cab in the high-rise portion of the Building, which exclusive elevator may be programmed, at Tenant's expense, to serve whichever of Floors 35 through 47, in whatever order, as Tenant may from time to time desire. If Tenant elects to have such exclusive elevator service, Landlord shall, at Landlord's expense, provide basic programming for such elevator so that it serves only the floors initially included in the Premises and the lobby: (Additional provisions regarding service appear in Paragraph 7.A.(vi) hereof.)

E. Storage Space. In the event Landlord makes storage space available in the Building to any tenant other than Burnett, Tenant shall have the right to lease a pro rata portion of such storage space equal to a fraction, the numerator of which is the RSF of the Premises from time to time, and the denominator of which is the RSF of the Building less the RSF of the premises occupied by Burnett from time to time. The rent for such storage space shall be at the market rate as determined from time to time by Landlord.

F. Mezzanine. Tenant shall have the right, at its sole cost and expense at any time during the Term, to construct and install a mezzanine floor above the 48th Floor, subject to the terms and conditions of Paragraph 9 of this Lease. Tenant acknowledges that installation of such a mezzanine floor may require additional elevator service beyond that which Landlord is obliged to provide under this Lease. if Tenant adds such mezzanine floor, no additional Base Rent or Additional Rent shall be payable on account of such floor, but Tenant shall pay any additional Operating Expenses and Taxes that are actually incurred because of such floor.

29. Notices.

All notices to be given under this Lease shall be in writing and delivered personally or deposited in the United States mail, certified or registered mail with return receipt requested, postage prepaid, addressed as follows:

A. If to Landlord:

Harris Trust and Savings Bank
Land Trust Department
111 West Monroe Street
P.O. Box 755
Chicago, Illinois 60690

Attention: Land Trust No. 43770

With a copy to:

The John Buck Management Group
200 South Wacker Drive
Suite 4000
Chicago, Illinois 60606

B. If to Tenant:

Winston & Strawn
One First National Plaza
Chicago, Illinois 60603

Attention: Managing Partner

With a copy to:

Winston & Strawn
One First National Plaza
Chicago, Illinois 60603

Attention: Docket Department

or to such other person or such other address designated notice sent by Landlord or Tenant, as the case may be. Notice to Landlord or Tenant by mail shall only be effective upon actual receipt. If no address is inserted above for Tenant, all notices for Tenant shall be addressed to Tenant at Tenant's present address, and, after occupancy of the Premises by Tenant, to Tenant at 35 West Wacker Drive, Chicago, Illinois 60601.

30. TENANT'S EXPANSION.

A. The areas referred to in the following table as the "Short-Term Growth Space," the "Five Year Space," the "Ten Year Space" and the "Fifteen Year Space" (sometimes collectively referred to as the "Expansion Space") shall in accordance with such table be added to the Premises at Tenant's Option for the remaining term of the Lease upon the same terms, covenants and conditions contained in this Lease, except as otherwise specifically provided in this Paragraph 30:

(i) Space Called	(ii) Amount of Space	(iii) Date on which Space May become part Of the Premises (subject to Paragraph 30C)	(iv) Base Rent when such space becomes part of The Premises
Short-Term Growth Space	Up to 1 full floor of contiguous space	Commencement Date	Base Rent abated until July 1, 1992. Thereafter, the then existing BR/RSF.
Five Year Space	Up to 25,000 RSF of contiguous space	January 1, 1995 – September 30, 1995	Exercise of Option on or before January 1, 1990; BR/RSF listed in Exhibit C attached hereto. Exercise of Option after January 1, 1990; $26.50 per RSF per annum through December 31, 2000. Thereafter, BR/RSF listed in Exhibit C attached hereto.
Ten Year Space	up to 50,000 RSF of contiguous space	First floor: January 1, 2000 – September 30, 2000 Second floor: January 1, 2000 – December 31, 2000	Current Market Rate
Fifteen Year Space	Up to 25,000 RSF of contiguous Space	January 1, 2005 – December 31, 2005	Current Market Rate

B. Landlord shall contribute $25.00 per RSF for initial construction of the Short-Term Growth Space in addition to providing the Base Building Construction provided for in Paragraph 4.A. hereof. Tenant shall accept possession of the Five Year Space in an “as-is” condition, unless such space has not been previously improved to the then current building standard specification, in which event Landlord shall, promptly after delivery of such Space, install, at Landlord's expense and pursuant to Tenant's plans, Building Standard Tenant Improvements in such Space in quantities and of the types described in Exhibit E. Except as specifically provided herein, any space added to the Premises pursuant to this Paragraph 30 shall be improved to Base Building condition and shall be delivered by Landlord to Tenant in broom clean condition, but otherwise as is, and Landlord shall have no obligation to contribute to the cost of any construction or remodeling by Tenant nor shall any work allowance be applicable to any such space.

C. With respect to each Expansion Space, Tenant must exercise its option to add all or a part of such Expansion Space by written notice to Landlord not later than October 1, 1988 with respect to the Short-Term Growth Space and, with respect to all other Expansion Space, not later than eighteen (18) months prior to the first date for delivery of any part of such floor as specified in Landlord's "Specification Notice" (as defined below), which delivery date shall be consistent with the time period set forth in Paragraph 30.A.(iii) hereof ("Tenant's Option Notice"). Tenant's Option Notice shall specify the amount of rentable area of the Expansion Space, up to the maximum applicable amount that Tenant shall add to the Premises. Except with respect to the Short-Term Growth Space, promptly after leasing such space for an appropriate term, Landlord shall give Tenant notice of the locations of all spaces that will comprise each particular Expansion Space and the dates on which such spaces will be tendered to Tenant within the period specified above (the "Specification Notice"). Each such Expansion Space initially specified shall be comprised of a full, contiguous floor or floors except to the extent otherwise required by reason of the fact that the original Premises (including any portion of the Short-Term Growth Space) was not comprised solely of full floors. In the case of all Ten Year Space and Fifteen Year Space, Landlord shall deliver to Tenant no earlier than six (6) months before the latest date for delivery of Tenant's Option Notice with respect to such Space and within thirty (30) days after Tenant's request therefor, Landlord's written estimate of the current Market Rate, as defined in Paragraph 30.H. hereof, for the Space which could be the subject of such Option Notice. If Tenant fails to request such an estimate, Landlord shall deliver such estimate not later than thirty (30) days after delivery of Tenant's Option Notice for such Space. Subject to any revision by agreement with Tenant or by arbitration pursuant to Paragraph 34, such estimate shall establish the Base Rent for the Ten Year and Fifteen Year Space. The Specification Notice may provide for delivery of Expansion Space on a partial floor basis provided (i) any portion of the Five Year Space or of the first floor of the Ten Year Space to be delivered to Tenant shall contain at least 7,500 RSF and shall constitute (itself, and with all portions of such Expansion Space previously delivered to Tenant) one undivided space except to the extent that such Expansion Space must be located on more than one floor due to the configuration of the original Premises, (ii) any portion of the second floor of the Ten Year Space or of the Fifteen Year Space to be delivered to Tenant shall contain at least 10,000 RSF and shall constitute (itself, and with all portions of such Expansion Space previously delivered to Tenant) one undivided space except to the extent that such Expansion Space must be located on more than one floor due to the configuration of the original Premises, (iii) all space to be delivered to Tenant to comprise the second floor of the Ten Year Space or the Fifteen Year Space shall be delivered within a six (6) month period after delivery of the initial portion of such Expansion Space, but not later than the outside date for delivery of such Expansion Space (or floor thereof) specified in Section 30.A.(iii) above, (iv) there may be no strip of space, used for a multitenant corridor or other tenant’s space, at any point separating the portion of the floor to be delivered to Tenant from the Building core or the outer wall on that floor and (v) with respect to the Five Year Space and the first floor of the Ten Year Space, in each such case, if (x) Tenant has elected to lease 10,000 RSF or more of such Expansion Space, (y) the initial portion of such Expansion Space delivered to Tenant contains less than 10,000 RSF, and (z) an additional portion sufficient to cause the aggregate delivered amount to exceed 10,000 RSF is not scheduled to be delivered, or if so scheduled is not actually delivered, by a date four (4) months after the date of delivery of such initial portion, then and in such event Rent previously paid and subsequently payable by Tenant with respect to such delivered portion shall be abated by fifty percent (50%) for the full period from the date of delivery of such initial portion through the date on which 10,000 RSF or more, in the aggregate, has been delivered to Tenant out of such Expansion Space. Each Expansion Space (taken as a whole) must constitute one undivided space, except as otherwise provided above, and must be contiguous (as hereinafter defined). If Tenant elects not to exercise its option to add all or any part of the Five Year Space to the Premises, such unleased portion of the Five Year Space may, if and only if Tenant advises Landlord in writing no later than the latest date for delivery of Tenant’s-Option Notice with respect to the Five Year Space that Tenant wishes to do so, become a part of the Fifteen Year Space to be delivered within the time period set forth in Paragraph 30.A.(iii) hereof for the Fifteen Year Space. Tenant acknowledges that, if the preceding sentence applies, the Fifteen Year Space will be located on at least two non-contiguous, partial floors.

D. Each Expansion Space (or part thereof) shall become part of the Premises and, except as provided in the table in Paragraph 30.A. Tenant’s rental obligation for such Expansion Space (or part thereof) shall commence upon its delivery to Tenant in accordance with Paragraph 30.B.

E. For the purposes of this Lease, a floor shall be “contiguous” with the Premises only if it is next to the floors which constitute at least half of the Premises. Wherever Landlord has an obligation herein to deliver contiguous Expansion Space, such obligation shall be conditioned upon Tenant having exercised all previous options for Expansion Space and upon Tenant having added the maximum amount of each such Expansion Space to the Premises.

F. Tenant’s notice of exercise of an option for Expansion Space shall be effective only if at the time of service of such notice of exercise the following conditions (the “Expansion Conditions”) shall be satisfied:

(i) Tenant shall not be in default (after expiration of any applicable cure period) in the performance of any of the material terms, covenants, and conditions contained in this Lease; and

(ii) This Lease shall not have been terminated and shall be in full force and effect.

G. If at any time during the Term of this Lease, any space becomes available for leasing on Floor 35 (or such other floor as constitutes the lowest floor in the high-rise elevator bank of the Building if such other floor is lower than Floor 35) or any floor above Floor 35 of the Building due to expiration or termination of an existing lease or tenancy, and if at such time the Expansion Conditions shall be satisfied, Landlord shall not lease such space to a third party without first giving Tenant (i) notice of the availability of such space which shall include a description thereof and the then Current Market Rate therefor, and (ii) thirty (30) days after the date of such notice in which to enter into a letter of intent to lease such space. If Tenant disputes the Current Market Rate stated by Landlord for any such space, such Current Market Rate shall be determined pursuant to Paragraph 30.H. hereof. If Tenant fails, refuses or is otherwise unable to enter into a lease for such space within 30 days following the 30-day period, Landlord shall have the right to lease the space to any third party or parties on such terms as are acceptable to Landlord, subject to Tenant's options set forth above in this Paragraph 30. Landlord shall not in any case enter into any initial lease (i.e., the first such lease after completion of the Building) for any space on Floor 35 and above of the Building to any third party for a term (including renewal terms) in excess of twenty (20) years and in no event for a total term extending beyond December 31, 2009.

If Tenant leases any portion of the Building pursuant to this Paragraph 30.G. which Landlord had designated as a portion of an Expansion Space at or before notifying Tenant of the availability of such portion (the "Discretionary Space"), such Discretionary Space shall be deemed to replace an equal amount of such Expansion Space. Base Rent for such Discretionary Space shall be adjusted to the Base Rent for that particular Expansion Space as of the earliest date that Tenant has the right to add the Expansion Space which such Discretionary Space has replaced. Notwithstanding the foregoing, in the event, that Landlord has consummated leases with third parties which are not inconsistent with Tenant's options set forth herein, then Landlord, at Tenant's request shall designate the areas subject to such leases as parts of Tenant's Expansion Space to replace the reduction in Expansion Space caused by Tenant's lease of the Discretionary Space.

H. "Current Market Rate" shall mean the prevailing market rate, including the prevailing market escalations for the portion of the Term thereafter, customary rental concessions, abatements, additional rent limitations and tenant improvement allowances, per RSF for similar space in the Building as of the first day that the Premises shall include the first portion of the space to which the Current Market Rate applies. If the parties are unable to agree upon Current Market Rate, such Rate shall be determined by arbitration pursuant to Paragraph 34 hereof. On or before the dates set forth in this Paragraph 30 for delivery of Tenant's Option Notices and in Paragraph 32 for Tenant's notice to extend, Tenant may exercise the option to which such notice applies subject to Tenant's approval of the determination of the Current Market Rate pursuant to this Paragraph 30.H. and Paragraph 34, and such option shall be deemed to be validly exercised unless Tenant cancels such option in writing within ten (10) days following the determination of such Current Market Rate.

I. Landlord and Tenant agree that, from time to time prior to and during the Term at the request of either of them, they will execute and deliver a Memorandum identifying the floors which will be the Expansion Spaces, to the extent possible at such time, subject to change based on Tenant's election not to exercise certain options or Tenant's addition of Discretionary Space.

31. LIMITATION ON LIABILITY.

A. It is expressly understood and agreed by Tenant that none of Trustee's covenants, undertakings or agreements are made or intended as personal covenants, undertakings or agreements by Trustee, and any liability for damage or breach or nonperformance by Trustee shall be collectible only out of the assets of Harris Trust and Savings Bank Trust No. 43770 and no personal liability is assumed by, nor at any time may be asserted against, Trustee or any of its officers, agents, employees, legal representatives, successors or assigns, all such liability, if any, being expressly waived and released by Tenant. Trustee represents to Tenant that Trustee has been duly directed to execute this Lease by Burnett, its sole beneficiary.

B. Any liability for damage or breach or nonperformance by Burnett except as provided in the following sentence, shall be collectible only out of Burnett's interest in the Land and Building and the land trust which holds title to the Land and Building and no personal liability is assumed by, nor at any time may be asserted against, Burnett or any of its successors or assigns, all such liability, if any, being expressly released and waived by Tenant. Notwithstanding the foregoing limitation Burnett shall be personally liable for the obligations of Landlord with respect to the initial construction of the Building and Premises as described in Paragraph 4, for the obligations of Landlord to pay the Hold-over Costs described in Paragraph 1.D.(iii) and for the obligations of Landlord under Paragraph 27.G., regarding the Height Restriction on the Hotel Site.

C. It is expressly understood and agreed by Landlord that none of Tenant's covenants, undertakings or agreements are made or intended as personal covenants, undertakings or agreements by Tenant's partners, and any liability for damage or breach or nonperformance by Tenant shall be collectible out of the assets of Tenant (or any successor entity as described in Paragraph 16.B. hereof), as opposed to the assets of the individual partners of Tenant, and no personal liability is assumed by, nor at any time may be asserted against Tenant's partners or any of its or their officers, agents, employees, legal representatives, successors or assigns, all such liability, if any, being expressly waived or released by Landlord. For the purpose. of this Lease, any obligation owed by a partner of Tenant to Tenant and any negative capital account of a partner of Tenant shall not be considered an asset of Tenant.

32. TENANT'S OPTION TO EXTEND.

Tenant shall, provided that the Expansion Conditions are then satisfied, have the right, by giving notice to Landlord not later than twenty-four (24) months prior to the end of the initial Term, to extend the Term of this Lease (which shall include, without limitation, the Premises as expanded pursuant to Paragraph 30 hereof) for one additional consecutive period of ten (10) years, upon the same terms, covenants and conditions contained in this Lease, except that Base Rent shall be an amount equal to the Current Market Rate for such period. Landlord will, at Tenant's request at any time after thirty (30) months prior to the end of the initial Term, and in any event at least twenty-three (23) months prior to the end of the initial Term if Tenant has given notice of intent to exercise its renewal option, advise Tenant of Landlord's determination of Current Market Rate. If the parties are unable to agree upon the Current Market Rate, such dispute shall be settled as described in Paragraphs 30.H. and 34 hereof.

33. CONSENTS.

Whenever under any terms or provisions of this Lease either party's consent or approval is required or requested or performance by either party of any act or other matter or thing is to be to the satisfaction of or acceptable to the other party, such consent or approval shall not be unreasonably withheld or delayed and such party shall not be unreasonable in withholding its satisfaction or acceptance always excepting any instance where it is provided that such party may act arbitrarily or at its discretion and any instance in which specific standards for consent or approval are provided in this Lease.

34. DETERMINATION BY ARBITRATION.

In the event of the failure of the parties to agree as to Current Market Rate, such dispute shall be determined by arbitration as hereinafter provided. Landlord and Tenant shall each appoint a fit and impartial person as arbitrator who shall have had at least ten (10) years' experience in the commercial real estate industry. Such appointment shall be signified in writing by each party to the other. The arbitrators so appointed shall appoint a third arbitrator within ten (10) days after the appointment of the second arbitrator. In the case of the failure of such arbitrators (or the arbitrators appointed as hereinafter provided) to agree upon a third arbitrator, such third arbitrator shall be appointed by the American Arbitration Association, or its successor, from its qualified panel of arbitrators, and shall be a person having at least ten (10) years' experience in the commercial real estate industry. In case either party shall fail to appoint an arbitrator within a period of ten (10) days after written notice from the other party to make such appointment, then the American Arbitration Association shall appoint a second arbitrator having at least ten (10) years' experience in the commercial real estate industry. The two (2) arbitrators so appointed shall appoint a third arbitrator within ten (10) days after the appointment of the second arbitrator.

The arbitrators shall proceed with all reasonable dispatch to determine the question submitted. The decision of the arbitrators shall in any event be rendered within thirty (30) days after their appointment, or within such other period as the arbitrators shall order or the parties shall agree, and such decision shall be in writing and in duplicate, one counterpart thereof to be delivered to each of the parties who appointed them. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association (or its successor) and applicable Illinois law, and the decision of a majority of the arbitrators shall be binding, final and conclusive on the parties. The fees of the arbitrators and the expenses incident to the proceedings shall be borne equally between Landlord and Tenant. The fees of respective counsel engaged by the parties, and the fees of expert witnesses and other witnesses called for by the parties, shall be paid by the respective party engaging such counsel or calling or engaging such witnesses.

If Landlord and Tenant are unable to reach agreement on Current Market Rate in any situation, then prior to submitting their dispute to the arbitrators, Landlord and Tenant shall each simultaneously submit to the other its good faith estimate of Current Market Rate in such situation. If the higher estimate is not more than one hundred five percent (105%) times the lower, then the Current Market Rate shall be the average of the two estimates. If the higher estimate is more than one hundred five percent (105%) times the lower, then the arbitrators shall determine the Current Market Rate.

Notice of appointment of the arbitrators shall be given in all instances to any mortgagee who prior thereto shall have given Tenant a written notice specifying its name and address. If a dispute shall be submitted to arbitration as hereinabove provided, such mortgagee shall have the right to be present at such arbitration proceedings; provided, however, that such presence shall be in association with Landlord and shall not be deemed to entitle such mortgagee to appoint an additional arbitrator nor to enlarge Landlord's rights in such arbitration proceeding, it being the intention of the parties that such mortgagee shall have solely the right to be present at the arbitration proceeding.

LANDLORD:

HARRIS TRUST AND SAVINGS BANK,
not individually but as trustee as aforesaid

By: Illegible

Its Vice President

LEO BURNETT COMPANY, INC.

By: Illegible

Its Illegible

TENANT:

WINSTON & STRAWN, an Illinois general
partnership

By: Illegible

Its Illegible

EXHIBIT 10.114

PURCHASE AND SALE AGREEMENT FOR WASHINGTON, DC PORTFOLIO

FIRST AMENDED AND RESTATED
PURCHASE AND SALE AGREEMENT

BETWEEN

BEACON CAPITAL STRATEGIC PARTNERS II, L.P.
(a Delaware limited partnership)

AND

WELLS OPERATING PARTNERSHIP, L.P.

FIRST AMENDED AND RESTATED
PURCHASE AND SALE AGREEMENT

THIS FIRST AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT, made as of the 19th day of November, 2003, by and between and BEACON CAPITAL STRATEGIC PARTNERS II, L.P., a Delaware limited partnership ("Seller"), and WELLS OPERATING PARTNERSHIP, L.P. (or its designee), a Delaware limited partnership ("Buyer").

RECITALS

I. Buyer and Seller entered into that certain Purchase and Sale Agreement, dated as of September 29, 2003 (the "Original Agreement"), with respect to, among other things, the sale of certain shares of common stock in BCSP II Washington Properties, Inc., a Maryland Corporation (the "Company").

II. Buyer and Seller now wish to amend and restate the Original Agreement in its entirety.

III. Seller holds all of the issued and outstanding shares of common stock of the Company and Seller is the sole member of 4250 North Fairfax Property LLC, a Delaware limited liability company ("4250 N. Fairfax").

IV. The Company is:

A. The sole member of 400 Virginia Avenue LLC, a Delaware limited liability company ("400 Virginia"), which owns certain real property located at 400 Virginia Avenue, Washington, DC, as more particularly described on Exhibit A-1 attached hereto and made a part hereof (the "400 Virginia Property");

B. The sole member of 1201 Equity LLC, a Delaware limited liability company ("1201 Equity") which holds a 49.5% member interest in 1201 Eye Street, N.W. Associates LLC, a Delaware limited liability company ("1201 Owner"), which owns certain real property located at 1201 Eye Street, Washington, DC, as more particularly described on Exhibit A-3 attached hereto and made a part hereof (the "1201 Property").

C. The sole member of TZO Lending LLC, a Delaware limited liability company ("TZO"), which:

1. Holds a Promissory Note from 1201 Owner dated October 24, 2002, in the original principal sum of $7,501,109.38 and is secured by, among other things, a second Deed of Trust from 1201 Owner

dated October 24, 2002 (the "1201 Second Loan"), which loan is further evidenced and secured by the documents listed on Exhibit B-1 attached hereto and made a part hereof (the "TZO Loan Documents");

2. Has the benefit of a certain Option Agreement dated October 24, 2002, between 1201 Owner and TZO (the "1201-TZO Option");

3. Is the sole member of 1215 ESDI LLC, a Delaware limited liability company ("1215 ESDI"), which:

   (a) Holds an Amended and Restated Promissory Note from 1201 Owner dated October 24, 2002, in the restated principal sum of $21,911,384.21 and is secured by a third Deed of Trust originally dated January 17, 1990, as amended and subordinated by a Subordination and Standstill Agreement dated October 24, 2002, (the "1201 Third Loan") which loan is further evidenced and secured by the documents listed on Exhibit B-2 attached hereto and made a part hereof (the "ESDI Loan Documents") and

   (b) Has the benefit of a certain Option Agreement dated October 24, 2002, between 1201 Owner and 1215 ESDI (the "1201-ESDI Option").

TZO and 1215 ESDI are sometimes collectively referred to as "1201 Lending LLCs."

D. The sole member of 1225 Equity LLC, a Delaware limited liability company ("1225 Equity"), which holds a 49.5% interest in 1225 Eye Street, N.W. Associates LLC, a Delaware limited liability company ("1225 Owner"; 1201 Owner and 1225 Owner are sometimes collectively referred to as "Eye Street Owner LLCs"), which owns certain property located at 1225 Eye Street, Washington, DC as more particularly described in Exhibit A-4 attached hereto and made a part hereof (the "1225 Property"; the 1201 Property and the 1225 Property are sometimes collectively referred to as "Eye Street Properties").

1201 Equity and 1225 Equity are sometimes collectively referred to as "Eye Street Equity LLCs."

E. The sole Member of TTF Lending LLC, a Delaware limited liability company ("TTF"), which:

1. Holds a Promissory Note from 1225 Owner dated October 24, 2002, in the original principal sum of $20,653,913.84 and is

secured by a second Deed of Trust from 1225 Owner dated October 24, 2002, (the "1225 Second Loan") which loan is further evidenced and secured by the documents listed on Exhibit B-3 attached hereto and made a part hereof (the "TTF Loan Documents"); and

2. Has the benefit of a certain Option Agreement dated October 24, 2002, between 1225 Owner and TTF (the "1225-TTF Option").

TTF together with 1201 Lending LLCs are sometimes collectively referred to as the Eye Street Lending LLCs and the 1201 TZO Option, 1201 ESDI Option and 1225 TTF Option, are sometimes collectively referred to as the Eye Street Options. TZO Loan Documents, ESDI Loan Documents, and TTF Loan Documents are sometimes collectively referred to as the Eye Street Loan Documents.

V. 4250 N. Fairfax owns certain property located at 4250 N. Fairfax, Arlington, Virginia, as more particularly described on Exhibit A-2 attached hereto and made a part hereof (the "4250 N. Fairfax Property").

400 Virginia, 4250 N. Fairfax, 1201 Equity, 1201 Owner, TZO, 1215 ESDI, 1225 Equity, 1225 Owner and TTF shall be sometimes collectively referred to herein as the "LLCs" or individually, an "LLC", and the Company's membership interest in the LLCs (other than 4250 N. Fairfax) shall be sometimes collectively referred to herein as the "Interests". TZO, 1215 ESDI and TTF shall be sometimes collectively referred to herein as the "Eye Street Lending LLCs").

VI. The 1201 Property is presently encumbered by a First Deed of Trust dated October 24, 2002, which secures a Promissory Note of that date from 1201 Owner to Metropolitan Life Insurance Company ("MetLife") in the original principal sum of $67,560,500.00 (the "1201 MetLife Loan"), which loan is evidenced by the documents listed on Exhibit B-4 attached hereto and made a part hereof (the "1201 MetLife Loan Documents").

VII. The 1225 Property is presently encumbered by a First Deed of Trust dated October 24, 2002, which secures a Promissory Note of that date from 1225 Owner to Metropolitan Life Insurance Company ("MetLife") in the original principal sum of $47,607,000.00 (the "1225 MetLife Loan"), which loan is evidenced by the documents listed on Exhibit B-5 attached hereto and made a part hereof (the "1225 MetLife Loan Documents" and collectively with the 1201 MetLife Loan Documents, the "MetLife Loan Documents"). (The 1201 MetLife Loan and the 1225 MetLife Loan being collectively referred to as the "MetLife Loans".)

VIII. Seller desires to sell to Buyer and Buyer desires to purchase from Seller all of the shares of common stock of the Company issued and outstanding at the time of

Closing (the "Shares") and 100% of the membership interests in 4250 N. Fairfax (the "4250 N. Fairfax Interest"). At the time of Closing, the interests of the Company shall include, without limitation, as to each of 1201 Equity and 1225 Equity (collectively, the "Eye Street Equity LLCs") directly or indirectly: (i) all management, voting and consensual rights, rights of approval, and rights to information of the Company in Eye Street Equity LLCs under the organizational documents of each, (ii) all rights of each of the Eye Street Equity LLCs, as a member and the right to appoint the manager of 1201 Owner and 1225 Owner (collectively, the "Eye Street Owner LLCs"), respectively, under the operating agreements of the Eye Street Owner LLCs ("Eye Street Owner LLC Operating Agreements"), respectively, (iii) all rights of the Company, Seller and Seller affiliates, as applicable, directly or indirectly, under the Eye Street Owner LLC Operating Agreements, (iv) rights subsequent to Closing of the Eye Street Equity LLCs as a member of the Eye Street Owner LLCs in said member's share of the distributions (liquidating or otherwise), (v) all rights of the Company, any LLC and Seller (or other Seller affiliates (together referred to herein as "Beacon"), to the extent assignable under the Master Transaction Agreement dated September 25, 2002 (the "MTA Agreement"), *provided that* if such rights are not assignable, Beacon shall exercise such rights for the benefit of Buyer, subject to and in accordance with Section 16(b) herein, and (v) allocations of the profits, losses, gains, deductions and credits of the Eye Street Owner LLCs and items thereof allocable to 1201 Equity or 1225 Equity.

NOW THEREFORE, in consideration of the mutual promises, covenants and provisions herein contained, and other good and valuable consideration from each party hereto to the other, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree that the Original Agreement is hereby superseded in its entirety by this Contract and further agree as follows:

1. Purchase Price and Payment: (a) The total purchase price (the "Purchase Price") for the Shares and the 4250 N. Fairfax Interest, which shall be each delivered at the Closing to Buyer free and clear of all Liens, is Three Hundred Forty Seven Million and 00/100 Dollars ($347,000,000.00), which shall be payable at the Closing, as hereinafter defined, after adjustment for prorations, credits and cost allocations provided for in this Contract, in lawful currency of the United States of America by deposit with the Title Company (hereinafter defined) of immediately available funds to an account designated by Seller prior to the Closing.

Buyer shall receive a credit against the Purchase Price in amount equal to the outstanding principal balances on the Closing Date of the MetLife Loans and of the Other First Loan (as hereinafter defined), which such Other First Loan shall be paid in full by Buyer immediately following Closing, subject to the terms and conditions of Section 2 below and Seller's obligation and covenant to obtain a pay off letter from each of the holders of the Other First Loan, at its sole cost and expense, in form and substance satisfactory to Buyer and the Title Company in their reasonable discretion. Buyer shall receive a credit against the Purchase Price in the sum of (x) the amount of $369,000, being the liquidation price of the Series A Preferred Stock of the Company, and (y) the twelve percent (12%) dividend payable to the holders of the Series A Preferred Stock of the Company for the period from the date of Closing through December 31, 2003. Seller, at or prior to Closing, shall cause the Company to pay any accrued and unpaid dividend due such holders, plus the twelve percent (12%) dividend for the period from January 1, 2003 through Closing.

Of the total Purchase Price, Ninety-Two Million Five Hundred Thousand Dollars ($92,500,000.00) is allocated to the value of the 4250 N. Fairfax Property and Seventy Million Dollars ($70,000,000.00) to the value of the assets of the Company in the 400 Virginia Property, being the property owned by 400 Virginia.

The 400 Virginia Property is presently encumbered by a First Deed of Trust dated February 13, 2002, which secures a Promissory Note of that date from 400 Virginia to Bayerische Hypo-und Vereinsbank, AG, New York Branch ("Hypo") in the original principal sum of $37,275,000 (the "Other First Loan"). The 4250 N. Fairfax Property is presently encumbered by a First Deed of Trust dated November 14, 2002, which secures a Promissory Note of that date from 4250 N. Fairfax to MetLife in the original principal sum of $43,600,000 (the "4250 N. Fairfax Loan") which will be paid by Seller at Closing from the Purchase Price proceeds.

(b) As security for Buyer's performance hereunder, Three Million Dollars ($3,000,000) (which together with interest thereon is referred to as the "Initial Deposit") was deposited into escrow by Buyer with Chicago Title Insurance Company ("Escrow Agent"). The Initial Deposit shall be held in an interest bearing account with interest accruing to Buyer, and shall be refundable if for any (or no) reason Buyer, in its sole discretion, elects not to proceed with the purchase of the Shares and 4250 N. Fairfax Interest and the other transactions described herein and notifies Seller in writing of such election on or prior to the end of the Due Diligence Period (as herein defined). If, after the expiration of the Due Diligence Period, Buyer has not notified Seller of its intent not to proceed toward Closing, Buyer, within one (1) business day after the expiration of the Due Diligence Period, will deposit into escrow with Escrow Agent a second deposit in the amount of Seven Million Dollars ($7,000,000.00) (the Second Deposit, which collectively with the Initial Deposit, and all interest accrued thereon is herein the "Deposit"). The Deposit shall be held and disbursed as provided herein and, at the Closing, the Deposit shall be applied in full toward the Purchase Price.

Notwithstanding anything herein to the contrary, other than the Permitted Liabilities (as described herein) and then only to the extent contemplated to survive hereunder, Buyer shall not assume, or otherwise be responsible for, any liabilities of Seller, the Company, the LLCs or any of their affiliates, arising out of occurrences on or before the Closing including without limitation, any liabilities or obligations related to the Excluded Assets, Excluded Contracts, and the 4250 N. Fairfax Loan, or any liabilities of Seller arising out of occurrences after the Closing (the "Excluded Liabilities").

2. Lender Consents: The parties acknowledge that the assignment of the Shares to Buyer (and related transactions contemplated hereby) requires only the consent

of MetLife with respect to the Eye Street Properties only and that no consent is required for the transfer of the 4250 N. Fairfax Interest. Attached hereto as Exhibit T is a copy of the consent of MetLife to the sale of the Shares (and related transactions contemplated hereby). Any and all fees or costs in the nature of assumption, transfer or consent fees ("Consent Fee" and including any and all administrative or processing fees and other related costs, collectively, "Consent Costs") imposed by MetLife in connection with obtaining the MetLife Consent (as herein defined) and except as otherwise provided herein, all other costs including, without limitation, title, escrow, other searches and recording costs and expenses, counsel fees (other than Buyer's counsel) in connection therewith shall be borne by Seller.

Without limiting any other termination rights of Buyer hereunder if the MetLife consent is subsequently withdrawn and/or is not in effect at Closing for reasons other than Buyer's default hereunder, then in any such event, Buyer may terminate this Contract by written notice to Seller, whereupon the Deposit shall be returned to Buyer, Seller shall reimburse Buyer for its transaction costs and expenses, including, without limitation, all attorneys' fees, costs and expenses up to the amount of $150,000, and neither party shall thereafter have further rights or remedies hereunder, other than those expressly stated to survive termination. Notwithstanding the foregoing, if the MetLife consent is withdrawn due to a default by Seller (or the Company, or LLCs) either under the MetLife Loan Documents or hereunder, then Buyer shall also be entitled to the remedies for a Seller default under Section 8(ii) herein

The Other First Loan shall be repaid immediately following the Closing by Buyer (subject to Buyer receiving the credit against the Purchase Price and subject to the other provisions set forth below in this paragraph). Without limiting the foregoing or any other obligations of Seller hereunder, Seller shall (at no cost, expense or liability to Buyer) leave in 400 Virginia, or in the Company, or credit to Buyer at Closing sufficient amounts of available cash to pay any and all prepayment fees, costs, penalties, interest, consent fees, and any and all other charges and expenses payable in connection with any repayment made immediately following Closing, and Seller shall indemnify and hold Buyer and Buyer Indemnitees (as herein defined) harmless from and against any claims, demands, breaches, suits, penalties, fines, interest, assessment, losses, liabilities in any way connected with the Other First Loan or with respect to any amounts necessary to repay or prepay the Other First Loan in full other than principal balance of the Other First Loan (as confirmed in writing by Hypo) and only to the extent that Buyer has received a full credit against the Purchase Price and a credit for payment of interest, fees and all other costs, or any failure of Hypo to deliver for record, in recordable form, appropriate release and satisfaction documents for all of the documents evidencing or securing the Other First Loan documents, including, without limitation, all notes, agreements and guaranties to which the Company or any LLC is a party (the "Other First Loan Documents") as set forth on Exhibit B-6, in form and substance satisfactory to Buyer or the Title Company, in their reasonable discretion, or in connection with any other defaults or violations that occur or may occur under any of the Other First Loan Documents either prior to the date hereof or as a result of the transaction contemplated hereby at or after Closing as a result of the failure to pay off the Other First Loan in full or otherwise prior to or simultaneous with the Closing.

3. Assets: Seller represents and warrants that the sole assets and only Subsidiaries (as herein defined) of the Company or 4250 N. Fairfax at the time of Closing will be the interests (including without limitation the Interests) described in the recitals set forth above, and that the sole assets of the LLCs will be as set forth in the recitals to this Contract, and in addition, with respect to 400 Virginia, 4250 N. Fairfax, 1201 Owner and 1225 Owner (the "Owner LLCs"), the assets related to the ownership of the respective properties including all of the following described property:

(i) Land. With respect to 400 Virginia, the real property located in Washington, D.C. containing approximately 46,000 square feet, which is described on Exhibit A-1 attached hereto, together with all rights and appurtenances pertaining to such real property, including, without limitation, all cross access/reciprocal access easements and any and all right, title, and interest of 400 Virginia in and to adjacent roads, alleys, easements, streets and ways including 400 Virginia's interest, as applicable, in any development rights and/or any other rights-of-way or special interests in any adjacent properties.

With respect to 4250 N. Fairfax, the real property located in Arlington, Virginia containing approximately 76,830 square feet, which is described on Exhibit A-2 attached hereto, together with all rights and appurtenances pertaining to such real property, including, without limitation, all cross access/reciprocal access easements and any and all right, title, and interest of 4250 N. Fairfax in and to adjacent roads, alleys, easements, streets and ways including 4250 N. Fairfax's interest, as applicable, in any development rights and/or any other rights-of-way or special interests in any adjacent properties.

With respect to 1201 Owner, the real property located in Washington, D.C. containing approximately 26,509 square feet, which is described on Exhibit A-3 attached hereto, together with all rights and appurtenances pertaining to such real property, including, without limitation, all cross access/reciprocal access easements and any and all right, title, and interest of 1201 Owner in and to adjacent roads, alleys, easements, streets and ways including 1201 Owner's interest, as applicable, in any development rights and/or any other rights-of-way or special interests in any adjacent properties.

With respect to 1225 Owner, the real property located in Washington, D.C. containing approximately 21,973 square feet, which is described on Exhibit A-4 attached hereto, together with all rights and appurtenances pertaining to such real property, including, without limitation, all cross access/reciprocal access easements and any and all right, title, and interest of 1225 Owner in and to adjacent roads, alleys, easements, streets and ways including 1225 Owner's interest, as applicable, in any development rights and/or any other rights-of-way or special interests in any adjacent properties.

(With respect to all of the foregoing Owner LLCs, collectively the "Land").

(a) (ii) Improvements. All improvements, structures and fixtures owned by the Owner LLCs and placed, constructed or installed on the Land (the "Improvements");

(b) (iii) Personal Property. All (i) mechanical systems and related equipment owned by the Owner LLCs attached to the Improvements or located upon the Land, including, but not limited to, electrical systems, plumbing systems, heating systems and air conditioning systems, (ii) maintenance equipment, supplies and tools owned by the Owner LLCs and used in connection with the Improvements, and (iii) other machinery, equipment, fixtures, supplies (including marketing supplies) and personal property of every kind and character (tangible and intangible) owned by the Owner LLCs and located in or on or used in connection with the Land or the Improvements or the operations thereon (the "Personal Property");

(c) (iv) Tenant Leases. The Owner LLCs' interest in leases, licenses and rental and other occupancy agreements (including without limitation, any guarantees) with tenants occupying space situated in the Improvements or otherwise having rights with regard to use of the Land or the Improvements (the leases, licenses and rental and other occupancy agreements and guarantees entered into as of the date of this Contract, together with any amendments, or modifications thereof, as such are listed on Exhibits C-1 through C-4 attached hereto, and those additional tenant leases, licenses, and rental and other occupancy agreements, if any, entered into after the date of this Contract pursuant to the provisions of Article 13 are herein collectively referred to as the "Leases"), and all security deposits or like payments, if any, paid by tenants or other security, including without limitation, non cash security deposits including tenant deposit letters of credit provided in connection therewith;

(d) (v) Property Contracts. The Owner LLCs' interest in all (i) maintenance, repair, service and pest control contracts (including, but not limited to, janitorial, elevator and landscaping agreements), and (ii) management, leasing and parking management agreements affecting the Property, and (iii) all other contracts pursuant to which services or goods are provided to the Property and/or any Owner LLC, all as listed on Exhibits D-1 through D-4 (the "Service Contracts") subject to Buyer's right to elect to terminate Service Contracts and Seller's obligation to terminate the management and leasing agreements as set forth herein.

(e) (vi) Personal Property Leases; Leased Personalty. The Owner LLCs' interest in all leases (the "Personal Property Leases"), all as listed on Exhibits E-1 to E-4 attached hereto, covering furniture, fixture and equipment located in or on or about and used in connection with the Land or the Improvements or the operations thereon (the "Leased Personalty") which shall survive the Closing subject to Buyer's right to elect to terminate Personal Property Leases as set forth herein;

(f) (vii) Warranties, etc. The Owner LLCs' right, title and interest in all warranties, guaranties and bonds relating to the Land, the Improvements, the Personal Property and/or the Leased Personalty (collectively, "Warranties") ;

(g) (viii) Plans. All site plans, surveys, plans and specifications (including, but not limited to, the Plans and Specifications), floor plans, art work, brochures, and tenant correspondence files in the Owner LLCs', the LLCs, the Company's or Seller's possession or control or in the possession or control of the Owner LLCs' leasing and management agents for the Property and which relate to the Land, the Improvements or the Personal Property; and

(ix) Intangible Property. All intangible property (other than the Excluded Assets) owned or held by the Company, the LLCs, the Owner LLCs (including without limitation the rights of Seller or the Company, their respective affiliates, successors or assigns and without limitation, the Eye Street Equity LLCs and the Eye Street Lending LLCs under the MTA Agreement, to the extent assignable, but subject to Seller's covenant to exercise such rights for the benefit of Buyer (subject to Section 16(b)(5) herein), or in which the Company, or the LLCs have an interest, if any, in connection with any of the Land or the Improvements, or the operations thereon, and the Personal Property and the right to the use thereof, all Plans, files, books and records relating to the Property and/or the Company's or the LLCs', rights under governmental permits or approvals to the extent the same are assignable, all Warranties and the right to the use of (without warranty as to exclusivity or otherwise) any names, trademarks, trade names (other than the name of Seller or the name Beacon or BCSP in any variation with other words, phrases or symbols) and telephone numbers and listings employed in connection with the Land or the Improvements or the operations thereon (collectively, the "Intangible Property").

Any representations, warranties or covenants of Seller included in the Recitals (or contemplated thereby) are incorporated herein and expressly agreed and acknowledged by Seller, but are subject to the limitations set forth in Articles 12 and 16 hereof. The Land and the Improvements are sometimes collectively referred to in this Contract as the "Property," and the Land, the Improvements and the other Property described in clauses (iii) through (ix) above are sometimes collectively referred to in this Contract as the "Owner LLCs Property."

4. Closing: (a) Subject to the terms of Section 4(b) below and unless extended pursuant to the terms of this Contract, the closing of the transactions contemplated hereunder (the "Closing") shall take place at 10:00 a.m. on November 20, 2003, (such date, as the same may be extended pursuant to the terms of this Contract, the "Closing Date"), at the offices of Goulston & Storrs, P.C., in Washington, D.C., or at such other location in Washington, D.C., as Buyer shall designate by three (3) business days prior written notice to Seller. Closing may be conducted in the customary manner of an escrow closing by the parties making delivery of all closing documents and funds to the Title Company on or prior to the Closing Date, and in such event the attendance of the parties at Closing shall not be required.

(b) At the Closing, Seller shall deliver the following documents, in substantially the form attached hereto, and, if not attached, reasonably satisfactory in form and substance to Buyer and Buyer's counsel, properly executed and acknowledged as required:

(i) An original of a Stock Power from Seller in the form attached hereto as Exhibit F (the "Stock Power"), accompanying all original stock certificates, if any, evidencing the Shares, transferring to Buyer 100% of the then issued and outstanding shares of common stock in the Company;

(ii) Originals (or true and complete copies, if originals are not in Seller's possession or control) of all Leases, any renewals thereof, all amendments thereto, all guarantees thereof and originals (or true and complete copies, if originals are not in Seller's possession or control) of all records and correspondence relating thereto;

(iii) Originals or copies in the Company's, Seller's, the Owner LLCs' or their managing agent's possession or control of all unexpired Warranties (including without limitation, warranties, guaranties and operating manuals, if any), with respect to the Owner LLCs' Property or Leases, including, without limitation, from any contractors, subcontractors, suppliers or materialmen in connection with any construction, repair or alteration of the Property, systems or any tenant improvements;

(iv) Evidence reasonably satisfactory to Commonwealth Land Title Insurance Company, Chicago Title Insurance Company or such other nationally recognized title company as may be selected by Buyer (the "Title Company"), Buyer and Buyer's counsel that all necessary approvals and/or consents by Seller and any constituent person of Seller otherwise required under Seller's or such constituent's person's organizational documents have been delivered and such other evidence reasonably satisfactory to Buyer, the Title Company and Buyer's counsel of the authority of the signatory on behalf of Seller to convey the Shares pursuant to this Contract;

(v) Evidence of notice of termination of all Service Contracts and Personal Property Leases not accepted by Buyer in accordance with the provisions hereof and evidence of termination of any management agreement and leasing agreements affecting the Property or to which the Company, Owner LLCs or other LLCs are a party (expressly including notice of termination of the leasing agreements between 1201 Owner and The John Akridge Management Company and 1225 Owner and The John Akridge Management Company, each dated as of October 24, 2002, and the sub-management agreement disclosed in Article 13(e) below, for which Seller, shall cause notices of termination to be sent no later than thirty (30) days prior to Closing) (collectively, the "Akridge Agreements"; (all such terminated agreements, including the Akridge Agreements or other agreements not accepted by Buyer being herein referred to as the "Excluded Contracts");

(vi) A certificate in the form attached hereto as Exhibit G ("Seller's Certificate"), evidencing the reaffirmation of Seller's representations, warranties, covenants and agreements, as applicable, as though made on and as of the Closing Date, modified to reflect any changes in underlying facts subject to the terms of Section 7(a)(i) hereof and in any event explaining the state of facts giving rise to such change;

(vii) An original of the closing statement(s) setting forth the Purchase Price (as properly allocated) and the closing adjustments and prorations (collectively, the "Closing Statement") in form and substance reasonably satisfactory to Buyer and Seller;

(viii) Evidence of full payment by Seller to the Brokers (hereinafter defined);

(ix) Originals of instruments constituting non-cash Security Deposits (and appropriate transfer documents if necessary);

(x) All organizational documents, books and records of the Company and the LLCs, but with respect to the partnerships which were the predecessors to the 1201 Owner and 1225 Owner, only to the extent in the possession or control of Seller.

(xi) Affidavits and certificates from Seller in substantially the form of Exhibit H attached hereto for the Title Company or otherwise sufficient to insure title to the Property as of the date of Closing in the name of the respective Owner LLCs without exception other than the Permitted Title Exceptions (as herein defined) and without exception for any mechanic's, materialmen, brokers liens, parties in possession liens (other than those relating to the Leases, but as tenants only without, other than Qwest Communications Corporation with respect to the 4250 N. Fairfax Property (with respect to which it shall be a condition of Closing that the same be waived in writing prior to Closing), any right or option to purchase any portion of the Property) and for the Title Company to issue a non-imputation endorsement (or such similar endorsement as is appropriate for limited liability companies);

(xii) Originals (or full copies) of all Service Contracts and Personal Property Leases, Plans, Warranties and any Intangible Property evidenced by a document or instrument including without limitation the MTA Agreement;

(xiii) Resignations by all officers and directors of the Company and all officers and managers of the LLCs of their respective offices, such resignations to be effective as of the Closing Date;

(xiv) A certificate of non-foreign status that complies with the requirements of Section 1445 of the Internal Revenue Code of 1986, as amended ("Code") and the Treasury Regulations promulgated thereunder; *provided*, *however*, that if the Seller shall fail to do so and the Buyer waives such requirement, Buyer shall be permitted to withhold from any amounts payable pursuant to this Contract any amount required to be withheld pursuant to Section 1445 of the Code and the Treasury Regulations promulgated thereunder.

(xv) Originals of the TZO Loan Documents, TTF Loan Documents and originals or, as applicable, true and complete copies, of the ESDI Loan Documents (as certified to Seller to the extent in Seller's possession or control) and MetLife Loan Documents;

(xvi) Evidence in form and substance reasonably satisfactory to Buyer and Buyer's counsel that the Company and the LLC's no longer holds any interest or liability (and is properly released from any liability) in and to any of the Excluded Assets including, but not limited to, performance of those actions more specifically described in Exhibit AA;

(xvii) Opinions of counsel to Seller addressed to Buyer and dated as of the Closing Date, in the form set forth in Exhibits U-1 and U-2 attached hereto and made a part hereof.

(xviii) Evidence in form and substance reasonably satisfactory to Buyer's counsel that the Articles of Amendment to the Company's Articles of Incorporation, in the form set forth in Exhibit Y, have been duly authorized and adopted by all required corporate and shareholder action.

(xix) Applicable Internal Revenue Service Form W-9 from Seller.

(xx) An assignment of the membership interests in 4250 N. Fairfax in the form of Exhibit Z, transferring to Buyer 100% of the membership interests in 4250 N. Fairfax.

(xxi) Accounting Letter relating to the acquisition of 4250 N. Fairfax in the form attached as Exhibit BB

(xxi) Such other documents, instruments or materials as Buyer may reasonably request consistent with the terms of this Contract.

(c) At the Closing, Buyer shall deliver, or cause to be delivered, the following payment and documents, reasonably satisfactory in form and substance to Seller and Seller's counsel properly executed and acknowledged as required:

(i) The balance of the Purchase Price adjusted in accordance with the terms hereof (including without limitation a full credit for the principal balance amount of the Other First Loan (the "First Loan Credit") and for the MetLife Loans;

(ii) To the closing agent in escrow, an amount equal to the principal amount of the Other First Loan (in an amount not to exceed the First Loan Credit) which amount is to used to repay the Other First Loan immediately following Closing.

(iii) An original of the Closing Statement in form and substance reasonably satisfactory to Buyer and Seller in accordance with the terms hereof;

(iv) Originals signed by Buyer and affiliates of Buyer, as applicable, of the documents to be signed by Buyer as reasonably required by MetLife (if and to the extent reasonably approved by Buyer and provided that the conditions of Section 2 and Seller's obligations thereunder have been satisfied) in connection with the MetLife Consent to the transfer of the Shares, including, without limitation, if required by MetLife, "recourse carve-out" for matters arising and first accruing from and after Closing (but not before Closing) and "environmental" indemnities by Buyer's Responsible Party substantially in the form executed by Seller or parties related to Seller; provided that Seller shall expressly indemnify Buyer and the Buyer's Responsible Party for any breach by Seller (or Owner LLC) of Seller's or such Owner LLC's environmental indemnity to MetLife for the period on or prior to Closing.

(d) The Closing shall not be deemed to be completed until all documents and payments as aforesaid have been properly delivered (and recorded if and where appropriate) to the satisfaction of all parties. However, upon Closing, the parties shall be deemed to have satisfied all of their obligations hereunder, except for the obligations, if any, expressly stated to survive the Closing Date (collectively, the "Surviving Obligations").

5. Certain Disclosure Matters: (a) The 400 Virginia Property has the benefit of a document entitled Underpinning Agreement dated as of September 23, 1983, wherein an abutting land owner allowed its property to be used for the underpinning of the improvements constructed on the Property. A copy of the Underpinning Agreement is attached hereto as Exhibit I-1. On January 15, 2001, the then owner of the adjoining property issued an estoppel certificate confirming that there were no defaults by the owner of the Property with respect to the Underpinning Agreement. A copy of the estoppel certificate is attached hereto as Exhibit I-2. Seller represents and warrants that Seller is unaware of any default under the Underpinning Agreement and that Seller has not received any notice of default under the Underpinning Agreement and Seller shall provide an affidavit to that effect for the benefit of the Title Company and cooperate with Buyer's effort to pursue an updated and revised estoppel in form and substance satisfactory to Buyer prior to the expiration of the Due Diligence Period, but (unless otherwise agreed by Seller in connection with Buyer's additional investigation) obtaining the same shall not be a condition of Buyer's obligations hereunder.

(b) At the time 4250 N. Fairfax acquired the 4250 N. Fairfax Property, Seller was made aware of an allegation by Cosi, Inc., a tenant at said Property, that Qwest Communications Corporation (the "Former Owner") had violated an exclusive use provision contained in its lease (the "Cosi Allegation"). The Former Owner provided certain assurances to 4250 N. Fairfax in that regard. A true, correct and complete copy of all of the relevant sections of the contract between the Former Owner and Seller, together with a copy of the estoppel letter from Cosi, Inc., (together, with its affiliates, successors and assigns, "Cosi") is attached hereto as Exhibits S-1 and S-2 respectively (collectively, the "Cosi Allegation Documents") and a true and complete copy of said contract has been delivered to Buyer. Subject to the terms in this paragraph below, Buyer hereby agrees that if a Tenant Estoppel from Cosi in accordance with Article 7 hereof is delivered which otherwise complies with the terms of an acceptable Tenant Estoppel (from the named tenant on the Lease), but similarly raises, without additional objections or allegations, said violation as an alleged default, Buyer shall nevertheless accept said Tenant Estoppel as an acceptable Tenant Estoppel. Seller represents and warrants that other than the Cosi Allegation Documents, Seller has not received any other notice, claim, complaint or other information from Cosi or the Former Owner evidencing, supporting, restating, challenging, enhancing, explaining or modifying the Cosi Allegation. Seller further covenants that Seller shall timely and promptly provide to Buyer any information, notices, or additional claims with respect to the Cosi Allegation or Cosi Allegation Documents and for a period of one (1) year(if a claim is made during that period until settled or otherwise resolved), Seller shall protect and hold Buyer, and Buyer Responsible Party harmless from and against (and cause the Former Owner, as applicable, under the Cosi Allegation Documents to protect and hold Buyer (and the 4250 N. Fairfax Owner) harmless from and against any and all claims, acts, debts, demands, actions, causes of action, suits, sums of money, covenants, contracts, accounts, agreements, promises, representations, restitutions, omissions, variances, losses, damages, obligations, costs, response actions, fees (including, without limitation, attorneys, consultants and experts fees) (collectively, "Claims") arising out of or resulting or connected with the Cosi Allegation or Cosi Allegation Documents, and to the extent Seller has so satisfied Buyer, Seller shall be entitled to enforce the payment and contribution obligations of the Former Owner, and Buyer shall reasonably cooperate with Seller, in connection therewith. If Cosi, Inc. provides a Tenant Estoppel in accordance with Article 7 that does not raise a Cosi Allegation, Seller's indemnity under this paragraph shall be of no force or effect. Following such one (1) year period, Buyer shall be entitled to the benefit of the Former Owner's contribution obligations and Seller, shall pursue its rights against the Former Owner, on behalf of, and at the request of Buyer at no cost to Buyer.

(c) Seller's representations, warranties, indemnities and covenants in this Section shall survive the Closing.

6. Due Diligence: Seller acknowledges that the Buyer intends to conduct an investigation of the Company, the Property, the Owner LLCs' Property, the TZO Loan, the TTF Loan, the ESDI Loan, the 1201 MetLife Loan, the 1225 MetLife Loan, and all of the books and records of the Company and the LLCs. Commencing on the date hereof, Buyer, and Buyer's employees, agents, consultants, advisors, attorneys, accountants, engineers and other representatives ("Buyer's Representatives") shall have the right to perform and conduct such examinations and investigations thereof as Buyer may desire, which may include, without limitation, examination of all structural and mechanical aspects of the Property, review of documentation, income and expenses, all Leases and

tenant files, records of repairs and capital improvements (excluding only any materials which are not required or desirable for the operation, management or ownership of the Property, Company, or any of the LLCs including without limitation any reporting requirements and which are of a proprietary nature, (such as internal valuation analysis, projections, and other materials constituting the legally privileged and confidential work product of Seller but not if the same relate to related liabilities and obligations being assumed or intended to be assumed by Buyer or which Buyer is otherwise subject), examination of the title to the Property, conducting environmental tests to determine the presence or absence of hazardous waste or materials, asbestos, lead paint, indoor air quality, radon and other similar materials and substances at, in on, under or from the Property, and other environmental conditions at the Property, preparing and reviewing a current as-built survey thereof, and determining the compliance of the Property with all applicable laws, rules, codes and regulations. In connection with such examination, Seller shall deliver and make available (at reasonable times and places) for Buyer's review all of the books and records of the Company, the LLCs and Owner LLC and the MetLife Loans, the Other First Loan and including without limitation the other items set forth on Schedule 1 attached hereto to the extent not heretofore delivered.

If the expiration of the Due Diligence Period shall fall on Saturday, Sunday or holiday, the Due Diligence Period shall automatically be extended to the next business day. Notwithstanding anything herein to the contrary, nothing herein shall authorize Buyer, nor shall Buyer be permitted to conduct, any subsurface or groundwater environmental testing or other environmental samplings relating to the Property without Seller's prior written consent, which consent may be withheld or denied in Seller's sole discretion; provided that lead, radon, indoor air quality and asbestos sampling shall be permitted without Seller's prior consent and provided further that if Seller unreasonably withholds or denies consent for Phase II testing, then Buyer shall be entitled to terminate the Contract, by written notice to Seller, whereupon the Deposit shall be returned to Buyer, and Seller shall reimburse Buyer for its transaction costs and expenses, including, without limitation, all attorneys' fees, costs and expenses up to the amount of $150,000, and neither party shall thereafter have further rights or remedies hereunder, other than those expressly stated to survive termination.

The "Due Diligence Period" shall mean the period commencing on the date hereof and ending at 5:00 p.m. (EDST) on November 20, 2003. Notwithstanding anything to the contrary contained in this Contract, Seller acknowledges that Buyer shall have the right in its sole and absolute discretion, either based upon its disapproval of any of the information it receives, for any other reason whatsoever or for no reason, to terminate this Contract on or before expiration of the Due Diligence Period. Except to the extent that Buyer provides written notice to Seller on or prior to the expiration of the Due Diligence Period (as it may be extended as provided herein) that Buyer has elected to proceed to Closing in accordance with, but subject to, the terms hereof, this Contract shall ipso facto terminate and be deemed to have terminated, in which event the Deposit shall be returned to Buyer forthwith and the parties shall thereafter have no further obligations hereunder except those expressly stated to survive such termination. The failure of Buyer to provide any notice at all to Seller on or prior to expiration of the Due Diligence Period shall constitute and be deemed to be the election of Buyer to terminate this Contract in accordance with its right to do so under this Article 6.

Subject to the limitations set forth above, Seller and the Owner LLCs shall, upon reasonable notice and at reasonable times, make the Property available to Buyer and Buyer Representatives for such inspections and tests as Buyer deems appropriate, including for Buyer's engineering inspection(s), environmental compliance inspections, site evaluations, and such other inspections and tests as Buyer deems appropriate, at Buyer's sole cost and expense. Seller shall have the right to have a representative present during all or any of Buyer's such inspections and tests. Buyer, accompanied by a representative of Seller or, at Seller's election, an employee of the Property Manager, may interview tenants, such interviews to be scheduled by Seller promptly at Buyer's request; *provided that* Seller or such representative shall make themselves reasonably and promptly available if such election is made.

Without limiting the foregoing, Buyer shall have the right to contact and interview The John Akridge Company including without limitation Brian A. Cass, an Officer of The John Akridge Company or at Buyer's election any other officer, director or employee thereof, or any other member (collectively, the "Akridge Representative"); *provided that* reasonably adequate prior notice thereof shall be given by Buyer to Seller or to Seller's representative and, if requested by Seller, Buyer shall allow Seller or a representative of Seller to arrange and be present (in person or by phone) at any such meeting but only to the extent involving the discussion of the Akridge Representative as to the interests of the non-Seller affiliates as members of the Eye Street Owner. Without limiting the foregoing, Seller shall cooperate with Buyer promptly and in good faith to set up any meetings with the Akridge Representative if requested by Buyer. Subject to the forgoing, Buyer shall not in any way be prohibited from or limited in discussing any issues, matters or concerns relating to the LLC Property and/or the ownership and debt structure thereof, including without limitation, management, leasing, maintenance, construction, financing and/or operation of the Property and/or the structure, management, and/or organization of the Eye Street LLC Owners, Eye Street Equity LLCs, and/or the Eye Street Loan Documents.

Seller and Buyer acknowledge and agree that it is a condition to Buyer's obligations hereunder as provided in Article 7(a)(viii) hereunder that the Eye Street Documents Amendments (as therein defined) conforming to the terms set forth on Exhibit V attached hereto and made a part hereof and otherwise conforming to the provisions of said Article 7(a)(viii) are duly executed and delivered. It shall be a condition of Closing that the non-Seller members of the Eye Street LLC Owners (the "Akridge Members") execute and deliver the Eye Street Document Amendments, in the forms attached or as approved by Buyer, in its sole discretion, on or prior to Closing or Buyer may elect to terminate this Contract on the same terms as this Article 6.

Buyer hereby agrees to indemnify and hold Seller and the LLCs harmless from and against any and all loss, cost or damage to the Property (but not any loss, cost, expense or damages or diminution in value arising from or related to any condition discovered by Buyer or by any act of Seller, the Company, or any LLC) resulting directly from actions taken by Buyer or its agents, engineers or consultants. Prior to its entry on the Property, Buyer shall provide to Seller certificates of liability insurance insuring Buyer and Seller and the LLCs in an amount not less than Two Million Dollars ($2,000,000.00). Buyer shall promptly repair all damage to the Property resulting directly from any such inspections or tests by Buyer and shall to the extent reasonably practicable restore the Property to substantially the same condition existing immediately prior to such inspections and tests, but only to the extent such change in condition was caused by such inspections and tests, reasonable wear and tear excepted. In the event Buyer discovers any matter during the course of its investigations and tests which may be reportable under applicable law, Buyer acknowledges and agrees that it shall not undertake any such reporting, except to the extent Buyer is legally mandated to do so, but shall notify Seller promptly of any such discovery. In performing any such inspections or tests, Buyer shall not unreasonably interfere with the activities on the Property of any tenant under the Leases. The indemnification, repair and restoration obligations of Buyer under this paragraph shall survive the termination of this Contract only with respect to the period prior to the termination for a period of one (1) year after such termination.

Seller shall deliver to Buyer an existing ALTA survey of each Property and Buyer, at its option, may obtain each of the following at its own cost and expense: (i) an updated current ALTA Survey of the Property (the "Survey") certified to the Buyer and the Title Company; and (ii) a title insurance commitment (or an endorsement to the existing owner's and lender's title policies attached hereto as Exhibits J-1 - J-4 and Exhibits K-1 - K-3 respectively issued by Commonwealth Land Title Insurance Company or Chicago Title Insurance Company, as Buyer, in its sole discretion, may elect, (the "Title Company") (the "Title Commitment") containing such endorsements, affirmative coverages and reinsurance or co-insurance agreements as Buyer shall require and specifying the Title Company's requirements relating to the issuance of such title policy (the "Title Requirements"). Buyer has given Seller notice ("Buyer's Title Notice") of Buyer's disapproval of any of the title exceptions contained in the Title Commitment (or of any matter disclosed on the Survey) specifying those Title Requirements, if any, contained in the Title Commitment which are to be performed by or on behalf of Seller, the Company or the LLCs. Seller, by written notice to Buyer ("Seller's Title Notice") has notified Buyer of the Title Requirements and other title objections which Seller agrees to satisfy or cure. Except for Monetary Encumbrances and New Exceptions (as herein defined), which Seller shall be obligated to satisfy and cure whether or not notified by Buyer, if Seller does not agree to cure or satisfy any matters identified in Buyer's Title Notice, Buyer may terminate this Contract by written notice to Seller given on or before the later of the expiration of the Due Diligence Period or otherwise be deemed to have waived any matter except for Monetary Encumbrances and New Exceptions, which Seller shall be obligated to satisfy and cure, Seller has not agreed to satisfy or cure or use its reasonable efforts to cure or satisfy. If Seller does not respond to Buyer's Title Notice as provided above, Seller shall be deemed not to have agreed to satisfy or cure the matters set forth therein. Except for Monetary Encumbrances and New Exceptions, which Seller shall be obligated to satisfy and cure, Buyer shall be deemed to have accepted those matters appearing as exceptions in Buyer's Title Commitment and those matters appearing on the Survey to which Buyer has not objected in Buyer's Title Notice (or which Buyer is deemed to have waived), and each such matter not so objected to shall be deemed a "Permitted Title Exception". Buyer shall also have the right to object to, as part of Buyer's Title Notice, but nothing herein shall obligate Seller to deliver the Property to Buyer at the Closing free and clear of, the encumbrances, restrictions, easements and other matters identified on the existing owner's title insurance policy of the LLC and lender's title insurance policy in favor of the Eye Street Lending LLCs identified on Exhibits J-1 - J-4 and Exhibits K-1 - K-3 attached hereto and incorporated herein by reference other than as to Monetary Encumbrances and New Exceptions, which Monetary Encumbrances and/or New Exceptions, Seller shall be obligated to satisfy or cure (and Buyer may, at its option use the Seller's proceeds at Closing to satisfy); provided further that, as an alternative to the satisfaction or cure of a Monetary Encumbrance by payment, Seller shall have, at its option, the right to (i) bond over any such encumbrance or (ii) take such other action in order to have the encumbrance removed as an exception to title, which in either the case of (i) or (ii) shall be in a manner as may be reasonably acceptable to Buyer and the Title Company.

In the event this Contract is terminated under this Section, all obligations, liabilities and rights of the parties under this Contract shall terminate (other than those expressly stated to survive such termination), and the Deposit shall be returned to Buyer. If Seller has elected to cure any matter or to satisfy any Title Requirement or as to a Monetary Encumbrance or New Exception is required to satisfy, remove or cure any matter, such matter shall be cured, removed or satisfied by Seller at or prior to the Closing Date. The failure of Seller to satisfy, remove or cure any such matter to Buyer's reasonable satisfaction shall constitute a default by Seller hereunder.

For purposes of this Contract, the following terms shall have the following meanings:

"Monetary Encumbrance" shall mean (a) any mortgage, deed to secure debt, deed of trust, assignment of leases and rents, negative pledge, financing statement or similar security instrument encumbering all or any part of the Property other than the Other First Loan, the TZO Loan Documents, TTF Loan Documents, ESDI Loan Documents and the MetLife Loan Documents and (b) the lien of ad valorem real or personal property taxes, assessments and governmental charges affecting all or any portion of the Property which are delinquent; (c) any mechanics or materialmen's liens created by, through or under Seller, the Company or any of the LLCs (but not in connection with Buyer's inspection or tenant work for which tenants are responsible under their Leases) and (d) any lis pendens or judgment of record against Seller, the Company or the LLCs, in the county or other applicable jurisdiction in which the applicable Property is located.

"New Exceptions" shall mean any encumbrance, exception or matter first appearing of record after the effective date created by the affirmative voluntary action of Seller, the Company or the LLCs, or an involuntary matter such as a mechanics liens which are less than $250,000 in amount per each of the 1201 Property, 1225 Property, 400 Virginia Property and 4250 N. Fairfax Property, individually and not collectively.

Except for the representations and warranties, covenants and indemnities expressly contained herein or in any document executed and delivered by Seller, the Company, or any of the LLCs at or in connection with Closing, as the same may be modified or deemed modified as herein provided, and except with respect to any breach by Seller or any LLC, prior to Closing, of its obligations under any indemnity to MetLife in connection with the MetLife Loans or any other lender under the Other First Loan, for which Seller shall remain expressly liable, or any other obligations for which Seller shall in all events remain liable or Seller which expressly survive the Closing hereunder (collectively, as to all such representations, warranties, covenants, indemnities, and other obligations, the Surviving Seller Obligations") (i) Buyer acknowledges and agrees that Buyer is acquiring the Shares and the 4250 N. Fairfax Interest, with the Owner LLCs Property being "as is", "where is" and "with all defects" basis, and without representation or warranty, express, implied or statutory, of any kind, including, without limitation, representation or warranty as to condition (structural, mechanical or otherwise), construction, development, income, compliance with law, habitability, tenancies, merchantability or fitness for any purpose, all of which, except for the Surviving Seller Obligations, are hereby disclaimed; (ii) Buyer acknowledges that, except for the Surviving Seller Obligations, all materials furnished by Seller to Buyer are informational only without warranty or representation as to its truth or accuracy and that Buyer is relying on its own due diligence; and (iii) by Closing and paying the Purchase Price, except for the Surviving Seller Obligations, and without in any way limiting or modifying any Seller Surviving Obligations or rights or remedies of Buyer against Seller or any Seller Parties hereunder or otherwise with respect to any Surviving Seller Obligations, Buyer, upon closing the transaction, shall be deemed to have released Seller and its members, partners, beneficial owners, officers, directors, managers, employees, and agents (the "Seller Parties") from any claims by Buyer which Buyer may have against the Seller Parties (but not with respect to claims of persons or entities other than Buyer or its affiliates, for which claims Buyer or its affiliates shall have the right to interplead Seller Parties, as applicable) with respect to matters arising prior to the date hereof, relating only to Hazardous Materials (hereinafter defined) located at, on, in or under the Property (but in no event shall Seller be released (or deemed released) from any Surviving Seller Obligation or any other obligation or liability relating to, or any Hazardous Materials at, on, in or under or relating to any Excluded Assets or for any Excluded Liabilities or Retained Liabilities (as herein defined).

For the purposes of this Contract, the following terms shall have the meanings set forth below:

(i) the term "Environmental Laws" means all federal, state, or local laws, rules or regulations (whether now existing or hereafter enacted or promulgated) and any judicial or administrative interpretation thereof, including any judicial or administrative orders or judgments, relating to the pollution protection of human health, safety and the environment;

(ii) the term "Hazardous Materials" includes any substance, chemical, compound, product, solid, gas, liquid, waste, byproduct, pollutant, contaminant or material which is hazardous, toxic, ignitable, corrosive, carcinogenic or otherwise dangerous to human, plant or animal life or the environment or which are defined, determined or identified as such in any Environmental Laws or which are regulated or subject to clean-up authority under any Environmental Laws, including, but not limited to materials defined as (A) "hazardous waste" under the Federal Resource Conservation and Recovery Act, (B) "hazardous substances" under the Federal Comprehensive Environmental Response, Compensation and Liability Act, (C) "pollutants" under the Federal Clean Water Act, (D) "toxic substances" under the Toxic Substances Control Act, (E) "oil or hazardous materials" under the laws of the District of Columbia or the Commonwealth or Virginia, as applicable, and (F) oil and petroleum products or byproducts and any constituents thereof, urea formaldehyde insulation, lead in paint or drinking water, asbestos, and polychlorinated biphenyls (PCBs).

In the event that Buyer elects to terminate this Contract as provided in this Article 6 or if this Contract otherwise terminates as provided for hereunder for reasons other than a default by Seller, then, Buyer shall promptly deliver and, to the extent assignable and provided that Buyer is compensated for the cost to Buyer thereof, assign to Seller, without representation or warranty of any kind from or liability of Buyer, all written reports, surveys, title commitments or other materials prepared by third parties for Buyer relating to the Property (excluding any proprietary development or marketing materials, appraisals, lease abstracts, internal analysis, budgets or other materials covered by the so-called attorney-client privilege). Buyer hereby agrees that all materials delivered to it by or on behalf of Seller shall be held in the confidence as provided in Section 27 hereof.

7. Conditions to Closing: (a) Without limiting any other conditions to Buyer's obligations to close set forth in this Contract, the obligations of Buyer under this Contract are subject to the satisfaction at the time of Closing (or end of the Due Diligence Period, as applicable) of each of the following conditions (any of which may be waived in whole or in part by Buyer, in its sole discretion, at or prior to Closing):

(i) All of the representations by Seller set forth in this Contract or any Exhibit attached hereto shall be true and correct in all material respects, but without any carve out for materiality or qualification for Seller's knowledge as to the representations at Section 12(a)(i), 12(a)(viii), 12(a)(ix) and 12(a)(x) (except as to changes therein as contemplated by this Contract) and without regard to any qualification for Seller's knowledge, as modified by any change in facts arising after the date hereof underlying any of Seller's representations and which is otherwise permitted or expressly contemplated hereunder and not caused by a breach, or default by

Seller hereunder. In furtherance of the foregoing, Seller does not represent or warrant that any particular Lease or Service Contract will be in force or effect at Closing or that the tenants under the Leases or vendees under Service Contracts will not be in default or will have performed their obligations thereunder and, so long as Seller performs its obligations hereunder and is not in violation of any of its covenants hereunder, any change in facts underlying the representations set forth in Section 12(a)(ii) shall not be a condition to Buyer's obligations;

(ii) Seller shall have performed, observed, and complied in all material respects with all covenants and agreements required by this Contract to be performed by Seller at or prior to Closing;

(iii) Original estoppel certificates ("Tenant Estoppels") are obtained and delivered to Buyer from the following tenants; 1) at the 400 Virginia Property: Lockheed Martin Corporation, Titan Corporation, the General Services Administration of the United States of America ("GSA") with respect to the premises occupied by the Social Security Administration, Alcohol, Tobacco, and Fire Arms, Federal Highway Administration, Army Corps of Engineers and Housing and Urban Development, 2) at the 1225 Property: Biotechnology Industry Organization and International Republic Institute, 3) at the 1201 Property: Affiliated Computer Services, the GSA with respect to the premises occupied by the National Park Service, and FTI Consulting, Inc., and 4) 4250 N. Fairfax Property: Qwest Communications Corporation and NCS Pearson (collectively, "Major Tenants") plus such additional tenants which together with the Major Tenants represent seventy-five percent (75%) of the total area rented and occupied at each of the 400 Virginia Property, 1201 Property, 1225 Property and 4250 N. Fairfax Property, individually, such Tenant Estoppels to be either (i) in the form attached as Exhibit L-1 hereto; (ii) if any Lease provides for a form or content of an estoppel, in the form called for under such Lease, or (iii) with respect to any lease with the United States Government or any agency or department thereof ("Government Tenants"), Buyer shall accept, in standard form in lieu of an estoppel certificate a so-called "Statement of Lease" in the customary standard form to Government Tenants, and shall enter into a novation agreement in the form required by the Government Tenants. Without limiting the foregoing, Seller and Buyer agree to sign a Novation Agreement in standard form (or such other acknowledgement in lieu of a Novation Agreement related to the change in ownership or change in control as Buyer deems reasonably appropriate (a "Novation Equivalent") and use reasonable efforts to pursue the execution of the Novation

Agreement or Novation Equivalent by the applicable Governmental Tenant post-Closing. Seller, however, shall request Tenant Estoppels from all tenants of the Property, in the form attached as Exhibit L-1 hereto or with respect to Government Tenants, in the standard form "Statement of Lease" as aforesaid. Such Tenant Estoppel shall also (i) confirm the material terms of the applicable Lease, as contained in the copies of the Leases obtained by or delivered to Buyer , (ii) except notwithstanding any terms of any lease to the contrary (including in particular but without limitation the Quest Communications Lease), shall confirm that such Tenant has no right or option to purchase the Property or any portion thereof, which option survives the Closing or otherwise with respect to this transaction or otherwise, which option has not been expressly waived in writing in form and substance satisfactory to the Buyer and (iii) confirm the absence of any defaults under the applicable Lease as of the date thereof. In the event required Tenant Estoppels from Major Tenants are not received by the expiration of the Due Diligence Period, Seller or Buyer, by written notice to the other, may extend the Closing Date for not more than 10 days as set forth in such notice. Seller shall be obligated to provide and Buyer shall accept a Seller Estoppel Certificate in the form of Exhibit L-2 attached hereto for any tenant other than Major Tenants who does not submit a Tenant Estoppel in order to achieve the seventy-five percent (75%) threshold at each LLC Property, individually, and in the aggregate. Such Seller Estoppel Certificate shall survive Closing and not be limited as otherwise provided herein, but shall nonetheless be of no further force or effect as of the date upon which there is delivered to Buyer a Tenant Estoppel (in form and substance satisfactory to Buyer in accordance with the terms hereof) from the tenant in respect of which such Seller Estoppel Certificate was given. Seller shall prepare the Tenant Estoppels for Buyer's review and deliver the same to Buyer on or before five (5) business days after the date hereof. Buyer shall have three (3) business days after receipt of all of the draft Tenant Estoppels to review the same and Seller shall make such revisions as requested by Buyer to the extent conforming with the Leases and promptly send them within two (2) business days after receipt of approval by Buyer.

(iv) At the time of the Closing, the Company shall have no obligations or liabilities and the LLCs shall have no obligations or liabilities as determined under generally accepted accounting principles except: (a) the obligations of the Owner LLCs as landlord under the Leases of space in the Property, but only for sums and obligations not yet due or accrued or covenants and other provisions not yet required to be performed, and including in this clause (a) the obligations of the Owner LLCs as landlord under the Leases for the return of security deposits but only if and to the extent such are held by the Owner LLCs and delivered or credited to the Buyer at Closing; (b) the obligations of the Owner LLCs for real estate taxes, usual and customary operating expenses, utilities, and under the Permitted Title Exceptions, but only for sums and obligations not yet due or accrued or covenants and other provisions not yet required to be performed; (c) the obligations of 400 Virginia under the Other First Loan, but only to the extent of payment obligations which shall be wholly covered by the First Loan Credit (and other amounts remaining in the Owner LLC which are transferred to a Company account controlled by Buyer), the ESDI Loan, the TZO Loan, the TTF Loan, the 1201 MetLife Loan, the 1225 MetLife Loan, the 1201-ESDI Option, the 1225-TTF Option, and the 1201-TZO Option not yet due or accrued, (d) the obligations of the Owner LLCs as the owners of the Property under the Service Contracts (but not the Excluded Contracts), but only for sums and obligations not yet due or accrued or covenants and other provisions not yet required to be performed, (e) the obligations as a member of the respective LLCs not yet due or accrued or covenants not yet required to be performed, (f) the obligations set forth on Exhibit O, provided that Buyer receives a full credit for the amounts set forth on Exhibit "N" to the extent not previously paid (as evidenced to the reasonable satisfaction of Buyer), (g) items being prorated as provided in Article 14, and (h) any other unaccrued obligations or liabilities, contractual or otherwise but only as are disclosed to and expressly approved (or not objected to) by Buyer in writing, in its sole discretion (the above described matters in clauses (a) through (h) being herein referred to as the "Permitted Liabilities"). Without limiting the foregoing, the Company shall have no obligations or liabilities and the LLCs shall have no obligations or liabilities or in any way arising out of, related to or in any way connected with any Excluded Asset (or the distribution thereof) or any Excluded Liability, whether accrued or unaccrued or whether arising or accruing prior or after Closing including, without limitation, any Taxes arising or accruing in connection therewith.

Furthermore, without limiting the indemnities (or the scope thereof) contained herein or Seller's liability for any liability which is not a Permitted Liability, in addition, and regardless of whether known to Buyer at Closing, any liability accrued pursuant to accounting principles generally accepted in the United States ("GAAP") existing at the time of Closing which is not a Permitted Liability and (i) which is recorded by Buyer as such on the books of the Company within one (1) year after Closing and (ii) of which Buyer notifies Seller in writing within such one (1) year period, shall continue as a Surviving Obligation of Seller to Buyer until the same is no longer recorded as an accrued liability under GAAP. If Buyer pays said accrued liability, Seller shall reimburse Buyer on demand the amount of said payment. The provisions of this paragraph shall survive indefinitely and supersede any limitation of time for Surviving Obligations set forth in Article 16.

(v) MetLife shall have consented in writing to: (1) the transfer of the Shares in accordance with Section 2 hereof, (2) Buyer's insurance coverage, (3) any required changes to the Loan Documents to conform the documents to reflect Buyer succeeding to Seller's interests (and, to the extent required under the Loan Documents, any other changes to the Eye Street Loan Documents including the amendments contemplated hereby) and MetLife shall have further confirmed to Buyer: (a) the outstanding balance of the MetLife Loans consistent with the terms set forth herein, (b) the amount of any escrow balances or other amounts, if any, owing under the MetLife Loans, and (c) that to MetLife's knowledge, no default exists or has occurred with respect to the respective MetLife Loan.

(vi) Except as permitted or required by this Contract, title to the Property shall not have changed in any respect since the effective date of the Title Commitment and at Closing, if and to the extent pursued by Buyer, upon payment of the applicable premium by Buyer, the following shall be available to Buyer: ALTA Owner's Title Insurance Policies (Form 1992) to Buyer and ALTA Mortgagee's Title Insurance Policies (collectively, the "Title Policy"), issued by the Title Company in the form of the Title Commitment without exception other than the Permitted Title Exceptions (with such endorsements and affirmative coverage as accepted by Buyer prior to the expiration of the Due Diligence Period) and prior to Closing, Buyer shall have received payoff letters addressed to Buyer and the Title Company for the Other First Loan (and for the 4250 N. Fairfax Loan) in form and substance satisfactory to Buyer and the Title Company and without limitation sufficient for the Title Company to issue the Title Policy free and clear of the Other First Loan and 4250 N. Fairfax Loan upon the repayment thereof as contemplated by Section 2 above, each in their sole discretion.

(vii) No Litigation, action, proceeding or investigation or legislation or regulation shall be pending or threatened which seeks to enjoin, restrain, or prohibit Seller, the Company, or any of the LLCs or to obtain substantial damages in respect of the consummation of the transactions contemplated hereby or as to any action, proceeding or investigation related to the Property, Seller, Company or the LLCs, which would make it inadvisable to consummate the transaction contemplated by this Contract.

(viii) Originals of the amendments (collectively, the "Eye Street Document Amendments") to the Eye Street Owner organizational, formation and operating agreements and Eye Street Loan Documents and Options in accordance with Article 6 hereof duly executed by all of the Members of the Eye Street Owner LLCs and the Eye Street Lending LLCs, as applicable, effective as of Closing, to include an estoppel of each of the members as of the date of the execution by each such member, and release by the Akridge Members of Buyer and Buyer affiliates for periods prior to Closing, together with a letter dated within two (2) business days of Closing from One Franklin LLC (the holder of more than a forty-nine percent (49%) interest in such entities), certifying that there are no defaults under any of the Eye Street Owner documents by such Member or the Seller member on and as of the date of Closing (including with respect to the consummation of the transactions contemplated hereby) and confirming its interests in the 1201 Owner and 1225 Owner (with the result that Exhibits R-1 and R-2 attached hereto are accurate, true and correct).

(ix) Qwest Communications Corporation confirms in writing in form and substance acceptable to Buyer, in its reasonable discretion, that Quest's right of first offer under its Lease is of no further force and effect.

If any condition set forth herein is not fully satisfied on or before the Closing Date, Seller may elect to attempt to satisfy or cure any such condition, and if Seller so elects, Seller shall have a period not exceeding thirty (30) days after the Closing Date to satisfy such condition, and the Closing Date shall be extended accordingly; provided that if Seller extends the Closing Date to attempt to satisfy or cure any such condition as aforesaid, then it shall be a condition of Closing (herein, the "MAC Condition") during such extension, that there shall not have occurred and be continuing at Closing any material, adverse change in the physical, financial or legal conditions of the LLC Owner or the Property, from the conditions thereof as accepted by Buyer as of the expiration of the Due Diligence Period, ordinary and reasonable wear and tear excepted with respect to the physical condition of the Property and casualties and condemnation governed by Article 10, and provided that a downgrade of more than one level in rating of any of the following Major Tenants: Lockheed Martin Corporation, Titan Corporation, Qwest Communications Corporation and NCS Pearson shall be deemed a material adverse change.

(b) In the event any condition precedent to Closing is unsatisfied because of a breach by Seller (or the Company, or any LLC) of its obligations or representations and warranties set forth or contemplated in this Contract (or any representations and warranties were untrue when made) Seller shall be deemed to be in default hereunder in which event the foregoing thirty (30) day cure period shall not be applicable and the provisions of Article 8 for a Seller default shall apply.

8. Default: (a) If on the Closing Date, Seller is in default hereunder, has breached a representation or has failed to perform any of its obligations or covenants hereunder (not otherwise waived by Buyer) in each case in any material respect, Buyer's sole and exclusive remedy shall be the right to exercise either one of the following:

(i) Buyer shall have the right to terminate this Contract by notice to Seller, in which event the Deposit shall be paid to Buyer, and thereafter, and Seller shall reimburse Buyer for its out of pocket expenses not to exceed $750,000, and thereafter, all rights and obligations of the parties under this Contract shall terminate, except for those expressly stated to survive such termination; or

(ii) Buyer may specifically enforce Seller's obligations hereunder; provided that if specific enforcement is unavailable, including, without limitation, as a result of or in connection with a breach of Section 13(f) or Section 11 or other willful or intentional action of Seller taken in bad faith, then, in addition to a refund of the Deposit and any other rights of Buyer hereunder, Buyer shall also be entitled to direct (but not consequential) damages in an amount not to exceed $10,000,000.

(b) In the event of a material default by Buyer hereunder after the expiration of the Due Diligence Period, it would be extremely impracticable and difficult to estimate the damage and harm which Seller would suffer, and because a reasonable estimate of the total net detriment that Seller would suffer in the event of Buyer's failure to duly complete the acquisition hereunder is the amount of the Deposit, Seller shall be entitled to receive and retain the Deposit as and for Seller's sole and exclusive remedy arising from Buyer's failure to complete the acquisition in accordance with the terms hereof, and Seller shall have no further recourse or remedy at law or in equity for any breach by Buyer hereunder.

Notwithstanding anything herein to the contrary each party shall also have the right to enforce the specific performance of any indemnity or obligation of the other party which expressly survives the termination and to sue the other party for damages incurred as a result of such other party's failure to perform its Surviving Obligations; *provided that* Seller agrees to apply the Deposit if entitled to retain the Deposit against damages for any such surviving obligations of Buyer.

9. Entire Agreement: The parties understand and agree that their entire agreement is contained herein and that no covenants, obligations, warranties, guarantees, statements, or representations shall be valid or binding on a party unless set forth in this Contract and the Exhibits attached hereto. It is further understood and agreed that all

prior understandings and agreements heretofore had between the parties are merged in this Contract and the Exhibits attached hereto, which alone fully and completely expresses their agreement. This Contract may be changed, modified, altered or terminated only by a written agreement signed by the parties hereto.

10. Damage or Destruction; Condemnation: (a) The risk of loss, damage or destruction to the Property by fire or other casualty or the taking of all or part of the Property by condemnation or eminent domain or by an agreement in lieu thereof until the Closing is assumed by Seller. From and after the date hereof through Closing, Seller covenants to maintain (or cause the Owner LLCs to maintain) insurance coverage with 100% replacement cost and terrorism insurance with full replacement cost subject to an overall limit of $375,000,000 for all properties of Seller and affiliates of Seller.

(b) In the event of partial damage or destruction of the Property of a type which, can reasonably be expected to be restored or repaired at a cost of $2,500,000 or less as to any of the 1201 Property, 1225 Property, 4250 N. Fairfax Property or 400 Virginia Property, individually, and which may legally be restored or repaired to their former condition, does not result in a termination of any Lease with any Major Tenant and which casualty is fully insured under Seller's insurance (subject only to a deductible which is credited to Buyer) and for which rent loss insurance is still available to the applicable Owner LLC after Closing in each case, without a change of control exclusion, then, Buyer shall (unless such damage has been repaired in a good and workmanlike manner prior to Closing as approved by Buyer) accept title to the Property in its destroyed or damaged condition. Buyer shall pay the full Purchase Price without reduction (except as set forth below), and Seller shall pay over or assign to Buyer all rights to any proceeds of insurance payable (or paid) with respect to such destruction or damage, together with amounts equal to any deductibles thereunder (less amounts actually and reasonably expended by Seller or the Owner LLC (as approved by Buyer) in repairing the damage prior to the Closing Date) and Buyer shall have a credit against the Purchase Price in the amount of any deductible.

(c) In the event that the Property shall have been damaged or destroyed, the cost of repair or restoration of which would reasonably be expected to exceed the sum of $2,500,000 as to any of the 1201 Property, 1225 Property, 4250 N. Fairfax Property or 400 Virginia Property, individually, or which cannot be legally restored or repaired to their former condition or which results in a termination of any Lease with any Major Tenant or which casualty is not fully insured under Seller's insurance (subject only to a deductible which is credited to Buyer) or for which rent loss insurance is not available to the applicable Owner LLC after Closing for any reason, then Buyer may elect, unless the Owner LLCs have previously repaired or restored the Property to their former condition, either to (a) pay over or assign to Buyer at Closing all amounts recovered or recoverable on account of any insurance, together with amounts equal to any deductibles thereunder, less any amounts reasonably and actually expended by the Owner LLCs for partial restoration or collection of insurance proceeds (approved by Buyer) or (b) direct Escrow Agent to return the Deposit to Buyer and this Contract shall terminate, in which case all other obligations of the parties hereto shall cease except for those obligations expressly stated to survive such termination.

(d) If prior to the Closing Date, all or part of the Property is taken by condemnation, eminent domain or by agreement in lieu thereof, or any proceeding to acquire, take or condemn all or part of the Property is threatened or commenced, Buyer may either terminate this Contract (in which event Buyer shall be entitled to a return of the Deposit) or purchase the Shares and the 4250 N. Fairfax Interest in accordance with the terms hereof, without reduction in the Purchase Price (except as set forth below). If the Seller, the Company or any LLC has received payments from the condemning authority and if Buyer elects to purchase the Shares and the 4250 N. Fairfax Interest, the Seller, the Company or such LLC shall pay over to Buyer the amount of said payments (less the Seller's, the Company's or the LLCs' actual and reasonable out of pocket costs of collection (as approved by Buyer)) against the Purchase Price at the Closing.

11. Assets of Entities. At the Closing, the Company shall own as its sole assets, the assets of the Company as set forth in the recitals to this Contract, and the sole assets of 1201 Equity shall be the Company's interest in 1201 Owner; the sole asset of 1225 Equity shall be the Company's interest in 1225 Owner; the sole assets of TZO shall be its interest in 1215 ESDI, the 1201-TZO Option Agreement and the 1201 Second Loan; the sole assets of 1225 ESDI shall be its interest in the 1201 Third Loan and in the 1201-ESDI Option; the sole assets of TTF shall be its interest in the 1225 Second Loan and in the 1225-TTF Option; and the sole assets of 4250 N. Fairfax LLC and each other respective Owner LLCs shall be their respective Owner LLCs Property. A breach of this provision shall be a default of Seller hereunder.

It is agreed that the obligations set forth in Exhibit M shall be paid as and when due by the Owner LLCs after the Closing, (or if paid in whole or in part prior to Closing with evidence and confirmation of payment in form and substance reasonably satisfactory to Buyer), credited to Seller at Closing) and that the obligations set forth in Exhibit N to the extent not paid (or not completed) by Seller (with evidence and confirmation of payment in form and substance reasonably satisfactory to Buyer) prior to Closing shall be credited by Seller to Buyer at Closing, provided however, that with respect to any amounts set forth on Exhibit N for "Building Improvement Required by Tenant Lease", Seller shall remain liable to Buyer for any costs in excess of those set forth on Exhibit N as necessary to complete or satisfy Seller's obligations and shall remit such excess amounts to Buyer upon its request, and, if and to the extent such costs are less than the amount of the credit, Buyer shall remit the difference to Seller upon completion and full payment of the work. Furthermore, any commissions, rent concessions or tenant improvement obligations with respect to new leases or modifications, extensions, renewals or expansions of existing leases entered into in accordance with Article 13(c) shall be borne by the Owner LLCs after Closing (or if paid in whole or in part prior to Closing, credited to Seller at Closing (with evidence and confirmation of payment in form and substance reasonably satisfactory to Buyer)).

12. Representations and Warranties of Seller: (a) In order to induce Buyer to enter into this Contract and to consummate the purchase of the Shares, Seller hereby represents and warrants to Buyer as of the date of this Contract and as of the Closing Date as follows:

(i) Authority. Seller is a limited partnership duly and validly organized and existing and in good standing under the laws of the State of Delaware. Seller has the full power, authority and capacity necessary to execute, deliver and perform its obligations under this Contract and any of the agreements or other documents to be executed by it hereunder (the "Ancillary Agreements"). This Contract and the Ancillary Agreements have been duly and validly authorized, executed and delivered by Seller.

(ii) Consents and Approvals. This Contract and the Ancillary Agreements are, or at the Closing will be, legal, valid and binding obligations of Seller, enforceable in accordance with their terms. Except for the MetLife Consents, no other Governmental Approvals or other Consents by any third party or Governmental Entity (as herein defined) are required in connection with the execution, delivery and performance by Seller of this Contract and the Ancillary Agreements or the consummation by Seller, the Company or the LLCs of the transactions contemplated herein or therein. Neither the execution and delivery, nor the performance of this Contract or the Ancillary Agreements by Seller, nor the consummation of the transactions contemplated hereby and thereby will (a) violate, breach or conflict with any provision of the organizational documents of Seller; the Company or any LLC; (b) subject to receipt of the MetLife Consent expressly referred to herein, and, except with respect to the payoff of the Other First Loan immediately after Closing in accordance with the structure of this transaction, and to the extent such is a violation, the same will be cured upon such payoff, result in a termination, violation, breach of, default under or result in the loss of benefits under, or acceleration of benefits or obligations under any term, condition or provision of any agreement, including, but not limited to, Loan Document, any note, bond, mortgage, indenture, license or contract, to which Seller, the Company or any LLC is a party or bound or to which the Company's or LLCs' assets or the Shares or the 4250 N. Fairfax Interest are subject; (c) result in a violation by Seller, the Company or any LLC of any Applicable Law, or judgment; or (d) result in the creation of a Lien on the assets or properties of the Company, the LLCs, the Shares or the 4250 N. Fairfax Interest. Neither the Company nor any of the LLCs is subject to any judicial or administrative decree, writ, judgment or order.

(iii) Leases. Exhibit C attached hereto is, in all material respects, a true, complete and correct list of all Leases currently in effect and any amendments or modifications thereto or, to Seller's knowledge, assignments or sublets thereof with respect to the Property, and identification of all security deposits required to be held by the Owner LLCs under the Leases, and whether held in cash, letter of credit or otherwise and delinquencies or, to Seller's knowledge, other defaults, if any. Seller has delivered to Buyer true, complete and correct copies of all Leases currently in effect and any amendments or modifications thereto with respect to the Property. No person or entity other than the rights of the non-Seller affiliated members in each of the Eye Street Equity LLC's pursuant to Section 10.7 of the Eye Street Owner LLC Operating Agreement for each said entity, and other than Qwest Communications Corporation with respect to 4250 N. Fairfax, has any purchase option, right of refusal or offer or any other rights of any nature whatsoever to purchase all or any portion of the Property. To Seller's knowledge, except as set forth on Exhibit O, (x) the Owner LLCs have paid in full all concessions, relocation payments, tenant allowance payments, special work and any other consideration whatsoever and completed all tenant improvement obligations thereunder, and (y) no tenant has prepaid rent for more than the current month (and will not have paid rent more than thirty (30) days in advance prior to the Closing) under its Lease.

Except as set forth on Exhibit C attached hereto or in Article 5, (w) none of the Owner LLCs has received any written notice that it currently is in default under any of the Leases, and (x) no tenant is in monetary or, to Seller's knowledge, other material default thereunder, and (y) no tenant has asserted any defense, set-off or counterclaim in writing with respect to its tenancy or its obligation to pay rent, additional rent, or other charges pursuant to its Lease, and (z) no tenant (or former tenant in the last 2 years) has delivered notice of termination or of a bankruptcy or pending bankruptcy. To the extent a Tenant Estoppel is provided satisfying the requirements of Article 7(a)(iii), which confirms information with respect to any item as to which Seller has made a representation or warranty to Buyer, then the representation and warranty of Seller with respect to such information will thereafter be null and void and of no further force and effect and Buyer shall rely on the information in the Tenant Estoppel Certificate (unless otherwise agreed by Seller).

To Seller's knowledge, except as set forth on Exhibit O attached hereto there are no leasing or commission agreements affecting the Property and all commissions and fees and tenant improvement costs (except in the case of tenant improvement obligations upon the future exercise of expansion options set forth in the Leases) have been paid in full.

Except as set forth on Exhibit O attached hereto, the Owner LLCs have no existing obligations (that have not been satisfied) to pay tenant improvement costs or perform tenant work (except in the case of tenant improvement obligations upon the future exercise of expansion options set forth in the Leases) or leasing fees and commissions in connection with any Lease existing on the date of this Contract or at the time of Closing (whether in connection with a renewal, extension, expansion or otherwise, other than leasing commissions as listed on Exhibit O which may arise after the date of this Contract for expansions, extensions or renewals of a lease exercised prior to the termination of any such leasing agreement) unless arising in connection with a new lease entered into in accordance with this Contract.

(iv) Material Contracts. Exhibits D-1 to D-4 attached hereto ("Service Contracts"), Exhibits E-1 to E-4 attached hereto ("Personal Property Leases"), Exhibits B-1 to B-5 ("Loan Documents"), and the leasing contracts identified on Exhibit O (the "Leasing Contracts"), the documents evidencing the Other First Loan, the Organizational Documents (defined below), the Akridge Agreements, and the Permitted Title Exceptions collectively contain a true, complete and correct list of all Material Contracts. Each of the Material Contracts is in full force and effect and, to Seller's knowledge, no party thereunder is in material default and, except as specified in Exhibits D-1 to D-4 and Exhibits E-1 to E-4 as applicable, has not been amended, modified, or supplemented in any respect. Other than the Service Contracts, the Leasing Contracts, Personal Property Leases, the Other First Loan, Loan Documents and Permitted Title Exceptions (and management and leasing agreements), (or as to the Company or any LLC, other than the Company and LLC organizational documents (the "Organizational Documents"), there are no Material Contracts, oral or written, to which the Company or any LLC is a party or bound or that grant to any person or any entity whatsoever any right, title, or interest in or to all or any part of the Company or any LLC or the LLC Property or any rights relating to the use, operation, management, maintenance, renovation, or repair of all or any part of the Company's assets of LLC Property.

(v) Compliance with Law. Except as set forth on Exhibit P, neither Seller nor the Company nor any of its Subsidiaries nor 4250 N. Fairfax has received notice from any Governmental Entity having jurisdiction that the Company, its Subsidiaries, 4250 N. Fairfax, any of their assets, the LLC Property or any part thereof (as of the date hereof and as of the Closing Date) or any interested person is in violation of any Applicable Law (including without limitation the Americans with Disabilities Act) applicable to the Company and its Subsidiaries or Predecessor Subsidiaries, 4250 N. Fairfax or the LLC Property .

There is not now pending, any action, suit, investigation or proceeding for which Seller has received notice or has been served against, nor to Seller's knowledge, has there been threatened any action, suit, investigation or proceeding affecting the Company, any LLC or any Property before or by any Governmental Entity. There are no outstanding orders, judgments, decrees or injunctions, issued by any Governmental Entity against Seller, the Company or any of the LLCs. To the Seller's knowledge, no event has occurred and no condition exists that is reasonably likely to form the basis for any legal or regulatory proceeding that is reasonably likely to result in revocation, cancellation, suspension or an adverse modification of any permit or license held by the Company or its Subsidiaries or 4250 N. Fairfax which would result in a Material Adverse Effect to the Company or any LLC.

(vi) Environmental Matters. Attached hereto as Exhibit Q is a list of all site assessments, environmental studies and reports which are in Seller's or the Owner LLCs' or the property manager's possession or control (the "Environmental Reports"). Except as set forth in the Environmental Reports,

(1) Neither Seller, the Company nor the Owner LLCs have installed or removed any underground tanks at the Property (or at any of the Excluded Assets) and to Seller's knowledge, there are no underground storage tanks at, on or under the Property or any portion thereof (or at, on or under any of the Excluded Assets); and

(2) There are no pending Claims, suits, proceedings or Litigation (for which Seller has been served) or to Seller's knowledge, claims threatened in writing and received by Seller or the Owner LLCs with respect to any violation or alleged violation of any Environmental Laws, environmental order or any environmental permit in connection with the Property or any of the Excluded Assets;

(3) To Seller's knowledge, there is no asbestos or asbestos containing materials at or in the Property or any portion thereof; and

(4) There has been no release during the period of Seller's or the Company's direct or indirect ownership interest in any LLC by the LLC or to Seller's knowledge, prior thereto of a Hazardous Material at, on, under, in or about any Property or any part thereof (or at any Excluded Asset or any portion thereof) in violation of Environmental Law or that would otherwise require (or have required) any curative, corrective or remedial action for, or clean up of, the Property or any portion thereof or at any Excluded Asset (or any portion thereof).

(vii) Indebtedness. Attached as Exhibits B-1 through B-5 sets forth true, correct and complete lists of, respectively, the TZO Loan Documents, the ESDI Loan Documents, the TTF Loan Documents, the 1201 MetLife Loan Documents and the 1225 MetLife Loan Documents (collectively, the "Loan Documents"), true, correct and complete copies of which have been delivered to Buyer. Neither the Owner LLCs, the Company nor Seller has received written notice from any of the respective lenders that any Owner LLC is in default under any of the Loan Documents. Each of the 1201-TZO Option Agreement, the 1201-ESDI Option Agreement and the 1225-TTF Option Agreement is in full force and effect. Exhibits B-1 through B-5 and the documents evidencing the Other First Loan and the MetLife Loan on the 4250 N. Fairfax Property, as listed in Exhibits B-6 and B-7, set forth all indebtedness in respect of borrowed money incurred by the Company or LLCs in connection with the Owner LLCs Property. Schedules 1- 3 set forth the outstanding balance, and accrued interest of the TZO Loan Documents, the ESDI Loan Documents, and the TTF Loan Documents.

(viii) Organization. Each of the LLCs is a duly organized Delaware limited liability company, validly existing and in good standing under the laws of the State of Delaware. The Company is a duly organized Maryland corporation, validly existing and in good standing under the laws of the State of Maryland. The Company and each of the LLCs has full corporate power and authority to own, lease and operate its properties and to conduct and carry on its business as now being conducted in each jurisdiction where such business is conducted and such properties are owned, leased or operated. Exhibit W contains a complete and correct list of each jurisdiction in which the Company and each of the LLCs is required to be qualified or licensed to do business as a foreign limited liability company (other than the jurisdiction of each entity's organization) and each LLC is qualified or licensed to do business in such jurisdiction. Seller has delivered to Buyer true, complete and correct copies of the formation documents (with respect to the Eye Street Owners, in Seller's possession or control) and current operative organizational documents of each of the LLCs and the Company, each of which is in full force and effect and has not been amended, revoked or otherwise modified, except as noted therein. There are no side agreements relating to any of the organizational documents of the Company not previously disclosed in writing to Buyer.

(ix) Equity Interests. The ownership of interests in the LLCs is as set forth in the recitals to this Contract except that, to Seller's knowledge, the remaining interests in the 1201 Owner and 1225 Owner are as set forth on Exhibits R-2 and R-2. Since the date of its formation, Seller has owned all of the membership interests in 4250 N. Fairfax. Except as set forth in the recitals of this Contract, neither the LLCs nor the Company own, directly or indirectly, any equity or voting interest in, or otherwise control any person or entity other than interests in the Excluded Assets, which will be divested prior to Closing as se forth in Article 11 and none of the LLCs nor the Company has any contract or commitment to acquire any such interest. Except with respect to 1201 Owner and 1225 Owner, as of the date of Closing, the interests in the LLCs set forth in the recitals to this Contract will contain a complete and correct list of all equity interests held directly or indirectly by the Company or the LLCs in any entity.

All of the issued and outstanding membership interests in the LLCs are duly authorized, validly issued, fully paid, free of preemptive rights and, except as set forth in the organizational documents of the LLCs, not subject to future capital calls. The Company and each of the LLCs has good and valid title to interests in the entities set forth in the recitals to this Contract, all of which are free and clear of any Liens.

Except for this Contract, and the Eye Street Option Agreements, no subscriptions, options, warrants, conversion or other rights, agreements, commitments, arrangements or understandings of any kind obligating either the Company or any of the LLCs, contingently or otherwise, to issue or sell, or to cause to be issued or sold, any membership interests or other equity interests of any of the LLCs, or any securities convertible into or exchangeable for any such membership interests or other equity interests, are outstanding, and no authorization therefore has been given. Except for the Eye Street Option Agreements and except as provided in the Eye Street organizational documents, there are no outstanding contractual or other rights or obligations to or of the Company or the LLCs to repurchase, redeem or otherwise acquire any outstanding membership interests or other equity interests of any of the LLCs.

(x) Capitalization. The entire authorized capital stock of the Company consists of 1,000 shares of common stock and 1,000 shares of preferred stock of which 100 shares of common stock are issued and outstanding and 369 shares of Series A Preferred stock are issued and outstanding. All of the outstanding shares of capital stock of the Company are validly issued, fully paid and nonassessable. The shares constitute all of the equity securities of the Company, and (i) no subscription, warrant, option, convertible security, or other right (contingent or other) to purchase or otherwise acquire equity securities of the Company exists, and (ii) there is no commitment by Seller to transfer, sell, assign or hypothecate any of the shares other than to the Buyer. There are no voting trusts or agreements, stockholder agreements, pledge agreements, rights of first refusal, preemptive rights or proxies related to the shares or any equity securities of the Company. No portion of the common stock of the Company shall be redeemed at or prior to Closing. Upon consummation of the transactions contemplated by this Contract, the Buyer will own all of the then outstanding shares of the common stock of the Company, free and clear of any Lien, and, no other party (other than the holders of the Series A Preferred stock which have been identified to Buyer in writing) will own or have any right to acquire any equity securities of the Company or any debt or other securities convertible into equity securities of the Company, except as to any such matter arising out of any contractual relationship with, or otherwise arising by or through any action of, Buyer or any of Buyer's affiliates on the one hand and any third party on the other.

Upon consummation of the transactions contemplated by this Contract, the Buyer will own all of the membership interests of 4250 N. Fairfax free and clear of any Lien, and no other party will own or have any right to acquire any membership interests in 4250 N. Fairfax or any debt or other interests convertible into membership interests of 4250 N. Fairfax_except as to any such matter arising out of any contractual relationship with, or otherwise arising by or through any action of, Buyer or any of Buyer's affiliates on the one hand and any third party on the other.

(xi) Employees and Labor Matters. Neither the Company nor any of the LLCs has any employees nor has the Company or any of the LLCs ever had any employees.

(xii) Insolvency. The Company has not received any notice from the Secretary of State of Maryland of a determination that any grounds exist for administratively dissolving the Company and the Company has not received notice of the commencement of any action to judicially dissolve the Company. Neither the board of directors nor stockholders of the Company have taken any action with respect to the dissolution of the Company, and the Company has not filed any notice of intent to dissolve with the State of Maryland. To the Seller's knowledge, there are no circumstances that would warrant the initiation of such proceedings.

4250 N. Fairfax has not received any notice from the Secretary of State of Delaware of a determination that any grounds exist for administratively dissolving 4250 N. Fairfax and 4250 N. Fairfax has not received notice of the commencement of any action to judicially dissolve 4250 N. Fairfax. The sole member of 4250 N. Fairfax has not taken any action with respect to the dissolution of 4250 N. Fairfax, and 4250 N. Fairfax has not filed any notice of intent to dissolve with the State of Delaware. To the Seller's knowledge, there are no circumstances that would warrant the initiation of such proceedings.

(xiii) Undisclosed Liabilities. Neither the Company nor any of the LLCs has any liabilities or obligations of any nature, whether known, unknown, absolute, accrued, contingent or otherwise, and whether due or to become due, except for the Permitted Liabilities.

(xiv) Litigation. Other than as described in Article 5, there is no Litigation pending or, to Seller's knowledge, any demand, claim or complaint threatened by, against or affecting the Company or the LLCs or any Subsidiaries and no Litigation has been pending, or to Seller's knowledge, threatened by, against or affecting the Company or the LLCs or any Subsidiaries each since its formation that has not been previously finally resolved with no continuing liability or obligation thereunder. As of the time of Closing, Buyer will have been provided access to such files, reports, opinions of counsel and other information pertaining to such Litigation to which the Company or the LLCs or any Subsidiaries are a party as are reasonably necessary to enable the Buyer to assess the risk involved in such Litigation.

(xv) Banks, Brokerage and Trading Accounts. Exhibit X sets forth a list of all bank, brokerage and trading accounts maintained by or on behalf of the Company or any of the LLCs and the persons authorized as signatories or to conduct transactions relating thereto and their addresses and countries of residence. Exhibit X sets forth a complete and correct list containing the names of each bank in which the

Company and each of the LLCs has an account or safe deposit or lock box, the account or box number, as the case may be, and the name of every person authorized to draw thereon or having access thereto.

(b) Tax Representations. In order to induce Buyer to enter into this Contract and to consummate the purchase of the Shares and the 4250 N. Fairfax Interest, Seller hereby further represents and warrants to Buyer as of the date of this Contract and as of the Closing Date (such representations and warranties being herein sometimes collectively referred to as the "Tax Representations") as follows:

(i) The Company, each of the Subsidiaries and 4250 N. Fairfax has (1) filed (or has had filed on its behalf) with the appropriate Governmental Entity all income Tax Returns and all other material Tax Returns required to be filed by it, and all such Tax Returns (as herein defined) are true, correct and complete in all material respects and that as to all material items therein there is a "reasonable basis" (as such phrase is used in Section 6662(d)(2)(B)(ii)(II) of the Code and as defined in the regulations promulgated thereunder) for the positions taken as to any such material item and that any such material item has otherwise been reported in accordance with Applicable Law, and (2) paid (or there has been paid on its behalf) all Taxes due or claimed to be due from or in respect of it by any Governmental Entity, except to the extent that unpaid taxes do not, as of the most recent balance sheet, exceed the reserve for Tax liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the most recent balance sheet (rather than in any notes thereto), and do not exceed such reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Company, the Subsidiaries and 4250 N. Fairfax in filing their Tax Returns.

(ii) The Company, each of the Subsidiaries and 4250 N. Fairfax has complied in all material respects with all Applicable Law relating to the payment and withholding of Taxes and has withheld and paid over to the proper Governmental Entity all amounts required to be withheld and paid over under all Applicable Law.

(iii) There are no Liens (as herein defined) for Taxes upon the assets or properties of the Company, each of the Subsidiaries or 4250 N. Fairfax or the Property except for Permitted Title Exceptions or statutory Liens for Taxes not yet due. There are no outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or Tax Returns of the Company, each of the Subsidiaries or 4250 N. Fairfax . None of the Company, each of the Subsidiaries and 4250 N. Fairfax has requested an extension of time within which to file any Tax Return in respect of any taxable period which Tax Return has not since been filed.

(iv) None of the Company, any of the Subsidiaries or 4250 N. Fairfax has filed a Tax Return in any jurisdiction outside of its country of incorporation. No Governmental Entity in a jurisdiction in which the Company, any of the Subsidiaries or 4250 N. Fairfax does not file a Tax Return has made a written claim that the Company, any of the Subsidiaries or 4250 N. Fairfax is required to file a Tax Return for such jurisdiction. To Seller's knowledge, no federal, state, local or foreign audits or other administrative proceedings have commenced and are presently pending with regard to any Taxes or Tax Returns of or including the Company, any of the Subsidiaries or 4250 N. Fairfax. No written notification has been received by the Company or the LLCs that such an audit or other proceeding is pending or threatened with respect to any Taxes due from the Company, any of the Subsidiaries or 4250 N. Fairfax or any Tax Return filed by or on behalf of the Company, any of the Subsidiaries or 4250 N. Fairfax. No deficiency for any Tax has been assessed with respect to the Company, any of the Subsidiaries or 4250 N. Fairfax that has not been paid in full. No power of attorney which is currently in force has been granted by or with respect to the Company, any of the Subsidiaries or 4250 N. Fairfax with respect to any matter relating to Taxes. None of the Company, any of the Subsidiaries or 4250 N. Fairfax has received an advance ruling from a Governmental Entity or entered into a similar agreement with a Governmental Entity that would affect the Tax liability of Buyer, the Company, any of the Subsidiaries or 4250 N. Fairfax after the Closing. For Federal and state income tax purposes, none of the Company, any of the Subsidiaries or 4250 N. Fairfax will be required to enter any item into income or reduce any item of deduction, both for income tax purposes, for any period ending after the Closing Date as a result of any change of any method of accounting for a taxable period ending prior to the Closing Date or any closing or similar agreement under Applicable Law, including pursuant to Section 7121 of the Code (or any predecessor provision), entered into prior to the Closing Date by or with respect to the Company, any of the Subsidiaries or 4250 N. Fairfax. To Seller's knowledge, none the Seller, the Company or 4250 N. Fairfax is maintaining any list of persons pursuant to Section 6112 of the Code, or any comparable provision of state or local law, nor, to Seller's knowledge, is the Company, any of the Subsidiaries or 4250 N. Fairfax maintained on any such list.

(v) Except as may be provided in Sections 3.1.A and 10.7 of the Eye Street Owner LLC Operating Agreements, none of the Company, any of the Subsidiaries or 4250 N. Fairfax is a party to, bound by, or has any obligation under, any tax sharing agreement, tax indemnification agreement, required tax distribution agreement, or similar contract or arrangement, written or unwritten (collectively, "Tax Sharing Agreements").

(vi) Since December 31, 2002, none of the Company, any of the Subsidiaries or 4250 N. Fairfax has incurred any material liability for Taxes other than in the ordinary course of business.

(vii) None of the Company, any of the Subsidiaries or 4250 N. Fairfax has ever, since its formation, been a member of a federal, state, local or foreign consolidated, combined, unitary or similar group for any purposes.

(viii) Each of the LLCs has been properly treated as a partnership or a disregarded entity for United States federal income tax purposes since its formation, and no LLC has made any election to be classified as an association for United States federal income tax purposes or for purposes of state and local taxes imposed on or measured by income.

(ix) Seller has delivered a full and complete list of all annual federal, state, and local income Tax Returns filed by or on behalf of the Company, the Subsidiaries and 4250 N. Fairfax for the 2000, 2001, 2002 and all open taxable years, but not including herein the Tax Returns of the Member of 4250 N. Fairfax where 4250 N. Fairfax has been treated as an entity disregarded for Tax purposes of any such Tax Return.

(x) The Company (1) for its short taxable year ended December 31, 2002 was subject to taxation as a real estate investment trust (a "REIT") within the meaning of Section 856 of the Code and satisfied all requirements to qualify as a REIT for such year, (2) has operated since December 31, 2002 to the date of this representation, and covenants to continue to operate through the Closing, in such a manner as to permit the Company to qualify as a REIT and to owe no tax under Section 857(b) or Section 4981 of the Code (determined for these purposes as if the Company's taxable year ends on the Closing), and (3) has not taken or omitted to take any action which would reasonably be expected to result in a challenge to the Company's status as a REIT and, no such challenge is pending or has been threatened in writing, or to Seller's knowledge, otherwise threatened.

(xi) The Company has timely declared and paid prior to the date of this representation or shall timely declare and pay prior to Closing distributions to its shareholders (exclusive of any amounts treated as paid in 2002 for purposes of Section 857(b)) at least equal to the greater of (I) ninety-five percent (95%) of the sum of (a) its 2003 "real estate investment trust taxable income", as defined in Section 857(b) of the Code (including, without limitation, any income incurred as a result of the divestment of the Excluded Assets) as determined as of the Closing, as if the Closing were the end of the taxable year of the Company and without regard to any dividends paid deduction, and (b) the reasonably anticipated real estate trust taxable income for the post-Closing Straddle Period, assuming compliance by Buyer with the covenants and other provisions of Section 14(f)(iv), and (II) one hundred percent (100%) of its 2003 "real estate investment trust taxable income", as defined in Section 857(b) of the Code (including, without limitation, any income incurred as a result of the divestment of the Excluded Assets) as determined as of the Closing, as if the Closing were the end of the taxable year of the Company and without regard to any dividends paid deduction.

(xii) None of the Company, any of the Subsidiaries or 4250 N. Fairfax holds any asset the disposition of which would subject the Company to tax on built-in gain pursuant to IRS Notice 88-19, Sections 1.337(d)-7 of the Treasury Regulations, or any other temporary or final regulations issued under Section 337(d) of the Code or any elections made thereunder.

With respect to any representations made by Seller with respect to the LLCs and the Company under this subparagraph (b), such representations as to matters related to 1201 Owner and 1225 Owner occurring prior to Seller, through an LLC, acquiring an interest in the 1201 Owner and 1225 Owner (but not after) is limited to Seller's knowledge.

(c) For purposes of Sections 12, 13, 14 and 16, the following terms with initial capital letters shall have the following meanings:

"Applicable Law" means any domestic or foreign federal, state (including the District of Columbia), local or supranational statute, law, ordinance, rule, administrative code, administrative interpretation, regulation, order, writ, injunction, directive, judgment, decree, ordinance, decision, guideline or other requirement (including those of any self-regulatory organization) applicable to and enforceable against the Company, 4250 N. Fairfax or any of the Subsidiaries or any of their respective affiliates or the properties or assets of any of the foregoing.

"Consent" means any consent, approval, authorization, permit, grant, concession, agreement, license, exemption, registration, declaration, filing, report or notice of, with or to any person.

"Governmental Approvals" means any Consent of, with or to, or the expiration or termination of any waiting period imposed by, any Governmental Entity.

"Governmental Entity" means any federal or state, district or local public body or authority, including courts of competent jurisdiction, domestic, supranational or foreign, or any department, agency, board, governmental or non-governmental self-regulatory organization, taxing authority, or other authority commission, regulatory body, administrative agency or other governmental body, domestic or foreign.

"Lien" means, other than Permitted Encumbrances, any mortgage, pledge, deed of trust, hypothecation, right of others, security interest, encumbrance, voting trust agreement, including such Liens as may arise under any contract, agreement or other instrument.

"Litigation" means any action, cause of action, suit, proceeding, citation, summons, subpoena, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or, to Seller's Knowledge, threatened, by or before any court, tribunal, arbitrator or other Governmental Entity.

"Material Adverse Effect" means (a) a material adverse effect on the business, operations, properties, financial conditions or results of operations of the Company, 4250 N. Fairfax and their subsidiaries, taken as a whole, or (b) any effect that is reasonably likely to prevent the parties hereto from consummating the transactions described herein and in the Ancillary Documents.

"Material Contract" means any material loan agreement, indenture, letter of credit (including any related letter of credit application and reimbursement obligation), mortgage, security agreement, pledge agreement, deed of trust, bond, note, guarantee, surety obligation, purchase order, or other agreement, contract, instrument, obligation, offer, commitment, arrangement or understanding, written or oral, to which either the Company, its Subsidiaries or 4250 N. Fairfax is a party or by which it or any of its directly held properties or assets is legally bound, in each case as amended, supplemented, waived or otherwise modified, including, without limitation, the Service Contracts and the Personal Property Leases but excluding Leases.

"Seller's knowledge" or words of similar import, shall refer only to the actual knowledge, of the following persons who are persons in Seller's organization familiar with and knowledgeable about the Property, the Company, the LLCs and/or the matters related to the ownership, operation, management leasing and financing accounting and structures thereof: Philip Brannigan (asset management for each of the Properties), Erin O'Boyle (Senior Vice President), Nancy Broderick (Treasurer of Seller), and Katherine Laubenthal (Corporate Secretary of Seller) and shall not be construed to refer to the knowledge of any other member, partner, beneficial owner, officer, employee or agent of Seller, nor shall such term impose any duty to investigate the matters to which such knowledge, or absence thereof, pertain other than inquiry of the on site property manager. There shall be no personal liability on the part of Philip Brannigan, Erin O'Boyle, Nancy Broderick and Katherine Laubenthal arising out of any representations or warranties made herein or otherwise. If, after the date hereof and prior to the Closing, either party obtains actual knowledge that any of the representations or warranties made herein by Seller is untrue, inaccurate or incorrect in any material respect, such party shall give the other party written notice thereof within five (5) business days of obtaining such knowledge (provided that Buyer's failure to give such notice within such time period shall not be, or be deemed to be, a breach by Buyer hereunder) and Seller shall have the opportunity but not the obligation to cure the underlying facts causing the same to be so untrue, inaccurate or incorrect prior to the Closing.

"Subsidiary" or "Subsidiaries" means any partnership, limited liability company, association, trust, joint venture, corporation or other organization, any stock or other equity interest in which is beneficially owned, directly or indirectly through one or more other entities, by the Company, including, without limitation, the LLCs (other than 4250 N. Fairfax).

"Tax" or "Taxes" means any federal, state (including the District of Columbia), county, local or foreign taxes, charges, fees, levies, imposts, duties, or other assessments, including income, unincorporated business, gross receipts, excise, employment, sales, use, transfer, recording, economic interest transfer, stamp, payroll, license, profits withholding, franchise, net worth, severance, occupation, windfall profits, commercial rent, social security, single business and unemployment disability, registration, value added, alternative or add-on minimum, estimated taxes, payments in lieu of taxes and excess profits taxes, if any, or other tax or governmental tax of any kind whatsoever, including any interest, penalties, and additions imposed thereon or with respect thereto and including any transferee or secondary liability in respect of any tax (whether imposed by law, contractual agreement or otherwise).

"Tax Return" means any return and any material declaration, report, statement and other document (including any related or supporting information) required to be filed in respect of Taxes and any claims for refunds of Taxes, including any amendments thereof.

13. Covenants. Between the date hereof and the Closing: (a) Seller shall cause the Company and the LLCs, and the LLCs shall cause the Owner LLCs to operate the Property in the ordinary course of business and consistent with past procedures heretofore followed by the LLC in connection with such operation. The Owner LLCs shall have the right, subject to the reasonable approval of Buyer, but neither Seller nor the Owner LLCs shall be obligated hereunder, to make any capital improvements, capital repair or capital replacements prior to Closing.

(b) Seller shall not permit the removal of any material item of the Personal Property from the Property unless the same is obsolete and is replaced by tangible personal property of equal or greater utility and value.

(c) After the date hereof, Seller shall not allow the Owner LLCs to (i) enter into any lease, (ii) amend, modify, or cancel any Lease (or guaranty thereof) (except for tenant defaults) or (iii) grant any consents under, or waive any provisions of, any Lease, in each case without the prior written consent of Buyer which consent shall not be unreasonably withheld, conditioned or delayed. Any consent requested by Seller pursuant to the preceding sentence shall be deemed to have been given if Buyer shall fail to respond to such request within five (5) business days after its receipt of such request and appropriate and complete information as necessary for Buyer to respond

(d) Notwithstanding the foregoing, Buyer hereby approves the following pending transactions whether implemented before or after the expiration of the Due Diligence Period:

(i) Lease with Quiznos for a first floor delicatessen at the 1201 Property;

In addition, and notwithstanding the foregoing, Buyer acknowledges that Seller shall have the right, before or after the expiration of the Due Diligence Period, without Buyer's consent, to execute the "Supplemental Lease Agreements" with any Government Tenants as identified on any of Exhibits C-1 through C-4 and presently unsigned and such other "Supplemental Lease Agreements" as are required to be executed in accordance with the existing Leases, which do not materially or adversely affect the landlord's rights or obligations under such leases. Within one (1) business day following the execution of any such Supplemental Lease Agreement, Seller agrees to notify Buyer and provide a copy thereof to Buyer.

(e) After the date hereof, Seller shall not allow the Owner LLCs or Eye Street Lending LLCs, without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed, to permit the Owner LLCs or Eye Street Lending LLCs to enter into, modify, amend or terminate any contract (including Service Contracts), easement, agreement or other instrument which could bind such Owner LLC or Eye Street Lending LLCs after the Closing. Any consent requested by Seller pursuant to the preceding sentence shall be deemed to have been given if Buyer shall fail to respond to such request within five (5) business days after its receipt of such request together with sufficient information and copies of applicable documents requiring consent.

(f) By not later than thirty (30) days prior to the Closing Date, the Buyer may at its option notify Seller that Buyer wishes not to continue any or all of the Service Contracts or Personal Property Leases. Seller, at Closing, shall timely cause notices of termination to be sent to the vendors or other parties to such contracts and Seller shall be obligated for all liability, costs and expenses in connection with such contracts through the date of termination. Notwithstanding the foregoing, or any other provision of this Contract, Buyer acknowledges that each of the 1201 Owner and 1225 Owner has entered into exclusive leasing agreements with The John Akridge Management Company, which by their terms may only be terminated on thirty (30) days notice but no sooner than October 24, 2003; provided that Seller shall give notice of termination at least thirty (30) days prior to the Closing Date. Each of the 1201 Owner and 1225 Owner have entered into property management agreements with Beacon Capital Strategic Partners Management II, LLC who in turn has entered into sub-management agreements with The John Akridge Management Company, all of said agreements dated as of October 24, 2002. The management agreements with Beacon Capital Strategic Partners Management II, LLC ("BCS") shall be terminated as of the Closing (with no liability, cost, expense or obligation to Buyer). Buyer acknowledges that said sub-management agreements by their terms may only be terminated on thirty (30) days notice but no sooner than October 24, 2003; provided that Seller shall give notice of termination at least thirty (30) days prior to the Closing Date. This provision shall survive Closing.

(g) Prior to Closing, the Company shall have not less than one hundred (100) holders of Series A Preferred stock and Seller shall cause the provisions of its governing documents describing the rights of the Series A Preferred stock to be amended by an amendment in the form of Exhibit Y attached hereto. Furthermore, as provided in Paragraph 1, at or prior to Closing, Seller shall cause the Company to pay all accrued and unpaid dividends due to the holders of the Series A Preferred Stock as well as the dividend for the period from January 1, 2003 through the date of Closing.

(h) Seller shall, promptly upon receipt thereof, provide Buyer with a copy of any written notices received from any Governmental Entity relating to the Company, the LLCs or the Property.

(i) Seller shall not (and Seller shall not permit the Company or any LLC, to) market the LLC Property, the Interests, the 4250 N. Fairfax Interest or the Eye Street Loans for sale or disposition to any other party and Seller shall not (and Seller shall not permit the Company or any LLC to) solicit, negotiate or accept offers or otherwise enter into any binding or non-binding agreement for a purchase, financing or joint venture involving the LLC Property, the Interests, the 4250 N. Fairfax Interest or the Eye Street Loans with any other person or entity or modify, amend, terminate or extend any of the Loan Documents (without, in each case, Buyer's written consent) and Seller shall not (and Seller shall not permit the Company or any LLC to) dispose of, convey, assign or pledge any interest in the LLC Property, the Interests, the 4250 N. Fairfax Interest or the Eye Street Loans or otherwise enter into any agreement affecting or encumbering or agreeing to dispose of, convey, assign or pledge any interest in the LLC Property, Interests, the 4250 N. Fairfax Interest or Subordinate Loans or modify, amend, terminate, extend or cause a default under the any of the Loan Documents, or Eye Street Equity LLC agreements or other documents governing any LLC, except, in each case, as may be approved in writing by Buyer as contemplated above. The foregoing shall not preclude Seller from responding to inquiries and advising the inquiring party that the Property is under agreement.

(j) Each party shall promptly consult with the other parties with respect to, provide any necessary information with respect to, and provide each other party (or its counsel) copies of, all filings made by such party with any Governmental Entity in connection with this Contract, the Ancillary Agreements and the transactions contemplated hereby and thereby. Each of the parties agrees to promptly make all required filings with, or notifications to, Governmental Entities as may be necessary under Applicable Law to effect the transactions contemplated by this Contract and each of the Ancillary Agreements, after coordination with the other parties with respect thereto, and each party shall promptly inform each other party of any material communication received by such party from any Governmental Entity regarding any of the transactions contemplated hereby or thereby. If any party or affiliate thereof receives a request for additional information or documentary material from any such Governmental Entity with respect to the transactions contemplated hereby or thereby, then such party will endeavor in good faith to make, or cause to be made, as soon as reasonably practicable and after consultation with each other party, an appropriate response in compliance with such request.

(k) Prior to Closing, Seller shall cause the Company and the Company shall cause the LLCs to divest any and all assets, Subsidiaries, and related obligations and liabilities not set forth in Article 11 (collectively, “Excluded Assets”) by a distribution, as a dividend, by the Company to the Seller or to an entity designated by Seller of each Excluded Asset, and the Company and LLCs shall have no liabilities other than the Permitted Liabilities.

(l) After Closing, Seller promptly and diligently will use best efforts to deliver (or cause to be delivered to 4250 N. Fairfax and reissued), at no cost to Buyer, the Company or any LLC to and for the benefit of, 4250 N. Fairfax, a corrected Letter of Credit as required under the Qwest Lease in the stated amount of $2,600,000 for the benefit of 4250 N. Fairfax (and not Seller) and which requires a certification only by the “Landlord” and not by “Seller” with respect to any request for draws, and which shall otherwise be in form and substance conforming to the requirements of the Qwest Lease and until such Letter of Credit is delivered, Seller shall draw on such existing Letter of Credit only at the request of, and for the sole benefit of 4250 N. Fairfax and shall indemnify and hold Buyer harmless from and against any loss, claim, damage, cost or expense arising out of or relating to the failure to deliver a corrected Letter of Credit to 4250 N. Fairfax for the benefit of 4250 N. Fairfax as required by the Quest Lease. If Buyer requests Seller to make a draw under the Letter of Credit and such draw request is determined to be improper, Buyer shall indemnify Seller from any improper drawing made by Seller under the Letter of Credit if the improper drawing was made at and in accordance with the request of Buyer under the Letter of Credit.

14. Closing Balance Sheet; Prorations; Tax Matters.

(a) Closing Prorations. All items which would normally and customarily be proratable items in the sale of real estate in the District of Columbia, including without limitation, personal property taxes, utility bills (except as hereinafter provided), accrued and unpaid interest on the MetLife Loans, collected rents (and with respect to leases with Government Tenants, rent payable in arrears for the month of Closing, whether or not collected), and other income, and all costs associated with trade payables and other payables of the Owner LLCs and the Property under any Service Contract (other than Excluded Contracts) which are to continue after the Closing Date, shall be prorated as of the Closing Date, with Seller being charged and credited for all of the same relating to the period up to the Closing Date and the Buyer being charged and credited for all of the same relating to the period on and after the Closing, all as if the Property were being sold provided that with respect to the 1201 Property, the charge and credit shall be with respect to the aggregate share thereof of 1201 Equity, TZO and 1215 ESDI and with respect to the 1225 Property the charge and credit shall be with respect to the aggregate share thereof of 1225 Equity and TTF. All escrow balances held by MetLife and all cash balances of the Company and the LLCs as of the Closing Date, less any such escrow balances which are being held by said holders to pay for, or any such cash balances which are left in the LLCs to pay for, any amounts incurred or to be incurred by the Company or any LLC which pursuant to other provisions of this Contract are Seller's responsibility to pay and which have not been paid by Seller as of the Closing Date shall be credited to Seller. All costs relating to any management, leasing, parking management and any other agreements which do not to survive the Closing shall be paid by the LLC from its cash balances in existence prior to Closing or if insufficient cash balances, by Seller. Prior to Closing, Buyer shall inform Seller of the amount of cash balances of the LLCs (not including any amounts held in escrow pursuant to the MetLife Loans) which Buyer desires to remain in the accounts of the LLCs as of the Closing. Seller shall cause 1201 Owner and 1225 Owner to use any cash balances in excess of the amount so designated by Buyer to pay accrued interest on the 1201 Second Loan, the 1201 Third Loan and the 1225 Second Loan, as applicable, and TZO, 1215 ESDI and TTF shall distribute any such amount and any other cash to Seller, all on or before the Closing Date. Real estate taxes and assessments shall be prorated based upon local practice for sales of real property in the area where the Property is located. No proration shall be made in relation to delinquent rents existing, if any, as of the Closing; and an amount equal to any such amounts, if and when collected by the Owner LLCs (subject to the terms below), less all costs of collection, if any, incurred by the Owner LLCs in connection therewith (or an appropriate pro-rata portion of such costs based on the total amount collected), shall be paid by Buyer to Seller reasonably promptly after receipt of any such amounts by the LLCs. Any payments of accrued interest and any distributions by the Company or the LLCs pursuant to the above or otherwise paid after the date of this Contract shall not reduce or otherwise affect the Purchase Price. In adjusting for uncollected rents, no adjustment shall be made for rents which have accrued and are unpaid as of the Closing, but an amount equal to any such accrued and unpaid rents, as and when collected by the Owner LLCs, shall be paid by Buyer to Seller (subject to the terms of the Loan Documents, it being agreed that the Owner LLCs shall not be deemed to have collected any such arrearages attributable to the period prior to the Closing until such time as the tenant is current in the payment of all rents accruing in the month(s) of and after the Closing. Any rents collected by Seller (or Seller's property manager) or deposited in any existing lockboxes which Seller maintains as signature parties thereon from and after Closing shall be promptly remitted to the Company or the appropriate Subsidiary, as applicable, in accordance with the terms hereof. As to any such amounts that Seller is entitled to a portion thereof, then Buyer shall pay to Seller the Seller's portion (less costs of collection) thereof reasonably promptly following the receipt thereof. The Buyer agrees to cause the Owner LLCs to bill tenants of the Property for all past due rents in substantially the same manner as billed by the Owner LLCs prior to the date hereof. Billings for utilities for the period which includes the Closing will be prorated on a daily basis over the appropriate period. Buyer shall receive a credit at Closing for security deposits under the Leases. Otherwise a proration shall be made based upon the parties' reasonable good faith estimate and a readjustment made within sixty (60) days after the Closing (to the extent available). Seller and Buyer will cooperate with each other, including Seller providing the Buyer information not already furnished to Buyer, necessary to timely provide the tenants operating expense and related reconciliation statements.

If the net of the aforesaid prorations made as of the Closing is a debit to Seller, then such debit shall be credited against the Purchase Price. If the net of the aforesaid prorations is a credit to Seller, then the Buyer shall pay such net credit amount to Seller at Closing. Any post-Closing adjustment shall be considered an increase or decrease to the Purchase Price and shall be paid in cash between Seller and Buyer]. Notwithstanding the foregoing, the parties agree to make adjustments and reconciliations, as appropriate, within 365 days after Closing (except with respect to property taxes which shall be handled as set forth below).

(b) Lease Concessions and Credits. The leases with KEI Pearson, Inc. and NCS Pearson, Inc. (together the "Pearson Lease") and under the lease with Associated Builders and Contractors, Inc., (the "ABC Lease"), all at the 4250 N. Fairfax Property and identified on Exhibit C-2 attached hereto, provide for "free rent" in the case of the Pearson Lease through June 30, 2004, and in the case of the ABC Lease through November 30, 2003. The rent otherwise payable under the Pearson Lease is $224,561 per month (reduced to $189,222 per month for the period prior to said tenant's January 1, 2004 occupancy), and the rent otherwise payable under the ABC Lease is $58,052 per month. Seller shall credit Buyer at Closing the sum of $1,783,863 (assuming a Closing at 5:00 p.m. on October 31, 2003) representing the agreed upon consideration for Buyer closing during the "free rent" period, such sum to be adjusted by $7,977 per day if the Closing Date does not occur at such time. If, pursuant to the Pearson Lease, Buyer or the Owner LLC receives any sublease proceeds in any manner attributable to the period from the Closing Date through August 31, 2006, Buyer shall cause said proceeds to be paid to Seller immediately upon receipt.

(c) HQ Global Holdings, Inc. and/or certain of its affiliates, including HQ Global Workplaces, Inc. (collectively the “Debtors”), a former tenant at the 1225 Property, filed bankruptcy petitions (the “HQ Bankruptcy Case”) under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) on March 13, 2002 (the “Petition Date”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). The Debtors rejected the lease of the 1225 Property pursuant to an order of the United States Bankruptcy Court dated March 19, 2003.

(i) *The HQ Claim:* 1225 Owner has filed a proof of claim in the HQ Bankruptcy Case (the “HQ Claim”). Buyer acknowledges that Seller shall have the right to any and all proceeds that may be paid in connection with the HQ Bankruptcy Case, and hereby grants to Seller the right to continue to prosecute the HQ Claim in its own name and/or in the name of 1225 Owner. Buyer and 1225 Owner also hereby agree to relinquish to Seller all rights, remedies and interests in or connected to a certain deposit paid by the Debtors to the 1225 Owner (the “HQ Deposit”). In connection therewith, Seller assumes all duties or obligations to monitor the HQ Bankruptcy Case and any associated adversary proceedings, and absolves and releases Buyer and 1225 Owner of any duties or obligations to alert or notify Seller of any action in the HQ Bankruptcy Case or any associated adversary proceedings that may affect the HQ Claim or the HQ Deposit. Seller also agrees that it is solely responsible for any and all actions necessary to preserve, protect or collect the HQ Claim and the HQ Deposit. 1225 Owner, or, as applicable, Buyer, will cooperate with Seller in executing, upon the precise written direction of Seller, any and all documents in the name of the 1225 Owner that Seller reasonably requires to protect its interests in the HQ Claim, provided such cooperation does not impose any cost or liability on 1225 Owner or Buyer, including legal fees; in the event such cooperation does entail any costs, including legal fees, Seller shall immediately pay such costs or liability to 1225 Owner or Buyer, or on their behalf, at the option of 1225 Owner or Buyer.

(ii) *Liabilities Arising from the HQ Bankruptcy Case:* During the 90 days prior to the filing of the HQ Bankruptcy Case, 1225 Owner received approximately $115,863.16 in transfers (the “Transfers”) from the Debtors on account of rent or related charges owed by the Debtors. Seller recognizes that the Debtors may assert an avoidance action against 1225 Owner or an affiliate on account of the Transfers, including an action under Sections 547 and 550 of the Bankruptcy Code for an action to recover the HQ Deposit (an “Avoidance Action”). Seller shall indemnify, defend and hold harmless Buyer, 1225 Owner or any other applicable affiliate of 1225 Owner for any and all damages, costs, or other liabilities, including legal fees, arising from or incurred in connection with the Avoidance Action (the “Avoidance Action Liabilities”). Buyer shall promptly notify Seller of any notices, demands or complaints regarding the Avoidance Action Liabilities which Buyer or 1225 Owner may receive. 1225 Owner, or, as applicable, Buyer, will cooperate with Seller in executing, upon the precise written direction of Seller, any and all documents in the name of the 1225 Owner that Seller reasonably requires to (i) protect its interests in the HQ Claim, and (ii) defend the Avoidance Action provided such cooperation does not impose any cost or liability on

1225 Owner or Buyer, including legal fees; in the event such cooperation does entail any costs, including legal fees, Seller shall immediately pay such costs or liability to 1225 Owner or Buyer, or on their behalf, at the option of 1225 Owner or Buyer.

(d) Closing Costs.

(1) Buyer's Costs. Buyer shall pay (i) the fees of any counsel representing Buyer in connection with this transaction; (ii) any costs for updated Title Policy premium and endorsements in connection with the acquisition; (iii) the cost of any current updated Survey and any Environmental Report, Appraisal, or other physical reports ordered by Buyer; (iv) one half of any escrow fees charged by the Escrow Agent or Title Company; (v) one half of the "transfer of economic interests" tax attributable to the 400 Virginia Property, and (vi) its share of the Transfer Taxes as provided in Section 14(d)(3).

(2) Seller's Costs. Seller shall pay (i) the fees of any counsel representing it in connection with this transaction, (ii) fees, costs and expenses in connection with the MetLife Loan including without limitation, all costs as provided in Section 2, and all title costs, lender's counsel's fees and expenses and any counsel fees and expenses other than Buyer's counsel (iii) the Broker, (iv) one half of any escrow fees charged by the Escrow Agent or Title Company, (iv) one half of the "transfer of economic interests" tax, if any, attributable to the 400 Virginia Property, (vi) 100% of the costs and Taxes, including any "transfer of economic interests" tax, attributable to any divestiture of the Excluded Assets as provided in Section 13(k), and (vii) its share of the Transfer Taxes as provided in Section 14(d)(3).

(3) Transfer Taxes. Notwithstanding any other provision of this Contract to the contrary, including, without limitation, the representation in Section 12(a)(ii) to the extent affecting the same, the Buyer and Seller shall share 75% to Seller and 25% to Buyer of all sales, use, privilege, transfer, documentary, gains, economic interest transfer, stamp, duties, recording and similar Taxes and fees (including any interest, penalties or additions thereon) imposed upon any party hereto, the Company or any Subsidiary in connection with the transfer of the Shares (and the consequences thereof upon the direct or indirect ownership of the Company and the Subsidiaries) and the 4250 N. Fairfax Interest contemplated by this Agreement, exclusive of any transfers pursuant to Section 13(k) (collectively, the "Transfer Taxes"), and any expense incurred to procure any stock transfer stamps required by any Transfer Tax, subject, however, to Seller's indemnity to Buyer set forth in Article 16(c)(i). Seller and Buyer shall cooperate to timely and accurately file all necessary Tax Returns and other documentation with respect to any Transfer Tax.

(4) Other Closing Costs. All other closing costs and expenses incident to this transaction and the closing thereof shall be paid by the party incurring same unless otherwise provided herein or agreed to the contrary.

(e) Property Taxes. Following Closing, Buyer shall have the right to control the progress of and to make all decisions with respect to any real property and personal property taxes for the Property due and payable during all real estate and property tax fiscal years in which the Closing occurs and all prior tax years. Real estate and personal property tax refunds and credits received after Closing, with respect to the Property, shall be applied in the following order of priority: first, to pay the costs and expenses (including, without limitation, reasonable attorneys' fees, expenses and disbursements) incurred in connection with obtaining such tax refund or credit; second, to pay any amount due to any past or present tenant of the Property as a result of such refund or credit to the extent required pursuant to the terms of the Leases; and third, (i) to Seller with respect to all tax years prior to Closing and (ii) with respect to the tax year in which the Closing occurs, to be allocated in the same manner as the real estate taxes have been apportioned under this Contract at Closing. Buyer shall cooperate and cause the respective Owner LLC to cooperate with Seller in prosecuting such appeals. The provisions of this paragraph shall survive Closing indefinitely.

(f) Filing and Preparing Tax Returns; Assistance and Cooperation

(i) Seller shall prepare or cause to be prepared, at the cost and expense of Seller, on a timely basis (including any automatically available extensions), Tax Returns for the Company and the Subsidiaries (including the applicable 1099's, K-1's or similar schedules and reports which are part of or derived from any such Tax Returns) for federal and state income, unincorporated business taxable income or any similar type of net income tax applicable to any said entity for all such Tax Returns which are due prior to or for taxable or other relevant periods ending before January 1, 2004, including, without limitation, all such items which are required to be filed by, or with respect to, the Company or any of the Subsidiaries for any taxable year or other taxable period beginning before the Closing Date and ending after the Closing Date (each such period being a "Straddle Period", and collectively, the "Straddle Periods"). Buyer shall prepare or cause to be prepared, at the cost and expense of Buyer, on a timely basis (including extensions), all federal and state Tax Returns of the Company and the Subsidiaries for all Tax Returns for any Straddle Period other than those to be prepared by Seller pursuant to the immediately preceding sentence. All such Tax Returns shall in all events, be prepared in a manner consistent with the prior Tax Returns as to all continuing elections, characterizations and other matters and, to the extent applicable, the structure and intent of the relevant underlying documents and this Contract and otherwise in accordance with Applicable Law. In addition, the Company shall cause a timely election under Treasury Regulation 1.337(d)-7(c) with respect to the deemed liquidation of 2001 M Street Mortgage Holdings, Inc.

Except as provided in the immediately following paragraph, all such Tax Returns shall be provided to the other party at least forty-five (45) days prior to the date any such Tax Return is due (including any automatically available extensions), which other party shall have thirty (30) days after receipt of each Tax Return to review such Tax Return and comment thereon.

As to the 1099's for the Company for the taxable period which ends on December 31, 2003, Seller shall cause a pro-forma federal income tax return for the Company to be delivered to Buyer on or before December 31, 2003, and the Buyer shall have 10 days after receipt of such pro-forma return to review and comment on such pro-forma return, the intent of such preparation and review being solely to establish the Company's "real estate investment trust taxable income and earnings and profits" under the Code for the 2003 taxable year so as to enable 1099s for the Company to be timely prepared and sent. The preparation and review, and, if necessary, the resolution of any disagreements as to the Company's "real estate investment trust taxable income and earnings and profits" pursuant to this paragraph shall be in accordance with the standards set forth elsewhere in this Section 14(f)(i) and in accordance with the procedures of the second immediately following paragraph (other than the first sentence thereof). After the determination of the Company's "real estate investment trust taxable income and earnings and profits" under the Code for the 2003 taxable year pursuant to the preceding provisions of this paragraph, Seller shall not make a material change in such amount in the preparation of the final federal income tax Tax Return for the Company's 2003 taxable year without the consent of the Buyer, except for omissions or other changes due to information which Seller was not reasonably aware of, or should have been reasonably aware of, at the time of the preparation of the pro-forma tax return.

Each party hereto shall make available, or cause to be made available, to the other party all the relevant and necessary books and records to enable such party to prepare or review, as the case may be, all such Tax Returns subject to the standards of the preceding provisions and otherwise consistent with Section 14(f)(iii) below and the other applicable provisions of this Contract and subject to the immediately following paragraph.

If Buyer or Seller, as applicable, objects to the treatment of any item on any such Tax Return for any Straddle Period or to any amount owed by Seller or Buyer, as applicable (whether owed by Seller to a Governmental Entity or by Seller to Buyer or vice-versa pursuant to any provision of this Contract) with respect to any Taxes, the objecting party shall, within said thirty (30) days after delivery of such Tax Return, notify the other party in writing that the first party so objects, specifying with particularity any such item and stating the specific factual or legal basis for any such objection. If a notice of objection shall be duly delivered, Seller and Buyer shall negotiate in good faith to resolve their disagreement. If Seller and Buyer have not resolved their disagreement within five (5) Business Days after receipt by the relevant party of such notice of objection, the parties shall refer the matter for resolution to McKee, Nelson LLP (if such law firm is not then representing or has any other business relationship with either party, or is unwilling or unable to accept such matter for resolution, in which case the Arbitrator shall be selected by Seller and Buyer from among practitioners in the real estate investment trust practice in the national office of a "Big Four" accounting firm) (the "Arbitrator"), the decision of which shall be binding on Seller and Buyer. In resolving any such dispute Arbitrator shall first take into account the provisions of the third sentence of the first paragraph of this Section 14(f)(i) and the provisions of Section 14(f)(iii), and then, if such does not, in its opinion, resolve any such issue, then as to any such issue which it cannot resolve pursuant to the above standards, Arbitrator shall then take into account, among other matters it deems appropriate, which position, in Arbitrator's determination, has the greater weight of authority. The costs, fees and expenses of the Arbitrator shall be borne (1) by Seller if the net resolution (considering such costs) of the disputed items favors Buyer, (2) by Buyer if the net resolution (considering such costs) of the disputed items favors Seller, and (3) otherwise equally by Buyer, on the one hand, and Seller on the other.

Upon the agreement of the parties as to any Tax Return or the resolution of any disagreement as to any Tax Return pursuant to the standards and procedures set forth in this Section 14(f), the responsible party shall promptly complete the final form of Tax Return for filing and, if prepared by Seller, shall provide such form to Buyer, and Buyer shall promptly thereafter sign and file, or cause to be signed and filed, each such completed and final Tax Return.

For any Tax Return for any taxable period which ends prior to the Closing, Seller shall pay to Buyer no less than five (5) days before the applicable due date of such Tax Returns, as an adjustment to Purchase Price, a cash amount equal to all Taxes shown to be due and payable on such Tax Returns to the extent such Taxes exceed the reserve for Tax liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the Closing Date balance sheet. For any taxes due under any Tax Return for any taxable period which includes the Closing Date, the provisions of Section 16(c)(iii) shall be applicable

(ii) Buyer shall prepare and file or cause to be prepared and filed, at the expense of Buyer on a timely basis (including all automatically available extensions) all Tax Returns of the Company and the Subsidiaries other than those provided for in paragraph 14(f)(i) above. All such Tax Returns shall be prepared in a manner consistent with the prior Tax Returns as to all continuing elections, characterizations and other matters and, to the extent applicable, the structure and intent of the relevant underlying documents and this Contract (except in any instance where there has been a change in Applicable Law or there has been a final determination by the Internal Revenue Service (not appealed) or otherwise a final, binding and unappealed or unappealable determination that any such position or characterization was not correct) and otherwise in accordance with Applicable Law. Subject to Section 16(c) (Tax Indemnities), Buyer shall pay or cause the Company and the Subsidiaries to pay all Taxes shown to be due and payable thereon.

(iii) Without limiting the foregoing, after the Closing, Seller and Buyer shall:

(1) assist (and cause their respective affiliates to assist) the other in preparing any Tax Returns which such other person is responsible for preparing and filing in accordance with this Section 14(f);

(2) cooperate fully, as and to the extent reasonably requested by the other party, in connection with the preparation of the Tax Returns pursuant to this Section 14(f) and in connection with any steps or procedures required to be undertaken in compliance with Sections 856 through 860 of the Code and the Treasury Regulations promulgated thereunder;

(3) cooperate fully in preparing for any audits of, or litigation, administrative or other proceedings and any other disputes with taxing authorities regarding, any Tax Returns with respect to the Company or the Subsidiaries or otherwise with respect to Taxes that may be imposed upon or otherwise payable by the Company or any of the Subsidiaries;

(4) make available to the other and to any Governmental Entity as reasonably requested all information, records, and documents of the Company, the Subsidiaries, and their respective affiliates, relating to Taxes;

(5) provide timely notice to the other in writing of any pending or threatened Tax audits or assessments with respect to the Company or the Subsidiaries for taxable periods for which the other may have a liability under this Section 14(f);

(6) furnish each other with copies of all correspondence received from any Governmental Entity in connection with any tax audit or information request with respect to any taxable period for which the other may have a liability under this Contract;

(7) provide the other party with timely notice of the commencement of any audit by any Governmental Entity or of any judicial proceeding involving a Governmental Entity that relates to any liability for Taxes, or any transaction or activity of the Company or any of the Subsidiaries, for which the other may have a liability under this Section 14(f); and

(8) as applicable, prepare and/or file, or caused to be prepared and/or filed, all Tax Returns, all such Tax Returns to be prepared in a manner consistent with the prior Tax Returns as to all continuing elections, characterizations and other matters and, to the extent

applicable, the structure and intent of the relevant underlying documents and this Contract (except in any instance where there has been a change in Applicable Law or there has been a final determination by the Internal Revenue Service (not appealed) or otherwise a final, binding and unappealed or unappealable determination that any such position or characterization was not correct) and otherwise in accordance with Applicable Law.

Notwithstanding anything in this clause (iii) to the contrary, all aspects of any audit, litigation or other proceeding with respect to Taxes attributable to a taxable year ending before the Closing shall be controlled by and be the sole responsibility (including all attorney's fees, court costs and disbursements) of Seller, provided that the Seller shall not enter into any settlement that would increase Taxes in any Straddle or Post Closing taxable year without consultation with Buyer, and, if any such increase would be material, without Buyer's consent. All aspects of any audit, litigation or other proceeding with respect to Taxes attributable to a taxable year commencing after the Closing shall be controlled by and be the sole responsibility (including attorney's fees, court costs and disbursements) of Buyer. All aspects of any audit, litigation, or other proceeding with respect to Taxes attributable to a Straddle Period shall be jointly controlled by and be the joint responsibility (including attorney's fees, court costs and disbursements), based on the respective ownership periods, of Seller and Buyer; provided, further, that as to any matters under this sentence neither party shall (x) settle any such audit, litigation or other proceeding, (y) toll or waive any statute of limitations, or (z) take any other action which would vitiate any of the taxpayer's substantive or procedural rights with respect to Taxes and any Governmental Entity, relating to the Straddle Period without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed.

(iv) Buyer covenants and agrees that from and after the Closing it will, or will cause the Company, to take all actions, or forbear from taking actions, as are necessary to ensure that the Company will be classified as, and will not take nor allow the Company or any of the Subsidiaries to take, any action which is inconsistent with the Company's qualification as, a REIT for the Company's taxable year that began January 1, 2003 and which ends on or after the Closing (which taxable year may be less than twelve (12) months), which taxable year is herein referred to as the "Company Straddle Taxable Year", including, without limitation, declaring actual or consent dividends (in addition to the distributions which Seller has covenanted would be made) for taxable year 2003 if and to the extent such are necessary to maintain the status of the Company as a REIT. Furthermore, Buyer covenants and agrees that prior to January 1, 2004, the Company shall not acquire, accept transfer of, nor hold, nor allow any Subsidiary to acquire, accept transfer of, or hold, any assets other than the Property and, as applicable, the interests in the LLCs except in the ordinary course of maintaining, operating and leasing the Property and, as applicable, holding the interests in the LLCs, as all such assets exist immediately prior to Closing. Nothing contained in this Contract or otherwise shall prevent, restrict or otherwise prohibit Buyer from liquidating the Company at any time from and after the Closing, provided that the covenant in the preceding sentences and the other provisions of this Section 14 and any other applicable provisions of the Contract (including, without limitation, the requirement to maintain the qualification of the Company as a REIT pursuant to this Section 14(f)(iv)) are complied with by Buyer. Nothing contained in this Section 14(f) shall require Buyer to take any action to remedy any breach by Seller of its representations and warranties or covenants under this Contract to have maintained the Company's classification as a REIT prior to the Closing which breach prevents or impairs the ability of the Company from qualifying as a REIT or of Buyer to maintain the qualification of the Company as a REIT and any such breach by Seller shall be fully covered by and Buyer shall be fully covered by Seller's indemnities hereunder. Buyer agrees that upon becoming aware of any breach described in the immediately preceding sentence it shall make reasonable efforts to notify Seller thereof and agrees to take, or allow Seller to take, such reasonable actions to cure such breach, all at Seller's cost and expense, provided that any such cure shall not have more than an insubstantial effect on the liability of the Company or any Subsidiary for any Straddle Period or any later taxable period.

(v) Buyer covenants and agrees with Seller that: (a) Buyer will treat the purchase of the Shares contemplated by this Contract for all income tax purposes as a purchase of shares of a corporation, (b) Buyer will not make an election pursuant to Section 338(g) of the Code with respect to the Company, (c) to the extent permitted by Applicable Law, the Company shall designate the maximum amount of the distribution of the Excluded Assets to Seller as a long-term capital gain dividend within the meaning of Section 857(b)(3) of the Code but only to the extent that such designation does not increase the amount of distributions which the Company is required to make arising from its operations and activities during the post-Closing Straddle Period, and (d) subject to Seller's compliance with Section 13(g), Buyer shall cause the Company to timely and fully pay all accrued and unpaid dividends due to the holders of the Series A Preferred Stock as for the entire 2003 calendar year]..

(vi) Notwithstanding any other provision of this Contract to the contrary, the obligations of Seller and Buyer set forth in this Section 14(f) and in Section 16(c): shall (1) be unconditional and absolute, (2) remain in full force and effect indefinitely and (3) other than as provided in Section 16(c), not be subject to any other indemnification limitations provided in this Contract; provided, that the Tax Representations shall survive the Closing until ninety (90) days following the expiration of the applicable statute of limitations ("Tax Survival Period") (taking into account all extensions thereof); and provided, further, in the event notice for indemnification under Section 16(c) hereof shall have been given within the Tax Survival Period, the Tax Representation that is the subject of such indemnification claim shall survive until such time as such claim is finally resolved.

(g) With respect to the lease at the 1201 Eye Street Property with the National Park Service as identified on Exhibit C, the tenant and 1201 Owner have not yet entered into a "Supplemental Lease Amendment" ("SLA") establishing the base dollar amount for real estate tax escalations (the "Base"). If the final agreed upon Base as set forth in the SLA is $1,652,000 or less, there shall be no adjustment to the Purchase Price. For each dollar of the Base which is above $1,652,000, Seller shall pay $6.43 to Buyer as an adjustment to the Purchase Price but in no event shall such payment exceed $450,000. Such payment shall be made within thirty (30) days of delivery by Buyer to Seller of the fully executed SLA. Prior to agreeing to the Base, Buyer shall consult with Seller but the final determination and agreement shall be in the sole discretion of Buyer.

(h) The Tenant Estoppel from NCS Pearson with respect to its lease at the 4250 N. Fairfax Property asserts that said tenant was unable to place two (2) signs on the exterior of the building because of limitations imposed by permits issued by the local governing bodies to Seller's predecessor in title. The tenant alleges that the failure to obtain the sign could constitute a default by the landlord under said lease. Seller disputes the allegation that if the tenant is unable to obtain said sign, the same would constitute a lease default. Nevertheless, Seller hereby indemnifies, defends and holds Buyer harmless from and against any loss, cost, claim or damage including, without limitation, attorneys fees, arising out of or in connection with the tenant's claim and/or failure of said tenant to obtain said signage. It is the intention of the tenant to seek a variance or other necessary approval from the public authorities and Buyer hereby agrees that Seller at no cost or expense to Buyer shall be entitled to or at Buyer's request shall participate in and assist in the seeking of said approval. Buyer further agrees that, if approved by the tenant as a substitute for exterior signage, it will provide interior signage space in appropriate locations. Furthermore, neither Seller nor Buyer shall enter into any settlement agreement with the tenant without the consent of the other, which consent shall not be unreasonably withheld or delayed, provided, however, the consent of Seller shall not be required if the cost of such settlement is $50,000 or less, or if Seller fails to respond within seven (7) business days.

(i) This Article 14 shall survive the Closing.

15. Brokers. Seller represents that, other than Morgan Stanley Realty Incorporated and Holliday Fenoglio, Fowler (together, the "Brokers"), no broker, finder or similar intermediary has acted for or on behalf of, or is entitled to any broker's, finder's or similar fee or other commission from, the Seller, the Companies, the LLCs or any affiliate of any of the foregoing in connection with this Contract or the Ancillary Agreements or the transactions contemplated hereby and thereby. Buyer represents that no broker, finder or similar intermediary has acted for or on behalf of, or is entitled to any broker's, finder's or similar fee or other commission from, Buyer in connection with this Contract or the Ancillary Agreements or the transactions contemplated hereby and thereby. Each party hereby indemnifies and agrees to save the other harmless from and against any Claims arising from the breach of such representation by the indemnifying party.

(b) Any commission or other fees or expenses due Brokers shall be paid by Seller, and Seller shall obtain and provide to Buyer a receipt and lien release therefore at Closing and Seller hereby indemnifies and saves Buyer harmless from and against any Claim by Brokers in connection with the Property, Shares, the 4250 N. Fairfax Interest or this Contract or the transactions contemplated hereby.

(c) The provisions of this Article 15 shall survive the Closing or, if applicable, the termination of this Contract.

16. Continuation and Survival of Representations and Warranties;

(a) Representations Survival.

(i) The representations and warranties set forth in this Contract, as may be modified pursuant this Article 16 or other express provisions of this Contract, are intended to be and shall remain true and correct as of the time of Closing and shall survive the execution and delivery of this Contract and the Closing for a period of one (1) year following Closing except for the representations set forth in Sections 12(a)(ii) [consents], 12(a)(vii) [indebtedness], 12(a)(xii) [insolvency], 12(a)(xiii) [undisclosed liabilities], 12(a)(xiv) [litigation] and 12(a)(xv) [Accounts], which shall survive for 2 Years and as to the representations set forth in Articles 12(a)(i), 12(a)(viii), 12(a)(ix) and 12(a)(x) (the "Corporate Representations") and Seller's Broker representation in Section 15, which shall survive for six (6) years, being the period of the statute of limitations for contract actions (each such period, with respect to the indicated representations and warranties, the "Limitations Period). No action or proceeding may be brought with respect to any of the representations or warranties contained herein unless written notice thereof, setting forth in reasonable detail the claimed breach of representation or warranty referencing this Article 16 shall have been delivered to the address set forth in Article 18 hereof prior to the end of the applicable Limitations Period. Those covenants that contemplate or involve actions to be taken or obligations to be in effect after the Closing shall survive in accordance with their terms. Notwithstanding the aforementioned, all representations, warranties and covenants related to tax matters including without limitation the Tax Representations in Section 12(b), and which matters are otherwise primarily set forth in Article 14, shall survive the Closing as described in Article 14(f)(vi).

(ii) To the extent that Buyer has actual knowledge at or prior to Closing that Seller's representations or warranties contained in this Contract, in any Seller's Estoppel Certificate or elsewhere are inaccurate, untrue or incorrect in any way, Buyer shall notify Seller in writing and provide Seller ten (10) days to cure such breach and such representations and warranties shall be deemed modified to reflect Buyer's actual knowledge to the extent set forth in such notice. Except as otherwise provided herein or as included or intended to be included in the Seller's Tax Indemnity and/or indemnity for the matters described in Section 16(b)(3), and otherwise absent fraud on the part of Seller, the Company or any LLC, Seller shall have no liability to Buyer, after Closing with respect to a breach of representation by Seller if actually known by Buyer, and in the absence of Seller's cure of such breach or agreement to cure such breach, and Buyer nonetheless closes.

(iii) Notwithstanding anything in this Contract to the contrary, after

Closing, and only with respect to breaches of covenants, representations and warranties of Seller not actually known by Buyer at Closing and first discovered by Buyer after Closing, Seller shall be liable to Buyer only if the aggregate of all actual damages incurred by Buyer or Buyer's successors and assigns exceeds $50,000 (such floor shall not be applicable to a breach of the Tax Representations or Seller's covenants made in Section 13(k)), and, if so, such liability shall include the first dollar of such damage and all amounts owed thereafter. In addition, but without limiting Seller's General Indemnity obligations under Section 16(b), the maximum aggregate liability of Seller and the maximum aggregate amount which may be awarded to and collected by Buyer or Buyer's successors and assigns (a) for all breaches of Seller's representations made in Section 12(a) other than Corporate Representations and Tax Representations shall in no event exceed Ten Million Dollars ($10,000,000); (b) with respect to breaches of Tax Representations (including any liability under the indemnity provisions of Section 16(c)) shall not exceed One Hundred Million Dollars ($100,000,000); and (c) with respect to breaches of Corporate Representations shall not exceed Two Hundred Thirty-Three Million Eight Hundred Thirty Two Thousand Five Hundred Dollars ($233,832,500) if written claim of such breach is made within six (6) months after the Closing and One Hundred Million Dollars ($100,000,000) if written claim is made thereafter.

(b) General Indemnity. As of the Closing, and without limiting any other rights or remedies of Buyer, Seller shall indemnify, defend and hold harmless Buyer (and its respective affiliates, officers, managers, directors, partners, owners, members and shareholders (including any of the above persons taxable on a flow-through or conduit basis on the income of the same) and their respective successors and assigns, and as applicable, each LLC) (collectively, "Buyer Indemnitees") from and against any and all Claims that may be imposed, suffered, incurred or incurred by Buyer or any Buyer Indemnitee as to a breach or violation of any Retained Liability (as herein defined).

"Retained Liability" shall mean and include any Excluded Liability; and the Surviving Seller Obligations; and any and all Claims relating thereto, including without limitation, the following; but provided that unless otherwise covered below (in which event if covered below, there shall be no cap or limitation on survival), the survival period and cap for a breach of representations set forth in Section 12(a) shall be governed by Section 16(a) above:

(1) under or with respect to any Lease, Service Contract, Personal Property Lease, management or leasing agreement or commission agreement or other agreement, promise or covenant, guaranty or indemnity (whether or not now in effect) or the Loan Documents (including a breach of representation, warranty or covenant thereunder) or filing with any governmental or quasi governmental authority including without limitation any income and expense filing (whether known or unknown) arising or accruing with respect to the period prior to the date of Closing and not otherwise expressly accepted by Buyer as to such period or which

would not otherwise be assumed by Buyer if Buyer was purchasing only the LLC Owner Property rather than the Shares or the 4250 N. Fairfax Interest, including, by way of example and not limitation, bankruptcy preference claims of any existing or prior tenant, vendor or supplier of the Property (or of any Excluded Assets) or any portion thereof,

(2) in connection with any pending or threatened Litigation, Claim, suit or proceeding against the Company or any LLCs relating to occurrences or matters first arising prior to Closing (whether or not initiated prior or after Closing), including without limitation the HQ Global Bankruptcy, the Cosi Allegation (subject to the limitations set forth in this Contract) and any other existing litigation, claims, suit or proceeding involving the Company or any LLC (whether known or unknown), or with respect to audits permitted under any Lease which audits are either in process or remain outstanding or prospective as of Closing but limited to liability for any period prior to the Closing;

(3) under or with respect to any Subsidiary (other than the LLCs), Excluded Liability, Excluded Contract or Excluded Asset, Other First Loan, 4250 N. Fairfax Loan (whether known or unknown) and whether arising or accruing before or after Closing including, without limitation, any litigation, claims, suits or proceedings involving any Subsidiary (other than the LLCs) or any Excluded Assets whether known or unknown and whether arising or accruing before or after Closing, but not including herein any matters for which the Buyer Indemnitees are indemnified under Section 14(c) below;

(4) any loss or Claim in connection with a breach by Seller (or Seller entities) to the non-Seller members under or with respect to the Organizational Documents of the Eye Street Owner LLCs, the Eye Street Loan Documents or the MTA Agreement arising or occurring prior to the Closing Date; and

(5) If Seller has any claim or rights to pursue claims against the other parties to the MTA Agreement, and such claim is not a Surviving Obligation of Seller, Seller, at Buyer's request, shall assert such claim on behalf of Buyer and any proceeds received in connection therewith shall be paid to Buyer. To the extent that Seller has made Buyer whole with respect to any breach by Seller of any Surviving Obligation and Seller has a surviving claim against any such parties to the MTA Agreement as to the same breach, Seller shall be entitled to seek reimbursement from the other parties to the MTA Agreement with respect to such claim and shall be entitled to retain all rights to the proceeds thereof (unless by doing so, Buyer is not made whole on other claims that would otherwise be covered by Beacon's rights under the MTA that Beacon is required to exercise on Buyer's behalf.).

(c) Tax Indemnities

(1) In addition to and without limiting any other indemnity obligations of Seller hereunder, Seller shall indemnify, defend, and hold harmless Buyer Indemnitees from and against any and all Claims asserted against, resulting to, imposed on, sustained, incurred or suffered by, or asserted against the Buyer Indemnitees, directly or indirectly, by reason of or resulting from: (a) all Taxes imposed upon the Company or any of the Subsidiaries with respect to any taxable period or portion thereof ending on or before the Closing Date ("Pre-Closing Periods"), and for any Straddle Periods, but only with respect to the portion of any such Straddle Period ending on the Closing Date and calculated in the manner provided in Section 14(f) of this Contract, (b) any breach or inaccuracy in any Tax Representation, without regard to any qualifications for knowledge of the Sellers, but only for the Tax Survival Period; provided that if such liability for a Tax Representation is otherwise separately intended to be covered such time limitation is not intended as limitation, (c) any breach or failure by Seller to perform (or cause to be performed) any of the covenants or agreements set forth in Section 14(d)(3), Section 14(f) or this Section 16(c) (including, without limitation, all the provisions hereof regarding the maintenance of the Company as a REIT), (d) any Taxes related to any Excluded Asset or the divesture of any Excluded Asset (whether known or unknown by Buyer prior to Closing) and any litigation, claims, suit or proceeding involving any Subsidiary (other than the LLCs) or any Excluded Assets whether known or unknown and whether arising or accruing before or after Closing; and (e) Tax liability under D.C. Code Annotated §42-1103 arising in connection with the transfer of the Shares because of a transfer by any person (as defined in D.C. Code Annotated §42-1101(6)) of any direct or indirect beneficial interest in either 1201 Owner or 1225 Owner prior to the Closing (including the transfer of the Shares) other than any direct or indirect transfer by or through the Company or any of its Subsidiaries occurring after the Closing. The maximum liability of Seller under this Section 16(c)(1), together with Seller's liability for breach of the Tax Representations shall not exceed One Hundred Million Dollars ($100,000,000) in the aggregate.

(ii) Buyer shall indemnify, defend, and hold harmless Seller (and its respective affiliates, officers, managers, directors, partners, owners, members and shareholders (including any of the above persons taxable on a flow-through or conduit basis on the income of same), and their respective successors and assigns) (collectively, "Seller Indemnitees") from and against any and all Losses asserted against, resulting to, imposed on, sustained, incurred or suffered by, or asserted against the Seller Indemnitees, directly or indirectly, by reason of or resulting from: (1) all Taxes imposed upon the Company or any of the Subsidiaries [other than Subsidiaries required to be divested as provided in Section 13(k)] with respect to any taxable period or portion thereof beginning after the Closing ("Post-Closing Periods"), and for any Straddle Periods, but only with respect to the portion of any such Straddle Period from and after the Closing and calculated in the manner provided in Section 14(f) of this Contract, and (2) any breach or failure by Buyer to perform (or cause to be performed) any of the covenants or agreements set forth in Section 14(f) or this Section 16(c) (including, without limitation, all the provisions hereof regarding the maintenance of the Company as a real estate investment trust from and after the Closing until the end of the Company Straddle

Taxable year), provided the maximum aggregate liability of the Buyer with respect thereto shall not exceed One Hundred Million Dollars ($100,000,000). Wells Real Estate Investment Trust, Inc. by its execution of this Contract hereby agrees that it and its successors and assigns shall be jointly and severally liable with Wells Operating Partnership, L.P. and its successors and assigns for the indemnity obligations set forth herein and Wells Operating Partnership, L.P. and its successors and assigns shall remain liable hereunder notwithstanding any assignment of this Contract pursuant to Article 20(b) or otherwise.

(iii) For purposes of this Section 16(c), in order to apportion appropriately any Taxes relating to a Straddle Period, the parties hereto shall, to the extent permitted under Applicable Law, elect with the relevant tax authority to treat for all Tax purposes the Closing Date as the last day of the taxable year or period of the Company and the Subsidiaries. In any case where Applicable Law does not permit the Company or the Subsidiaries to treat the Closing Date as the last day of the taxable year or period, the portion of any Taxes that are allocable to the portion of the Straddle Period ending on the Closing Date shall be:

(1) In the case of Taxes that are imposed on a periodic basis (such as real property taxes), deemed to be the amount of such Taxes for the entire period (or, in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding period) multiplied by a fraction the numerator of which is the number of calendar days in the Straddle Period ending on (and including) the Closing Date and the denominator of which is the number of calendar days in the entire relevant Straddle Period; and

(2) In the case of Taxes not described in clause (1) above (such as Taxes that are either (x) based upon or related to income or receipts, or (y) imposed in connection with any sale or other transfer or assignment of property (real or personal, tangible or intangible), deemed equal to the amount that would be payable if the taxable year or period ended on the Closing Date.

The provisions of this clause (iii) shall not be applicable to the payment of real estate and personal property taxes and assessments on any property owned by the LLCs, provision for which is made elsewhere in this Contract.

(iv) All amounts payable or to be paid by one party hereto to the other party hereof under this Section 16(c) (the "Tax Indemnity Payments") shall be paid in immediately available funds within ten (10) Business Days after the later of (i) receipt of a written request from an Indemnitee entitled to such Tax Indemnity Payment and (ii) the day of payment of the amount that is the subject of the Tax Indemnity Payment by an Indemnitee entitled to receive the Tax Indemnity Payment. The parties agree to treat any indemnification payment made pursuant to this Contract as an adjustment to the Purchase Price for all Tax purposes.

(d) In connection with and as support for (but not in limitation of) Seller's indemnity obligations hereunder, Seller agrees to maintain a net worth of not less than [$100,000,000.00] for a period of three (3) years after Closing; and [$30,000,000] thereafter until the expiration of the Tax Survival Period. If, however, Seller dissolves, liquidates or otherwise reorganizes or the stated term of Seller (as set forth in its organizational documents) expires (each an "Event") prior to the expiration of the Tax Survival Period, then Seller shall reserve (in a manner acceptable to Buyer) [$100,000,000] through the end of such initial three (3) year period after Closing, and [$30,000,000] thereafter until (i) the earlier of the expiration of the Tax Survival Period or until (ii) (x) the expiration of the fourth year after Closing if the Event occurs prior to the expiration of the three (3) year period or (y) one year after the Event if the Event occurs after the expiration of the three (3) year period. Seller shall provide written notice to Buyer at least ninety (90) days prior to the occurrence of an Event other than the expiration of its term and at least one (1) year written notice prior to the expiration of the term of Seller. Furthermore, in the event an unresolved Claim is outstanding at the time this net worth covenant would otherwise be reduced or terminated, Seller shall maintain a net worth or reserve of 125% of the amount of the Claim until the Claim is finally resolved. Such obligation of Seller shall expressly survive Closing and shall be in addition to all other obligations and covenants of Seller hereunder and is not intended to, and shall not in any way be deemed to, limit Seller's indemnity or other covenants or obligations hereunder in amount, time, or scope or otherwise.

(e) Indemnification Procedures

(i) Unless the parties otherwise mutually agree, a claim by any Buyer Indemnitee or Seller Indemnitee (as applicable, the "Indemnitee") for indemnification pursuant to this Article 16 (an "Indemnification Claim") shall be made by the Indemnitee by delivery of a written notice to the indemnifying party (the "Indemnitor") requesting indemnification and reasonably identifying the basis on which indemnification is sought and, if available, the amount (or estimate) of asserted damages and, in the case of a Third Party Claim, as defined below, containing (by attachment or otherwise) such other information as the Indemnitee shall have concerning such Third Party Claim. A "Third Party Claim" means any Litigation instituted against the Indemnitee that, if prosecuted successfully, would be a matter for which the Indemnitee is entitled to indemnification under this Agreement.

(ii) If the Indemnification Claim involves a Third Party Claim, the procedures set forth in Section 16(f) hereof shall be observed by the Indemnitee and Seller.

(iii) If the Indemnification Claim involves a matter other than a Third Party Claim, Indemnitor shall have thirty (30) days to object to such Indemnification Claim by delivery of a written notice of such reasonable objection to the Indemnitee specifying in reasonable detail the basis for such objection. Failure to timely so object shall constitute a final and binding acceptance of the Indemnification Claim by Indemnitor and the Indemnification Claim shall be paid in accordance with Section 16(e)(iv) hereof. If an objection is timely interposed by Seller, then the Indemnitee and Indemnitor shall negotiate in good faith for a period of up to fifteen (15) days from the date (such period is hereinafter referred to as the "Negotiation Period") the Indemnitee receives such objection. After the

Negotiation Period, if Indemnitor and Indemnitee still cannot agree on an Indemnification Claim, either Indemnitor or the Indemnitee may submit the dispute concerning such Indemnification Claim for resolution to arbitration as set forth in Section 16(h); provided, however, nothing herein shall prevent the parties from seeking equitable or injunctive relief in a court of equity with respect to such dispute.

(iv) Upon determination of the amount of an Indemnification Claim that is binding on both Indemnitor and the Indemnitee, Seller shall pay the amount of such Indemnification Claim by wire transfer of immediately available funds within ten (10) days of the date such amount is determined.

(f) Defense of Third Party Claims.

(i) In the event of a Third Party Claim, Indemnitor shall have thirty (30) days (or such lesser time as may be necessary to comply with statutory response requirements for litigation claims that are included in such Third Party Claims provided the Indemnitee has given notice of such Third Party Claim after receipt thereof; provided further that failure of Indemnitee to timely notify Indemnitor will not relieve Indemnitor of its obligations hereunder unless any delay in such notice results in the inability of Indemnitor to defend such Third Party Claim) from receipt of the Indemnification Claim (the "Notice Period") to notify the Indemnitee, (i) whether or not Indemnitor disputes its liability to the Indemnitee with respect to such claim, and (ii) notwithstanding any such dispute, whether or not Indemnitor will, at its sole cost and expense, defend the Indemnitee against such claim.

(ii) In the event that Indemnitor notifies the Indemnitee within the Notice Period that it will defend the Buyer Indemnitee against such claim then, except as hereinafter provided, Indemnitor shall have the right, or at Indemnitee's reasonable election the obligation, to defend the Indemnitee by appropriate proceedings, which proceedings shall be promptly settled or prosecuted by Indemnitor to a final conclusion, provided, Indemnitor shall not agree to any settlement which would result in Indemnitee becoming subject to liability for any other significant matter. If Buyer desires to participate in, but not control, any such defense or settlement, it may do so at its sole cost and expense.

If Buyer desires to participate in, but not control, any such defense or settlement, it may do so at its sole cost and expense. If in the reasonable opinion of the Buyer Indemnitee, any such claim or the litigation or resolution of any such claim involves an issue or matter that could have a future material adverse effect on the Buyer Indemnitee and involves a continuing relationship of Buyer with respect to the Property, Company or LLCs, including, without limitation, a dispute with a current tenant, licensee or governmental entities having jurisdiction over the Property or Company or LLCs with respect to the Property and its ongoing operation, the Buyer Indemnitee shall have the right to jointly participate in the defense or settlement of any such claim or demand and its reasonable costs and expenses shall be included as part of the indemnification obligation of Seller Indemnitor, and no settlement shall be made without the reasonable concurrence of both parties.

(iii) Except where Indemnitor disputes its liability in a timely and reasonable manner under this Section 16(f), Indemnitor shall be conclusively liable for the amount of any loss or other damage resulting from such claim or defense.

(iv) the Indemnitee and Indemnitor shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including making available records relating to such claim.

(g) Settlement of Third Party Claims. Any settlement of a Third Party Claim shall include an unconditional term releasing the Indemnitee from all liability in respect of such asserted liability.

(h) Arbitration.

(i) Any dispute, controversy or claim arising out of or relating to this Agreement or any related document or the performance by the parties of its or their terms shall be settled by binding arbitration held in Washington, DC. The Commercial Arbitration Rules of the American Arbitration Association are hereby incorporated by reference; provided, however, that the parties do not intend any arbitration hereunder to be administered by the American Arbitration Association. The interpretation and enforceability of this Section 16(h) shall be governed exclusively by the Federal Arbitration Act, 9 U.S.C. § 1-16.

(ii) The panel to be appointed shall consist of three neutral arbitrators. One arbitrator shall be appointed by the Buyer Indemnitee and one arbitrator shall be appointed by Seller within fifteen (15) days after the commencement of the arbitration proceeding. The third arbitrator shall be appointed by mutual agreement of the two selected arbitrators and shall be experienced in corporate contractual and real estate matters relating to transactions of the nature contemplated by this Agreement.

(iii) The arbitrators shall allow such discovery as the arbitrators determine appropriate under the circumstances and shall resolve the dispute as expeditiously as practicable. The Federal Rules of Civil Procedure (the "FRCP") are hereby incorporated by reference for purposes of the discovery process; provided that the FRCP may be waived by the parties by written agreement, or by any appointed arbitrator. The arbitrators shall give the parties written notice of the decision, with the reasons therefor set out, and shall have fifteen (15) days thereafter to reconsider and modify such decision if any party so requests within seven (7) days after the decision. Thereafter, the decision of the arbitrator(s) shall be final, binding, and conclusive with respect to all persons, including persons who have failed or refused to participate in the arbitration process.

(iv) The arbitrators shall have authority to award relief under legal or equitable principles, including interim or preliminary relief, and to allocate responsibility for the costs of the arbitration and to award recovery of attorneys' fees and expenses in such manner as is determined to be appropriate by the arbitrators.

(v) Judgment upon the award rendered by the arbitrators may be entered in any court having *in personam* and subject matter jurisdiction.

(vi) All proceedings under this Section 16(h), and all evidence given or discovered pursuant hereto, shall be maintained in confidence by all parties.

(vii) The fact that the dispute resolution procedures specified in this Section 16(h) shall have been or may be invoked shall not excuse any party from performing its obligations under this Agreement or any related agreement and during the pendency of any such procedure all parties shall continue to perform their respective obligations in good faith, subject to any rights to terminate this Agreement or any related agreement that may be available to any party.

(viii) All applicable statutes of limitation shall be tolled while the procedures specified in this Section 16(h) are pending. The parties will take such action, if any, required to effectuate such tolling.

17. Escrow Provisions. Escrow Agent shall deliver the Deposit to Seller or Buyer promptly after receiving a joint written notice from Seller and Buyer directing the disbursement of the same, such disbursement to be made in accordance with such direction. If Escrow Agent receives written notice from Buyer or Seller that the party giving such notice is entitled to the Deposit, which notice shall describe with reasonable specificity the reasons for such entitlement, then Escrow Agent shall (i) promptly give written notice to the other party of Escrow Agent's receipt of such notice and enclosing a copy of such notice and (ii) subject to the provisions of the following paragraph which shall apply if a conflict arises, on the fourteenth (14th) day after the giving of the notice referred to in clause (i) above, deliver the Deposit to the party claiming the right to receive it; provided further that if Buyer requests a refund of the Initial Deposit on or prior to the expiration of the Due Diligence Period (whether or not such request is also executed by Seller), Escrow Agent shall promptly disburse the Deposit to Buyer in accordance with that request. Buyer and Seller hereby agree to send to the other, a duplicate copy of any written notice sent to Escrow Agent and requesting any such disbursement or countermanding a request for disbursement

In the event that Escrow Agent shall be uncertain as to its duties or actions hereunder or shall receive instructions or a notice from the Buyer or Seller which are in conflict with instructions or a notice from the other party or which, in the reasonable opinion of Escrow Agent, are in conflict with any of the provisions of this Contract, it shall be entitled to take any of the following courses of action:

(i) Hold the Deposit as provided in this Contract and decline to take any further action until Escrow Agent receives a joint written direction from the Buyer and Seller or any order of a court of competent jurisdiction directing the disbursement of the Deposit, in which case Escrow Agent shall then disburse the Deposit in accordance with such direction;

(ii) In the event of litigation between the Buyer and Seller, Escrow Agent may deliver the Deposit to the clerk of any court in which such litigation is pending; or

(iii) Escrow Agent may deliver the Deposit to a court of competent jurisdiction and therein commence an action for interpleader, the cost thereof to Escrow Agent to be borne by whichever of the Buyer or Seller does not prevail in the litigation.

A. Escrow Agent shall not be liable for any action taken or omitted in good faith and believed by it to be authorized or within the rights or powers conferred upon it by this Contract and it may rely, and shall be protected in acting or refraining from acting in reliance upon an opinion of counsel and upon any directions, instructions, notice, certificate, instrument, request, paper or other documents believed by it to be genuine and to have been made, sent, signed or presented by the proper party or parties. Escrow Agent shall be under no obligation to take any legal action in connection with the Deposit or this Contract or to appear in, prosecute or defend any action or legal proceedings which would or might, in its reasonable opinion, involve it in cost, expense, loss or liability unless, in advance, and as often as reasonably required by it. Notwithstanding any other provision of this Contract, the Buyer and Seller jointly indemnify and hold harmless Escrow Agent against any loss, liability or expense incurred without bad faith or negligence on its part and arising out of or in connection with its services under the terms of this Contract, including the cost and expense of defending itself against any claim of liability other than arising out of its bad faith or negligence.

B. Escrow Agent shall not be bound by any modification of this Contract affecting Escrow Agent's duties hereunder unless the same is in writing and signed by the Buyer, Seller and Escrow Agent. From time to time on or after the date of this Contract, the Buyer and Seller shall deliver or cause to be delivered to Escrow Agent such further documents and instruments that fall due, or cause to be done such further acts as Escrow Agent may reasonably request (it being understood that the Escrow Agent shall have no obligation to make any such request) to carry out more effectively the provisions and purposes of this Contract, to evidence compliance with this Contract or to assure itself that it is protected in acting hereunder.

C. Escrow Agent shall serve hereunder without fee for its services as escrow agent, but shall be entitled to reimbursement for its reasonable actual expenses incurred hereunder, which expenses shall be paid and borne equally by the Buyer and Seller. Escrow Agent agrees that it will not seek reimbursement for the services of its employees or partners, but only for its actual and reasonably incurred out-of-pocket expenses.

D. Escrow Agent agrees not to resign unless a substitute Escrow Agent is appointed by the Buyer and Seller and any letters of credit constituting the Deposit are reissued in the name of the substitute Escrow Agent.

18. Notices. Any notice, request, demand, consent, approval and other communications under this Contract shall be in writing, and shall be deemed duly given or made at the time and on the date when received by facsimile (provided that the sender of such communication shall orally confirm receipt thereof by the appropriate parties and send a copy of such communication to the appropriate parties within one (1) business day

of such facsimile) or when personally delivered as shown on receipt therefor (which shall include delivery by a nationally recognized overnight delivery service) or three (3) business days after being mailed by prepaid registered or certified mail, return receipt requested, to the address for each party set forth below. Any party, by written notice to the other in the manner herein provided, may designate an address different from that set forth below.

If to any of the Buyer:
Wells Operating Partnership, L.P.
6200 Corners Parkway Suite 250
Norcross, Georgia 30092
Attn: Jeff Gilder, Director

with a Copy to:

Alston & Bird LLP
1201 West Peachtree Street
Atlanta, GA 30309
Attn: William O'Callaghan, Esq.
Marci P. Schmerler, Esq.
Telecopier No. (404) 881-7777

If to Seller, to:
c/o Beacon Capital Partners, Inc.
One Federal Street
Boston, MA 02110
Attn: Erin R. O'Boyle
Telecopier No.: (617) 457-0499

with copies to:
Beacon Capital Partners, Inc.
One Federal Street
Boston, MA 02110
Attn: William A. Bonn, Esq.
General Counsel
Telecopier No.: (617) 457-0498

Goulston & Storrs, P.C.
400 Atlantic Avenue
Boston, MA 02110-3333
Attn: Jordan P. Krasnow, Esq.
Telecopier No.: (617) 574-7604

19. Captions: The captions in this Contract are inserted only for the purpose of convenient reference and in no way define, limit or prescribe the scope or intent of this Contract or any part hereof.

20. Successors and Assigns: (a) This Contract shall be binding upon the parties hereto and their respective successors and assigns.

(b) Buyer may assign this Contract and the rights or benefits hereof including, without limitation, the benefit of the representations and warranties contained in Article 12 hereof, only to any party (or parties) of which Buyer or any principal in, or affiliate or subsidiary of, or entity related to, Buyer owns an interest. No assignment shall be permitted which is materially inconsistent with the submissions to MetLife which submission has been approved by Buyer and its counsel unless also approved by MetLife. Such assignment shall not operate to release the named Buyer from all obligations and liability hereunder.

21. Governing Law: The laws of the District of Columbia shall govern the validity, construction, enforcement and interpretation of this Contract.

22. Multiple Counterparts: This Contract may be executed in any number of identical counterparts. If so executed, each of such counterparts shall constitute this Contract. In proving this Contract, it shall not be necessary to produce or account for more than one such counterpart.

23. Representations and Warranties of Buyer: Buyer hereby represents and warrants to Seller as of the date hereof and as of the Closing Date as follows:

(a) This Contract and all documents executed by Buyer that are to be delivered to Seller at the Closing are, or at the time of Closing will be, duly authorized, executed and delivered by Buyer. This Contract and such documents are, or at the Closing will be, legal, valid, and binding obligations of Buyer, and do not, and, at the time of Closing will not, violate any provisions of any agreement or judicial order to which Buyer is a party or to which it is subject.

(b) There are no proceedings pending or, to Buyer's knowledge, threatened against it in any court or before any governmental authority or any tribunal which, if adversely determined, would have a material adverse effect on its ability to purchase the Property or to carry out its obligations under this Contract.

24. Post-Closing Obligation: After the Closing, Seller and Buyer shall cooperate with one another at reasonable times and on reasonable conditions and shall execute and deliver such instruments and documents as may be necessary in order fully to carry out the intent and purposes of the transactions contemplated hereby. Except for such instruments and documents as the parties were originally obligated to deliver by the terms of this Contract, such cooperation shall be without additional cost or liability.

25. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN

CONNECTION WITH THIS CONTRACT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY IN CONNECTION HEREWITH.

26. Exhibits and Schedules: The Exhibits and Schedules referred to in and attached to the Original Agreement as modified by schedules and exhibits attached hereto or delivered as attachments to the documents delivered to and accepted by Buyer at Closing and Exhibit Z, Exhibit AA and BB attached to this Contract are hereby incorporated and made a part thereof.

27. Public Disclosure; confidentiality: Each party hereto covenants and agrees that both before and after Closing it will not issue any press releases or make similar disclosures to any reporting publication disclosing the terms of this Contract or the Closing or any matters pertaining to this transaction without the express written consent of the other. To the extent any public announcement is required by law, only the content so required to be disclosed shall be made public, shall describe the transaction of the sale of stock in an entity holding indirect interests in debt and equity interests in the various real properties (and not as an acquisition of a real property), and shall remain subject to the reasonable approval of the other party.

In addition, the parties hereto shall keep, and shall cause their respective representatives to keep, the existence and terms of this Contract and information regarding the LLC Property, the LCCs and the Company strictly confidential, except (a) to the extent disclosure must be made to enable the parties to perform acts necessary to consummate Closing or take actions permitted under this Contract including as permitted in this Section above, (b) that nothing shall preclude Buyer from disclosing any materials, or discussing the substance or any relevant details of the transactions contemplated in this Contract on a confidential basis with any of its attorneys, accountants, professional consultants, financial advisors, rating agencies, investors, insurers, lenders, and/or potential lenders or investors as the case may be, or prevent Buyer from complying with applicable laws or practices, including, without limitation, governmental regulatory, disclosure, tax and reporting requirements including without limitation any such laws or practices in the United States, and (c) in accordance with Section 1.6011-4(b)(3)(iii) of the Treasury Regulations issued under the Code, the disclosure by a party (and each employee, representative, or other agent of such party) to any and all persons, without limitation of any kind, of the tax treatment and tax structure, for Federal income tax purposes, of the transactions contemplated by this Contract, and all materials of any kind (including opinions or other tax analyses) that are provided to such party relating to the tax treatment and tax structure (for Federal income tax purposes); provided, however, that, pursuant to Section 1.6011-4(b)(3)(ii) of the Treasury Regulations, such disclosure shall not be made or permitted to the extent if and to the extent reasonably necessary to comply with the securities laws of any applicable jurisdiction. Notwithstanding and without limiting the foregoing, the parties hereto may advise holders of equity or debt interests in the respective parties hereto of the terms of this transaction.

IN WITNESS WHEREOF, the parties hereof have executed this Contract as of the day and year first above written.

SELLER:

BEACON CAPITAL STRATEGIC PARTNERS II, L.P.

By: BCP Strategic Partners, II, LLC, its general partner

By: Beacon Capital Partners, LLC, its manager

By: /s/ William A. Bonn

Name: William A. Bonn, Esq
Title: Senior Vice President and
General Counsel

BUYER:

WELLS OPERATING PARTNERSHIP, L.P.

By: Wells Real Estate Investment Trust, Inc.

By: /s/ Randy Fretz

Name: Randy Fretz
Title: Vice President

FOR PURPOSES OF PARAGRAPH 16(c)(ii) ONLY:

WELLS REAL ESTATE INVESTMENT TRUST, INC.

By: /s/ Randy Fretz

Name: Randy Fretz
Title: Vice President

The undersigned joins herein for the purposes of holding the Deposit and for the purposes of Article 17 and is an intended beneficiary of said Article 17.

ESCROW AGENT:

CHICAGO TITLE INSURANCE COMPANY

Attest:

By: ______________________________

____

Secretary
(SEAL)

Name:
Title:

LIST OF EXHIBITS

Exhibit A-1	400 Virginia Avenue, Washington, DC - Property Description
Exhibit A-2	4250 N. Fairfax, Arlington, Virginia - Property Description
Exhibit A-3	1201 Eye Street, Washington, DC - Property Description
Exhibit A-4	1225 Eye Street, Washington, DC - Property Description
Exhibit B-1	TZO Loan Documents
Exhibit B-2	ESDI Loan Documents
Exhibit B-3	TTF Loan Documents
Exhibit B-4	1201 MetLife Loan Documents
Exhibit B-5	1225 MetLife Loan Documents
Exhibit B-6	400 Virginia Loan Documents
Exhibit B-7	4250 N. Fairfax Loan Documents
Exhibit C-1	400 Virginia Avenue, Washington, DC Leases, Licenses and Other Occupancy Agreements
Exhibit C-2	4250 N. Fairfax, Arlington Virginia Leases, Licenses and Other Occupancy Agreements
Exhibit C-3	1201 Eye Street, Washington DC Leases, Licenses and Other Occupancy Agreements
Exhibit C-4	1225 Eye Street, Washington, DC Leases, Licenses and Other Occupancy Agreements
Exhibit D-1	400 Virginia Avenue, Washington, DC Service Contracts
Exhibit D-2	4250 N. Fairfax, Arlington, Virginia Service Contracts
Exhibit D-3	1201 Eye Street, Washington DC Service Contracts
Exhibit D-4	1225 Eye Street, Washington, DC Service Contracts
Exhibit E-1	400 Virginia Avenue, Washington, DC Personal Property Leases
Exhibit E-2	4250 N. Fairfax, Arlington, Virginia Personal Property Leases
Exhibit E-3	1201 Eye Street, Washington, DC Personal Property Leases
Exhibit E-4	1225 Eye Street, Washington, DC Personal Property Leases
Exhibit F	Form of Stock Power
Exhibit G	Form of Seller's Certificate re: Representations and Warranties
Exhibit H	Form of Title Affidavit
Exhibit I-1	Underpinning Agreement
Exhibit I-2	Underpinning Agreement Estoppel Letter

Exhibit J-1	400 Virginia, Washington, DC Existing Owner’s Title Policy
Exhibit J-2	4250 N. Fairfax, Arlington, Virginia Existing Owner’s Title Policy
Exhibit J-3	1201 Eye Street, Washington, DC Existing Owner’s Title Policy
Exhibit J-4	1225 Eye Street, Washington, DC Existing Owner’s Title Policy
Exhibit K-1	1201 Eye Street, Washington, DC Second Deed of Trust Existing Lender’s Title Policy
Exhibit K-2	1201 Eye Street, Washington, DC Third Deed of Trust Existing Lender’s Title Policy
Exhibit K-3	1225 Eye Street, Washington, DC Second Deed of Trust Existing Lender’s Title Policy
Exhibit L-1	Form of Tenant Estoppel Certificate
Exhibit L-2	Form of Seller Estoppel Certificate
Exhibit M	Tenant Improvement and Commission Obligations (Paid Post-Closing)
Exhibit N	Tenant Improvement and Commission Obligations (Credited to Buyer at Closing)
Exhibit O	Outstanding Concessions, Commission, Fees, Relocation Payments, Tenant Allowance Payments and Tenant Improvement Obligations
Exhibit P	List of Governmental Notices of Violation
Exhibit Q	List of Environmental Reports
Exhibit R-1	Outstanding Membership Interests in 1201 Owner
Exhibit R-2	Outstanding Membership Interests in 1225 Owner
Exhibit S-1	Contract Provisions Related to Cosi, Inc. Claim
Exhibit S-2	Estoppel Letter from Cosi, Inc.
Exhibit T	Consent of MetLife
Exhibit U-1	Form of Goodwin Procter Corporate Opinion
Exhibit U-2	Form of Goodwin Procter Tax Opinion
Exhibit V	Terms of Eye Street Document Amendments/ [Form of Amendments to be attached]

Exhibit W	Jurisdictions in which the Company and the LLCs are Required to be Qualified to do Business and are Qualified to do Business
Exhibit X	Bank, Brokerage and Trading Accounts, Safe Deposits and Lock Boxes, and Persons Authorized as Signatories
Exhibit Y	Form of Amendment to Governing Documents of the Company
Exhibit Z	Form of Assignment of the Membership Interests in 4250 N. Fairfax
Exhibit AA	[Excluded Assets Steps]
Exhibit BB	Form of Accounting Letter

EXHIBIT 10.115

PROMISSORY NOTE IN FAVOR OF METROPOLITAN LIFE INSURANCE COMPANY RELATING TO WASHINGTON, DC PORTFOLIO (US PARK SERVICE BUILDING)

PROMISSORY NOTE

DEFINED TERMS

Execution Date: October 24, 2002

City and State of Signing: Boston, Massachusetts

Loan Amount: 67,560,500.00

Interest Rate: 4.40% per annum

Borrower: 1201 EYE STREET, N.W. ASSOCIATES LLC, a Delaware limited liability Company

Borrower's Address:

c/o Beacon Capital Partners, LLC
One Federal Street, 26th Floor
Boston, Massachusetts 02110
Attention: General Counsel

and:

Goulston & Storrs, P.C.
400 Atlantic Avenue
Boston, Massachusetts 02110
Attention: Jordan P. Krasnow, Esq.

Holder: METROPOLITAN LIFE INSURANCE COMPANY, a New York corporation

Holder's Address:

Metropolitan Life Insurance Company
10 Park Avenue, Third Floor
Morristown, New Jersey 07962
Attention: Senior Vice President, Real Estate Investments

and:

Metropolitan Life Insurance Company
One Madison Avenue, Sixth Floor
New York, New York 10010
Attention: Law Department, Chief Counsel, Real Estate Investments

Maturity Date: November 1, 2007

Advance Date: The date funds are disbursed to Borrower

Interest Only Period: The period from the Advance Date and ending on the day preceding the Maturity Date.

Interest Installment Date: The first day of the second calendar month following the Advance Date.

Monthly Installment: Equal monthly installments of interest at the Interest Rate each in the amount of $247,721.83.

Permitted Prepayment Period: During the 90 day period prior to the Maturity Date, Borrower may prepay the Loan (in whole but not in part) without a Prepayment Fee on 30 days' prior written notice.

In addition, commencing on July 1, 2004, Borrower may prepay the Loan (in whole but not in part) with a Prepayment fee on 60 days' prior written notice, with such notice to be irrevocable 30 days thereafter.

Liable Parties: Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership

Addresses of Liable Parties:

c/o Beacon Capital Partners, LLC
One Federal Street, 26th Floor
Boston, Massachusetts 02110
Attention: General Counsel

Late Charge: An amount equal to four cents ($.04) for each dollar that is overdue.

Default Rate: An annual rate equal to the Interest Rate plus four percentage points (400 basis points).

Note: This Promissory Note.

Deed of Trust: Deed of Trust, Security Agreement, and Fixture Filing dated as of the Execution Date granted by Borrower to the Trustee named in the Deed of Trust for the benefit of Holder.

Loan Documents: This Note, the Deed of Trust and any other documents related to this Note and/or the Deed of Trust and all renewals, amendments, modifications, restatements and extensions of these documents.

Guaranty: Guaranty of Recourse Obligations dated as of the Execution Date and executed by Liable Parties.

Unsecured Indemnity Agreement: Unsecured Indemnity Agreement dated as of the Execution Date and executed by Borrower and Liable Parties in favor of Holder. The Unsecured Indemnity Agreement and the Guaranty are not Loan Documents and shall survive repayment of the Loan or other termination of the Loan Documents.

FOR VALUE RECEIVED, Borrower promises to pay to the order of Holder at Holder's Address or such other place as Holder may from time to time designate, the Loan Amount with interest payable in the manner described below, in money of the United States of America that at the time of payment shall be legal tender for payment of all obligations.

Capitalized terms which are not defined in this Note shall have the meanings set forth in the Deed of Trust.

1. Payment of Principal and Interest. Principal and interest under this Note shall be payable as follows:

(a) Interest on the funded portion of the Loan Amount shall accrue from the Advance Date at the Interest Rate and shall be paid on the fast day of the first calendar month following the Advance Date;

(b) Commencing on the Interest Installment Date and on the first day of each calendar month thereafter, to and including the first day of the calendar month immediately preceding the Maturity Date, Borrower shall pay the Monthly Installment; and

(c) On the Maturity Date, a final payment in the aggregate amount of the unpaid principal sum evidenced by this Note, all accrued and unpaid interest, and all other sums evidenced by this Note or secured by the Deed of Trust and/or any other Loan Documents as well as any future loans or advances under the Deed of Trust that may be made to or on behalf of Borrower by Holder following the Advance Date (collectively, the "Secured Indebtedness"), shall become immediately payable in full.

Borrower acknowledges and agrees that the entire original Loan Amount shall be outstanding and due on the Maturity Date.

Interest shall be calculated on the basis of a thirty (30) day month and a three hundred sixty (360) day year, except that (i) if the Advance Date occurs on a date other than the first day of a calendar month, interest payable for the period commencing on the Advance Date and ending on the last day of the month in which the Advance Date occurs shall be calculated on the basis of the actual number of days elapsed over a 365-day or 366-day year, as applicable, and (ii) if the Maturity Date occurs on a date other than the last day of the month, interest payable for the period commencing on the first day of the month in which the Maturity Date occurs and ending on the Maturity Date shall be calculated on the basis of the actual number of days elapsed over a 365-day or 366-day year, as applicable.

2. Application of Payments. At the election of Holder, and to the extent permitted by law, all payments shall be applied in the order selected by Holder to any expenses, prepayment fees, late charges, escrow deposits and other sums due and payable under the Loan Documents, and to unpaid interest at the Interest Rate or at the Default Rate, as applicable. The balance .of any payments shall be applied to reduce the then unpaid Loan Amount.

3. Security. This Note is secured by the Deed of Trust and other instruments. This Note shall evidence, and the Deed of Trust shall secure, the Secured Indebtedness.

4. Late Charge. If any payment of a Monthly Installment or any payment of a required escrow deposit is not paid within seven (7) days of the due date, Holder shall have the option to charge the Borrower the Late Charge. The Late Charge is for the purpose of defraying the expenses incurred in connection with handling and processing delinquent payments and is payable in addition to any other remedy Holder may have. Unpaid Late Charges shall become part of the Secured Indebtedness and shall be added to any subsequent payments due under the Loan Documents.

5. Acceleration Upon Default. At the option of Holder, if Borrower fails to pay any sum specified in this Note within seven (7) days after the due date or if any other Event of Default occurs, the Secured Indebtedness, and all other sums evidenced and/or secured by the Loan Documents, including without limitation any applicable prepayment fees (collectively, the "Accelerated Loan Amount") shall become immediately due and payable.

6. Interest Upon Default. The Accelerated Loan Amount shall bear interest at the Default Rate which shall never exceed the maximum rate of interest permitted to be contracted for under the laws of the State. The Default Rate shall commence upon the occurrence of an Event of Default and shall continue until all defaults are cured.

7. Limitation on Interest. The agreements made by Borrower with respect to this Note and the other Loan Documents are expressly limited so that in no event shall the amount of interest received, charged or contracted for by Holder exceed the highest lawful amount of interest permissible under the laws applicable to the Loan. If at any time performance of any provision of this Note or the other Loan Documents results in the highest lawful rate of interest permissible under applicable laws being exceeded, then the amount of interest received, charged or contracted for by Holder shall automatically and without further action by any party be deemed to have been reduced to the highest lawful amount of interest then permissible under applicable laws. If Holder shall ever receive, charge or contract for, as interest, an amount which is unlawful, at Holder's election, the amount of unlawful interest shall be refunded to Borrower (if actually paid) or applied to reduce the then unpaid Loan Amount. To the fullest extent permitted by applicable laws, any amounts contracted for, charged or received under the Loan Documents included for the purpose of determining whether the Interest Rate would exceed the highest lawful rate shall be calculated by allocating and spreading such interest to and over the full stated term of this Note.

8. Prepayment. Borrower shall not have the right to prepay all or any portion of the Loan Amount at any time during the term of this Note except as expressly set forth in the Defined Terms. If Borrower provides notice of its intention to prepay (a "Prepayment Notice"), the Secured Indebtedness shall become due and payable on the date specified in the Prepayment Notice; provided, however, that during the period ending thirty (30) days after Holder receives a Prepayment Notice, Borrower may rescind such Prepayment Notice by written notice to Holder of such rescission; thereafter the Prepayment Notice shall be irrevocable.

9. Prepayment Fee.

(a) Any tender of payment by Borrower or any other person or entity of the Secured Indebtedness, other than as expressly provided in the Loan Documents, shall constitute a prohibited prepayment. If a prepayment of all or any part of the Secured Indebtedness is made (i) following an Event of Default and an acceleration of the Maturity Date, or (ii) in connection with a sale of the Property or a repayment of the Secured Indebtedness at any time before, during or after, a judicial or non judicial foreclosure or sale of the Property, then to compensate Holder for the loss of the investment, Borrower shall pay an amount equal to the Prepayment Fee (as hereinafter defined). No Prepayment Fee shall be charged with respect to the application of money to the principal of the Loan as the result of a casualty or condemnation.

(b) The "Prepayment Fee" shall be the greater of (A)(x) the present value of all remaining payments of principal and interest including the outstanding principal due on the Maturity Date, discounted at the rate which, when compounded monthly, is equivalent to the Adjusted Treasury Rate compounded semi-annually, less (y) the amount of the principal then outstanding, or (B) one percent (1%) of the amount of the principal being prepaid.

(c) The "Treasury Rate" shall be the annualized yield on securities issued by the United States Treasury having a maturity equal to the remaining stated term of this Note, as quoted in the Federal Reserve Statistical Release [H. 15 (519)] under the heading "U.S. Government Securities—Treasury Constant Maturities" for the date on which prepayment is being made. If this rate is not available as of the date of prepayment, the Treasury Rate shall be determined by interpolating between the yield on securities of the next longer and next shorter maturity. If the Treasury Rate is no longer published, Holder shall select a comparable rate.

(d) “Adjusted Treasury Rate” shall mean the Treasury Rate plus 25 basis points (one-quarter of one percentage point); provided, however, that if the prepayment occurs during the period commencing on the first day of the 49th month following the Advance Date and ending on the day which is 90 days prior to the Maturity Date, “Adjusted Treasury Rate” shall mean the Treasury Rate plus 50 basis points (one-half of one percentage point).

(e) Holder will, upon request, provide an estimate of the amount of the Prepayment Fee two (2) weeks before the date of the scheduled prepayment.

10. Waiver of Right to Prepay Note Without Prepayment Fee. Borrower acknowledges that Holder has relied upon the anticipated investment return under this Note in entering into transactions with, and in making commitments to, third parties and that the tender of any prohibited prepayment shall, to the extent permitted by law, include the- Prepayment Fee. Borrower agrees that the Prepayment Fee represents the reasonable estimate of Holder and Borrower of a fair average compensation for the loss that may be sustained by Holder as a result of a prohibited prepayment of this Note and it shall be paid without prejudice to the right of Holder to collect any other amounts provided to be paid under the Loan Documents.

BORROWER EXPRESSLY (A) WAIVES ANY RIGHTS IT MAY HAVE TO PREPAY THIS NOTE, IN WHOLE OR IN PART, WITHOUT FEE OR PENALTY, UPON ACCELERATION OF THE MATURITY DATE OF THIS NOTE, AND (B) AGREES THAT IF, FOR ANY REASON, A PREPAYMENT OF THIS NOTE IS MADE, UPON OR FOLLOWING ANY ACCELERATION OF THE MATURITY DATE OF THIS NOTE BY HOLDER ON ACCOUNT OF ANY DEFAULT BY BORROWER UNDER ANY LOAN DOCUMENT, INCLUDING BUT NOT LIMITED TO ANY TRANSFER, FURTHER ENCUMBRANCE OR DISPOSITION WHICH IS PROHIBITED OR RESTRICTED BY THE DEED OF TRUST, THEN BORROWER SHALL BE OBLIGATED TO PAY CONCURRENTLY THEREWITH THE PREPAYMENT FEE SPECIFIED IN SECTION 9.

11. Liability of Borrower. Upon the occurrence of an Event of Default, except as provided in this Section 11, Holder will look solely to the Property and the security under the Loan- Documents for the repayment of the Loan and will not enforce a deficiency judgment against Borrower. However, nothing contained in this section shall limit the rights of Holder to enforce any policies of insurance or to proceed against Borrower and the general partners of Borrower, if any, and/or the Liable Parties or any one or more of them (i) to enforce any Leases entered into by Borrower or its affiliates as tenant, guarantees, or other agreements entered into by Borrower in a capacity other than as borrower, (ii) to recover damages for fraud, material misrepresentation, material breach of warranty or waste committed by Borrower or any constituent thereof; (iii) to recover any Condemnation Proceeds or Insurance Proceeds or other similar funds which have been misapplied by Borrower or which, under the terms of the Loan Documents, should have been paid to Holder, (iv) to recover any tenant security deposits, tenant letters of credit or other deposits or refundable fees paid to Borrower that are part of the collateral for the Loan or prepaid rents for a period of more than 30 days which have not been delivered to Holder unless applied in accordance with the Leases prior to an Event of Default; (v) to recover Rents and Profits received by Borrower after the first day of the month in which an Event of Default occurs and prior to the date Holder acquires title to the Property which have not been applied to the Loan or in accordance with

the Loan Documents to operating and maintenance expenses of the Property; .(vi) to recover damages, costs and expenses arising from, or in connection with, any breach of a covenant contained in Article 6 of the Deed of Trust or the Unsecured Indemnity Agreement; (vii) to recover any amount expended by Holder in connection with a foreclosure or trustee's sale under the Deed of Trust; (viii) to recover damages arising from Borrower's failure to comply with Section 8.1 of the Deed of Trust pertaining to ERISA; and/or (ix) to recover damages, costs and expenses arising from, or in connection with, Borrower's failure to pay any Impositions or Premiums.

The limitation of liability set forth in this Section 11 shall not apply and the Loan shall be fully recourse in the event that prior to the indefeasible repayment in full of the Secured Indebtedness, (i) Borrower commences a voluntary bankruptcy or insolvency proceeding, or (ii) an involuntary bankruptcy or insolvency proceeding is commenced against Borrower, and Borrower or any related party has directly or indirectly encouraged, participated with, or colluded with the parties filing such involuntary bankruptcy or insolvency proceeding to file such proceeding. In addition, this agreement shall not waive any rights which Holder would have under any provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the Secured. Indebtedness or to require that the Property shall continue to secure all of the Secured Indebtedness.

12. Waiver by Borrower. Borrower and others who may become liable for the payment of all or any part of this Note, and each of them, waive diligence, demand, presentment for payment, notice of nonpayment, protest, notice of dishonor and notice of protest, notice of intent to accelerate and notice of acceleration and specifically consent to and waive notice of any amendments, modifications, renewals or extensions of this Note, including the granting of extension of time for payment, whether made to or in favor of Borrower or any other person or persons.

13. Exercise of Rights. No single or partial exercise by Holder, or delay or omission in the exercise by Holder, of any right or remedy under the Loan Documents shall waive or limit the exercise of any such right or remedy. Holder shall at all times have the right to proceed against any portion of or interest in the Property in the manner that Holder may deem appropriate, without waiving any other rights or remedies. The release of any party under this Note shall not operate to release any other party which is liable under this Note and/or under the other Loan Documents or under the Unsecured Indemnity Agreement.

14. Fees and Expenses. If Borrower defaults under this Note, Borrower shall be personally liable for and shall pay to Holder, in addition to the sums stated above, the costs and expenses of enforcement and collection, including a reasonable sum as an attorney's fee. This obligation is not limited by Section 11.

15. No Amendments. This Note may not be modified or amended except in a writing executed by Borrower and Holder. No waivers shall be effective unless they are set forth in a writing signed by the party which is waiving a right. This Note and the other Loan Documents are the final expression of the lending relationship between Borrower and Holder and there is no unwritten agreement with respect to the subject matter of the Loan.

16. Governing Law. This Note is to be construed and enforced in accordance with the laws of the State in which the Property is located

17. Construction. The words “Borrower” and “Holder” shall be deemed to include their respective heirs, representatives, successors and assigns, and shall denote the singular and/or plural, and the masculine and/or feminine, and natural and/or artificial persons, as appropriate. The provisions of this Note shall remain in full force and effect notwithstanding any changes in the shareholders, partners or members of Borrower. If more than one party is Borrower,-the obligations of each party shall be joint and several. The captions in this Note are inserted only for convenience of reference and do not expand, limit or define the scope or intent of any section of this Note.

18. Notices. All notices, demands, requests and consents permitted or required under this Note shall be given in the manner prescribed in the Deed of Trust.

19. Time of the Essence. Time shall be of the essence with respect to all of Borrower’s obligations under this Note.

20. Severability. If any provision of this Note should be held unenforceable or void, then that provision shall be deemed separable from the remaining provisions and shall not affect the validity of this Note, except that if that provision relates to the payment of any monetary sum, then Holder may, at its option, declare the Secured Indebtedness (together with the Prepayment Fee) immediately due and payable.

IN WITNESS WHEREOF, Borrower has executed this Note as of the Execution Date..

1201 EYE STREET, N.W. ASSOCIATES LLC
a Delaware limited liability company

By: BCSP II Washington Manager LLC, a Delaware limited liability company, its Manager

By: Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership, Majority Member

By: BCP Strategic Partners II, LLC, a Delaware limited liability company, its General Partner

By: Beacon Capital Partners. LLC, a Delaware limited liability company, its Manager

By: /s/ Nancy J. Broderick

Nancy J. Broderick
Vice President and Treasurer

EXHIBIT 10.116

DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING RELATING TO US PARK SERVICE BUILDING

RECORDING REQUESTED BY
AND WHEN RECORDED
RETURN TO:

Gary York, Esq.
Baker & Hostetler LLP 333 S.
Grand Avenue Suite 1800
Los Angeles, CA 90071

THIS DEED OF TRUST IS A REFINANCE OF THE DEED OF TRUST RECORDED APRIL 28, 2000 AS INSTRUMENT NO. 41393, AS SUPPLEMENTED BY DOCUMENTS RECORDED APRIL 2, 2002 AND JULY 31, 2002 AS INSTRUMENT NOS. 37606 AND 88938, RESPECTIVELY, ON WHICH RECORDATION TAX HAS BEEN PREVIOUSLY PAID. PURSUANT TO THE PROVISIONS OF SECTION 42-1103(a)(3) OF THE DISTRICT OF COLUMBIA CODE, THIS DEED OF TRUST IS EXEMPT FROM RECORDATION TAX TO THE EXTENT OF $66,378,815.00.

DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING

BY 1201 EYE STREET, N.W. ASSOCIATES LLC, a Delaware limited liability company

(successor by merger to 1215 Eye Street, N.W. Associates Limited Partnership),

as Grantor

TO NEIL S. KESSLER,

as Trustee

for the benefit of

METROPOLITAN LIFE INSURANCE COMPANY, a New York corporation,

as Beneficiary

October 24, 2002

TABLE OF CONTENTS

ARTICLE 1 – GRANT OF SECURITY 3

1.1 REAL PROPERTY GRANT 3

1.2 PERSONAL PROPERTY GRANT 4

1.3 CONDITIONS TO GRANT 5

1.4 ADDITIONAL ADVANCES 5

ARTICLE 2 GRANTOR COVENANTS 5

2.1 DUE AUTHORIZATION, EXECUTION, AND DELIVERY 5

2.2 PERFORMANCE BY GRANTOR 6

2.3 WARRANTY OF TITLE 6

2.4 TAXES, LIENS AND OTHER CHARGES 6

2.5 ESCROW DEPOSITS 7

2.6 CARE AND USE OF THE PROPERTY 7

2.7 COLLATERAL SECURITY INSTRUMENTS 9

2.8 SUITS AND OTHER ACTS TO PROTECT THE PROPERTY 9

2.9 LIENS AND ENCUMBRANCES 9

ARTICLE 3 – INSURANCE 9

3.1 REQUIRED INSURANCE AND TERMS OF INSURANCE POLICIES 9

3.2 ADJUSTMENT OF CLAIMS 12

3.3 ASSIGNMENT TO BENEFICIARY 12

ARTICLE 4 – BOOKS, RECORDS AND ACCOUNTS 12

4.1 BOOKS AND RECORDS 12

4.2 ADDITIONAL MATTERS 13

ARTICLE 5 – LEASES AND OTHER AGREEMENTS AFFECTING THE PROPERTY 13

5.1 GRANTOR’S REPRESENTATIONS AND WARRANTIES 13

5.2 ASSIGNMENT OF LEASES 14

5.3 PERFORMANCE OF OBLIGATIONS 14

5.4 SUBORDINATE LEASES 15

5.5 MANAGEMENT FEES 15

ARTICLE 6 – ENVIRONMENTAL HAZARDS 15

6.1 REPRESENTATIONS AND WARRANTIES 15

6.2 REMEDIAL WORK 16

6.3 ENVIRONMENTAL SITE ASSESSMENT 16

6.4 UNSECURED OBLIGATIONS 16

6.5 HAZARDOUS MATERIALS 17

6.6 REQUIREMENTS OF ENVIRONMENTAL LAWS 17

ARTICLE 7 – CASUALTY, CONDEMNATION AND RESTORATION 18

7.1 GRANTOR'S REPRESENTATIONS 18

7.2 RESTORATION 18

7.3 CONDEMNATION 19

7.4 REQUIREMENTS FOR RESTORATION 20

ARTICLE 8 – REPRESENTATIONS OF GRANTOR 21

8.1 ERISA 21

8.2 NON-RELATIONSHIP 21

8.3 NO ADVERSE CHANGE 21

8.4 FOREIGN INVESTOR 22

ARTICLE 9 – EXCULPATION AND LIABILITY 22

9.1 LIABILITY OF GRANTOR 22

ARTICLE 10 – CHANGE IN OWNERSHIP, CONVEYANCE OF PROPERTY 23

10.1 CONVEYANCE OF PROPERTY, CHANGE IN OWNERSHIP AND COMPOSITION 23

10.2 PROHIBITION ON SUBORDINATE FINANCING 25

10.3 RESTRICTIONS ON ADDITIONAL OBLIGATIONS 25

10.4 STATEMENTS REGARDING OWNERSHIP 25

ARTICLE 11 – DEFAULTS AND REMEDIES 26

11.1 EVENTS OF DEFAULT 26

11.2 REMEDIES UPON DEFAULT 27

11.3 APPLICATION OF PROCEEDS OF SALE 28

11.4 WAIVER OF JURY TRIAL 28

11.5 BENEFICIARY'S RIGHT TO PERFORM GRANTOR'S OBLIGATIONS 28

11.6 BENEFICIARY REIMBURSEMENT 28

11.7 FEES AND EXPENSES 28

11.8 WAIVER OF CONSEQUENTIAL DAMAGES 28

11.9 INDEMNIFICATION OF TRUSTEE 29

11.10 ACTIONS BY TRUSTEE 29

11.11 SUBSTITUTION OF TRUSTEE 29

11.12 NO REINSTATEMENT 29

11.13 WAIVER RELATING TO REMEDIES 29

ARTICLE 12 – GRANTOR AGREEMENTS AND FURTHER ASSURANCES 29

12.1 PARTICIPATION AND SALE OF LOAN 29

12.2 REPLACEMENT OF NOTE 30

12.3 GRANTOR'S ESTOPPEL 30

12.4 FURTHER ASSURANCES 30

12.5 SUBROGATION 31

ARTICLE 13 – SECURITY AGREEMENT 31
13.1 SECURITY AGREEMENT 31
13.2 REPRESENTATIONS AND WARRANTIES 31
13.3 CHARACTERIZATION OF PROPERTY 31
13.4 PROTECTION AGAINST PURCHASE MONEY SECURITY INTERESTS 31
ARTICLE 14 – MISCELLANEOUS COVENANTS 32
14.1 NO WAIVER 32
14.2 NOTICES 32
14.3 HEIRS AND ASSIGNS; TERMINOLOGY 33
14.4 SEVERABILITY 33
14.5 APPLICABLE LAW 33
14.6 CAPTIONS 33
14.7 TIME OF THE ESSENCE 33
14.8 NO MERGER 33
14.9 NO MODIFICATIONS 33
14.10 COUNTERPARTS 33

DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING

DEFINED TERMS

Execution Date: October 24, 2002
Note: The Promissory Note dated as of the Execution Date made by Grantor to the order of Beneficiary in the principal amount of $67,560,500.00.

Beneficiary & Address:
Metropolitan Life Insurance Company, a New York corporation
10 park Avenue, Third Floor
Morristown, New Jersey 07962
Attention: Senior Vice President, Real Estate Investments

With a copy to:
Metropolitan Life Insurance Company
One Madison Avenue, Sixth Floor
New York, New York 10010
Attention: Law Department, Chief of Counsel, Real Estate Investments

Grantor & Address (Chief Executive Office):
1201 Eye Street, N.W. Associates LLC, a Delaware limited liability company
(successor by merger to 1215 Eye Street, N.W. Associates Limited Partnership)
c/o Beacon Capital Partners, LLC
One Federal Street, 26th Floor
Boston, Massachusetts 02110
Attention: General Counsel

With a copy to:
Goulston & Storrs
400 Atlantic Avenue
Boston, Massachusetts 02110-3333
Attention: Jordan P. Krasnow, Esq.
Trustee & Address:
Neil S. Kessler
1111 East Main Street, Suite 2300
Richmond, Virginia 23219
Liable Parties & Address:
Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership
c/o Beacon Capital Partners, LLC
One Federal Street, 26th Floor
Boston, Massachusetts 02110
Attention: General Counsel
County and State (the “State”) in which the Property is located: Washington, District of Columbia
Use: Class A office building with related first-class retail facilities and an underground parking garage.

Insurance: Commercial General Liability: Required Liability Limit: $50,000,000.00

Address for Insurance Notification:
Metropolitan Life Insurance Company
1 MetLife Plaza
27-01 Queens Plaza North
Long Island City, New York 11101
Attn: Risk Management – Area 7C

Loan Documents: The Note, this Deed of Trust and any other documents related to the Note and/or this Deed of Trust (except the Indemnity Agreement and the Guaranty) and all renewals, amendments, modifications, restatements and extensions of these documents.

Indemnity Agreement: Unsecured Indemnity Agreement dated as of the Execution Date and executed by Grantor and Liable Parties in favor of Beneficiary.

Guaranty: Guaranty of Recourse Obligations dated as of the Execution Date and executed by Liable Parties.

The Indemnity Agreement and the Guaranty are not Loan Documents and shall survive repayment of the Loan or other termination of the Loan Documents.

THIS DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING (this “Deed of Trust”) is entered into as of the Execution Date by Grantor to Trustee for the benefit of Beneficiary with reference to the following Recitals:

RECITALS

A. This Deed of Trust secures: (1) the payment of the indebtedness evidenced by the Note with interest at the rates set forth in the Note, together with all renewals, modifications, consolidations and extensions of the Note, all additional advances or fundings made by Beneficiary, and any other amounts required to be paid by Grantor under any of the Loan Documents (collectively, the “Secured Indebtedness” and sometimes referred to as the “Loan”) and (2) the full performance by Grantor of all of the terms, covenants and obligations set forth in any of the Loan Documents.

B. Grantor makes the following covenants and agreements for the benefit of Beneficiary or any party designated by Beneficiary, including any prospective purchaser of the Loan Documents or participant in the Loan, and their respective officers, employees, agents, attorneys, representatives and contractors (all of which are collectively referred to as “Beneficiary”) and Trustee.

NOW, THEREFORE, IN CONSIDERATION of the Recitals and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Grantor agrees as follows:

ARTICLE 1
GRANT OF SECURITY

1.1 REAL PROPERTY GRANT. In order to secure the Secured Indebtedness and the full performance by Grantor of all of the terms, covenants and obligations set forth in any of the Loan Documents, Grantor irrevocably sells, transfers, grants, conveys, assigns and warrants to Trustee, its successors and assigns, in trust, with power of sale and right of entry and possession, all of Grantor’s present and future estate, right, title and interest in and to the following which are collectively referred to as the “Real Property”:

(a) That certain real property located in the State which is more particularly described in Exhibit A attached to this Deed of Trust or any portion of the real property; all easements, rights-of-way, gaps, strips and gores of land; streets and alleys; sewers and water rights; privileges, licenses, tenements, and appurtenances appertaining to the real property, and the reversion(s), remainder(s), and claims of Grantor with respect to these items, and the benefits of any existing or future conditions, covenants and restrictions affecting the real property (collectively, the “Land”);

(b) All things now or hereafter affixed to or placed on the Land, including all buildings, structures and improvements, all fixtures and all machinery, elevators, boilers, building service* equipment (including, without limitation, all equipment for the generation or distribution of air, water, heat, electricity, light, fuel or for ventilating or air conditioning purposes or for sanitary or drainage purposes or for the removal of dust, refuse or garbage), partitions, appliances, furniture, furnishings, building materials, supplies, computers and software, window coverings and floor coverings, lobby furnishings, and other property now or in the future attached, or installed in the improvements and all replacements, repairs, additions, or substitutions to these items (collectively, the “improvements”);

(c) All present and future income, rents, revenue, profits, proceeds, accounts receivables and other benefits from the Land and/or Improvements and all deposits made with respect to the Land and/or Improvements, including, but not limited to, any security given to utility companies by Grantor, any advance payment of real estate taxes or assessments, or insurance premiums made by Grantor and all claims or demands relating to such deposits and other security, including claims for refunds of tax payments or assessments, and all insurance proceeds payable to Grantor in connection with the Land and/or Improvements whether or not such insurance coverage is specifically required under the terms of this Deed of Trust ("Insurance Proceeds") (all of the items set forth in this paragraph are referred to collectively as "Rents and Profits");

(d) All damages, payments and revenue of every kind that Grantor may be entitled to receive, from any person owning or acquiring a right to the oil, gas or mineral rights and reservations of the Land;

(e) All proceeds and claims arising on account of any damage to, or Condemnation (as hereinafter defined) of any part of the Land and/or Improvements, and all causes of action and recoveries for any diminution in the value of the Land and/or Improvements;

(f) All licenses, contracts, management agreements, guaranties, warranties, franchise agreements, permits, or certificates relating to the ownership, use, operation or maintenance of the Land and/or Improvements; and

(g) All names by which the Land and/or Improvements may be operated or known, and all rights to carry on business under those names, and all trademarks, trade names, and goodwill relating to the Land and/or Improvements.

TO HAVE AND TO HOLD the Real Property, unto Trustee, its successors and assigns, in trust, for the benefit of Beneficiary, its successors and assigns, forever subject to the terms, covenants and conditions of this Deed of Trust.

1.2 PERSONAL PROPERTY GRANT. Grantor irrevocably sells, transfers, grants, conveys, assigns and warrants to Beneficiary, its successors and assigns, a security interest in Grantor's interest in the following personal property which is collectively referred to as the "Personal Property":

(a) Any portion of the Real Property which may be personal property, and all other personal property, whether now existing or acquired in the future which is attached to, appurtenant to, or used in the construction or operation of, or in connection with, the Real Property;

(b) All rights to the use of water, including water rights appurtenant to the Real Property, pumping plants, ditches for irrigation, all water stock or other evidence of ownership of any part of the Real Property that is owned by Grantor in common with others and all documents of membership in any owner's association or similar group;

(c) All plans and specifications prepared for construction of the Improvements; and all contracts and agreements of Grantor relating to the plans and specifications or to the construction of the Improvements;

(d) All equipment, machinery, fixtures, goods, accounts, general intangibles, promissory notes, letter of credit rights, investment property, commercial tort claims, deposit accounts, documents, instruments and chattel paper and all substitutions, replacements of, and additions to, any of these items;

(e) All sales agreements, deposits, escrow agreements, other documents and agreements entered into with respect to the sale of any part of the Real Property, and all proceeds of the sale; and

(f) All proceeds from the voluntary or involuntary disposition or claim respecting any of the foregoing items (including judgments, condemnation awards or otherwise).

All of the Real Property and the Personal Property are collectively referred to as the "Property."

1.3 CONDITIONS TO GRANT. If Grantor shall pay to Beneficiary the Secured Indebtedness, at the times and in the manner stipulated in the Loan Documents, and if Grantor shall perform and observe each of the terms, covenants and agreements set forth in the Loan Documents, then this Deed of Trust and all the rights granted by this Deed of Trust shall be released by Trustee and/or Beneficiary in accordance with the laws of the State.

1.4. ADDITIONAL ADVANCES. Until this Deed of Trust is released of record, Beneficiary may make additional loans, advances, readvances, future advances and other financial accommodations pursuant to the terms of the Note or other Loan Documents from time to time, but the maximum unpaid balance outstanding at any one time shall not exceed the principal amount of the Note set forth in the "Defined Terms" section of this Deed of Trust, plus interest thereon, and plus any advances made for taxes, liens, assessments, insurance premiums, costs, and other obligations, including interest thereon, undertaken by Beneficiary hereunder or under the other Loan Documents, and all such advances, future advances and readvances shall become part of the indebtedness secured by this Deed of Trust with the same priority from the date of recordation of this Deed of Trust and shall be deemed evidenced by the Note, this Deed of Trust and the other Loan Documents.

ARTICLE 2
GRANTOR COVENANTS

2.1 DUE AUTHORIZATION, EXECUTION, AND DELIVERY.

(a) Grantor represents and warrants that the execution of the Loan Documents and the Indemnity Agreement have been duly authorized and there is no provision in the organizational documents of Grantor requiring further consent for such action by any other entity or person.

(b) Grantor represents and warrants that it is duly organized, validly existing and is in good standing under the laws of the state of its formation and in the State, that its exact legal name, the state of its formation and the state of its chief executive office (or place of business, if it has only one place of business) are correctly stated in the Defined Terms, and that it has all necessary licenses, authorizations, registrations, permits and/or approvals to own its properties and to carry on its business as presently conducted.

(c) Grantor represents and warrants that the execution, delivery and performance of the Loan Documents and the Indemnity Agreement will not result in Grantor being in default under any provision of its organizational documents or of any deed of trust, mortgage, lease, credit or other agreement to which it is a party or which affects it or the Property.

(d) Grantor represents and warrants that the Loan Documents and the Indemnity Agreement have been duly authorized, executed and delivered by Grantor and constitute valid and binding obligations of Grantor which are enforceable in accordance with their terms.

(e) Grantor agrees that it will not change the state where it or its chief executive office (or place of business, if it has only one place of business) is located, or change its name, without providing at least thirty (30) days' prior written notice to Beneficiary.

2.2 PERFORMANCE BY GRANTOR. Grantor shall pay the Secured Indebtedness to Beneficiary and shall keep and perform each and every other obligation, covenant and agreement of the Loan Documents.

2.3 WARRANTY OF TITLE.

(a) Grantor represents and warrants that it holds marketable and indefeasible fee simple absolute title to the Real Property, and that it has the right and is lawfully authorized to sell, convey or encumber the Property subject only to those specific exceptions to title recorded in the real estate records of the State and contained in Schedule-B of the title insurance policy or policies which have been approved by Beneficiary. (the "Permitted Exceptions"). The Property is free from all due and unpaid taxes, assessments and mechanics' and materialmen's liens.

(b) Grantor further covenants to warrant and forever defend the Real Property unto Beneficiary and Trustee, and their respective heirs, devisees, personal representatives and assigns, from and against the claims and demands of all persons whomsoever.

2.4 TAXES, LIENS AND OTHER CHARGES.

(a) Unless otherwise paid to Beneficiary as provided in Section 2.5, Grantor shall pay all real estate and other taxes and assessments which may be payable, assessed, levied, imposed upon or become a lien on or against any portion of the Property (all of the foregoing items are collectively referred to as the "imposition(s)"). The Impositions shall be paid not later than ten (10) days before the dates on which the particular Imposition would become delinquent and Grantor shall produce to Beneficiary receipts of the imposing authority, or other evidence reasonably satisfactory to Beneficiary, evidencing the payment of the Imposition in full. If Grantor elects by appropriate legal action to contest any Imposition, Grantor shall first deposit cash with Beneficiary as a reserve in an amount which Beneficiary determines is sufficient to pay the Imposition plus all fines, interest, penalties and costs which may become due pending the determination of the contest. If Grantor deposits this sum with Beneficiary, Grantor shall not be required to pay the Imposition provided that the contest operates to prevent enforcement or collection of the Imposition, or the sale or forfeiture of, the Property, and is prosecuted with due diligence and continuity. Upon termination of any proceeding or contest, Grantor shall pay the amount of the Imposition as finally determined in the proceeding or contest Provided that there is not then an Event of Default (as defined in Section 11.1), the monies which have been deposited with Beneficiary pursuant to this Section shall be applied toward such payment and the excess, if any, shall be returned to Grantor.

(b) In the event of the passage, after the Execution Date, of any law which deducts from the value of the Property, for the purposes of taxation, any lien or security interest encumbering the Property, or changing in any way the existing laws regarding the taxation of mortgages, deeds of trust and/or security agreements or debts secured by these instruments, or changing the manner for the collection of any such taxes, and the law has the effect of imposing payment of any Impositions upon Beneficiary, at Beneficiary's option, the Secured Indebtedness shall immediately become due and payable. Notwithstanding the preceding sentence, Beneficiary's election to accelerate the Loan shall not be effective if (1) Grantor is permitted by law (including, without limitation, applicable interest rate laws) to, and actually does, pay the Imposition or the increased portion of the Imposition and (2) Grantor agrees in writing to pay or reimburse Beneficiary in accordance with Section 11.6 for the payment of any such Imposition which becomes payable at any time when the Loan is outstanding.

2.5 ESCROW DEPOSITS. Without limiting the effect of Section 2.4 and Section 3.1, Grantor shall pay to Beneficiary monthly on the same date the monthly installment is payable under the Note, an amount equal to $^1/_{12}$th of the amounts Beneficiary reasonably estimates are necessary to pay, on an annualized basis, (1) all Impositions and (2) the premiums for the insurance policies required under this Deed of Trust (collectively the "Premiums") until such time as Grantor has deposited an amount equal to the annual charges for these items and on demand, from time to time, shall pay to Beneficiary any additional amounts necessary to pay the Premiums and Impositions. Grantor will furnish to Beneficiary bills for Impositions and Premiums thirty (30) days before Impositions become delinquent and such Premiums become due for payment. No amounts paid as Impositions or Premiums shall be deemed to be trust funds and these funds may be commingled with the general funds of Beneficiary. Beneficiary shall not be required to pay interest to Grantor on account of these funds. If an Event of Default occurs, Beneficiary shall have the right, at its election, to apply any amounts held under this Section 2.5 in reduction of the Secured Indebtedness, or in payment of the Premiums or Impositions for which the amounts were deposited. However, with respect to deposits of Premiums, Grantor shall not be required to make these deposits unless (i) at any time Grantor fails to furnish to Beneficiary, not later than thirty (30) days before the dates on which any Premiums would become delinquent, receipts for the payment of the Premiums, or (ii) Grantor fails to provide, not later than thirty (30) days prior to expiration of any policy required under the Loan Documents, appropriate proof of issuance of a new policy which continues in force the insurance coverage of the expiring policy, or (iii) there is an Event of Default, or (iv) such deposits are required in connection with a securitization or participation of the Loan, or (v) Grantor no longer owns the Property, or (vi) there has been a change in Grantor or in the general partners, shareholders or members of Grantor or in the constituent general partners or controlling shareholders or controlling members of any of the entities comprising Grantor (other than transfers permitted under Section 10.1). In the event any of these events occur, Beneficiary reserves the right to require deposits of Premiums at any time in its absolute discretion notwithstanding the fact that the default may be cured, or that the transfer or change be approved by Beneficiary. In addition, with respect to deposits of Impositions, Grantor shall not be required to make these deposits unless (i) there is an Event of Default, or (ii) such deposits are required in connection with a securitization or participation of the Loan, or (iii) Grantor no longer owns the Property, or (iv) there has been a change in Grantor or in the general partners, shareholders or members of Grantor or in the constituent general partners or controlling shareholders or controlling members of any of the entities comprising Grantor (other than transfers permitted under Section 10.1). In the event any of these events occur, Beneficiary reserves the right to require deposits of Impositions at any time in its absolute discretion notwithstanding the fact that the default may be cured, or that the transfer or change be approved by Beneficiary.

2.6 CARE AND USE OF THE PROPERTY.

(a) Grantor represents and warrants to and agrees with Beneficiary as follows:

(i) All authorizations, licenses, including without limitation liquor licenses, if any, and operating permits required to allow the Improvements to be operated for the Use have been obtained, paid for and are in full force and effect.

(ii) The Improvements and their Use comply with (and no notices of violation have been received in connection with) all Requirements (as defined in this Section) and Grantor shall at all times comply with all present or future Requirements affecting or relating to the Property and/or the Use. Grantor shall furnish Beneficiary, on request, proof of compliance with the Requirements. Grantor shall not use or permit the use of the Property, or any part thereof, for any illegal purpose. "Requirements" shall mean all laws, ordinances, orders, covenants, conditions and restrictions and other requirements relating to land and building design and construction, use and maintenance, that may now or hereafter pertain to or affect the Property or any part of the Property or the Use, including, without limitation, planning, zoning, subdivision, environmental, air quality, flood hazard, fire safety, handicapped facilities, building, health, fire, traffic, safety, wetlands, coastal and other governmental or regulatory rules, laws, ordinances, statutes, codes and requirements applicable to the Property, including permits, licenses and/or certificates that may be necessary from time to time to comply with any of the these requirements.

(iii) Grantor has complied with and will continue to comply with all requirements of all instruments and agreements affecting the Property, whether or not of record, including without limitation all covenants and agreements by and between Grantor and any governmental or regulatory agency pertaining to the development, use or operation of the Property. Grantor, at its sole cost and expense, shall keep the Property in good order, condition, and repair, and make all necessary structural and non-structural, ordinary and extraordinary repairs to the Property.

(iv) Grantor shall abstain from, and not permit, the commission of waste to the Property and shall not remove or alter in any substantial manner, the structure or character of any Improvements without the prior written consent of Beneficiary.

(v) The zoning approval for the Property is not dependent upon the ownership or use of any property which is not encumbered by this Deed of Trust.

(vi) Construction of the Improvements on the Property is complete except for minor punchlist items which are in the process of being completed and which cost not more than $150,000.00 in the aggregate.

(vii) The Property is in good repair and condition, free of any material damage.

(b) Beneficiary shall have the right, at any time and from time to time during normal business hours, to enter the Property in order to ascertain Grantor's compliance with the Loan Documents, to examine the condition of the Property, to perform an appraisal, to undertake surveying or engineering work, and to inspect premises occupied by tenants. Grantor shall cooperate with Beneficiary performing these inspections. Grantor shall pay all costs incurred by Beneficiary in connection with any such inspections.

(c) Grantor shall use, or cause to be used, the Property solely for the Use. Grantor shall not use, or permit the use of, the Property for any other use without the prior written consent of Beneficiary. To the extent the Property is used as a residential apartment complex, (i) Grantor shall not file or record a declaration of condominium, master deed of trust or mortgage or any other similar document evidencing the imposition of a so-called "condominium regime" whether superior or subordinate to this Deed of Trust and (ii) Grantor . shall not permit any part of the Property to be converted to, or operated as, a "cooperative apartment house" whereby the tenants or occupants participate in the ownership, management or control of any part of the Property.

(d) Without the prior written consent of Beneficiary, Grantor shall not (i) initiate or acquiesce in a change in the zoning classification of and/or restrictive covenants affecting the Property or seek any variance under existing zoning ordinances, (ii) take any action out of the ordinary course of operating and leasing the Property which may result in the Use becoming a non-conforming use under applicable zoning ordinances (except to the extent the Use may be such a legally permitted non-conforming use on the date hereof), or (iii) subject the Property to restrictive covenants.

(e) Grantor will faithfully perform each and every covenant to be performed by Grantor under any lien or encumbrance affecting the Property including, without limiting the generality hereof, mortgages, deeds of trust, leases, easements, declarations or covenants, conditions and/or restrictions and other agreements which affect the Property, in law or in equity.

2.7 COLLATERAL SECURITY INSTRUMENTS. Grantor covenants and agrees that if Beneficiary at any time holds additional security for any obligations secured by this Deed of Trust, it may enforce its rights and remedies with respect to the security, at its option, either before, concurrently or after a sale of the Property is made pursuant to the terms of this Deed of Trust. Beneficiary may apply the proceeds of the additional security to the Secured Indebtedness without affecting or waiving any right to any other security, including the security under this Deed of Trust, and without waiving any breach or default of Grantor under this Deed of Trust or any other Loan Document.

2.8 SUITS AND OTHER ACTS TO PROTECT THE PROPERTY.

(a) Grantor shall immediately notify Beneficiary of the commencement, or receipt of notice, of any action or proceeding or other material matter or claim affecting the Property and/or the interest of Beneficiary under the Loan Documents (collectively, “Actions”). Grantor shall appear in and defend any Actions.

(b) Beneficiary shall have the right, at the cost and expense of Grantor, to institute, maintain and participate in Actions or other proceedings and take such other action, as it may deem appropriate in the good faith exercise of its discretion to preserve or protect the Property and/or the interest of Beneficiary under the Loan Documents. Any money paid by Beneficiary under this Section shall be reimbursed to Beneficiary in accordance with Section 11.6 hereof.

2.9 LIENS AND ENCUMBRANCES. Without the prior written consent of Beneficiary, to be exercised in Beneficiary’s sole and absolute discretion, other than the Permitted Exceptions, Grantor shall not create, place or allow to remain any lien or encumbrance on the Property, including deeds of trust, mortgages, security interests, conditional sales, mechanic’s liens, tax liens or assessment liens regardless of whether or not they are subordinate to the lien created by this Deed of Trust (collectively, “Liens and Encumbrances”). If any Liens and Encumbrances (other than Permitted Exceptions) are recorded against the Property or any part of the Property, within thirty (30) days after receipt of notice of their existence Grantor shall either obtain a discharge and release of such Liens and Encumbrances, or shall provide a bond or other security with respect thereto in form, scope, and amount satisfactory to Beneficiary in its sole discretion.

ARTICLE 3 INSURANCE

3.1 REQUIRED INSURANCE AND TERMS OF INSURANCE POLICIES.

(a) During the term of this Deed of Trust, Grantor at its sole cost and expense must provide insurance policies and certificates of insurance satisfactory to Beneficiary as to amounts, types of coverage and the companies underwriting these coverages. In no event shall such policies be terminated or otherwise allowed to lapse. Grantor shall be responsible for its own deductibles. Grantor shall also pay for any insurance, or any increase of policy limits, not described in this Deed of Trust which Grantor requires for its own protection or for compliance with government statutes. Grantor’s insurance shall be primary and without contribution from any insurance procured by Beneficiary.

Policies of insurance shall be delivered to Beneficiary in accordance with the following requirements:

(i) All Risk Property insurance on the Improvements and the Personal Property, including contingent liability from Operation of Building Laws, Demolition Costs and Increased Cost of Construction endorsements, in each case (A) in an amount equal to one hundred percent (100%) of the “Full Replacement Cost” of the Improvements and Personal Property, which for purposes of this Article 3 shall mean actual replacement value (exclusive of costs of excavations, foundations, underground utilities and footings) with a waiver of depreciation and with a Replacement Cost Endorsement; (B) containing an agreed amount endorsement with respect to the Improvements and Personal Property waiving all co-insurance provisions; (C) providing for no deductible in excess of $25,000; and (D) containing an “Ordinance or Law Coverage” or “Enforcement” endorsement if any of the Improvements or the use of the Property shall constitute non-conforming structures or uses. The Full Replacement Cost shall be determined from time to time by an appraiser or contractor designated and paid by Grantor and approved by Beneficiary, in the good faith exercise of its discretion or by an engineer or appraiser in the regular employ of the insurer.

(ii) Commercial General Liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about the Property, such insurance (A) to be on the so-called “occurrence” form with a combined single limit of not less than the amount set forth in the Defined Terms; (B) to continue at not less than this limit until required to be changed by Beneficiary in writing by reason of changed economic conditions making such protection inadequate; and (C) to cover at least the following hazards: (a) premises and operations; (b) products and completed operations on an “if any” basis; (c) independent contractors; (d) blanket contractual liability for all written and oral contracts; and (e) contractual liability covering the indemnities contained in this Deed of Trust to the extent available.

(iii) Business Income insurance in an amount sufficient to prevent Grantor from becoming a co-insurer within the terms of the applicable policies, and sufficient to recover one (1) year’s “Business Income” (as hereinafter defined). The amount of such insurance shall be increased from time to time during the term of this Deed of Trust as and when new Leases and renewal Leases are entered into and rents payable increase or the annual estimate of gross income from occupancy increases to reflect such rental increases. “Business Income” shall mean the sum of (A) the total anticipated gross income from occupancy of the Property, (B) the amount of all charges (such as, but not limited to, operating expenses, insurance premiums and taxes) which are the obligation of tenants or occupants to Grantor, (C) the fair market rental value of any portion of the Property which is occupied by Grantor, and (D) any other amounts payable to Grantor or to any affiliate of Grantor pursuant to Leases.

(iv) If Beneficiary determines at any time that any part of the Property is located in an area identified on a Flood Hazard Boundary Map or Flood Insurance Rate Map issued by the Federal Emergency Management Agency as having special flood hazards and flood insurance has been made available, Grantor will maintain a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration with a generally acceptable insurance carrier, in an amount not less than the lesser of (A) the outstanding principal balance of the Loan or (B) the maximum amount of insurance which is available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as amended.

(v) During the period of any construction or renovation or alteration of the Improvements, a so-called “Builder’s All Risk” insurance policy in non-reporting form for any Improvements under construction, renovation or alteration including, without limitation, for demolition and increased cost of construction or renovation, in an amount approved by Beneficiary, in the good faith exercise of its discretion, including an Occupancy endorsement and Worker’s Compensation Insurance covering all persons engaged in the construction, renovation or alteration in an amount at least equal to the minimum required by statutory limits of the State.

(vi) Workers’ Compensation insurance, subject to the statutory limits of the State, and employer’s liability insurance with a limit of at least $1,000,000 per accident and per disease per employee, and $1,000,000 for disease in the aggregate in respect of any work or operations on or about the Property, or in connection with the Property or its operations (if applicable).

(vii) Boiler & Machinery insurance covering the major components of the central heating, air conditioning and ventilating systems, boilers, other pressure vessels, high pressure piping and machinery, elevators and escalators, if any, and other similar equipment installed in the Improvements, in an amount equal to one hundred percent (100%) of the full replacement cost of all equipment installed in, on or at the Improvements. These policies shall insure against physical damage to and loss of occupancy and use of the Improvements arising out of an accident or breakdown.

(viii) Insurance from all losses, damages, costs, expenses, claims and liabilities related to or arising from acts of terrorism, of such types, in such amounts, with such deductibles, issued by such companies, and on such forms of insurance policies as required by Beneficiary. Such terrorism insurance may be in the form of a blanket insurance policy so long as the coverage is not less than $100,000,000.00 in the aggregate for all properties covered by such policy. In the event Grantor obtains terrorism insurance for the Property with a coverage in excess of $100,000,000.00, Beneficiary shall be named as a loss payee with respect to any such excess insurance.

(ix) Such other insurance as may from time to time be reasonably required by Beneficiary against other insurable hazards, including, but not limited to, vandalism, earthquake, sinkhole and mine subsidence (provided that earthquake insurance, if required, shall be subject to a deductible of $100,000.00).

(x) Beneficiary’s interest must be clearly stated by endorsement in the insurance policies described in this Section 3.1 as follows:

(A) The policies of insurance referenced in Subsections (a)(i), (a)(iii), (a)(iv), (a)(v) and (a)(vii) of this Section 3.1 shall identify Beneficiary under the Standard Mortgagee Clause (non-contributory) endorsement.

(B) The policies of insurance referenced in Subsections (a)(ii) and (a)(viii) of this Section 3.1 shall name Beneficiary as an additional insured.

(C) All of the policies referred to in Section 3.1 shall provide for at least thirty (30) days’ written notice to Beneficiary in the event of policy cancellation and/or material change.

(b) All the insurance companies must be authorized to do business in New York State and in the State and be approved by Beneficiary in the good faith exercise of its discretion. The insurance companies must have a general policy rating of A or better and a financial class of X or better by A.M. Best Company, Inc. and a claims paying ability of BBB or better according to Standard & Poor's and if there are any Securities (as defined in Section 12.1(a)) issued with respect to the Loan which have been assigned a rating by a credit rating agency approved by Beneficiary (a "Rating Agency"), the insurance company shall have a claims paying ability rating by such Rating Agency equal to or greater than the rating of the highest class of the Securities. Grantor shall deliver evidence satisfactory to Beneficiary of payment of premiums due under the insurance policies.

(c) Certified copies of the policies, and any endorsements, shall be made available for inspection by Beneficiary upon request. If any policy is canceled before the Loan is satisfied, and Grantor fails to immediately procure replacement insurance, Beneficiary reserves the right but shall not have the obligation immediately to procure replacement insurance at Grantor's cost.

(d) Grantor shall be required during the term of the Loan to continue to provide Beneficiary with original renewal policies or replacements of the insurance policies referenced in Section 3.1(a). Beneficiary may accept Certificates of Insurance evidencing insurance policies referenced in Subsections (a)(ii), (a)(iv), and (a)(vi) of this Section 3.1 instead of requiring the actual policies. Beneficiary shall be provided with renewal Certificates of Insurance, or Binders, not less than fifteen (15) days prior to each expiration. The failure of Grantor to maintain the insurance required under this Article 3 shall not constitute a waiver of Grantor's obligation to fulfill these requirements.

(e) All binders, policies, endorsements, certificates, and cancellation notices are to be sent to the Address for Insurance Notification as set forth in the Defined Terms until changed by notice from Beneficiary.

3.2 ADJUSTMENT OF CLAIMS. Grantor hereby authorizes and empowers Beneficiary to settle, adjust or compromise any claims for damage to, or loss or destruction of, all or a portion of the Property, regardless of whether there are Insurance Proceeds available or whether any such Insurance Proceeds are sufficient in amount to fully compensate for such damage, loss or destruction. Notwithstanding the foregoing, so long as no Event of Default (or any event which with notice and/or the opportunity to cure would constitute an Event of Default) has occurred and is continuing, and so long as Beneficiary's security shall not be impaired, (a) Grantor may settle any such claims involving less than $325,000.00 without the consent of Beneficiary, and (b) Grantor may negotiate for a settlement, adjustment or compromise of any such claims involving $325,000.00 or more provided that the final settlement shall be subject to the written approval of Beneficiary in its sole and absolute discretion.

3.3 ASSIGNMENT TO BENEFICIARY. In the event of the foreclosure of this Deed of Trust or other transfer of the title to the Property in extinguishment of the Secured Indebtedness, all right, title and interest of Grantor in and to any insurance policy, or premiums or payments in satisfaction of claims or any other rights under these insurance policies and any other insurance policies covering the Property shall pass to the transferee of the Property.

ARTICLE 4
BOOKS, RECORDS AND ACCOUNTS

4.1 BOOKS AND RECORDS. Grantor shall keep adequate books and records of account in accordance with generally accepted accounting principles ("GAAP"), or in accordance with other methods acceptable to Beneficiary in its sole discretion, consistently applied and furnish to Beneficiary:

(a) Annually certified rent rolls signed and dated by Grantor, detailing the names of all tenants of the Improvements, the portion of Improvements occupied by each tenant, the base rent and any other charges payable under each Lease (as defined in Section 5.2) and the term of each Lease, including the expiration date, and any other information as is reasonably required by Beneficiary, within thirty (30) days after the end of each fiscal year,

(b) A quarterly operating statement of the Property and year to date operating statements detailing the total revenues received, total expenses incurred, total cost of all capital improvements, total debt service and total cash flow, to be prepared and certified by Grantor in the form required by Beneficiary, and if available, any quarterly operating statement prepared by an independent certified public accountant, within thirty to sixty (30-60) days after the close of each fiscal quarter of Grantor;

(c) An annual balance sheet and profit and toss statement of Grantor in the form required by Beneficiary, prepared and certified by Grantor, or if required by Beneficiary, audited financial statements for Grantor and any Liable Parties prepared by an independent certified public accountant acceptable to Beneficiary within ninety (90) days after the close of each fiscal year of Grantor and the Liable Parties, as the case may be; and

(d) An annual operating budget presented on a monthly basis consistent with the annual operating statement described above for the Property including cash flow projections for the upcoming year and all proposed capital replacements and improvements at least fifteen (15) days prior to the start of each calendar year.

Notwithstanding the foregoing, the financial statements for Liable Parties to be provided pursuant to Section 4.1(c) do not need to be in accordance with GAAP, provided they are in accordance with the accounting method used in the financial statements of Liable Parties submitted to Beneficiary in connection with the application for the Loan.

4.2 ADDITIONAL MATTERS.

(a) Grantor shall furnish Beneficiary with such other additional financial or management information (including State and Federal tax returns) as may, from time to time, be reasonably required by Beneficiary or the rating agencies in form and substance satisfactory to Beneficiary or the rating agencies.

(b) Grantor shall furnish Beneficiary and its agents convenient facilities for the examination and audit of any such books and records.

(c) Beneficiary and its representatives shall have the right upon prior written notice to examine and audit the records, books, management and other papers of Grantor and its affiliates or of any guarantor or indemnitor which reflect upon their financial condition and/or the income, expenses and operations of the Property, at the Property or at any office regularly maintained by Grantor, its affiliates or any guarantor or indemnitor where the books and records are located. Beneficiary shall have the right upon notice to make copies and extracts from the foregoing records and other papers.

ARTICLE 5
LEASES AND OTHER AGREEMENTS AFFECTING THE PROPERTY

5.1 GRANTOR’S REPRESENTATIONS AND WARRANTIES. Grantor represents and warrants to Trustee and Beneficiary as follows:

(a) There are no leases or occupancy agreements affecting the Property except those leases and amendments listed on Exhibit B to the Assignment of Leases and Grantor has delivered to Beneficiary true, correct and complete copies of all existing leases, including amendments (collectively, “Existing Leases”) and all guaranties and amendments of guaranties given in connection with the Existing Leases (the “Guaranties”).

(b) There are no material defaults by Grantor under the Existing Leases or Guaranties and, to the best knowledge of Grantor, except as may have been disclosed to Beneficiary in the tenant estoppel certificates delivered to Beneficiary in connection with the Loan, there are no material defaults by any tenants under the Existing Leases or any guarantors under the Guaranties. The Existing Leases and the Guaranties are in full force and effect.

(c) To the best knowledge of Grantor, none of the tenants now occupying ten percent (10%) or more of the Property or having a current lease affecting ten percent (10%) or more of the Property is the subject of any bankruptcy, reorganization or insolvency proceeding or any other debtor-creditor proceeding.

(d) Except as specifically set forth in the Existing Leases, no Existing Leases may be amended, terminated or canceled unilaterally by a tenant and no tenant may be released from its obligations, except in the event of (i) material damage to, or destruction of, the Property or (ii) condemnation.

5.2 ASSIGNMENT OF LEASES. In order to further secure payment of the Secured Indebtedness and the performance of Grantor's obligations under the Loan Documents, Grantor absolutely, presently and unconditionally grants, assigns and transfers to Beneficiary all of Grantor's right, title, interest and estate in, to and under (i) all of the Existing Leases and Guaranties affecting the Property and (ii) all of the future leases, lease amendments, guaranties and amendments of guaranties and (iii) the Rents and Profits. Grantor acknowledges that it is permitted to collect the Rents and Profits pursuant to a revocable license unless and until an Event of Default occurs. The Existing Leases and Guaranties and all future leases, lease amendments, guaranties and amendments of guaranties are collectively referred to as the "Leases."

5.3 PERFORMANCE OF OBLIGATIONS.

(a) Grantor shall perform all material obligations under any and all Leases. If any of the acts described in this Section are done without the written consent of Beneficiary, at the option of Beneficiary, they shall be of no force or effect and shall constitute a default under this Deed of Trust.

(b) Upon request of Beneficiary, Grantor agrees to furnish Beneficiary executed copies of all future Leases entered into which affect the Property.

(c) Grantor shall not, without the express written consent of Beneficiary, (i) enter into or extend any Lease unless the Lease complies with the Leasing Guidelines which are attached to this Deed of Trust as Exhibit B (provided, however, that the foregoing shall not prohibit Grantor from allowing the extension of any Leases pursuant to any extension options existing under the Existing Leases or Leases hereafter entered into in accordance with the terms hereof), or (ii) cancel or terminate any Leases or accept a surrender of any Leases except in the case of a default unless Grantor has entered into new Leases covering all of the premises of the Leases being terminated or surrendered or unless specifically permitted under any Existing Leases or Leases hereafter entered into in accordance with the terms hereof, or (iii) modify or amend any Leases in any material way or reduce the rent (unless any such Lease following such modification, amendment or reduction shall remain in compliance with the

Leasing Guidelines), or (iv) unless the tenants remain liable under the Leases, consent to an assignment of the tenant's interest or to a subletting of any of the Leases, or (v) accept payment of advance rents in an amount in excess of one month's rent under any Lease. In the event that (i) Grantor has delivered to Beneficiary a written request for Beneficiary's approval of a Lease or other leasing matter together with a summary of the business terms of such Lease or other leasing matter by a method which provides evidence of delivery, such as certified mail or a recognized national overnight delivery service, (ii) Beneficiary has failed to respond to such request within five (5) business days after Beneficiary's receipt of such request, and (iii) Grantor has delivered to Beneficiary a second copy of such request by such a method, then, if Beneficiary has failed to respond to such second request within five (5) business days after Beneficiary's receipt of such request, such request shall be deemed approved, provided that each such request included a legend prominently displayed at the top of the first page thereof in solid capital letters in bold face type of a font size not less than twelve (12) as follows: **"WARNING: PURSUANT TO SECTION 53 OF THE DEED OF TRUST, YOU WILL BE DEEMED TO HAVE APPROVED THIS REQUEST IF YOU DO NOT RESPOND WITHIN FIVE (5) BUSINESS DAYS AFTER RECEIPT."**

(d) Grantor shall not, without the express written consent of Beneficiary enter into any options to purchase the Property.

5.4 SUBORDINATE LEASES. Each Lease hereafter entered into affecting the Property shall be absolutely subordinate to the lien of this Deed of Trust and shall also contain a provision, satisfactory to Beneficiary, to the effect that (a) Beneficiary may elect to make such Lease superior to the lien of this Deed of Trust and (b) in the event of the judicial or non judicial foreclosure of the Property, at the election of the acquiring foreclosure purchaser, the particular Lease shall not be terminated and the tenant shall attorn to the purchaser subject to the terms of such Lease. If requested to do so, the tenant shall agree to enter into a new Lease for the balance of the term upon the same terms and conditions. If Beneficiary requests, Grantor shall cause a tenant or tenants to enter into subordination and attornment agreements or nondisturbance agreement with Beneficiary on forms which have been approved by Beneficiary and Beneficiary shall negotiate such forms in good faith at Grantor's cost, including payment of the reasonable fees of Beneficiary's counsel. In addition, Beneficiary agrees to provide a nondisturbance agreement to any tenant (and to negotiate such agreement in good faith at Grantor's cost, including payment of the reasonable fees of Beneficiary's counsel), provided that such tenant's Lease is approved by Beneficiary. Following the date hereof, Grantor shall request and use reasonable efforts to obtain a subordination, nondisturbance and attornment agreement on forms which have been approved by Beneficiary from each tenant under a Lease in effect on the date hereof who has not yet provided such an agreement.

5.5 MANAGEMENT FEES. Grantor covenants and agrees that all contracts and agreements relating to the Property requiring the payment of management fees or other similar compensation shall (i) provide that the obligation will not be enforceable against Beneficiary and (ii) be subordinate to the lien of this Deed of Trust. Beneficiary will be provided evidence of Grantor's compliance with this Section upon request.

ARTICLE 6
ENVIRONMENTAL HAZARDS

6.1 REPRESENTATIONS AND WARRANTIES. Grantor hereby represents, warrants, covenants and agrees to and with Beneficiary that (i) except as may be disclosed in the Initial Environmental Report (as defined in the Indemnity Agreement), neither Grantor nor, to the best of Grantor's knowledge, after due inquiry, any tenant, subtenant or occupant of the Property, has at any time placed, suffered or permitted the presence of any Hazardous Materials (as defined in Section 6.5) at, on, under, within or about the Property except as expressly approved by Beneficiary in writing; (ii) except as may be disclosed in the Initial Environmental Report, to the best knowledge of Grantor, all operations or activities upon the Property, and any use or occupancy of the Property by Grantor, and any tenant, subtenant or occupant of the Property are presently and shall in the future be in compliance with all Requirements of Environmental Laws (as defined in Section 6.6); (iii) Grantor will use best efforts to assure that any tenant, subtenant or occupant of the Property shall in the future be in compliance with all Requirements of Environmental Laws; (iv) except as may be disclosed in the Initial Environmental Report, Grantor does not know of, and has not received, any written or oral notice or other communication from any person or entity (including, without limitation, a governmental entity) relating to Hazardous Materials or Remedial Work pertaining thereto, of possible liability of any person or entity pursuant to any Requirements of Environmental Laws, other environmental conditions in connection with the Property, or any actual administrative or judicial proceedings in connection with any of the foregoing; (v) Grantor shall not do (and shall use its best efforts not to allow any tenant or other user of the Property to do) any act that materially increases the dangers to human health or the environment, poses an unreasonable risk of harm to any person or entity (whether on or off the Property), impairs or may impair the value of the Property, is contrary to any requirement of any insurer, constitutes a public or private nuisance, constitutes waste, or violates any covenant, condition, agreement or easement applicable to the Property; and (vi) Grantor has truthfully and fully provided to Beneficiary, in writing, any and all information relating to environmental conditions in, on, under or from the Property that is known to Grantor and that is contained in Grantor’s files and records, including, without limitation, any reports relating to Hazardous Materials in, on, under or from the Property and/or to the environmental condition of the Property.

6.2 REMEDIAL WORK. In the event any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal or other remedial work (collectively, the “Remedial Work”) is required under any Requirements of Environmental Laws, Grantor shall perform or cause to be performed the Remedial Work in compliance with the applicable law, regulation, order or agreement. All Remedial Work shall be performed by one or more contractors, selected by Grantor and approved in advance in writing by Beneficiary, and under the supervision of a consulting engineer, selected by Grantor and approved in advance in writing by Beneficiary. All costs and expenses of Remedial Work shall be paid by Grantor including, without limitation, the charges of the contractor(s) and/or the consulting engineer, and Beneficiary’s reasonable attorneys’, architects’ and/or consultants’ fees and costs incurred in connection with monitoring or review of the Remedial Work. In the event Grantor shall fail to timely commence, or cause to be commenced, or. fail to diligently prosecute to completion, the Remedial Work, Beneficiary may, but shall not be required to, cause such Remedial Work to be performed, subject to the provisions of Sections 11.5 and 11.6.

6.3 ENVIRONMENTAL SITE ASSESSMENT. Beneficiary shall have the right, at any time and from time to time, to undertake an environmental site assessment on the Property, including any testing that Beneficiary may determine, in its sole discretion, is necessary, or desirable to ascertain the environmental condition of the Property and the compliance of the Property with Requirements of Environmental Laws. Any such assessment and/or testing shall be at the sole expense of Grantor if an Event of Default has occurred and is continuing or if Beneficiary reasonably believes that Hazardous Materials are present in, on, under or from the Property. Grantor shall cooperate fully with Beneficiary and its consultants performing such assessments and tests.

6.4 UNSECURED OBLIGATIONS. No amounts which may become owing by Grantor to Beneficiary under this Article 6 or under any other provision of this Deed of Trust as a result of a breach of or violation of this Article 6 shall be secured by this Deed of Trust. The obligations shall continue in full force and effect and any breach of this Article 6 shall constitute a default under this Deed of Trust. The lien of this Deed of Trust shall not secure (1) any obligations evidenced by or arising under the Indemnity Agreement ("Unsecured Obligations"), or (ii) any other obligations to the extent that they are the same or have the same effect as any of the Unsecured Obligations. The Unsecured Obligations shall continue in full force, and any breach or default of any such obligations shall constitute a breach or default under this Deed of Trust but the proceeds of any foreclosure sale shall not be applied against Unsecured Obligations. Nothing in this Section shall in any way limit or otherwise affect the right of Beneficiary to obtain a judgment in accordance with applicable law for any deficiency in recovery of all obligations that are secured by this Deed of Trust following foreclosure, notwithstanding that the deficiency judgment may result from diminution in the value of the Property by reason of any event or occurrence pertaining to Hazardous Materials or any Requirements of Environmental Laws.

6.5 HAZARDOUS MATERIALS. "Hazardous Materials shall include without limitation:

(a) Those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances," or "solid waste" in the Comprehensive Environmental Response Compensation and Liability Act of 1980 (as amended), 42 U.S.C. Sections 9601 et seq., the Resource Conservation and Recovery Act of 1976 (as amended), 42 U.S.C. Sections 6901 et seq. ("RCRA"), and the Hazardous Materials Transportation Act (as amended), 49 U.S.C. Sections 1501 et. seq., and in the regulations promulgated pursuant to said laws, all as amended;

(b) Those substances listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101 and amendments thereto) listed in Table 302.4 – List of Hazardous Substances and Reportable Quantities (40 CFR Part 302 and amendments thereto) or listed in the List of Extremely Hazardous Substances and Their Threshold Planning Quantities (40 CFR Part 355, App. A, and amendments thereto);

(c) Any material, waste or substance which is (A) petroleum, including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, synthetic gas usable for fuel, or any mixture thereof, (B) asbestos, (C) polychlorinated biphenyls, (D) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. § 1251 et seq. (33 U.S.C. § 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. § 1317), (E) a chemical substance or mixture regulated under the Toxic Substances Control Act of 1976, 15 U.S.C. §§ 2601 et seq., (F) flammable explosives, (G) radioactive materials, (H) unexploded ordinance, (I) pesticides, fungicides, insecticides or rodenticides, or (J) a hazardous air pollutant that is or may be listed under § 112 of the Clean Air Act, as amended, 42 U.S.C. §§ 7401 et seq. (42 U.S.C. § 7412);

(d) Any material, waste or substance that is included within and regulated by Title 8 of District of Columbia Official Code (2001), as amended; and

(e) Such other substances, materials and wastes which are or become regulated as hazardous or toxic under applicable local, state or federal law, or the United States government, or which are classified as hazardous or toxic under federal, state, or local laws or regulations, and any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or which may or could pose a hazard to the environment or human health or safety.

6.6 REQUIREMENTS OF ENVIRONMENTAL LAWS. "Requirements of Environmental Laws" means all requirements of environmental, ecological, health, or industrial hygiene laws or regulations or rules of common law related to the Property, including, without limitation, all requirements imposed by any environmental permit, law, rule, order, or regulation of any federal, state, or local executive, legislative, judicial, regulatory, or administrative agency, which relate to (i) exposure to Hazardous Materials; (ii) pollution or protection of the air, surface water, ground water, land; (iii) solid, gaseous, or liquid waste generation, treatment, storage, disposal, or transportation; or (iv) regulation of the manufacture, processing, distribution and commerce, use, or storage of Hazardous Materials.

ARTICLE 7
CASUALTY, CONDEMNATION AND RESTORATION

7.1 GRANTOR'S REPRESENTATIONS. Grantor represents and warrants as follows:

(a) Except as expressly approved by Beneficiary in writing, no casualty or damage to any part of the Property which would cost more than $50,000 to restore or replace has occurred which has not been fully restored or replaced.

(b) No part of the Property has been taken in condemnation or other similar proceeding or transferred in lieu of condemnation, nor has Grantor received notice of any proposed condemnation or other similar proceeding affecting the Property.

(c) There is no pending proceeding for total or partial condemnation of the Property.

7.2 RESTORATION.

(a) Grantor shall give prompt written notice of any casualty to the Property to Beneficiary whether or not required to be insured against. The notice shall describe the nature and cause of the casualty and the extent of the damage to the Property. Grantor covenants and agrees to commence and diligently pursue to completion the Restoration.

(b) Grantor assigns to Beneficiary all Insurance Proceeds which Grantor is entitled to receive in connection with a casualty whether or not such insurance is required under this Deed of Trust. In the event of any damage to or destruction of the Property, and provided (1) an Event of Default does not currently exist, and (2) Beneficiary has determined that (i) there has not been an Impairment of the Security (as defined in Section 7.2(c)), and (ii) the repair, restoration and rebuilding of any portion of the Property that has been partially damaged or destroyed (the "Restoration") can be accomplished in full compliance with all Requirements to the same condition, character and general utility as nearly as possible to that existing prior to the casualty and at least equal in value as that existing prior to the casualty, then the Net Insurance Proceeds shall be applied to the cost of Restoration in accordance with the terms of this Article. Beneficiary shall hold and disburse the Insurance Proceeds less the cost, if any, to Beneficiary of recovering the Insurance Proceeds including, without limitation, reasonable attorneys' fees and expenses, and adjusters' fees (the "Net Insurance Proceeds") to the Restoration.

(c) For the purpose of this Article, "Impairment of the Security" shall mean any or all of the following: (i) any of the Leases covering more than 20,000 square feet existing immediately prior to the damage, destruction, condemnation or casualty shall have been cancelled, or shall contain any exercisable right to cancel as a result of the damage, destruction or casualty (and the tenant thereunder shall not have waived or be deemed to have waived such right); (ii) the casualty or damage occurs during the last year of the term of the Loan; or (iii) restoration of the Property is estimated to require more than one year to complete from the date of the occurrence.

(d) If the Net Insurance Proceeds are to be used for the Restoration in accordance with this Article, Grantor shall comply with Beneficiary's Requirements For Restoration as set forth in Section 7.4 below. Upon Grantor's satisfaction and completion of the Requirements For Restoration and upon confirmation that there is no Event of Default then existing, Beneficiary shall pay any remaining Restoration Funds (as defined in Section 7.4 below) then held by Beneficiary to Grantor.

(e) In the event that the conditions for Restoration set forth in this Section have not been met, Beneficiary may, at its option, apply the Net Insurance Proceeds to the reduction of the Secured Indebtedness in such order as Beneficiary may determine and Beneficiary may declare the entire Secured Indebtedness immediately due and payable, without the payment of the Prepayment Fee, as defined in the Note. After payment in full of the Secured Indebtedness, any remaining Restoration Funds shall be paid to Grantor.

7.3 CONDEMNATION.

(a) If the Property or any part of the Property is taken by reason of any condemnation or similar eminent domain proceeding, or by a grant or conveyance in lieu of condemnation or eminent domain ("Condemnation"), Beneficiary shall be entitled to all compensation, awards, damages, proceeds and payments or relief for the Condemnation ("Condemnation Proceeds"). At its option, Beneficiary shall be entitled to commence, appear in and prosecute in its own name any action or proceeding or to make any compromise or settlement in connection with such Condemnation. Grantor hereby irrevocably constitutes and appoints Beneficiary as its attorney-in-fact, which appointment is coupled with an interest, to commence, appear in and prosecute any action or proceeding or to make any compromise or settlement in connection with any such Condemnation. Notwithstanding the foregoing, so long as no Event of Default (or any event which with notice and/or the opportunity to cure would constitute an Event of Default) has occurred and is continuing, and so long as Beneficiary's security shall not be impaired, (i) Grantor may settle any such Condemnation involving less than $325,000.00 without the consent of Beneficiary, and (ii) Grantor may negotiate for a settlement, adjustment or compromise of any such Condemnation involving $325,000.00 or more provided that the final settlement shall be subject to the written approval of Beneficiary in its sole and absolute discretion.

(b) Grantor assigns to Beneficiary all Condemnation Proceeds which Grantor is entitled to receive. In the event of any Condemnation, and provided (1) an Event of Default does not currently exist, and (2) Beneficiary has determined that (i) there has not been an Impairment of the Security, and (ii) the Restoration of any portion of the Property that has not been taken can be accomplished in full compliance with all Requirements to the same condition, character and general utility as nearly as possible to that existing prior to the taking and at least equal in value as that existing prior to the taking, then Grantor shall commence and diligently pursue to completion the Restoration. Beneficiary shall hold and disburse the Condemnation Proceeds less the cost, if any, to Beneficiary of recovering the Condemnation Proceeds including, without limitation, reasonable attorneys' fees and expenses, and adjusters' fees (the "Net Condemnation Proceeds") to the Restoration.

(c) In the event the Net Condemnation Proceeds are to be used for the Restoration, Grantor shall comply with Beneficiary's Requirements For Restoration as set forth in Section 7.4 below. Upon Grantor's satisfaction and completion of the Requirements For Restoration and upon confirmation that there is no Event of Default then existing, Beneficiary shall pay any remaining Restoration Funds (as defined in Section 7.4 below) then held by Beneficiary to Grantor.

(d) In the event that the conditions for Restoration set forth in this Section have not been met, Beneficiary may, at its option, apply the Net Condemnation Proceeds to the reduction of the Secured Indebtedness in such order as Beneficiary may determine and Beneficiary may declare the entire Secured Indebtedness immediately due and payable, without the payment of the Prepayment Fee. After payment in full of the Secured Indebtedness, any remaining Restoration Funds shall be paid to Grantor.

7.4 REQUIREMENTS FOR RESTORATION. Unless otherwise expressly agreed in a writing signed by Beneficiary, the following are the Requirements For Restoration:

(a) If the Net Insurance Proceeds or Net Condemnation Proceeds are to be used for the Restoration, prior to the commencement of any Restoration work (the "Work"), Grantor shall provide Beneficiary (i) for its review and written approval complete plans and specifications for the Work which (A) have been approved by all required governmental authorities, (B) have been approved by an architect satisfactory to Beneficiary (the "Architect") and (C) are accompanied by Architect's signed statement of the total estimated cost of the Work (the "Approved Plans and Specifications"); (ii) the amount of money which Beneficiary . reasonably determines will be sufficient when added to the Net Insurance Proceeds or Condemnation Proceeds to pay the entire cost of the Restoration (collectively referred to as the "Restoration Funds"); (iii) evidence that the Approved Plans and Specifications and the Work are in compliance with all Requirements; (iv) an executed contract for construction with a contractor satisfactory to Beneficiary (the "Contractor") in a form approved by Beneficiary in writing; and (v) if reasonably requested by Beneficiary, a surety bond and/or guarantee of payment with respect to the completion of the Work. The bond or guarantee shall be satisfactory to Beneficiary in form and amount and shall be signed by a surety or other entities who are acceptable to Beneficiary.

(b) Grantor shall not commence the Work, other than temporary work to protect the Property or prevent interference with business, until Grantor shall have complied with the requirements of subsection (a) of this Section 7.4. So long as there does not currently exist an Event of Default and the following conditions have been complied with or, in Beneficiary's discretion, waived, Beneficiary shall disburse the Restoration Funds in increments to Grantor, from time to time as the Work progresses:

(i) Architect shall be in charge of the Work;

(ii) Beneficiary shall disburse the Restoration Funds directly or through escrow with a title company selected by Grantor and approved by Beneficiary, upon not less than ten (10) days' prior written notice from Grantor to Beneficiary and Grantor's delivery to Beneficiary of (A) Grantor's written request for payment (a "Request for Payment") accompanied by a certificate by Architect in a form satisfactory to Beneficiary which states that (a) all of the Work completed to that date has been completed in compliance with the Approved Plans and Specifications and in accordance with all Requirements, (b) the amount requested has been paid or is then due and payable and is properly a part of the cost of the Work and (c) when added to all sums previously paid by Beneficiary, the requested amount does not exceed the value of the Work completed to the date of such certificate; and (B) evidence satisfactory to Beneficiary that the balance of the Restoration Funds remaining after making the payments shall be sufficient to pay the balance of the cost of the Work. Each Request for Payment shall be accompanied by (x) waivers of liens covering that part of the Work previously paid for, if any, (y) a title search or by other evidence satisfactory to Beneficiary that no mechanic's or materialmen's liens or other similar liens for labor or materials supplied in connection with the Work have been filed against the Property and not discharged of record, and (z) an endorsement to Beneficiary's title policy insuring that no encumbrance exists on or affects the Property other than the Permitted Exceptions; and

(iii) The final Request for Payment shall be accompanied by (A) a final certificate of occupancy or other evidence of approval of appropriate governmental authorities for the use and occupancy of the Improvements, (B) evidence that the Restoration has been completed in accordance with the Approved Plans and Specifications and all Requirements, (C) evidence that the costs of the Restoration have been paid in full,, and (D) evidence that no mechanic's or similar liens for labor or material supplied in connection with the Restoration are outstanding against the Property, including final waivers of liens covering all of the Work and an endorsement to Beneficiary's title policy insuring that no encumbrance exists on or affects the Property other than the Permitted Exceptions.

(iv) If (A) within sixty (60) days after the occurrence of any damage, destruction or condemnation requiring Restoration, Grantor fails to submit to Beneficiary and receive Beneficiary's approval of plans and specifications or fails to deposit with Beneficiary the additional amount necessary to accomplish the Restoration as provided in subparagraph (a) above, or (B) after such plans and specifications are approved by all such governmental authorities and Beneficiary, Grantor fails to commence promptly or diligently continue to completion the Restoration, or (C) Grantor becomes delinquent in payment to mechanics, materialmen or others for the costs incurred in connection with the Restoration, or (D) there exists an Event of Default, then, in addition to all of the rights herein set forth and after ten (10) days' written notice of the non-fulfillment of one or more of these conditions, Beneficiary may apply the Restoration Funds to reduce the Secured Indebtedness in such order as Beneficiary may determine, and at Beneficiary's option and in its sole discretion, Beneficiary may declare the Secured Indebtedness immediately due and payable together with the Prepayment Fee.

ARTICLE 8
REPRESENTATIONS OF GRANTOR

8.1 ERISA. Grantor hereby represents, warrants and agrees that: (i) it is acting on its own behalf and that it is not an employee benefit plan as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), which is subject to Title I of ERISA, nor a plan as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended (each of the foregoing hereinafter referred to collectively as a "Plan"); (ii) Grantor's assets do not constitute "plan assets" of one or more such Plans within the meaning of Department of Labor Regulation Section 2510.3-101; and (iii) it will not be reconstituted as a Plan or as an entity whose assets constitute "plan assets."

8.2 NON-RELATIONSHIP. Neither Grantor nor, to Grantor's knowledge, any person who is a Grantor's Constituent (as defined in Section 8.3) is (i) a director or officer of Metropolitan Life Insurance Company ("MetLife"), (ii) a parent, son or daughter of a director or officer of MetLife, or a descendent of any of them, (iii) a stepparent, adopted child, stepson or stepdaughter of a director or officer of MetLife, or (iv) a spouse of a director or officer of MetLife.

8.3 NO ADVERSE CHANGE. Grantor represents and warrants that:

(a) There has been no material adverse change from the conditions shown in the application submitted for the Loan by Grantor (the "Application") or in the materials submitted in connection with the Application in the credit rating or financial condition of Grantor or the Liable Parties or, to the best knowledge of Grantor, any entity which is a general partner, shareholder or member of Grantor (collectively, "Grantor's Constituents").

(b) Grantor has delivered to Beneficiary true, and correct copies of all Grantor's organizational documents and except as expressly approved by Beneficiary in writing, there have been no changes in Grantor's Constituents since the date that the Application was executed by Grantor.

(c) Neither Grantor, nor any of Grantor's Constituents, is involved in any bankruptcy, reorganization, insolvency, dissolution or liquidation proceeding, and to the best knowledge of Grantor, no such proceeding is contemplated or threatened.

(d) Grantor has received reasonably equivalent value for the granting of this Deed of Trust.

8.4 FOREIGN INVESTOR. Neither Grantor nor any partner, member or stockholder of Grantor is a "foreign person" within the meaning of Sections 1445 and 7701 of the Internal Revenue Code of 1986, as amended.

ARTICLE 9
EXCULPATION AND LIABILITY

9.1 LIABILITY OF GRANTOR.

(a) Upon the occurrence of an Event of Default, except as provided in this Section 9.1, Beneficiary will look solely to the Property and the security under the Loan Documents for the repayment of the Loan and will not enforce a deficiency judgment against Grantor. However, nothing contained in this section shall limit the rights of Beneficiary to enforce any policies of insurance or to proceed against Grantor and the general partners of Grantor, if any, and/or the Liable Parties or any one or more of them (i) to enforce any Leases entered into by Grantor or its affiliates as tenant, guarantees, or other agreements entered into by Grantor in a capacity other than as borrower; (ii) to recover damages for fraud, material misrepresentation, material breach of warranty or waste committed by Grantor or any constituent thereof; (iii) to recover any Condemnation Proceeds or Insurance Proceeds or other similar funds which have been misapplied by Grantor or which, under the terms of the Loan Documents, should have been paid to Beneficiary; (iv) to recover any tenant security deposits, tenant letters of credit or other deposits or refundable fees paid to Grantor that are part of the collateral for the Loan or prepaid rents for a period of more than 30 days which have not been delivered to Beneficiary unless applied in accordance with the Leases prior to an Event of Default; (v) to recover Rents and Profits received by Grantor after the first day of the month in which an Event of Default occurs and prior to the date Beneficiary acquires title to the Property which have not been applied to the Loan or in accordance with the Loan Documents to operating and maintenance expenses of the Property; (vi) to recover damages, costs and expenses arising from, or in connection with, any breach of a covenant contained in Article 6 hereof or the Indemnity Agreement; (vii) to recover any amount expended by Beneficiary in connection with a foreclosure or trustee's sale hereunder, (viii) to recover damages arising from Grantor's failure to comply with Section 8.1 of this Deed of Trust pertaining to ERISA; and/or (ix) to recover damages, costs and expenses arising from, or in connection with, Grantor's failure to pay any Impositions or Premiums.

(b) The limitation of liability set forth in this Section 9.1 shall not apply and the Loan shall be fully recourse in the event that prior to the indefeasible payment in full of the Secured Indebtedness (i) Grantor commences a voluntary bankruptcy or insolvency proceeding or (ii) an involuntary bankruptcy or insolvency proceeding is commenced against Grantor and Grantor or any related party has directly or indirectly encouraged, participated with, or colluded with the parties filing such involuntary bankruptcy or insolvency proceeding to file such proceeding. In addition, this agreement shall not waive any rights which Beneficiary would have under any provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the Secured Indebtedness or to-require that the Property shall continue to secure all of the Secured Indebtedness.

ARTICLE 10
CHANGE IN OWNERSHIP, CONVEYANCE OF PROPERTY

10.1 CONVEYANCE OF PROPERTY, CHANGE IN OWNERSHIP AND COMPOSITION.

(a) Grantor shall not cause or permit: (i) the Property, or any interest in the Property, to be conveyed, transferred, assigned, encumbered (except for Permitted Exceptions), sold or otherwise disposed of, or (ii) any transfer, assignment or conveyance of any interest in Grantor or in the partners, or stockholders, or members or beneficiaries of, Grantor or of any of Grantor's Constituents; or (iii) any merger, reorganization, dissolution or other change in the ownership structure of Grantor or any of the. members of Grantor, including, without limitation, any conversion of Grantor or any member of Grantor from a limited liability company to a general partnership, limited partnership, or a limited liability partnership, or vice-versa (collectively, "Transfers").

(b) The prohibitions on transfer shall not be applicable to (i) Transfers as a result of the death of a natural person; or (ii) Transfers in connection with estate planning between or among a revocable trust or a natural person to a spouse, son or daughter or descendant of either, a stepson or stepdaughter or descendant of either; or (iii) Transfers to or from a spouse in connection with the dissolution of a marriage, so long as Grantor pays to Beneficiary all costs and expenses incurred by Beneficiary in connection with any proposed Transfer pursuant to the preceding clauses (i), (ii), or (iii), if any, including without limitation title insurance premiums, documentation and recording costs, and reasonable attorneys' costs and fees.

(c) Notwithstanding the foregoing, transfers to or among the constituent members of Grantor or the constituent owners of any of Grantor's Constituents shall be permitted without the consent of Beneficiary provided that (i) there shall not then be a default or Event of Default hereunder or under any of the other Loan Documents, or the Guaranty or the Indemnity Agreement or any event which would, after the passage of time or the giving of notice, or both, constitute such a default; (ii) Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership ("BCSP II") maintains at least a 48.02% ownership interest in Grantor, either directly or through intermediate entities; (iii) BCSP 11 retains the sole right and power to direct or cause the direction of the management and policies of Grantor; (iv) the entity that comprises Grantor after the completion of such transfers shall be able to and shall make the warranties set forth in Sections 8.1, 8.2 and 8.4 hereof; (v) Grantor notifies Beneficiary of any such transfer and provides any information Beneficiary may reasonably require in connection therewith (provided, however, that with respect to transfers of interests in those Grantor's Constituents that are not affiliated with BCSP II, Grantor shall notify Beneficiary of such transfer and provide such information to Beneficiary when Grantor is notified of such transfer and obtains such information), and (vi) Grantor pays to Beneficiary a $5,000.00 processing fee and any other reasonable out-of-pocket costs and expenses incurred by Beneficiary in connection with any transfer or transfers in a single transaction, including document costs, if any, and reasonable attorneys' fees. In addition, notwithstanding Subsections 10.1(a)(ii) and 10.1(a)(iii) above, the Beacon Lender (as hereafter defined), which is an affiliate of Grantor and whose ownership interests are owned (directly or indirectly) by the same entity that owns the ownership interests in 1201 Equity LLC, a Delaware limited liability company ("Beacon Sub"), may be admitted as a non-managing member of Grantor without the consent of Beneficiary provided that conditions (i) through (vi) of this Subsection 10.1(c) are satisfied and that all of the ownership interests in Beacon Lender are held (directly or indirectly) by the same entity that owns the ownership interests in Beacon Sub. In addition, notwithstanding anything to the contrary contained herein, transfers or issuance of stock in BCSP II Washington Properties, Inc., a Maryland corporation ("Washington Properties") and the sole member of Beacon Sub, shall be permitted without the consent of Beneficiary provided that conditions (ii), (iii) and (iv) of this Subsection 10.1(c) are satisfied and provided that BCSP II continues to own at least 98% of the stock of Washington Properties. Furthermore, notwithstanding Subsections 10.1(a)(ii) and 10.1(a)(iii) above, the members of Grantor and the owners of any of Grantor's Constituents that are not affiliated with BCSP II shall be permitted to transfer their direct or indirect interests in Grantor to a party or parties that are not members of Grantor or owners of any of Grantor's Constituents as of the date hereof without the consent of Beneficiary provided that: (1) conditions (i) through (vi) of this Subsection 10.1(c) are satisfied and (II) on the first date that more than twenty percent (20%) of such ownership interests (direct or indirect) in Grantor in the aggregate are transferred in one or more transactions, Grantor shall pay to Beneficiary a transfer fee equal to one one-hundredth of one percent (0.01%) of the outstanding principal balance of the Loan for each percentage point of such ownership interest (direct or indirect) in Grantor being transferred that is in excess of such aggregate twenty percent (20%) ownership interest threshold. As an example of the foregoing, if in one transaction or over several transactions, thirty percent (30%) of the direct or indirect ownership interests in Grantor that are not affiliated with BCSP II in the aggregate are transferred, then Grantor will be required to pay a transfer fee equal to ten (10) basis points (or 0.10%) of the outstanding principal balance of the Loan at the time the last such transfer occurs; if, subsequently, an additional five percent (5%) of the direct or indirect ownership interests in Grantor that are not affiliated with BCSP II are transferred, then Grantor will be required to pay an additional transfer fee equal to five (5) basis points (or 0.05%) of the outstanding principal balance of the Loan at the time such transfer occurs. Any such transfer will not relieve Grantor of its obligations under the Note or any of the other Loan Documents or the obligations of the Liable Parties under the Guaranty or the Indemnity Agreement. For purposes hereof, the term "Beacon Lender" shall mean TZO Lending LLC, a Delaware limited liability company, and/or 1215 ESDI, LLC, a Delaware limited liability company, as applicable, and their respective successors and permitted assigns.

(d) In addition, at any time on or after July 1, 2004, the original named Grantor shall have a one-time right to transfer the Property (subject to the Loan), either directly, by a transfer of all or substantially all of the ownership interests in Grantor or by a transfer of all or substantially all of the ownership interests in Grantor owned (directly or indirectly) by BCSP 11, to a third party provided that (i) there shall not then be an Event of Default hereunder; (ii) Grantor obtains Beneficiary's written approval of the proposed third party transferee, which approval shall not be unreasonably withheld, conditioned or delayed provided that the criteria set forth in this Subsection 10.1(d) are met; (iii) the third party transferee shall be experienced in the ownership, management and leasing of properties similar to the Property; (iv) the third party transferee shall. have both a controlling and managing equity interest of real estate assets with an aggregate market value of not less than Six Hundred Million Dollars ($600,000,000.00) in the normal course of business; (v) the third party transferee shall be able to and shall make the warranties set forth in Sections 8.1, 8.2 and 8.4 hereof; (vi) the unpaid principal balance of the Loan shall not exceed sixty-five percent (65%) of the value of the Property based upon a bona fide sales price; (vii) in the opinion of Beneficiary, the annual net operating income during the then upcoming 12-month period to be derived from the Property at the time of the transfer (as calculated pursuant to space leases with tenants who are in actual occupancy, pay rent on a current basis, and are not in default) shall be at least two hundred fifty percent (250%) of the aggregate amount of monthly installments due under the Note and any subordinate financing (with all accrued obligations thereunder being treated as currently due); (viii) Grantor or the transferee shall pay to Beneficiary a fee equal to one percent (1%) of the outstanding principal balance of the Loan at the time of the transfer; (ix) another party or parties acceptable to Beneficiary shall execute agreements similar to the Indemnity Agreement and the Guaranty with respect to events arising or occurring from and after the date of the transfer, in a form and manner satisfactory to Beneficiary in its sole and absolute discretion, which additional party or parties shall have in the aggregate a net worth of not less than One Hundred Million Dollars ($100,000,000.00); (x) the third party transferee shall expressly assume all obligations of Grantor under the Loan Documents and the Indemnity Agreement in a manner satisfactory to Beneficiary, in its sole and absolute discretion; (xi) if the Loan has been securitized, Beneficiary shall have received confirmation that the assumption of the Loan by the transferee will not result in an adverse change in the rating of the Securities by the Rating Agency (as such terms are defined in Section 3.1(b)); and (xii) Grantor or such transferee shall .pay all costs and expenses incurred by Beneficiary in connection with the transfer, including title insurance premiums, documentation costs and reasonable attorneys' fees. Any such transfer will not relieve Grantor of its obligations under the Note, any of the Loan Documents or the Indemnity Agreement or the obligations of the Liable Parties under the Guaranty and the Indemnity Agreement arising prior to the date of the transfer. The inclusion of a reference to subordinate financing in clause (vii) above shall not be construed as a consent by Beneficiary to any such subordinate financing, except as permitted in Section 10.2; any such consent may be granted or withheld in Beneficiary's sole and absolute discretion. In determining the loan to value ratio and the debt service coverage ratio for purposes of clauses (vi) and (vii) above, the unpaid principal balance of, and the payments required or accrued under, the Second Loan and the Third Loan (as such terms are defined in Section 10.2) shall be disregarded.

10.2 PROHIBITION ON SUBORDINATE FINANCING.

(a) Except as set forth below in this Section, Grantor shall not incur or permit the incurring of (i) any financing (other than equipment leases) in addition to the Loan that is secured by a lien, security interest or other encumbrance of any part of the Property or (ii) any pledge or encumbrance of any constituent who is a controlling member of Grantor of its interest in Grantor.

(b) Notwithstanding the foregoing, Beacon Lender shall be permitted to hold the Second Loan and Third Loan (as such terms are defined in that certain Subordination and Standstill Agreement of even date herewith (the "Standstill Agreement") by and among Grantor, Beneficiary, and Beacon Lender, which is being recorded concurrently herewith), subject to all of the terms and provisions of the Standstill Agreement.

10.3 RESTRICTIONS ON ADDITIONAL OBLIGATIONS. During the term of the Loan, Grantor shall not, without the prior written consent of Beneficiary, become liable with respect to any indebtedness or other obligation except for (i) the Loan, the Second Loan, the Third Loan and equipment leases, (ii) Leases entered into in the ordinary course of owning and operating the Property for the Use, (iii) other liabilities incurred in the ordinary course of owning and operating the Property for the Use but excluding any loans or borrowings, (iv) liabilities or indebtedness disclosed in writing to and approved by Beneficiary on or before the Execution Date, and (v) any other single item of indebtedness or liability which does not exceed $65,000.00 or, when aggregated with other items of indebtedness or liability, does not exceed $325,000.00.

10.4 STATEMENTS REGARDING OWNERSHIP. Grantor agrees to submit or cause to be submitted to Beneficiary within thirty (30) days after December 31st of each calendar year during the term of this Deed of Trust and ten (10) days after any written request by Beneficiary, a sworn, notarized certificate, signed by an authorized (i) individual who is Grantor or one of the individuals comprising Grantor, (ii).member of Grantor, (iii) partner of Grantor or (iv) officer of Grantor, as the case may be, stating since the date hereof or the last statement given hereunder (as the case may be) whether (x) any part of the Property, or any interest in the Property, has been conveyed, transferred, assigned, encumbered (other than Permitted Exceptions), or sold, and if so, to whom; (y) any conveyance, transfer, pledge or encumbrance of any interest in Grantor has been made by Grantor and if so, to whom; or (z) there has been any change in the individual(s) comprising Grantor or in the partners, members, stockholders or beneficiaries of Grantor from those on the Execution Date, and if so; a description of such change or changes.

ARTICLE 11
DEFAULTS AND REMEDIES

11.1 EVENTS OF DEFAULT. Any of the following shall be deemed to be a material breach of Grantor's covenants in this Deed of Trust and shall constitute a default ("Event of Default"):

(a) The failure of Grantor to pay any installment of principal, interest or principal and interest, any required escrow deposit or any other sum required to be paid under any Loan Document, whether to Beneficiary or otherwise, within seven (7) days of the due date of such payment;

(b) The failure of Grantor to perform or observe any other term, provision, covenant, condition or agreement under any Loan Document for a period of more than thirty (30) days after receipt of notice of such failure or such longer period as is necessary to cure such failure in the exercise of due diligence, but in no event longer than ninety (90) days from the receipt of notice of such failure, provided Grantor commences the cure within the initial thirty (30) day period and continuously pursues such cure to completion;

(c) The filing by Grantor or one of the Liable Parties (an "Insolvent Entity") of a voluntary petition or application for relief in bankruptcy, the filing against an Insolvent Entity of an involuntary petition or application for relief in bankruptcy which is not dismissed within ninety (90) days, or an Insolvent Entity's adjudication as a bankrupt or insolvent, or the filing by an Insolvent Entity of any petition, application for relief or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law, code or regulation relating to bankruptcy, insolvency or other relief for debtors, or an Insolvent Entity's seeking or consenting to or acquiescing in the appointment of any trustee, custodian, conservator, receiver or liquidator of an Insolvent Entity or of all or any substantial part of the Property or of any or all of the Rents and Profits, or the making by an Insolvent Entity of any general assignment for the benefit of creditors, or the admission in writing by an Insolvent Entity of its inability to pay its debts generally as they become due;

(d) If any warranty, representation, certification, financial statement or other information made or furnished at any time pursuant to the terms of the Loan Documents by Grantor, or by any person or entity otherwise liable under any Loan Document, shall be materially, false or misleading, and the failure of Grantor to cure such breach within thirty (30) days after receipt of notice of such breach or such longer period as is necessary to cure such breach in the exercise of due diligence, but in no event longer than ninety (90) days from the receipt of notice of such breach, provided Grantor commences the cure within the initial thirty (30) day period and continuously pursues such cure to completion;

(e) If Grantor shall suffer or permit the Property, or any part of the Property, to be used in a manner that might (1) impair Grantor's title to the Property; (2) create rights of adverse use or possession, or (3) constitute an implied dedication of any part of the Property;

(f) If Liable Parties shall default under the Guaranty;

(g) If Grantor or Liable Parties shall default under the Indemnity Agreement beyond any applicable periods of notice and/or grace set forth therein; or

(h) If Grantor or Beacon Lender shall default under the Standstill Agreement beyond any applicable periods of notice and/or grace set forth therein.

11.2 REMEDIES UPON DEFAULT. Upon the happening of an Event of Default the Secured Indebtedness shall, at the option of Beneficiary, become immediately due and payable, without further notice or demand, and Beneficiary may undertake any one or more of the following remedies:

(a) Foreclosure. Institute a foreclosure action in accordance with the law of the State, or take any other action as may be allowed, at law or in equity, for the enforcement of the Loan Documents and realization on the Property or any other security afforded by the Loan Documents. In the case of a judicial proceeding, Beneficiary may proceed to final judgment and execution for the amount of the Secured Indebtedness owed as of the date of the judgment, together with all costs of suit, reasonable attorneys' fees and interest on the judgment at the maximum rate permitted by law from the date of the judgment until paid. If Beneficiary is the purchaser at the foreclosure sale of the Property, the foreclosure sale price shall be applied against the total amount due Beneficiary. At any foreclosure sale, such portion of the Property as is offered for sale may, at Beneficiary's option, be offered for sale for one total price, and the proceeds of such sale accounted for in one account without distinction between the items of security or without assigning to them any proportion of such proceeds, Grantor hereby waiving the application of any doctrine of marshaling. If less than all of the Property is sold at foreclosure and any of the Secured Indebtedness remains outstanding after the sale proceeds are applied thereto, this Deed of Trust shall continue as a lien on the Property remaining unsold, and Beneficiary may at any time thereafter direct Trustee to sell the same as provided above; and/or

(b) Power of Sale. Institute a non judicial foreclosure proceeding in compliance with applicable law in effect on the date foreclosure is commenced for Trustee to sell the Property either as a whole or in separate parcels as Beneficiary may determine at public sale or sales to the highest bidder for cash, in order to pay the Secured Indebtedness. If the Property is sold as separate parcels, Beneficiary may direct the order in which the parcels are sold. Trustee shall deliver to the purchaser a trustee's deed or deeds without covenant or warranty, express or implied. Trustee may postpone the sale of all or any portion of the Property by public announcement at the time and place of sale, and from time to time may further postpone the sale by public announcement in accordance with applicable law; and/or

(c) Entry. Enter into possession of the Property, lease the Improvements, collect all Rents and Profits and, after deducting all costs of collection and administration expenses, apply the remaining Rents and Profits in such order and amounts as Beneficiary, in Beneficiary's sole discretion, may elect to the payment of Impositions, operating costs, costs of maintenance, restoration and repairs, Premiums and other charges, including, but not limited to, costs of leasing the Property and fees and costs of counsel and receivers and in reduction of the Secured Indebtedness; and/or

(d) Receivership. Have a receiver appointed to enter into possession of the Property, lease the Property, collect the Rents and Profits and apply them as the appropriate court may direct. Beneficiary shall be entitled to the appointment of a receiver without the necessity of proving either the inadequacy of the security or the insolvency of Grantor or any of the Liable Parties. Grantor and Liable Parties shall be deemed to have consented to the appointment of the receiver. The collection or receipt of any the Rents and Profits by Beneficiary or any receiver shall not affect or cure any Event of Default Beneficiary's rights hereunder include all rights and powers permitted under the laws of the State.

11.3 APPLICATION OF PROCEEDS OF SALE. In the event of a sale of the Property pursuant to Section 11.2 of this Deed of Trust, to the extent permitted by law, Beneficiary shall determine in its sole discretion the order in which the proceeds from the sale shall be applied to the payment of the Secured Indebtedness, including without limitation, the expenses of the sale and of all proceedings in connection with the sale, including reasonable attorneys' fees and expenses; Impositions, Premiums, liens, and other charges and expenses; the outstanding principal balance of the Secured Indebtedness; any accrued interest; any Prepayment Fee; and any other amounts owed under any of the Loan Documents.

11.4 WAIVER OF JURY TRIAL. To the fullest extent permitted by law, Grantor and Beneficiary HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY in any action, proceeding and/or hearing on any matter whatsoever arising out of, or in any way connected with, the Note, this Deed of Trust or any of the Loan Documents, or the enforcement of any remedy under any law, statute, or regulation. Neither party will seek to consolidate any such action in which a jury has been waived, with any other action in which a jury trial cannot or has not been waived. Each party has received the advice of counsel with respect to this waiver.

11.5 BENEFICIARY'S RIGHT TO PERFORM GRANTOR'S OBLIGATIONS. Grantor agrees that, if Grantor fails to perform any act or to pay any money which Grantor is required to perform or pay under the Loan Documents, Beneficiary may make the payment or perform the act at the cost and expense of Grantor and in Grantor's name or in its own name. Any money paid by Beneficiary under this Section 11.5 shall be reimbursed to Beneficiary in accordance with Section 11.6.

11.6 BENEFICIARY REIMBURSEMENT. All payments made, or funds expended or advanced by Beneficiary pursuant to the provisions of any Loan Document, shall (1) become a part of the Secured Indebtedness, (2) bear interest at the Interest Rate (as defined in the Note) from the date such payments are made or funds expended or advanced, (3) become due and payable by Grantor upon demand by Beneficiary, and (4) bear interest at the Default Rate (as defined in the Note) from the date of such demand. Grantor shall reimburse Beneficiary within ten (10) days after receipt of written demand for such amounts.

11.7 FEES AND EXPENSES. If Beneficiary becomes a party (by intervention or otherwise) to any action or proceeding affecting, directly or indirectly, Grantor, the Property or the title thereto or Beneficiary's interest under this Deed of Trust, or employs an attorney to collect any of the Secured Indebtedness or to enforce performance of the obligations, covenants and agreements of the Loan Documents, Grantor shall reimburse Beneficiary in accordance with Section 11.6 for all expenses, costs, charges and legal fees incurred by Beneficiary (including, without limitation, the fees and expenses of experts and consultants), whether or not suit is commenced. Notwithstanding the foregoing, Grantor shall not be required to reimburse Beneficiary for such expenses to the extent Grantor is the prevailing party in any action or other proceeding commenced by Grantor against Beneficiary.

11.8 WAIVER OF CONSEQUENTIAL DAMAGES. Grantor covenants and agrees that in no event shall Beneficiary be liable for consequential damages, and to the fullest extent permitted by law, Grantor expressly waives all existing and future claims that it may have against Beneficiary for consequential damages.

11.9 INDEMNIFICATION OF TRUSTEE. Except for gross negligence and willful misconduct, Trustee shall not be liable for any act or omission or error of judgment. Trustee may rely on any document believed by it in good faith to be genuine. All money received by Trustee shall be held in trust, but need not be segregated (except to the extent required by law), until used or applied as provided in this Deed of Trust. Trustee shall not be liable for interest on the money. Grantor shall protect, indemnify and hold harmless Trustee against all liability and expenses which Trustee may incur in the performance of its duties.

11.10 ACTIONS BY TRUSTEE. At any time, upon written request of Beneficiary and presentation of this Deed of Trust and the Note for endorsement, and without affecting the personal liability of any entity or the Liable Parties for payment of the Secured Indebtedness or the effect of this Deed of Trust upon the remainder of the Property, Trustee may take such actions as Beneficiary may request which are permitted by this Deed of Trust or by applicable law.

11.11 SUBSTITUTION OF TRUSTEE. Beneficiary has the power and shall be entitled, at any time and from time to time, to remove Trustee or any successor trustee and to appoint another trustee in the place of Trustee or any successor trustee, by an instrument recorded in the land records of the State. The recorded instrument shall be conclusive proof of the proper substitution and appointment of the successor Trustee without the necessity of any conveyance from- the predecessor Trustee.

11.12 NO REINSTATEMENT. Except as otherwise provided by applicable law, if an Event of Default shall have occurred and Beneficiary or Trustee shall have commenced to exercise any of the remedies permitted hereunder, then a tender of payment by Grantor or by anyone on behalf of Grantor of the amount necessary to satisfy all sums due hereunder, or the acceptance by Beneficiary of any such payment so tendered, shall not, without the prior consent of Beneficiary, constitute a reinstatement of the Note or this Deed of Trust.

11.13 WAIVER RELATING TO REMEDIES. Grantor (i) waives, to the full extent provided by law, any requirement that Beneficiary or Trustee present evidence or otherwise proceed before any court, clerk or other judicial or quasi judicial body before exercising the power of sale contained in this Deed of Trust and (ii) agrees that upon the occurrence of an Event of Default, neither Grantor nor anyone claiming through or under Grantor will seek to take advantage of any moratorium, reinstatement, forbearance, appraisement, valuation, stay, extension, homestead exemption or redemption law now or hereafter in force, in order to prevent or hinder the enforcement of the provisions of this Deed of Trust and hereby waives to the full extent that it may lawfully so do, the benefit of all such laws.

ARTICLE 12
GRANTOR AGREEMENTS AND FURTHER ASSURANCES

12.1 PARTICIPATION AND SALE OF LOAN.

(a) Beneficiary may sell, transfer or assign its entire interest or one or more participation interests in the Loan and the Loan Documents at any time and from time to time, including, without limitation, its rights and obligations as servicer of the Loan. Beneficiary may issue mortgage pass-through certificates or other securities. evidencing a beneficial interest in a rated or unrated public offering or private placement, including depositing the Loan Documents with a trust that may issue securities (the “Securities”). Beneficiary may forward to each purchaser, transferee, assignee, servicer, participant, or investor in such Securities (collectively, the “Investor”) or any Rating Agency rating such

Securities and each prospective Investor, all documents and information which Beneficiary now has or may hereafter acquire relating to the Secured Indebtedness and to Grantor or any Liable Parties and the Property, whether furnished by Grantor, any Liable Parties or otherwise, as Beneficiary determines necessary or desirable.

(b) Grantor will cooperate with Beneficiary and the rating agencies in furnishing such information and providing such other assistance, reports and legal opinions as Beneficiary may reasonably request in connection with any such transaction. Grantor's obligation to cooperate with Beneficiary does not include the obligation to incur any expenses to any third parties. In addition, Grantor acknowledges that Beneficiary may release or disclose to potential purchasers or transferees of the Loan, or potential participants in the Loan, originals or copies of the Loan Documents, title information, engineering reports, financial statements, operating statements, appraisals, Leases, rent rolls, and all other materials, documents and information in Beneficiary's possession or which Beneficiary is entitled to receive under the Loan Documents, with respect to the Loan, Grantor, Liable Parties or the Property. Grantor shall also furnish to such Investors or such prospective Investors or such Rating Agency any and all information concerning the Property, the Leases, the financial condition of Grantor or any Liable Parties as may be requested by Beneficiary, any Investor or any prospective Investor or any Rating Agency in connection with any sale, transfer or participation interest. Beneficiary shall use reasonable efforts to advise any party to whom Beneficiary provides any information provided by Grantor under this Section to keep such information confidential.

12.2 REPLACEMENT OF NOTE. Upon notice to Grantor of the loss, theft, destruction or mutilation of the Note, Grantor will execute and deliver, in lieu of the original Note, a replacement note, identical in form and substance to the Note and dated as of the Execution Date. Upon the execution and delivery of the replacement note, all references in any of the Loan Documents to the Note shall refer to the replacement note.

12.3 GRANTOR'S ESTOPPEL. Within ten (10) days after a request by Beneficiary, Grantor shall furnish an acknowledged written statement in form satisfactory to Beneficiary (i) setting forth the amount of the Secured Indebtedness, (ii) stating either that no offsets or defenses exist against the Secured Indebtedness, or if any offsets or defenses are alleged to exist, their nature and extent, (iii) whether any default then exists under the Loan Documents or any event has occurred and is continuing, which, with the lapse of time, the giving of notice, or both, would constitute such a default, and (iv) any other matters as Beneficiary may reasonably request. If Grantor does not furnish an estoppel certificate within the 10-day period, Grantor appoints Beneficiary as its attorney-in-fact to execute and deliver the certificate on its behalf, which power of attorney shall be coupled with an interest and shall be irrevocable.

12.4 FURTHER ASSURANCES. Grantor shall, without expense to Beneficiary and/or Trustee, execute, acknowledge and deliver all further acts, deeds, conveyances, mortgages, deeds of trust, assignments, security agreements, and financing statements as Beneficiary and/or Trustee shall from time to time reasonably require, to assure, convey, assign, transfer and confirm unto Beneficiary and/or Trustee the Property and rights conveyed or assigned by this Deed of Trust or which Grantor may become bound to convey or assign to Beneficiary and/or Trustee, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust or any of the other Loan Documents, or for filing, refiling, registering, reregistering, recording or rerecording this Deed of Trust. If Grantor fails to comply with the terms of this Section, Beneficiary may, at Grantor's expense, perform Grantor's obligations for and in the name of Grantor, and Grantor hereby irrevocably appoints Beneficiary as its attorney-in-fact to do so. The appointment of Beneficiary as attorney-in-fact is coupled with an interest.

12.5 SUBROGATION. Beneficiary shall be subrogated to the lien of any and all encumbrances against the Property paid out of the proceeds of the Loan and to all of the rights of the recipient of such payment.

ARTICLE 13
SECURITY AGREEMENT

13.1 SECURITY AGREEMENT. THIS DEED OF TRUST CREATES A LIEN ON THE PROPERTY. IN ADDITION, TO THE EXTENT THE PROPERTY IS PERSONAL PROPERTY OR FIXTURES UNDER APPLICABLE LAW, THIS DEED OF TRUST CONSTITUTES A SECURITY AGREEMENT UNDER THE DISTRICT OF COLUMBIA UNIFORM COMMERCIAL CODE (THE "U.C.C.") AND ANY OTHER APPLICABLE LAW AND IS FILED AS A FIXTURE FILING. UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, BENEFICIARY MAY, AT ITS OPTION, PURSUE ANY AND ALL RIGHTS AND REMEDIES AVAILABLE TO A SECURED PARTY WITH RESPECT TO ANY PORTION OF THE PROPERTY, AND/OR ND/OR BENEFICIARY MAY, AT ITS OPTION, PROCEED AS TO ALL OR ANY PART OF THE PROPERTY IN ACCORDANCE WITH BENEFICIARY'S RIGHTS AND REMEDIES WITH RESPECT TO THE LIEN CREATED BY THIS DEED OF TRUST. THIS FINANCING STATEMENT SHALL REMAIN IN EFFECT AS A FIXTURE FILING UNTIL THIS DEED OF TRUST IS RELEASED OR SATISFIED OF RECORD.

13.2 REPRESENTATIONS AND WARRANTIES. Grantor warrants, represents and covenants as follows:

(a) Grantor owns the Personal Property free from any lien, security interest, encumbrance or adverse claim, except for any item of personal property which is the subject of an equipment lease and except as otherwise expressly approved by Beneficiary in writing. Grantor will notify Beneficiary of, and will protect, defend and indemnify Beneficiary against, all claims and demands of all persons at any time claiming any rights or interest in the Personal Property.

(b) The Personal Property shall not be used or bought for personal, family, or household purposes, but shall be bought and used solely for the purpose of carrying on Grantor's business.

(c) Grantor will not remove the Personal Property without the prior written consent of Beneficiary, except the items of Personal Property which are consumed or worn out in ordinary usage shall be promptly replaced by Grantor with other Personal Property of value equal to or greater than the value of the replaced Personal Property.

13.3 CHARACTERIZATION OF PROPERTY. The grant of a security interest to Beneficiary in this Deed of Trust shall not be construed to limit or impair the lien of this Deed of Trust or the rights of Beneficiary with respect to any property which is real property or which the parties have agreed to treat as real property. To the fullest extent permitted by law, everything used in connection with the production of Rents and Profits is, and at all times and for all purposes and in all proceedings, both legal and equitable, shall be regarded as real property, irrespective of whether or not the same is physically attached to the Land and/or Improvements.

13.4 PROTECTION AGAINST PURCHASE MONEY SECURITY INTERESTS. It is understood and agreed that in order to protect Beneficiary from the effect of U.C.C. Section 28:9-334, as amended from time to time and as enacted in the State, in the event that Grantor intends to purchase any goods which may become fixtures attached to the Property, or any part of the Property, and such goods will be subject to a purchase money security interest held by a seller or any other party:

(a) Before executing any security agreement or other document evidencing or perfecting the security interest, Grantor shall obtain the prior written approval of Beneficiary. All requests for such written approval shall be in writing and contain the following information: (i) a description of the fixtures (ii) the address at which the fixtures will be located; and (iii) the name and address of the proposed holder and proposed amount of the security interest.

(b) Grantor shall pay all sums and perform all obligations secured by the security agreement. A default by Grantor under the security agreement shall constitute a default under this Deed of Trust. If Grantor fails to make any payment on an obligation secured by a purchase money security interest in the Personal Property or any fixtures, Beneficiary, at its option, may pay the secured amount and Beneficiary shall be probated to the rights of the holder of the purchase money security interest.

(c) Beneficiary shall have the right to acquire by assignment from the holder of the security interest for the Personal Property or fixtures, all contract rights, accounts receivable, negotiable or non-negotiable instruments, or other evidence of indebtedness and to enforce the security interest as assignee.

(d) The provisions of subparagraphs (b) and (c) of this Section 13.4 shall not apply if the goods which may become fixtures are of at least equivalent value and quality as the Personal Property being replaced and if the rights of the party holding the security interest are expressly subordinated to the lien and security interest of this Deed of Trust in a manner satisfactory to Beneficiary.

ARTICLE 14
MISCELLANEOUS COVENANTS

14.1 NO WAIVER. No single or partial exercise by Beneficiary and/or Trustee, or . delay or omission in the exercise by Beneficiary and/or Trustee, of any right or remedy under the Loan Documents shall preclude, waive or limit the exercise of any other right or remedy. Beneficiary shall at all times have the right to proceed against any portion of, or interest in, the Property without waiving any other rights or remedies with respect to any other portion of the Property. No right or remedy under any of the Loan Documents is intended to be exclusive of any other right or remedy but shall be cumulative and may be exercised concurrently with or independently from any other right and remedy under any of the Loan Documents or under applicable law.

14.2 NOTICES. All notices, demands and requests given or required to be given by, pursuant to, or relating to, this Deed of Trust shall be in writing. All notices shall be deemed to have been properly given if mailed by United States registered or certified mail, with return receipt requested, postage prepaid, or by United States Express Mail or other comparable overnight courier service to the parties at the addresses set forth in the Defined Terms (or at such other addresses as shall be given in writing by any party to the others) and shall be deemed complete upon receipt or refusal to accept delivery as indicated in the return receipt or in the receipt of such United States Express Mail or courier service.

14.3 HEIRS AND ASSIGNS; TERMINOLOGY.

(a) This Deed of Trust applies to, inures to the benefit of, and binds Grantor, Beneficiary, Liable Parties and Trustee, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Grantor" shall include both the original Grantor and any subsequent owner or owners of any of the Property. The term "Beneficiary" shall include both the original Beneficiary and any subsequent holder or holders of the Note. The term "Trustee" shall include both the original Trustee and any subsequent successor or additional trustee(s) acting under this Deed of Trust. The term "Liable Parties" shall include both the original Liable Parties and any subsequent or substituted Liable Parties.

(b) In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(c) If more than one party executes this Deed of Trust as Grantor, the obligations of such parties shall be the joint and several obligations of each of them.

14.4 SEVERABILITY. If any provision of this Deed of Trust should be held unenforceable or void, then that provision shall be separated from the remaining provisions and shall not affect the validity of this Deed of Trust except that if the unenforceable or void provision relates to the payment of any monetary sum, then, Beneficiary may, at its option, declare the Secured Indebtedness immediately due and payable.

14.5 APPLICABLE LAW. This Deed of Trust shall be construed and enforced in accordance with the laws of the State.

14.6 CAPTIONS. The captions are inserted only as a matter of convenience and for reference, and in no way define, limit, or describe the scope or intent of any provisions of this Deed of Trust.

14.7 TIME OF THE ESSENCE. Time shall be of the essence with respect to all of Grantor's obligations under this Deed of Trust and the other Loan Documents.

14.8 NO MERGER. In the event that Beneficiary should become the owner of the Property, there shall be no merger of the estate created by this Deed of Trust with the fee estate in the Property.

14.9 NO MODIFICATIONS. This Deed of Trust may not be changed, amended or modified, except in a writing expressly intended for such purpose and executed by Grantor and Beneficiary.

14.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust, or has caused this Deed of Trust to be executed by its duly authorized representative(s) as of the Execution Date.

1201 EYE STREET, N.W. ASSOCIATES LLC a Delaware limited liability company

By: BCSP II Washington Manager LLC, a Delaware limited liability company, its Manager

By: Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership, Majority Member

By: BCP Strategic Partners II, LLC, a Delaware limited liability company, its General Partner

By: Beacon Capital Partners. LLC, a Delaware limited liability company, its Manager

/s/ Nancy J. Broderick

Nancy J. Broderick
Vice President and Treasurer

Address: One Federal Street, 26th Floor
Boston, Massachusetts

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF SUFFOLK: ss:

This instrument was acknowledged before me on October _24_, 2002 by Nancy J. Broderick, the Vice President and Treasurer of Beacon Capital Partners, LLC, the Manager of BCP Strategic Partners H, LLC, the General Partner of Beacon Capital Strategic Partners II, L.P., Majority Member of BCSP H Washington Manager LLC, the Manager of 1201 Eye Street, N.W. Associates LLC, as the free act and deed of said 1201. Eye Street, N.W. Associates LLC.

/s/ Patricia Ann Dennis

Notary Public

[SEAL]

My Commission expires: April 2, 2004

EXHIBIT A

PROPERTY DESCRIPTION

Lot 48 in Square 285, being a combination of lots made by 1215 Eye Street, N.W., Associates, Limited Partnership, as per plat recorded in the Office of the Surveyor for the District of Columbia in Book 176 at page 121.

EXHIBIT B

LEASING GUIDELINES

“Leasing Guidelines” shall mean the guidelines approved in writing by Beneficiary, from time to time, with respect to the leasing of the Property. The following are the initial Leasing Guidelines:

(a) All Leases shall be on the standard form of lease approved by Beneficiary in writing (as modified by commercially reasonable changes negotiated in the ordinary course);

(b) All Leases shall have an initial term of at least three (3) years but not more than ten (10) years;

(c) None of the Leases shall cover greater than or within 1,000 rentable square feet of a full floor of the Improvements;

(d) None of the Leases shall cover less than 5,000 square feet of rentable floor area;

(e) All Leases shall have an annual minimum rent and net effective rent at least equal to market rates;

(f) All net Leases shall contain provisions requiring the tenant to pay its proportionate share of operating expenses and taxes, and all other Leases shall contain provisions requiring the tenant to pay, after the first year, its proportionate share of increases in taxes and operating expenses; and

(g) No Leases shall be entered into without the written approval of Beneficiary if there exists an Event of Default.

EXHIBIT 10.117

PROMISSORY NOTE IN FAVOR OF METROPOLITAN LIFE INSURANCE COMPANY RELATING TO WASHINGTON, DC PORTFOLIO (1225 EYE STREET BUILDING)

PROMISSORY NOTE

DEFINED TERMS

Execution Date: October 24, 2002

City and State of Signing: Boston, Massachusetts

Loan Amount: $47,607,000.00

Interest Rate: 4.40% per annum

Borrower: 1225 EYE STREET, N.W. ASSOCIATES LLC, a Delaware limited liability company

Borrower's Address:

c/o Beacon Capital Partners, LLC
One Federal Street, 26th Floor
Boston, Massachusetts 02110
Attention: General Counsel

And:

Goulston & Storrs, P.C.
400 Atlantic Avenue
Boston, Massachusetts 02110
Attention: Jordan P. Krasnow, Esq.

Holder: METROPOLITAN LIFE INSURANCE COMPANY, a new York corporation

Holder's Address:

Metropolitan Life Insurance Company
10 Park Avenue, Third Floor
Morristown, New Jersey 07962
Attention: Senior Vice President, Real Estate Investments

And:

Metropolitan Life Insurance Company
One Madison Avenue, Sixth Floor
New York, New York 10010
Attention: Law Department, Chief Counsel, Real Estate Investments

Maturity Date: November 1, 2007

Advance Date: The date funds are disbursed to Borrower.

Interest Only Period: The period from the Advance Date and ending on the day preceding the Maturity Date.

Interest Installment Date: The first day of the second calendar month following the Advance Date.

Monthly Installment: Equal monthly installments of interest at the Interest Rate each in the amount of $174,559.00

Permitted Prepayment Period: During the 90 day period prior to the Maturity Date, Borrower may prepay the Loan (in whole but not in part) without a Prepayment Fee on 30 days' prior written notice. In addition, commencing on July 1, 2004, Borrower may prepay the Loan (in whole but not in part) with a Prepayment Fee on 60 days' prior written notice, with such notice to be irrevocable 30 days thereafter.

Liable Parties: Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership

Addresses of Liable Parties:

c/o Beacon Capital Partners, LLC
One Federal Street, 26th Floor
Boston, Massachusetts 02110
Attention: General Counsel

Late Charge: An amount equal to four cents ($.04) for each dollar that is overdue.

Default Rate: An annual rate equal to the Interest Rate plus four percentage points (400 basis points).

Note: This Promissory Note.

Deed of Trust: Deed of Trust, Security Agreement, and Fixture Filing dated as of the Execution Date granted by Borrower to the Trustee named in the Deed of Trust for the benefit of Holder.

Loan Documents: This Note, the Deed of Trust and any other documents related to this Note and/or the Deed of Trust and all renewals, amendments, modifications, restatements and extensions of these documents.

Guaranty: Guaranty of Recourse Obligations dated as of the Execution Date and executed by Liable Parties.

Unsecured Indemnity Agreement: Unsecured Indemnity Agreement dated as of the Execution Date and executed by Borrower and Liable Parties in favor of Holder. The Unsecured Indemnity Agreement and the Guaranty are not Loan Documents and shall survive repayment of the Loan or other termination of the Loan Documents.

FOR VALUE RECEIVED, Borrower promises to pay to the order of Holder at Holder's Address or such other place as Holder may from time to time designate, the Loan Amount with interest payable in the manner described below, in money of the United States of America that at the time of payment shall be legal tender for payment of all obligations.

Capitalized terms which are not defined in this Note shall have the meanings set forth in the Deed of Trust.

1. Payment of Principal and Interest. Principal and interest under this Note shall be payable as follows:

(a) Interest on the funded portion of the Loan Amount shall accrue from the Advance Date at the Interest Rate and shall be paid on the first day of the first calendar month following the Advance Date;

(b) Commencing on the Interest Installment Date and on the first day of each calendar month thereafter, to and including the first day of the calendar month immediately preceding the Maturity Date, Borrower shall *pay* the Monthly Installment; and

(c) On the Maturity Date, a final payment in the aggregate amount of the unpaid principal sum evidenced by this Note, all accrued and unpaid interest, and all other sums evidenced by this Note or secured by the Deed of Trust and/or any other Loan Documents as well as any future loans or advances under the Deed of Trust that may be made to or on behalf of Borrower by Holder following the Advance Date (collectively, the "Secured Indebtedness"), shall become immediately payable in full.

Borrower acknowledges and agrees that the entire original Loan Amount shall be outstanding and due on the Maturity Date.

Interest shall be calculated on the basis of a thirty (30) day month and a three hundred sixty (360) day year, except that (i) if the Advance Date occurs on a date other than the first day of a calendar month, interest payable for the period commencing on the Advance Date and ending on the last day of the month in which the Advance Date occurs shall be calculated on the basis of the actual number of days elapsed over a 365-day or 366-day year, as applicable, and (ii) if the Maturity Date occurs on a date other than the last day of the month, interest payable for the period commencing on the first day of the month in which the Maturity Date occurs and ending on the Maturity Date shall be calculated on the basis of the actual number of days elapsed over a 365-day or 366-day year, as applicable.

2. Application of Payments. At the election of Holder, and to the extent permitted by law, all payments shall be applied in the order selected by Holder to any expenses, prepayment fees, late charges, escrow deposits and other sums due and payable under the Loan Documents, and to unpaid interest at the Interest Rate or at the Default Rate, as applicable. The balance of any payments shall be applied to reduce the then unpaid Loan Amount.

3. Security. This Note is secured by the Deed of Trust and other instruments. This Note shall evidence, and the Deed of Trust shall secure, the Secured Indebtedness.

4. Late Charge. If any payment of a Monthly Installment or any payment of a required escrow deposit is not paid within seven (7) days of the due date, Holder shall have the option to charge the Borrower the Late Charge. The Late Charge is for the purpose of defraying the expenses incurred in connection with handling and processing delinquent payments and is payable in addition to any other remedy Holder may have. Unpaid Late Charges shall become part of the Secured Indebtedness and shall be added to any subsequent payments due under the Loan Documents.

5. Acceleration Upon Default At the option of Holder, if Borrower fails to pay any sum specified in this Note within seven (7) days after the due date or if any other Event of Default occurs, the Secured Indebtedness, and all other sums evidenced and/or secured by the Loan Documents, including without limitation any applicable prepayment fees (collectively, the “Accelerated Loan Amount”) shall become immediately due and payable.

6. Interest Upon Default. The Accelerated Loan Amount shall bear interest at the Default Rate which shall never exceed the maximum rate of interest permitted to be contracted for under the laws of the State. The Default Rate shall commence upon the occurrence of an Event of Default and shall continue until all defaults are cured

7. Limitation on Interest. The agreements made by Borrower with respect to this Note and the other Loan Documents are expressly limited so that in no event shall the amount of interest received, charged or contracted for by Holder exceed the highest lawful amount of interest permissible under the laws applicable to the Loan. If at any time performance of any provision of this Note or the other Loan Documents results in the highest lawful rate of interest permissible under applicable laws being exceeded, then the amount of interest received, charged or contracted for by Holder shall automatically and without further action by any party be deemed to have been reduced to the highest lawful amount of interest then permissible under applicable laws. If Holder shall ever receive, charge or contract for, as interest, an amount which is unlawful, at Holder’s election, the amount of unlawful interest shall be refunded to Borrower (if actually paid) or applied to reduce the then unpaid Loan Amount To the fullest extent permitted by applicable laws, any amounts contracted for, charged-or received under the Loan Documents included for the purpose of determining whether the Interest Rate would exceed the highest lawful rate shall be calculated by allocating and spreading such interest to and over the full stated term of this Note.

8. Prepayment. Borrower shall not have the right to prepay all or any portion of the Loan

Amount at any time during the term of this Note except as expressly set forth in the Defined Terms. If Borrower provides notice of its intention to prepay (a "Prepayment Notice"), the Secured Indebtedness shall become due and payable on the date specified in the Prepayment Notice; provided, however, that during the period ending thirty (30) days after Holder receives a Prepayment Notice, Borrower may rescind such Prepayment Notice by written notice to Holder of such rescission; thereafter the Prepayment Notice shall be irrevocable.

9. Prepayment Fee.

(a) Any tender of payment by Borrower or any other person or entity of the Secured Indebtedness, other than as expressly provided in the Loan Documents, shall constitute a prohibited prepayment. If a prepayment of all or any part of the Secured Indebtedness is made (i) following an Event of Default and an acceleration of the Maturity Date, or (ii) in connection with a sale of the Property or a repayment of the Secured Indebtedness at any time before, during or after, a judicial or non judicial foreclosure or sale of the Property, then to compensate Holder for the loss of the investment, Borrower shall pay an amount equal to the Prepayment Fee (as hereinafter defined). No Prepayment fee shall be charged with respect to the application of money to the principal of the Loan as the result of a casualty or condemnation.

(b) The "Prepayment Fee" shall be the greater of (A)(x) the present value of all remaining payments of principal and interest including the outstanding principal due on the Maturity Date, discounted at the rate which, when compounded monthly, is equivalent to the Adjusted Treasury Rate compounded semi-annually, less (y) the amount of the principal then outstanding, or (B) one percent (1%) of the amount of the principal being prepaid.

(c) The "Treasury Rate" shall be the annualized yield on securities issued by the United States Treasury having a maturity equal to the remaining stated term of this Note, as quoted in the Federal Reserve Statistical Release [H. 15 (519)] under the heading "U.S. Government Securities - Treasury Constant Maturities" for the date on which prepayment is being made. If this rate is not available as of the. date of prepayment, the Treasury Rate shall be determined by interpolating between the yield on securities of the next longer and next shorter maturity. If the Treasury Rate is no longer published, Holder shall select a comparable rate.

(d) "Adjusted Treasury Rate" shall mean the Treasury Rate plus 25 basis points (one-quarter of one percentage point); provided, however, that if the prepayment occurs during the period commencing on the first day of the 49th month following the Advance Date and ending on the day which is 90 days prior to the Maturity Date, "Adjusted Treasury Rate" shall mean the Treasury Rate plus 50 basis points (one-half of one percentage point).

(e) Holder will, upon request, provide an estimate of the amount of the Prepayment Fee two (2) weeks before the date of the scheduled prepayment.

10. Waiver of Right to Prepay Note Without Prepayment Fee. Borrower acknowledges that Holder has relied upon the anticipated investment return under this Note in entering into transactions with, and in making commitments to, third parties and that the tender of any prohibited prepayment shall, to the extent permitted by law, include the Prepayment Fee. Borrower agrees that the Prepayment Fee represents the reasonable estimate, of Holder and Borrower of a fair average compensation for the loss that may be sustained by Holder as a result of a prohibited prepayment of this Note and it shall be paid without prejudice to the right of Holder to collect any other amounts provided to be paid under the Loan Documents.

BORROWER EXPRESSLY (A) WAIVES ANY RIGHTS IT MAY HAVE TO PREPAY THIS NOTE, IN WHOLE OR IN PART, WITHOUT FEE OR PENALTY, UPON ACCELERATION OF THE MATURITY DATE OF THIS NOTE, AND (B) AGREES THAT IF, FOR ANY REASON, A PREPAYMENT OF THIS NOTE IS MADE, UPON OR FOLLOWING ANY ACCELERATION OF THE MATURITY DATE OF THIS NOTE BY HOLDER ON ACCOUNT OF ANY DEFAULT BY BORROWER UNDER ANY LOAN DOCUMENT, INCLUDING BUT NOT LIMITED TO ANY TRANSFER, FURTHER ENCUMBRANCE OR DISPOSITION WHICH IS PROHIBITED OR RESTRICTED BY THE DEED OF TRUST, THEN BORROWER SHALL BE OBLIGATED TO PAY CONCURRENTLY THEREWITH THE PREPAYMENT FEE SPECIFIED IN SECTION 9.

11. Liability of Borrower. Upon the occurrence of an Event of Default, except as provided in this Section 11, Holder will look solely to the Property and the security under the Loan Documents, for the repayment of the Loan and will not enforce **a** deficiency judgment against Borrower. However, nothing contained in this section shall limit the rights of Holder to enforce any policies of insurance or to proceed against Borrower and the general partners of Borrower, if any, and/or the Liable Parties or any one or more of them (i) to enforce any Leases entered into by Borrower or its affiliates as tenant, guarantees, **or** other agreements entered into by Borrower in a capacity other than as borrower; (ii) to recover damages for fraud, material misrepresentation, material breach of warranty or waste committed by Borrower or any constituent thereof; (iii) to recover any Condemnation Proceeds or Insurance Proceeds or other similar funds which have been misapplied by Borrower or which,. under the terms of the Loan Documents, should have been paid to Holder-, (iv) to recover any tenant security deposits, tenant letters of credit or other deposits or refundable fees paid to Borrower that are part of the collateral for the Loan or prepaid rents for a period of more than 30 days which have not been delivered to Holder unless applied in accordance with the Leases prior to an Event of Default; (v) to recover Rents and Profits received by Borrower after the first day of the month in which an Event of Default occurs and prior to the date Holder acquires title to the Property which have not been applied to the Loan or in accordance with the Loan Documents to operating and maintenance expenses of the Property; (vi) to recover damages, costs and expenses arising from, or in connection with, any breach of **a** covenant contained in Article 6 of the Deed of Trust or the Unsecured Indemnity Agreement; (vii) to recover any amount expended by Holder in connection with a foreclosure or trustee's sale under the Deed of Trust; (viii) to recover damages arising from Borrower's failure to comply with Section 8.1 of the Deed of Trust pertaining to ERISA; and/or (ix) to recover damages, costs and expenses arising from, or in connection with, Borrower's failure to pay any Impositions or Premiums.

The limitation of liability set forth in this Section 11 shall not apply and the Loan shall be fully recourse in the event that prior to the indefeasible repayment in full of the Secured Indebtedness, (i) Borrower commences **a** voluntary bankruptcy or insolvency proceeding, or (ii) an involuntary bankruptcy or insolvency proceeding is commenced against Borrower, and Borrower or any related party has directly or indirectly encouraged, participated with, or colluded with the parties filing such involuntary bankruptcy or insolvency proceeding to file such proceeding. In addition, this agreement shall not waive any rights which Holder would have under any provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the Secured Indebtedness or to require that the Property shall continue to secure all of the Secured Indebtedness.

12. Waiver by Borrower. Borrower and others who may become liable for the payment of all or any part of this Note, and each of them, waive diligence, demand, presentment for payment, notice of nonpayment, protest, notice of dishonor and notice of protest, notice of intent to accelerate and notice of acceleration and specifically consent to and waive notice of any amendments, modifications, renewals or extensions of this Note, including the granting of extension of time for payment, whether made to or in favor of Borrower or any other person or persons.

13. Exercise of Rights. No single or partial exercise by Holder, or delay or omission in the exercise by Holder, of any right or remedy under the Loan Documents shall waive or limit the exercise of any such right or remedy. Holder shall at all times have the right to proceed against any portion of or interest in the Property in the manner that Holder may deem appropriate, without waiving any other rights or remedies. The release of any party under this Note shall not operate to release any other party which is liable under this Note and/or under the other Loan Documents or under the Unsecured Indemnity Agreement.

14. Fees and Expenses. If Borrower defaults under this Note, Borrower shall be personally liable for and shall pay to Holder, in addition to the sums stated above, the costs and expenses of enforcement and collection, including a reasonable sum as an attorney's fee. This obligation is not limited by Section 11.

15. No Amendments. This Note may not be modified or amended except in a writing executed by Borrower and Holder. No waivers shall be effective unless they are set forth in a writing signed by the party which is waiving a right This Note and the other Loan Documents are the final expression of the lending relationship between Borrower and Holder and there is no unwritten agreement with respect to the subject matter of the Loan.

16. Governing Law. This Note is to be construed and enforced in accordance with the laws of the State in which the Property is located.

17. Construction. The words "Borrower" and "Holder" shall be deemed to include their respective heirs, representatives, successors and assigns, and shall denote the singular and/or plural, and the masculine and/or feminine, and natural and/or artificial persons, as appropriate. The provisions of this Note shall remain in full force and effect notwithstanding any changes in the shareholders, partners or members of Borrower. If more than one party is Borrower, the obligations of each party shall be joint and several. The captions in this Note are inserted only for convenience of reference and do not expand, limit or define the scope or intent of any section of this Note.

18. Notices. All notices, demands, requests and consents permitted or required under this Note shall be given in the manner prescribed in the Deed of Trust.

19. Time of the Essence. Time shall be of the essence with respect to all of Borrower's obligations under this Note.

20. Severability. If any provision of this Note should be held unenforceable or void, then that provision shall be deemed separable from the remaining provisions and shall not affect the validity of this Note, except that if that provision relates to the payment of any monetary sum, then Holder may, at its option, declare the Secured Indebtedness (together with the Prepayment Fee) immediately due and payable.

IN WITNESS WHEREOF, Borrower has executed this Note as of the Execution Date.

1201 EYE STREET, N.W. ASSOCIATES LLC
a Delaware limited liability company

By: BCSP II Washington Manager LLC, a Delaware limited liability company, its Manager

By: Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership, Majority Member

By: BCP Strategic Partners II, LLC, a Delaware limited liability company, its General Partner

By: Beacon Capital Partners. LLC, a Delaware limited liability company, its Manager

By: /s/ Nancy J. Broderick

Nancy J. Broderick
Vice President and Treasurer

EXHIBIT 10.118

DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING RELATING TO 1225 EYE STREET BUILDING

RECORDING REQUESTED
BY AND WHEN
RECORDED RETURN TO:

Gary York, Esq.
Baker & Hostetler LLP 333 S.
Grand Avenue Suite 1800
Los Angeles, CA 90071

DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING

BY 1225 EYE STREET, N.W. ASSOCIATES LLC, a Delaware limited liability company

(successor by merger to 1225 Eye Street, N.W. Associates Limited Partnership),

as Grantor

TO NEIL S. KESSLER,

as Trustee

for the benefit of

METROPOLITAN LIFE INSURANCE COMPANY, a New York corporation,

as Beneficiary

October 24, 2002

TABLE OF CONTENTS

ARTICLE 1 – GRANT OF SECURITY 3
1.1 REAL PROPERTY GRANT 3
1.2 PERSONAL PROPERTY GRANT 3
1.3 CONDITIONS TO GRANT 4
1.4 ADDITIONAL ADVANCES 4
ARTICLE 2 GRANTOR COVENANTS 4
2.1 DUE AUTHORIZATION, EXECUTION. AND DELIVERY 4
2.2 PERFORMANCE BY GRANTOR 5
2.3 WARRANTY OF TITLE 5
2.4 TAXES. LIENS AND OTHER CHARGES 5
2.5 ESCROW DEPOSITS 6
2.6 CARE AND USE OF THE PROPERTY 6
2.7 COLLATERAL SECURITY INSTRUMENTS 8
2.8 SUITS AND OTHER ACTS TO PROTECT THE PROPERTY 8
2.9 LIENS AND ENCUMBRANCES 8
ARTICLE 3 - INSURANCE 8
3.1 REQUIRED INSURANCE :AND TERMS OF INSURANCE POLICIES 8
3.2 ADJUSTMENT OF CLAIMS 11
3.3 ASSIGNMENT TO BENEFICIARY 11
ARTICLE 4 - BOOKS, RECORDS AND ACCOUNTS 11
4.1 BOOKS AND RECORDS 11
4.2 ADDITIONAL MATTERS 12
ARTICLE 5 – LEASES AND OTHER AGREEMENTS AFFECTING PROPERTY 12
5.1 GRANTOR’S REPRESENTATIONS AND WARRANTIES 12
5.2 ASSIGNMENT OF LEASES 13
5.3 PERFORMANCE OF OBLIGATIONS 13
5.4 SUBORDINATE LEASES 13
5.5 MANAGEMENT FEES 14
ARTICLE 6 – ENVIRONMENTAL HAZARDS 14
6.1 REPRESENTATIONS AND WARRANTIES 14
6.2 REMEDIAL WORK 14
6.3 ENVIRONMENTAL SITE ASSESSMENT 15
6.4 UNSECURED OBLIGATIONS 15
6.5 HAZARDOUS MATERIALS 15
6.6 REQUIREMENTS OF ENVIRONMENTAL LAWS 16
ARTICLE 7 – CASUALTY, CONDEMNATION AND RESTORATION 16
7.1 GRANTOR’S REPRESENTATIONS 16
7.2 RESTORATION 16
7.3 CONDEMNATION 17
7.4 REQUIREMENTS FOR RESTORATION 18
ARTICLE 8 – REPRESENTATIONS OF GRANTOR 19
8.1 ERISA 19
8.2 NON-RELATIONSHIP 19
8.3 NO ADVERSE CHANGE 19
8.4 FOREIGN INVESTOR 20
ARTICLE 9 – EXCULPATION AND LIABILITY 20
9.1 LIABILITY OF GRANTOR 20
ARTICLE 10 – CHANGE IN OWNERSHIP, CONVEYANCE OF PROPERTY 21
10.1 CONVEYANCE OF PROPERTY. CHANGE IN OWNERSHIP AND COMPOSITION 21
10.2 PROHIBITION ON SUBORDINATE FINANCING 23
10.3 RESTRICTIONS ON ADDITIONAL OBLIGATIONS 23
10.4 STATEMENTS REGARDING OWNERSHIP 23
ARTICLE 11 - DEFAULTS AND REMEDIES 23
11.1 EVENTS OF DEFAULT 24

11.2 REMEDIES UPON DEFAULT 24
11.3 APPLICATION OF PROCEEDS OF SALE 25
11.4 WAIVER OF JURY TRIAL 25
11.5 BENEFICIARY’S RIGHT TO PERFORM GRANTOR’S OBLIGATIONS 26
11.6 BENEFICIARY REIMBURSEMENT 26
11.7 FEES AND EXPENSES 26
11.8 WAIVER OF CONSEQUENTIAL DAMAGES 26
11.9 INDEMNIFICATION OF TRUSTEE 26
11.10 ACTIONS BY TRUSTEE 26
11.11 SUBSTITUTION OF TRUSTEE 26
11.12 NO REINSTATEMENT 26
11.13 WAIVER RELATING TO REMEDIES 27
ARTICLE 12 – GRANTOR AGREEMENTS AND FURTHER ASSURANCES 27
12.1 PARTICIPATION AND SALE OF LOAN 27
12.2 REPLACEMENT OF NOTE 27
12.3 GRANTOR’S ESTOPPEL 28
12.4 FURTHER ASSURANCES 28
12.5 SUBROGATION 28
ARTICLE 13 – SECURITY AGREEMENT 28
13.1 SECURITY AGREEMENT 28
13.2 REPRESENTATIONS AND WARRANTIES 28
13.3 CHARACTERIZATION OF PROPERTY 29
13.4 PROTECTION AGAINST PURCHASE MONEY SECURITY INTERESTS 29
ARTICLE 14 – MISCELLANEOUS COVENANTS 29
14.1 NO WAIVER 29
14.2 NOTICES 30
14.3 HEIRS AND ASSIGNS: TERMINOLOGY 30
14.4 SEVERABILITY 30
14.5 APPLICABLE LAW 30
14.6 CAPTIONS 30
14.7 TIME OF THE ESSENCE 30
14.8 NO MERGER 30
14.9 NO MODIFICATIONS 30
14.10 COUNTERPARTS 30

DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING

DEFINED TERMS

Note: The Promissory Note dated as of the Execution Date made by Grantor to the Order of Beneficiary in the principal amount of $47,607,000.00.

Beneficiary & Address:
Metropolitan Life Insurance Company, a New York corporation
10 Park Avenue, Third Floor
Morristown, New Jersey 07962
Attention: Senior Vice President, Real Estate Investments

With a copy to:
Metropolitan Life Insurance Company
One Madison Avenue, Sixth Floor
New York, New York 10010
Attention: Law Department, Chief Counsel, Real Estate Investments

Grantor & Address (Chief Executive Office):
1225 Eye Street, N.W. Associates LLC, a Delaware limited liability company
(successor by merger to 1225 Eye Street, N.W. Associates, Limited Partnership)
c/o Beacon Capital Partners, LLC
One Federal Street, 26th Floor
Boston, Massachusetts 02110
Attention: General Counsel

With a copy to:
Goulston & Storrs
400 Atlantic Avenue
Boston, Massachusetts 02110-3333
Attention: Jordan P. Krasnow, Esq.

Trustee & Address:
Neil S. Kessler
111 East Main Street, Suite 2300
Richmond, Virginia 23219

Liable Parties & Address:
Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership
c/o Beacon Capital partners, LLC
One Federal Street, 26th Floor
Boston, Massachusetts 02110
Attention: General Counsel

County and State (the "State") in which the Property is located: Washington, District of Columbia

Use: Class A office building with related first-class retail facilities and an underground parking garage.

Insurance: Commercial General Liability: Required Liability Limit: $50,000,000.00

Address for Insurance Notification:
Metropolitan Life Insurance Company
1 MetLife Plaza
27-01 Queens Plaza North
Long Island City, New York 11101
Attn: Risk Management – Area 7C

Loan Documents: The Note, this Deed of Trust and any other documents related to the Note and/or this Deed of Trust (except the Indemnity Agreement and the Guaranty) and all renewals, amendments, modifications, restatements and extensions of these documents.

Indemnity Agreement: Unsecured Indemnity Agreement dated as of the Execution Date and executed by Liable Parties.

Guaranty: Guaranty of Recourse Obligations dated as of the Execution Date and executed by Liable Parties.
The Indemnity Agreement and the Guaranty are not Loan Documents and shall survive repayment of the Loan or other termination of the Loan Documents.

THIS DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE

FILING (this "Deed of Trust") is entered into as of the Execution Date by Grantor to Trustee for the benefit of Beneficiary with reference to the following Recitals:

RECITALS

A This Deed of Trust secures: (1) the payment of the indebtedness evidenced by the Note with interest at the rates set forth in the Note, together with all renewals, modifications, consolidations and extensions of the Note, all additional advances or fundings made by Beneficiary, and any other amounts required to be paid by Grantor under any of the Loan Documents (collectively, the "Secured Indebtedness" and sometimes referred to as the "Loan") and (2) the full performance by Grantor of all of the terms, covenants and obligations set forth in any of the Loan Documents.

B. Grantor makes the following covenants and agreements for the benefit of Beneficiary or any party designated by Beneficiary, including any prospective purchaser of the Loan Documents or participant in the Loan, and their respective officers, employees, agents, attorneys, representatives and contractors (all of which are collectively referred to as "Beneficiary") and Trustee.

NOW, THEREFORE, IN CONSIDERATION of the Recitals and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Grantor agrees as follows:

ARTICLE 1
GRANT OF SECURITY .

1.1 REAL PROPERTY GRANT. In order to secure the Secured Indebtedness and the full performance by Grantor of all of the terms, covenants and obligations set forth in any of the Loan Documents, Grantor irrevocably sells, transfers, grants, conveys, assigns and warrants to Trustee, its successors and assigns, in trust, with power of sale and right of entry and possession, all of Grantor's present and future estate, right, title and interest in and to the following which are collectively referred to as the "Real Property":

(a) That certain real property located in the State which is more particularly described in Exhibit A attached to this Deed of Trust or any portion of the real property; all easements, rights-of-way, gaps, strips and gores of land, streets and alleys; sewers and water rights; privileges, licenses, tenements, and appurtenances appertaining to the real property, and the reversion(s), remainder(s), and claims of Grantor with respect to these items, and the benefits of any existing or future conditions, covenants and restrictions affecting the real property (collectively, the "Land");

(b) All things now or hereafter affixed to or placed on the Land, including all buildings, structures and improvements, all fixtures and all machinery, elevators, boilers, building service equipment (including, without limitation, all equipment for the generation or distribution of air, water, heat, electricity, light, fuel or for ventilating or air conditioning purposes or for sanitary or drainage purposes or for the removal of dust, refuse or garbage), partitions, appliances, furniture, furnishings, building materials, supplies, computers and. software, window coverings and floor coverings, lobby furnishings, and other property now or in the future attached, or installed in the improvements and all replacements, repairs, additions, or substitutions to these items (collectively, the "Improvements");

(c) All present and future income, rents, revenue, profits, proceeds, accounts receivables and other benefits from the Land and/or Improvements and all deposits made with respect to the Land and/or Improvements, including, but not limited to, any security given to utility companies by Grantor, any advance payment of real estate taxes or assessments, or insurance premiums made by Grantor and all claims or demands relating to such deposits and other security, including claims for refunds of tax payments or assessments, and all insurance proceeds payable to Grantor in connection with the Land and/or Improvements whether or not such insurance coverage is specifically required under the terms of this Deed of Trust ("Insurance Proceeds") (all of the items set forth in this paragraph are referred to collectively as "Rents and Profits");

(d) All damages, payments and revenue of every kind that Grantor may be entitled to receive, from any person owning or acquiring a right to the oil, gas or mineral rights and reservations of the Land;

(e) All proceeds and claims arising on account of any damage to, or Condemnation (as hereinafter defined) of any part of the Land and/or Improvements, and all causes of action and recoveries for any diminution in the value of the Land and/or Improvements;

(f) All licenses, contracts, management agreements, guaranties, warranties, franchise agreements, permits, or certificates relating to the ownership, use, operation or maintenance of the Land and/or Improvements; and

(g) All names by which the Land and/or Improvements may be operated or known, and all rights to-carry on business under those names, and all trademarks, trade names, and goodwill relating to the Land and/or Improvements.

TO HAVE AND TO HOLD the Real Property, unto Trustee, its successors and assigns, in trust, for the benefit of Beneficiary, its successors and assigns, forever subject to the terms, covenants and conditions of this Deed of Trust.

1.2 PERSONAL PROPERTY GRANT. Grantor irrevocably sells, transfers, grants, conveys, assigns and warrants to Beneficiary, its successors and assigns, a security interest in Grantor's interest in the following personal property which is collectively referred to as the "Personal Property":

(a) Any portion of the Real Property which may be personal property, and all other personal property, whether now existing or acquired in the future which is attached to, appurtenant to, or used in the construction or operation of, or in connection with, the Real Property,

(b) All rights to the use of water, including water rights appurtenant to the Real Property, pumping plants, ditches for irrigation, all water stock or other evidence of ownership of any part of the Real Property that is owned by Grantor in common with others and all documents of membership in any owner's association or similar group;

(c) All plans and specifications prepared for construction of the Improvements; and all contracts and agreements of Grantor relating to the plans and specifications or to the construction of the Improvements;

(d) All equipment, machinery, fixtures, goods, accounts, general intangibles, promissory notes, letter of credit rights, investment property, commercial tort claims, deposit accounts, documents, instruments and chattel paper and all substitutions, replacements of, and additions to, any of these items;

(e) All sales agreements, deposits, escrow agreements, other documents and agreements entered into with respect to the sale of any part of the Real Property, and all proceeds of the sale; and

(f) All proceeds from the voluntary or involuntary disposition or claim respecting any of the foregoing items (including judgments, condemnation awards or otherwise).

All of the Real Property and the Personal Property are collectively referred to as the "Property."

1.3 CONDITIONS TO GRANT. If Grantor shall pay to Beneficiary the Secured Indebtedness, at the times and in the manner stipulated in the Loan Documents, and if Grantor shall perform and observe each of the terms, covenants and agreements set forth in the Loan Documents, then this Deed of Trust and all the rights granted by this Deed of Trust shall be released by Trustee and/or Beneficiary in accordance with the laws of the State.

1.4 ADDITIONAL ADVANCES. Until this Deed of Trust is released of record, Beneficiary may make additional loans, advances, readvances, future advances and other financial accommodations pursuant to the terms of the Note or other Loan Documents from time to time, but the maximum unpaid balance outstanding at any one time shall not exceed the principal amount of the Note set forth in the "Defined Terms" section of this Deed of Trust, plus interest thereon, and plus any advances made for taxes, liens, assessments, insurance premiums, costs, and other obligations, including interest thereon, undertaken by Beneficiary hereunder or under the other Loan Documents, and all such advances, future advances and readvances shall become part of the indebtedness secured by this Deed of Trust with the same priority from the date of recordation of this Deed of Trust and shall be deemed evidenced by the Note, this Deed of Trust and the other Loan Documents.

ARTICLE 2
GRANTOR COVENANTS

2.1 DUE AUTHORIZATION, EXECUTION. AND DELIVERY.

(a) Grantor represents and warrants that the execution of the Loan Documents and the Indemnity Agreement have been duly authorized and there is no provision in the organizational documents of Grantor requiring further consent for such action by any other entity or person.

(b) Grantor represents and warrants that it is duly organized, validly existing and is in good standing under the laws of the state of its formation and in the State, that its exact legal name, the state of its formation and the state of its chief executive office (or place of business, if it has only one place of business) are correctly stated in the Defined Terms, and that it has all necessary licenses, authorizations, registrations, permits and/or approvals to own its properties and to carry on its business as presently conducted.

(c) Grantor represents and warrants that the execution, delivery and performance of the Loan Documents and the Indemnity Agreement will not result in Grantor being in default under any provision of its organizational documents or of any deed of trust, mortgage, lease, credit or other agreement to which it is a party or which affects it or the Property.

(d) Grantor represents and warrants that the Loan Documents and the Indemnity Agreement have been duly authorized, executed and delivered by Grantor and constitute valid and binding obligations of Grantor which are enforceable in accordance with their terms.

(e) Grantor agrees that it will not change the state where it or its chief executive office (or place of business, if it has only one place of business) is located, or change its name, without providing at least thirty (30) days' prior written notice to Beneficiary.

2.2 PERFORMANCE BY GRANTOR. Grantor shall pay the Secured Indebtedness to Beneficiary and shall keep and perform each and every other obligation, covenant and agreement of the Loan Documents.

2.3 WARRANTY OF TITLE.

(a) Grantor represents and warrants that it holds marketable and indefeasible fee simple absolute title to the Real Property, and that it has the right and is lawfully authorized to sell, convey or encumber the Property subject only to those specific exceptions to title recorded in the real estate records of the State and contained in Schedule B of the title insurance policy or policies which have been approved by Beneficiary (the "Permitted Exceptions"). The Property is free from all due and unpaid taxes, assessments and mechanics' and materialmen's liens.

(b) Grantor further covenants to warrant and forever defend the Real Property unto Beneficiary and Trustee, and their respective heirs, devisees, personal representatives and assigns, from and against the claims and demands of all persons whomsoever.

2.4 TAXES. LIENS AND OTHER CHARGES.

(a) Unless otherwise paid to Beneficiary as provided in Section 2.5, Grantor shall pay all real estate and other taxes and assessments which may be payable, assessed, levied, imposed upon or become a lien on or against any portion of the Property (all of the foregoing items are collectively referred to as the "Imposition(s)"). The Impositions shall be paid not later than ten (10) days before the dates on which the particular Imposition would become delinquent and Grantor shall produce to Beneficiary receipts of the imposing authority, or other evidence reasonably satisfactory to Beneficiary, evidencing the payment of the Imposition in full. If Grantor elects by appropriate legal action to contest any Imposition, Grantor shall first deposit cash with Beneficiary as a reserve in an amount which Beneficiary determines is sufficient to pay the Imposition plus all fines, interest, penalties and costs which may become due pending the determination of the contest. If Grantor deposits this sum with Beneficiary, Grantor shall not be required to pay the Imposition provided that the contest operates to prevent enforcement or collection of the Imposition, or the sale or forfeiture of, the Property, and is prosecuted with due diligence and continuity. Upon termination of any proceeding or contest, Grantor shall pay the amount of the Imposition as finally determined in the proceeding or contest. Provided that there is not then an Event of Default (as defined in Section 11.1), the monies which have been deposited with Beneficiary pursuant to this Section shall be applied toward such payment and the excess, if any, shall be returned to Grantor.

(b) In the event of the passage, after the Execution Date, of any law which deducts from the value of the Property, for the purposes of taxation, any lien or security interest encumbering the Property, or changing in any way the existing laws regarding the taxation of mortgages, deeds of trust and/or security agreements or debts secured by these instruments, or changing the manner for the collection of any such taxes, and the law has the effect of imposing payment of any Impositions upon Beneficiary, at Beneficiary's option, the Secured Indebtedness shall immediately become due and payable. Notwithstanding the preceding sentence, Beneficiary's election to accelerate the Loan shall not be effective if (1) Grantor is permitted by law (including, without limitation, applicable interest rate laws) to, and actually does, pay the Imposition or the increased portion of the Imposition and (2) Grantor agrees in writing to pay or reimburse Beneficiary in accordance with Section 11.6 for the payment of any such Imposition which becomes payable at any time when the Loan is outstanding.

2.5 ESCROW DEPOSITS. Without limiting the effect of Section 2.4 and Section 3.1, Grantor shall pay to Beneficiary monthly on the same date the monthly installment is payable under the Note, an amount equal to 1/12th of the amounts Beneficiary reasonably estimates are necessary to pay, on an annualized basis, (1) all Impositions and (2) the premiums for the insurance policies required under this Deed of Trust (collectively the "Premiums") until such time as Grantor has deposited an amount equal to the annual charges for these items and on demand, from time to time, shall pay to Beneficiary any additional amounts necessary to pay the Premiums and Impositions. Grantor will furnish to Beneficiary bills for Impositions and Premiums thirty (30) days before Impositions become delinquent and such Premiums become due for payment No amounts paid as Impositions or Premiums shall be deemed to be trust funds and these funds may be commingled with the general funds of Beneficiary. Beneficiary shall not be required to pay interest to Grantor on account of these funds. If an Event of Default occurs, Beneficiary shall have the right, at its election, to apply any amounts held under this Section 2.5 in reduction of the Secured Indebtedness, or in payment of the Premiums or Impositions for which the amounts were deposited. However, with respect to deposits of Premiums, Grantor shall not be required to make these deposits unless (i) at any time Grantor fails to furnish to Beneficiary, not later than thirty (30) days before the dates on which any Premiums would become delinquent, receipts for the payment of the Premiums, or (ii) Grantor fails to provide, not later than thirty (30) days prior to expiration of any policy required under the Loan Documents, appropriate proof of issuance of a new policy which continues in force the insurance coverage of the expiring policy, or (iii) there is an Event of Default, or (iv) such deposits are required in connection with a securitization or participation of the Loan, or (v) Grantor no longer owns the Property, or (vi) there has been a change in Grantor or in the 'general partners, shareholders or members of Grantor or in the constituent general partners or controlling shareholders or controlling members of any of the entities comprising Grantor (other than transfers permitted under Section 10.1). In the event any of these events occur, Beneficiary reserves the right to require deposits of Premiums at any time in its absolute discretion notwithstanding the fact that the default may be cured, or that the transfer or change be approved by Beneficiary. In addition, with respect to deposits of Impositions, Grantor shall not be required to make these deposits unless (i) there is an Event of Default, or (ii) such deposits are required in connection with a securitization or participation of the Loan, or (iii) Grantor no longer owns the Property, or (iv) there has been a change in Grantor or in the general partners, shareholders or members of Grantor or in the constituent general partners or controlling shareholders or controlling members of any of the entities comprising Grantor (other than transfers permitted under Section 10.1). In the event any of these events occur, Beneficiary reserves the right to require deposits of Impositions at any time in its absolute discretion notwithstanding the fact that the default may be cured, or that the transfer or change be approved by Beneficiary.

2.6 CARE AND USE OF THE PROPERTY.

(a) Grantor represents and warrants to and agrees with Beneficiary. as follows:

(i) All authorizations, licenses, including without limitation liquor licenses, if any, and operating permits required to allow the Improvements to be operated for the Use have been obtained, paid for and are in full force and effect

(ii) The Improvements and their Use comply with (and no notices of violation have been received in connection with) all Requirements (as defined in this Section) and Grantor shall at all times comply with all present or future Requirements affecting or relating to the Property and/or the Use. Grantor shall furnish Beneficiary, on request, proof of compliance with the Requirements. Grantor shall not use or permit the use of the Property, or any part thereof, for any illegal purpose. "Requirements" shall mean all laws, ordinances, orders, covenants, conditions and rrsuictions and other requirements relating to land and building design and construction, use and maintenance, that may now or hereafter pertain to or affect the Property or any pan of the Property or the Use, including, without limitation, planning, zoning, subdivision, environmental, air quality, flood hazard, fire safety, handicapped' facilities, building, health, fire, traffic, safety, wetlands, coastal and other governmental. or regulatory rules, laws, ordinances, statutes, codes and requirements applicable to the Property, including permits, licenses and/or certificates that may be necessary from time to time to comply with any of these requirements.

(iii) Grantor has complied with and will continue to comply with all requirements of all instruments and agreements affecting the Property, whether or not of record, including without limitation all covenants and agreements by and between Grantor and any governmental or regulatory agency pertaining to the development, use or operation of the Property. Grantor, at its sole cost and expense, shall keep the Property in good order, condition, and repair, and make all necessary structural and non-structural, ordinary and extraordinary repairs to the Property.

(iv) Grantor shall abstain from, and not permit, the commission of waste to the Property and shall not remove or alter in any substantial manner, the structure or character of any Improvements without the prior written consent of Beneficiary. .

(v) The zoning approval for the Property is not dependent upon the ownership or use of any property which is not encumbered by this Deed of Trust.

(vi) Construction of the Improvements on the Property is complete.

(vii) The Property is in good repair and condition, free of any material damage.

(b) Beneficiary shall have the right, at any time and from time to time during normal business hours, to enter the Property in order to ascertain Grantor's compliance with the Loan Documents, to examine the condition of the Property, to perform an appraisal, to undertake surveying or engineering work, and to inspect premises occupied by tenants. Grantor shall cooperate with Beneficiary performing these inspections. Grantor shall pay all costs incurred by Beneficiary in connection with any such inspections.

(c) Grantor shall use, or cause to be used, the Property solely for the Use. Grantor shall not use, or permit the use of, the Property for any other use without the prior written consent of Beneficiary. To the extent the Property is used as a residential apartment complex, (i) Grantor shall not file or record a declaration of condominium, master deed of trust or mortgage or any other similar document evidencing the imposition of a so-called "condominium regime" whether superior or subordinate to this Deed of Trust and (ii) Grantor shall not permit any part of the Property to be converted to, or operated as, a "cooperative apartment house" whereby the tenants or occupants participate in the ownership, management or control of any part of the Property.

(d) Without the prior written consent of Beneficiary, Grantor shall not (i) initiate or acquiesce in a change in the zoning classification of and/or restrictive covenants affecting the Property or seek any variance under existing zoning ordinances, (ii) take any action out of the ordinary course of operating and leasing the Property which may result in the Use becoming a non-conforming use under applicable zoning ordinances (except to the extent the Use may be such a legally permitted non-conforming use on the date hereof), or (iii) subject the Property to restrictive covenants.

(e) Grantor will faithfully perform each and every covenant to be performed by Grantor under any lien or encumbrance affecting the Property including, without limiting the generality hereof, mortgages, deeds of trust, leases, easements, declarations or covenants, conditions and/or restrictions and other agreements which affect the Property, in law or in equity.

2.7 COLLATERAL SECURITY INSTRUMENTS. Grantor covenants and agrees that if Beneficiary at any time holds additional security for any obligations secured by this Deed of Trust, it may enforce its rights and remedies with respect to the security, at its option, either before, concurrently or after a sale of the Property is made pursuant to the terms of this Deed of Trust. Beneficiary may apply the proceeds of the additional security to the Secured Indebtedness without affecting or waiving any right to any other security, including the security under this Deed of Trust, and without waiving any breach or default of Grantor under this Deed of Trust or any other Loan Document.

2.8 SUITS AND OTHER ACTS TO PROTECT THE PROPERTY.

(a) Grantor shall immediately notify Beneficiary of the commencement, or receipt of notice, of any action or proceeding or other material matter or claim affecting the Property and/or the interest of Beneficiary under the Loan Documents (collectively, “Actions”). Grantor shall appear in and defend any Actions.

(b) Beneficiary shall have the right, at the cost and expense of Grantor, to institute, maintain and participate in Actions or other proceedings and take such other action, as it may deem appropriate in the good faith exercise of its discretion to preserve or protect the Property and/or the interest of Beneficiary under the Loan Documents. Any money paid by Beneficiary under this Section shall be reimbursed to Beneficiary in accordance with Section 11.6 hereof.

2.9 LIENS AND ENCUMBRANCES. Without the prior written consent of Beneficiary, to be exercised in Beneficiary’s sole and absolute discretion, other than the Permitted Exceptions, Grantor shall not create, place or allow to remain any lien or encumbrance on the Property, including deeds of trust, mortgages, security interests, conditional sales, mechanic’s liens, tax liens or assessment liens regardless of whether or not they are subordinate to the lien created by this Deed of Trust (collectively, “Liens and Encumbrances”). If any Liens and Encumbrances (other than Permitted Exceptions) are recorded against the Property or any part of the Property, within thirty (30) days after receipt of notice of their existence Grantor shall either obtain a discharge and release of such Liens and Encumbrances, or shall provide a bond or other security with respect thereto in form, scope, and amount satisfactory to Beneficiary in its sole discretion.

ARTICLE 3
INSURANCE

3.1 REQUIRED INSURANCE :AND TERMS OF INSURANCE POLICIES.

(a) During the term of this Deed of Trust, Grantor at its sole cost and expense must provide insurance policies and certificates of insurance satisfactory to Beneficiary as to amounts, types of coverage and the companies underwriting these coverages. In no event shall such policies be terminated or otherwise allowed to lapse. Grantor shall be responsible for its own deductibles. Grantor shall also pay for any insurance, or any increase of policy limits, not described in this Deed of Trust which Grantor requires for its own protection or for compliance with government statutes. Grantor’s insurance shall be primary and without contribution from any insurance procured by Beneficiary.

Policies of insurance shall be delivered to Beneficiary in accordance with the following requirements:

(i) All Risk Property insurance on the Improvements and the Personal Property, including contingent liability from Operation of Building Laws, Demolition Costs and Increased Cost of Construction endorsements, in each case (A) in an amount equal to one hundred percent (100%) of the "Full Replacement Cost" of the Improvements and Personal Property, which for purposes of this Article 3 shall mean actual replacement value (exclusive of costs of excavations, foundations, underground utilities and footings) with a waiver of depreciation and with a Replacement Cost Endorsement; (B) containing an agreed amount endorsement with respect to the Improvements and Personal Property waiving all co-insurance provisions; (C) providing for no deductible in excess of $25,000; and (D) containing an "Ordinance or Law Coverage" or "Enforcement" endorsement if any of the Improvements or the use of the Property shall constitute non-conforming structures or uses. The Full Replacement Cost shall be determined from time to time by an appraiser or contractor designated and paid by Grantor and approved by Beneficiary, in the good faith exercise of its discretion or by an engineer or appraiser in the regular employ of the insurer.

(ii) Commercial General Liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about the Property, such insurance (A) to be on the so-called "occurrence" form with a combined single limit of not less than the amount set forth in the Defined Terms; (B) to continue at not less than this limit until required to be changed by Beneficiary in writing by reason of changed economic conditions making such protection inadequate; and (C) to cover at least the following hazards: (a) premises and operations; (b) products and completed operations on an "if any" basis; (c) independent contractors; (d) blanket contractual liability for all written and oral contracts; and (e) contractual liability covering the indemnities contained in this Deed of Trust to the extent available.

(iii) Business Income insurance in an amount sufficient to prevent Grantor from becoming a co-insurer within the terms of the applicable policies, and sufficient to recover one (1) year's "Business Income" (as hereinafter defined). The amount of such insurance shall be increased from time to time during the term of this Deed of Trust as and when new Leases and renewal Leases are entered into and rents payable increase or the annual estimate of gross income from occupancy increases to reflect such rental increases. "Business Income" shall mean the sum of (A) the total anticipated gross income from occupancy of the Property, (B) the amount of all charges (such as, but not limited to, operating expenses, insurance premiums and taxes) which are the obligation of tenants or occupants to Grantor, (C) the fair market rental value of any portion of the Property which is occupied by Grantor, and (D) any other amounts payable to Grantor or to any affiliate of Grantor pursuant to Leases.

(iv) If Beneficiary determines at any time that any part of the Property is located in an area identified on a Flood Hazard Boundary Map or Flood Insurance Rate Map issued by the Federal Emergency Management Agency as having special flood hazards and flood insurance has been made available, Grantor will maintain a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration with a generally acceptable insurance carrier, in an amount not less than the lesser of (A) the outstanding principal balance of the Loan or (B) the maximum amount of insurance which is available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as amended.

(v) During the period of any construction or renovation or alteration of the Improvements, a so-called "Builder's All Risk" insurance policy in non-reporting form for any Improvements under construction, renovation or alteration including, without limitation, for demolition and increased cost of construction or renovation, in an amount approved by Beneficiary, in the good faith exercise of its discretion, including an Occupancy endorsement and Worker's Compensation Insurance covering all persons engaged in the construction, renovation or alteration in an amount at least equal to the minimum required by statutory limits of the State.

(vi) Workers' Compensation insurance, subject to the statutory limits of the State, and employer's liability insurance with a limit of at least $1,000,000 per accident and per disease per employee, and $1,000,000 for disease in the aggregate in respect of any work or operations on or about the Property, or in connection with the Property or its operations (if applicable).

(vii) Boiler & Machinery insurance covering the major components of the central heating, air conditioning and ventilating systems, boilers, other pressure vessels, high pressure piping and machinery, elevators and escalators, if any, and other similar equipment installed in the Improvements, in an amount equal to one hundred percent (100%) of the full replacement cost of all equipment installed in, on or at the Improvements. These policies shall insure against physical damage to and loss of occupancy and use of the Improvements arising out of an accident or breakdown.

(viii) Insurance from all losses, damages, costs, expenses, claims and liabilities related to or arising from acts of terrorism, of such types, in such amounts, with such deductibles, issued by such companies, and on such forms of insurance policies as required by Beneficiary. Such terrorism insurance may be in the form of a blanket insurance policy so long as the coverage is not less than $100,000,000.00 in the aggregate for all properties covered by such policy. In the event Grantor obtains terrorism insurance for the Property with a coverage in excess of $100,000,000.00, Beneficiary shall be named as a loss payee with respect to any such excess insurance.

(ix) Such other insurance as may from time to time be reasonably required by Beneficiary against other insurable hazards, including, but not limited to, vandalism, earthquake, sinkhole and mine subsidence (provided that earthquake insurance, if required, shall be subject to a deductible of $100,000.00).

(x) Beneficiary's interest must be clearly stated by endorsement in the insurance policies described in this Section 3.1 as follows:

(A) The policies of insurance referenced in Subsections (a)(i), (a)(iii), (a)(iv), (a)(v) and (a)(vii) of this Section 3.1 shall identify Beneficiary under the Standard Mortgagee Clause (non-contributory) endorsement

(B) The policies of insurance referenced in Subsections (a)(ii) and (a)(viii) of this Section 3.1 shall name Beneficiary as an additional insured.

(C) All of the policies referred to in Section 3.1 shall provide for at least thirty (30) days' written notice to Beneficiary in the event of policy cancellation and/or material change.

(b) All the insurance companies must be authorized to do business in New York State and in the State and be approved by Beneficiary in the good faith exercise of its discretion. The insurance companies must have a general policy rating of A or better and a financial class of X or better by A.M. Best Company, Inc. and a claims paying ability of BBB or better according to Standard & Poor's and if there are any Securities (as defined in Section 12.1(a)) issued with respect to the Loan which have been assigned a rating by a credit rating agency approved by Beneficiary (a "Rating Agency"), the insurance company shall have a claims paying ability rating by such Rating Agency equal to or greater than the-rating of the highest class of the Securities. Grantor shall deliver evidence satisfactory to Beneficiary of payment of premiums due under the insurance policies.

(c) Certified copies of the policies, and any endorsements, shall be made available for inspection by Beneficiary upon request. If any policy is canceled before the Loan is satisfied, and Grantor fails to immediately procure replacement insurance, Beneficiary reserves the right but shall not have the obligation immediately to procure replacement insurance at Grantor's cost

(d) Grantor shall be required during the term of the Loan to continue to provide Beneficiary with original renewal policies or replacements of the insurance policies referenced in Section 3.1(a). Beneficiary may accept Certificates of Insurance evidencing insurance policies referenced in Subsections (a)(ii), (a)(iv), and (a)(vi) of this Section 3.1 instead of requiring the actual policies.

Beneficiary shall be provided with renewal Certificates of insurance, or Binders, not less than fifteen (15) days prior to each expiration. The failure of Grantor to maintain the insurance required under this Article 3 shall not constitute a waiver of Grantor's obligation to fulfill these requirements.

(e) All binders, policies, endorsements, certificates, and cancellation notices are to be sent to the Address for Insurance Notification as set forth in the Defined Terms until changed by notice from Beneficiary.

3.2 ADJUSTMENT OF CLAIMS. Grantor hereby authorizes and empowers Beneficiary to settle, adjust or compromise any claims for damage to, or loss or destruction of, all or a portion of the Property, regardless of whether there are Insurance Proceeds available or whether any such Insurance Proceeds are sufficient in amount to fully compensate for such damage, loss or destruction. Notwithstanding the foregoing, so long as no Event of Default (or any event which with notice and/or the opportunity to cure would constitute an Event of Default) has occurred and is continuing, and so long as Beneficiary's security shall not be impaired, (a) Grantor may settle any such claims involving less than $250,000.00 without the consent of Beneficiary, and (b) Grantor may negotiate for a settlement, adjustment or compromise of any such claims involving $250,000.00 or more provided that the final settlement shall be subject to the written approval of Beneficiary in its sole and absolute discretion.

3.3 ASSIGNMENT TO BENEFICIARY. In the event of the foreclosure of this Deed of Trust or other transfer of the title to the Property in extinguishment of the Secured Indebtedness, all right, title and interest of Grantor in and to any insurance policy, or premiums or payments in satisfaction of claims or any other rights under these insurance policies and any other insurance policies covering the Property shall pass to the transferee of the Property.

ARTICLE 4
BOOKS, RECORDS AND ACCOUNTS

4.1 BOOKS AND RECORDS. Grantor shall keep adequate books and records of account in accordance with generally accepted accounting principles ("GAAP"), or in accordance with other methods acceptable to Beneficiary in its sole discretion, consistently applied and furnish to Beneficiary:

(a) Annually certified rent rolls signed and dated by Grantor, detailing the names of all tenants of the Improvements, the portion of Improvements occupied by each tenant, the base rent and any other charges payable under each Lease (as defined in Section 5.2) and the term of each Lease, including the expiration date, and any other information as is reasonably required by Beneficiary, within thirty (30) days after the end of each fiscal year,

(b) A quarterly operating statement of the Property and year to date operating statements detailing the total revenues received, total expenses incurred, total cost of all capital improvements, total debt service and total cash flow, to be prepared and certified by Grantor in the form required by Beneficiary, and if available, any quarterly operating statement prepared by an independent certified public accountant, within thirty to sixty (30-60) days after the close of each fiscal quarter of Grantor;

(c) An annual balance sheet and profit and loss statement of Grantor in the form required by Beneficiary, prepared and certified by Grantor, or if required by Beneficiary, audited financial statements for Grantor and any Liable Parties prepared by an independent certified public accountant acceptable to Beneficiary within ninety (90) days after the close of each fiscal year of Grantor and the Liable Parties, as the case may be; and

(d) An annual operating budget presented on a monthly basis consistent with the annual operating statement described above for the Property including cash flow projections for the upcoming year and all proposed capital replacements and improvements at least fifteen (15) days prior to the start of each calendar year.

Notwithstanding the foregoing, the financial statements for Liable Parties to be provided pursuant to Section 4.1(c) do not need to be in accordance with GAAP, provided they are in accordance with the accounting method used in the financial statements of Liable Parties submitted to Beneficiary in connection with the application for the Loan.

4.2 ADDITIONAL MATTERS.

(a) Grantor shall furnish Beneficiary with such other additional financial or management information (including State and Federal tax returns) as may, from time to time, be reasonably required by Beneficiary or the rating agencies in form and substance satisfactory to Beneficiary or the rating agencies.

(b) Grantor shall furnish Beneficiary and its agents convenient facilities for the examination and audit of any such books and records.

(c) Beneficiary and its representatives shall have the right upon prior written notice to examine and audit the records, books, management and other papers of Grantor and its affiliates or of any guarantor or indemnitor which reflect upon their financial condition and/or the income, expenses and operations of the Property, at the Property or at any office regularly maintained by Grantor, its affiliates or any guarantor or indemnitor where the books and records are located. Beneficiary shall have the right upon notice to make copies and extracts from the foregoing records and other papers.

ARTICLE 5
LEASES AND OTHER AGREEMENTS AFFECTING THE PROPERTY

5.1 GRANTOR'S REPRESENTATIONS AND WARRANTIES. Grantor represents and warrants to Trustee and Beneficiary as follows:

(a) There are no leases or occupancy agreements affecting the Property except those leases and amendments listed on Exhibit B to the Assignment of Leases and Grantor has delivered to Beneficiary true, correct and complete copies of all existing leases, including amendments (collectively, "Existing Leases") and all guaranties and amendments of guaranties given in connection with the Existing Leases (the "Guaranties").

(b) There are no material defaults by Grantor under the Existing Leases or Guaranties and, to the best knowledge of Grantor, except as may have been disclosed to Beneficiary in the tenant estoppel certificates delivered to Beneficiary in connection with the Loan, there are no material defaults by any tenants under the Existing Leases or any guarantors under the Guaranties. The Existing Leases and the Guaranties are in full force and effect.

(c) To the best knowledge of Grantor, none of the tenants now occupying ten percent (10%) or more of the Property or having a current lease affecting ten percent (10%) or more of the Property is the subject of any bankruptcy, reorganization or insolvency proceeding or any other debtor-creditor proceeding.

(d) Except as specifically set forth in the Existing Leases, no Existing Leases may be amended, terminated or canceled unilaterally by a tenant and no tenant may be released from its obligations, except in the event of (i) material damage to, or destruction of, the Property or (ii) condemnation.

5.2 ASSIGNMENT OF LEASES. In order to further secure payment of the Secured Indebtedness and the performance of Grantor's obligations under the Loan Documents, Grantor absolutely, presently and unconditionally grants, assigns and transfers to Beneficiary all of Grantor's right, title, interest and estate in, to and under (i) all of the Existing Leases and Guaranties affecting the Property and (ii) all of the future leases, lease amendments, guaranties and amendments of guaranties and (iii) the Rents and Profits. Grantor acknowledges that it is permitted to collect the Rents and Profits pursuant to a revocable license unless and until an Event of Default occurs. The Existing Leases and Guaranties and all future leases, lease amendments, guaranties and amendments of guaranties are collectively referred to as the "Leases."

5.3 PERFORMANCE OF OBLIGATIONS.

(a) Grantor shall perform all material obligations under any and all Leases. If any of the acts described in this Section are done without the written consent of Beneficiary, at the option of Beneficiary, they shall be of no force or effect and shall constitute a default under this Deed of Trust.

(b) Upon request of Beneficiary, Grantor agrees to furnish Beneficiary executed copies of all future Leases entered into which affect the Property.

(c) Grantor shall not, without the express written consent of Beneficiary, (i) enter into or extend any Lease unless the Lease complies with the Leasing Guidelines which are attached to this Deed of Trust as Exhibit B (provided, however, that the foregoing shall not prohibit Grantor from allowing the extension of any Leases pursuant to any extension options existing under the Existing Leases or Leases hereafter entered into in accordance with the terms hereof), or (ii) cancel or terminate any Leases or accept a surrender of any Leases except in the case of a default unless Grantor has entered into new Leases covering all of the premises of the Leases being terminated or surrendered or unless specifically permitted under any Existing Leases or Leases hereafter entered into in accordance with the terms hereof, or (iii) modify or amend any Leases in any material way or reduce the rent (unless any such Lease following such modification, amendment or reduction shall remain in compliance with the Leasing Guidelines), or (iv) unless the tenants remain liable under the Leases, consent to an assignment of the tenant's interest or to a subletting of any of the Leases, or (v) accept payment of advance rents in an amount in excess of one month's rent under any Lease. In the event that (i) Grantor has delivered to Beneficiary a written request for Beneficiary's approval of a Lease or other leasing matter together with a summary of the business terms of such Lease or other leasing matter by a method which provides evidence of delivery, such as certified mail or a recognized national overnight delivery service, (ii) Beneficiary has failed to respond to such request within five (5) business days after Beneficiary's receipt of such request, and (iii) Grantor has delivered to Beneficiary a second copy of such request by such a method, then, if Beneficiary has failed to respond to such second request within five (5) business days after Beneficiary's receipt of such request, such request shall be deemed approved, provided that each such request included a legend prominently displayed at the top of the first page thereof in solid capital letters in bold face type of a font size not less than twelve (12) as follows: **"WARNING: PURSUANT TO SECTION 5.3 OF THE DEED OF TRUST, YOU WILL BE DEEMED TO HAVE APPROVED THIS REQUEST IF YOU DO NOT RESPOND WITHIN FIVE (5) BUSINESS DAYS AFTER RECEIPT."**

(d) Grantor shall not, without the express written consent of Beneficiary enter into any options to purchase the Property.

5.4 SUBORDINATE LEASES. Each Lease hereafter entered into affecting the Property shall be absolutely subordinate to the lien of this Deed of Trust and shall also contain a provision, satisfactory to Beneficiary, to the effect that (a) Beneficiary may elect to make such Lease superior to the lien of this Deed of Trust and (b) in the event of the judicial or non-judicial foreclosure of the Property, at the election of the acquiring foreclosure purchaser, the particular Lease shall not be terminated and the tenant shall attorn to the purchaser subject to the terms of such Lease. If requested to do so, the tenant shall agree to enter into a new Lease for the balance of the term upon the same terms and conditions. If Beneficiary requests, Grantor shall cause a tenant or tenants to enter into subordination and attornment agreements or nondisturbance agreement with Beneficiary on forms which have been approved by Beneficiary and Beneficiary shall negotiate such forms in good faith at Grantor's cost, including payment of the reasonable fees of Beneficiary's counsel. In addition, Beneficiary agrees to provide a nondisturbance agreement to any tenant (and to negotiate such agreement in good faith at Grantor's cost, including payment of the reasonable fees of Beneficiary's counsel), provided that such tenant's Lease is approved by Beneficiary. Following the date hereof, Grantor shall request and use reasonable efforts to obtain a subordination, nondisturbance and attornment agreement on forms which have been approved by Beneficiary from each tenant under a Lease demising in excess of 8,000 square feet of rentable floor area in effect on the date hereof who has not yet provided such an agreement

5.5 MANAGEMENT FEES. Grantor covenants and agrees that all contracts and agreements relating to the Property requiring the payment of management fees or other similar compensation shall (i) provide that the obligation will not be enforceable against Beneficiary and (ii) be subordinate to the lien of this Deed of Trust. Beneficiary will be provided evidence of Grantor's compliance with this Section upon request

ARTICLE 6
ENVIRONMENTAL HAZARDS

6.1 REPRESENTATIONS AND WARRANTIES. Grantor hereby represents, warrants, covenants and agrees to and with Beneficiary that (i) except as may be disclosed in the Initial Environmental Reports (as defined in the Indemnity Agreement), neither Grantor nor, to the best of Grantor's knowledge, after due inquiry, any tenant, subtenant or occupant of the Property, has at any time placed, suffered or permitted the presence of any Hazardous Materials (as defined in Section 6.5) at, on, under, within or about the Property except as expressly approved by Beneficiary in writing; (ii) except as may be disclosed in the Initial Environmental Reports, to the best knowledge of Grantor, all operations or activities upon the Property, and any use or occupancy of the Property by Grantor, and any tenant, subtenant or occupant of the Property are presently and shall in the future be in compliance with all Requirements of Environmental-Laws (as defined in Section 6.6); (iii) Grantor will use best efforts to assure that any tenant, subtenant or occupant of the Property shall in the future be in compliance with all Requirements of Environmental Laws; (iv) except as may be disclosed in the Initial Environmental Reports, Grantor does not know of, and has not received, any written or oral notice or other communication from any person or entity (including, without limitation, a governmental entity) relating to Hazardous Materials or Remedial Work pertaining thereto, of possible liability of any- person or entity pursuant to any Requirements of Environmental Laws, other environmental conditions in connection with the Property, or any actual administrative or judicial proceedings in connection with any of the foregoing; (v) Grantor shall not do (and shall use its best efforts not to allow any tenant or other user of the Property to do) any act that materially increases the dangers to human health or the environment, poses an unreasonable risk of harm to any person or entity (whether on or off the Property), impairs or may impair the value of the Property, is contrary to any requirement of any insurer, constitutes a public or private nuisance, constitutes waste, or violates any covenant, condition, agreement or easement applicable to the Property; and (vi) Grantor has truthfully and fully provided to Beneficiary, in writing, any and all information relating to environmental conditions in, on, under or from the Property that is known to Grantor and that is contained in Grantor's files and records, including, without limitation, any reports relating to Hazardous Materials in, on, under or from the Property and/or to the environmental condition of the Property.

6.2 REMEDIAL WORK. In the event any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal or other remedial work (collectively, the "Remedial

Work") is required under any Requirements of Environmental Laws, Grantor shall perform or cause to be performed the Remedial Work in compliance with the applicable law, regulation, order or agreement. All Remedial Work shall be performed by one or more contractors, selected by Grantor and approved in advance in writing by Beneficiary, and under the supervision of a consulting engineer, selected by Grantor and approved in advance in writing by-Beneficiary. All costs and expenses of Remedial Work shall be paid by Grantor including, without Limitation, the charges of the contractor(s) and/or the consulting engineer, and Beneficiary's reasonable attorneys', architects' and/or consultants' fees and costs incurred in connection with monitoring or review of the Remedial Work. In the event Grantor shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, the Remedial Work, Beneficiary may, but shall not be required to, cause such Remedial Work to be performed, subject to the provisions of Sections 11.5 and 11.6.

6.3 ENVIRONMENTAL SITE ASSESSMENT. Beneficiary shall have the right, at any time and from time to time, to undertake an environmental site assessment on the Property, including any testing that Beneficiary may determine, in its sole discretion, is necessary or desirable to ascertain the environmental condition of the Property and the compliance of the Property with Requirements of Environmental Laws. Any such assessment and/or testing shall be at the sole expense of Grantor if an Event of Default has occurred and is continuing or if Beneficiary reasonably believes that Hazardous Materials are present in, on, under or from the Property. Grantor shall cooperate fully with Beneficiary and its consultants performing such assessments and tests.

6.4 UNSECURED OBLIGATIONS. No amounts which may become owing by Grantor to Beneficiary under this Article 6 or under any other provision of this Deed of Trust as a result of a breach of or violation of this Article 6 shall be secured by this Deed of Trust. The obligations shall continue in full force and effect and any breach of this Article 6 shall constitute a default under this Deed of Trust. The lien of this Deed of Trust shall not secure (i) any obligations evidenced by or arising under the Indemnity Agreement ("Unsecured Obligations"), or (ii) any other obligations to the extent that they are the same or have the same effect as any of the Unsecured Obligations. The Unsecured Obligations shall continue in full force, and any breach or default of any such obligations shall constitute a breach or default under this Deed of Trust but the proceeds of any foreclosure sale shall not be applied against Unsecured Obligations. Nothing in this Section shall in any way limit or otherwise affect the right of Beneficiary to obtain a judgment in accordance with applicable law for any deficiency in recovery of all obligations that are secured by this Deed of Trust following foreclosure, notwithstanding that the deficiency judgment may result from diminution in the value of the Property by reason of any event or. occurrence pertaining to Hazardous Materials or any Requirements of Environmental Laws.

6.5 HAZARDOUS MATERIALS. "Hazardous Materials" shall include without limitation:

(a) Those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances," or "solid waste" in the Comprehensive Environmental Response Compensation and Liability Act of 1980 (as amended), 42 U.S.C. Sections 9601 et seq., the Resource Conservation and Recovery Act of 1976 (as amended), 42 U.S.C. Sections 6901 et seq. ("RCRA"), and the Hazardous Materials Transportation Act (as amended), 49 U.S.C. Sections 1501 et seq., and in the regulations promulgated pursuant to said laws, all as amended;

(b) Those substances listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101 and amendments thereto) listed in Table 302.4 - List of Hazardous Substances and Reportable Quantities (40 CFR Part 302 and amendments thereto) or listed in the List of Extremely Hazardous Substances and Their Threshold Planning Quantities (40 CFR Part 355, App. A, and amendments thereto);

(c} Any material, waste or substance which is (A) petroleum, including crude oil or. any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, synthetic gas usable for fuel, or any mixture thereof (B) asbestos, (C) polychlorinated biphenyls, (D) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. § 1251 et seq. (33 U.S.C. § 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. § 1317), (E) a chemical substance or mixture regulated under the Toxic Substances Control Act of 1976, 15 U.S.C. §§ 2601 et seq., (F) flammable explosives, (G) radioactive materials, (H) unexploded ordinance, (I) pesticides, fungicides, insecticides or rodenticides, or (J) a hazardous air pollutant that is or may be listed under § 112 of the Clean Air Act, as amended, 42 U.S.C. §§ 7401 et seq. (42 U.S.C. § 7412);

(d) Any material, waste or substance that is included within and regulated by Title 8 of District of Columbia Official Code (2001), as amended, and

(e) Such other substances, materials and wastes which are or become regulated as hazardous or toxic under applicable local, state or federal law, or the United States government, or which are classified as hazardous or toxic under federal, state, or local laws or regulations, and any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or which may or could pose a hazard to the environment or human health or safety.

6.6 REQUIREMENTS OF ENVIRONMENTAL LAWS. "Requirements of Environmental Laws" means all requirements of environmental, ecological, health, or industrial hygiene laws or regulations or rules of common law related to the Property, including, without limitation, all requirements imposed by any environmental permit, law, rule, order, or regulation of any federal, state, or local executive, legislative, judicial, regulatory, or administrative agency, which relate to (i) exposure to Hazardous Materials; (ii) pollution or protection of the air, surface water, ground water, land; (iii) solid, gaseous, or Liquid waste generation, treatment, storage, disposal, or transportation; or (iv) regulation of the manufacture, processing, distribution and commerce, use, or storage of Hazardous Materials.

ARTICLE 7
CASUALTY, CONDEMNATION AND RESTORATION

7.1 GRANTOR'S REPRESENTATIONS. Grantor represents and warrants as follows:

(a) Except as expressly approved by Beneficiary in writing, no casualty or damage to any part of the Property which would cost more than $50,000 to restore or replace has occurred which has not been fully restored or replaced.

(b) No pan of the Property has been taken in condemnation or other similar proceeding or transferred in lieu of condemnation, nor has Grantor received notice of any proposed condemnation or other similar proceeding affecting the Property.

(c) There is no pending proceeding for total or partial condemnation of the Property.

7.2 RESTORATION.

(a) Grantor shall give prompt written notice of any casualty to the Property to Beneficiary whether or not required to be insured against. The notice shall describe the nature and cause of the casualty and the extent of the damage to the Property. Grantor covenants and agrees to commence and diligently pursue to completion the Restoration.

(b) Grantor assigns to Beneficiary all Insurance Proceeds which Grantor is entitled to receive in connection with a casualty whether or not such insurance is required under this Deed of Trust. In the event of any damage to or destruction of the Property, and provided (1) an Event of Default does not currently exist, and (2) Beneficiary has determined that (i) there has not been an Impairment of the Security (as defined in Section 7.2(c)), and (ii) the repair, restoration and rebuilding of any portion of the Property that has been partially damaged or destroyed (the "Restoration") can be accomplished in full compliance with all Requirements to the same condition, character and general utility as nearly as possible to that existing prior to the casualty and at least equal in value as that existing prior to the casualty, then the Net Insurance Proceeds shall be applied to the cost of Restoration in accordance with the terms of this Article. Beneficiary shall hold and disburse the Insurance Proceeds less the cost, if any, to Beneficiary of recovering the Insurance Proceeds including, without limitation, reasonable attorneys' fees and expenses, and adjusters' fees (the "Net Insurance Proceeds") to the Restoration.

(c) For the purpose of this Article, "Impairment of the Security" shall mean any or all of the following: (i) any of the Leases covering more than 20,000 square feet existing immediately prior to the damage, destruction, condemnation or casualty shall have been cancelled, or shall contain any exercisable right to cancel as a result of the damage, destruction or casualty (and the tenant thereunder shall not have waived or be deemed to have waived such right); (ii) the casualty or damage occurs during the last year of the term of the Loan; or (iii) restoration of the Property is estimated to require more than one year to complete from the date of the occurrence.

(d) If the Net Insurance Proceeds are to be used for the Restoration in accordance with this Article, Grantor shall comply with Beneficiary's Requirements For Restoration as set forth in Section 7.4 below. Upon Grantor's satisfaction and completion of the Requirements For Restoration and upon confirmation that there is no Event of Default then existing, Beneficiary shall pay any remaining Restoration Funds (as defined in Section 7.4 below) then held by Beneficiary to Grantor.

(e) In the event that the conditions for Restoration set forth in this Section have not been met, Beneficiary may, at its option, apply the Net Insurance Proceeds to the reduction of the Secured Indebtedness in such order as Beneficiary may determine and Beneficiary may declare the entire Secured Indebtedness immediately due and payable, without the payment of the Prepayment Fee, as defined in the Note. After payment in full of the Secured Indebtedness, any remaining Restoration Funds shall be paid to Grantor.

7.3 CONDEMNATION.

(a) If the Property or any part of the Property is taken by reason of any condemnation or similar eminent domain proceeding, or by a grant or conveyance in lieu of condemnation or eminent domain ("Condemnation"), Beneficiary shall be entitled to all compensation, awards, damages, proceeds and payments or relief for the Condemnation ("Condemnation Proceeds"). At its option, Beneficiary shall be entitled to commence, appear in and prosecute in its own name any action or proceeding or to make any compromise or settlement in connection with such Condemnation. Grantor hereby irrevocably constitutes and appoints Beneficiary as its attorney-in-fact, which appointment is coupled with an interest, to commence, appear in and prosecute any action or proceeding or to make any compromise or settlement in connection with any such Condemnation. Notwithstanding the foregoing, so long as no Event of Default (or any event which with notice and/or the opportunity to cure would constitute an Event of Default) has occurred and is continuing, and so long as Beneficiary's security shall not be impaired, (i) Grantor may settle any such Condemnation involving less than $250,000.00 without the consent of Beneficiary, and (ii) Grantor may negotiate for a settlement, adjustment or compromise of any such Condemnation involving $250,000.00 or more provided that the final settlement shall be subject to the written approval of Beneficiary in its sole and absolute discretion.

(b) Grantor assigns to Beneficiary all Condemnation Proceeds which Grantor is entitled to receive. In the event of any Condemnation, and provided (1) an Event of Default does not currently exist, and (2) Beneficiary has determined that (i) there has not been an Impairment of the Security, and (ii).the Restoration of any portion of the Property that has not been taken can be accomplished in full compliance with all Requirements to the same condition, character and general utility as nearly as possible to that existing prior to the taking and at least equal in value as that existing prior to the taking, then Grantor shall commence and diligently pursue to completion the Restoration. Beneficiary shall hold and disburse the Condemnation Proceeds less the cost, if any, to Beneficiary of recovering the Condemnation Proceeds including, without limitation, reasonable attorneys' fees and expenses, and adjusters' fees (the "Net Condemnation Proceeds") to the Restoration.

(c) In the event the Net Condemnation Proceeds are to be used for the Restoration, Grantor shall comply with Beneficiary's Requirements For Restoration as set forth in Section 7.4 below. Upon Grantor's satisfaction and completion of the Requirements For Restoration and upon confirmation that there is no Event of Default then existing, Beneficiary shall pay any remaining Restoration Funds (as defined in Section 7.4 below) then held by Beneficiary to Grantor.

(d) In the event that the conditions for Restoration set forth in this Section have not been met, Beneficiary may, at its option, apply the Net Condemnation Proceeds to the reduction of the Secured Indebtedness in such order as Beneficiary may determine and Beneficiary may declare the entire Secured Indebtedness immediately due and payable, without the payment of the Prepayment Fee. After payment in full of the Secured Indebtedness, any remaining Restoration Funds shall be paid to Grantor.

7.4 REQUIREMENTS FOR RESTORATION. Unless otherwise expressly agreed in a writing signed by Beneficiary, the following are the Requirements For Restoration:

(a) If the Net Insurance Proceeds or Net Condemnation Proceeds are to be used for the Restoration, prior to the commencement of any Restoration work (the "Work"), Grantor shall provide Beneficiary (i) for its review and written approval complete plans and specifications for the Work which (A) have been approved by all required governmental authorities, (B) have been approved by an architect satisfactory to Beneficiary (the "Architect") and (C) are accompanied by Architect's signed statement of the total estimated cost of the Work (the "Approved Plans and Specifications"); (ii) the amount of money which Beneficiary reasonably determines will be sufficient when added to the Net Insurance Proceeds or Condemnation Proceeds to pay the entire cost of the Restoration (collectively referred to as the "Restoration Funds"); (iii) evidence that the Approved Plans and Specifications and the Work are in compliance with all Requirements; (iv) an executed contract for construction with a contractor satisfactory to Beneficiary (the "Contractor") in a form approved by Beneficiary in writing; and (v) if reasonably requested by Beneficiary, a surety bond and/or guarantee of payment with respect to the completion of the Work. The bond or guarantee shall be satisfactory to Beneficiary in form and amount and shall be signed by a surety or other entities who are acceptable to Beneficiary.

(b) Grantor shall not commence the Work, other than temporary work to protect the Property or prevent interference with business, until Grantor shall have complied with the requirements of subsection (a) of this Section 7.4. So long as there does not currently exist an Event of Default and the following conditions have been complied with or, in Beneficiary's discretion, waived, Beneficiary shall disburse the Restoration Funds in increments to Grantor, from time to time as the Work progresses:

(i) Architect shall be in charge of the-Work,

(ii) Beneficiary shall disburse the Restoration Funds directly or through escrow with a title company selected by Grantor and approved by Beneficiary, upon not less than ten (10) days' prior written notice from Grantor to Beneficiary and Grantor's delivery to Beneficiary of (A) Grantor's written request for payment (a "Request for Payment") accompanied by a certificate by Architect in a form satisfactory to Beneficiary which states that (a) all of the Work completed to that date has been completed in compliance with the Approved Plans and Specifications and in accordance with all Requirements, (b) the amount requested has been paid or is then due and payable and is property a part of the cost of the Work and (c) when added to all sums previously paid by Beneficiary, the requested amount does not exceed the value of the Work completed to the date of such certificate; and (B) evidence satisfactory to Beneficiary that the balance of the Restoration Funds remaining after making the payments shall be sufficient to pay the balance of the cost of the Work. Each Request for Payment shall be accompanied by (x) waivers of liens covering that part of the Work previously paid for, if any, (y) a title search or by other evidence satisfactory to Beneficiary that no mechanic's or materialmen's liens or other similar liens for labor or materials supplied in connection with the Work have been filed against the Property and not discharged of record, and (z) an endorsement to Beneficiary's tide policy insuring that no encumbrance exists on or affect the Property other than the Permitted Exceptions; and

(iii) The final Request for Payment shall be accompanied by (A) a. final certificate of occupancy or other evidence of approval of appropriate governmental authorities for the use and occupancy of the Improvements, (B) evidence that the Restoration has been completed in accordance with the Approved Plans and Specifications and all Requirements, (C) evidence that the costs of the Restoration have been paid in full, and (D) evidence that no mechanic's or similar liens for labor or material supplied in connection with the Restoration are outstanding against the Property, including final waivers of liens covering all of the Work and an endorsement to Beneficiary's title policy insuring that no encumbrance exists on or affects the Property other than the Permitted Exceptions.

(iv) If (A) within sixty (60) days after the occurrence of any damage, destruction or condemnation requiring Restoration, Grantor fails to submit to Beneficiary and receive Beneficiary's approval of plans and specifications or fails to deposit with Beneficiary the additional amount necessary to accomplish the Restoration as provided in subparagraph (a) above, or (B) after such plans and specifications are approved by all such governmental authorities and Beneficiary, Grantor fails to commence promptly or diligently continue to completion the Restoration, or (C) Grantor becomes delinquent in payment to mechanics, materialmen or others for the costs incurred in connection with the Restoration, or (D) there exists an Event of Default, then, in addition to all of the rights herein set forth and after ten (10) days' written notice of the non-fulfillment of one or more of these conditions, Beneficiary may apply the Restoration Funds to reduce the Secured Indebtedness in such order as Beneficiary may determine, and at Beneficiary's option and in its sole discretion, Beneficiary may declare the Secured Indebtedness immediately due and payable together with the Prepayment Fee.

ARTICLE 8
REPRESENTATIONS OF GRANTOR

8.1 ERISA. Grantor hereby represents, warrants and agrees that: (i) it is acting on its own behalf and that it is not an employee benefit plan as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), which is subject to Title I of ERISA, nor a plan as defined in Section 4975(e)(1) of the Internal Revenue Code of 1936, as amended (each of the foregoing hereinafter referred to collectively as a "Plan"); (ii) Grantor's assets do not constitute "plan assets" of one or more such Plans within the meaning of Department of Labor Regulation Section 2510.3-101; and (iii) it will not be reconstituted as a Plan or as an entity whose assets constitute "plan assets."

8.2 NON-RELATIONSHIP. Neither Grantor nor, to Grantor's knowledge, any person who is a Grantor's Constituent (as defined in Section 8.3) is (i) a director or officer of Metropolitan Life Insurance Company ("MetLife"), (ii) a parent, son or daughter of a director or officer of MetLife, or a descendent of any of them, (iii) a stepparent, adopted child, stepson or stepdaughter of a director or officer of MetLife, or (iv) a spouse of a director or officer of MetLife.

8.3 NO ADVERSE CHANGE. Grantor represents and warrants that:

(a) There has been no material adverse change from the conditions shown in the application submitted for the Loan by Grantor (the “Application”) or in the materials submitted in connection with the Application in the credit rating or financial condition of Grantor or the Liable Parties or, to the best knowledge of Grantor, any entity which is a general partner, shareholder or member of Grantor (collectively, “Grantor’s Constituents”).

(b) Grantor has delivered to Beneficiary true and correct copies of all Grantor’s organizational documents and except as expressly approved by Beneficiary in writing, there have been no changes in Grantor’s Constituents since the date that the Application was executed by Grantor.

(c) Neither Grantor, nor any of Grantor’s Constituents, is involved in any bankruptcy, reorganization, insolvency, dissolution or liquidation proceeding, and to the best knowledge of Grantor, no such proceeding is contemplated or threatened.

(d) Grantor has received reasonably equivalent value for the granting of this Deed of Trust.

8.4 FOREIGN INVESTOR. Neither Grantor nor any partner, member or stockholder of Grantor is a “foreign person” within the meaning of Sections 1445 and 7701 of the Internal Revenue Code of 1986, as amended.

ARTICLE 9
EXCULPATION AND LIABILITY

9.1 LIABILITY OF GRANTOR.

(a) Upon the occurrence of an Event of Default, except as provided in this Section 9.1, Beneficiary will look solely to the Property and the security under the Loan Documents for the repayment of the Loan and will not enforce a deficiency judgment against Grantor. However, nothing contained in this section shall limit the rights of Beneficiary to enforce any policies of insurance or to proceed against Grantor and the general partners of Grantor, if any, and/or the Liable Parties or any one or more of them (i) to enforce any Leases entered into by Grantor or its affiliates as tenant, guarantees, or other agreements entered into by Grantor in a capacity other than as borrower (ii) to recover damages for fraud, material misrepresentation, material breach of warranty or waste committed by Grantor or any constituent thereof; (iii) to recover any Condemnation Proceeds or Insurance Proceeds or other similar funds which have been misapplied by Grantor or which, under the terms of the Loan Documents, should have been paid to Beneficiary; (iv) to recover any tenant security deposits, tenant letters of credit or other deposits or refundable fees paid to Grantor that are part of the collateral for the Loan or prepaid rents for a period of more than 30 days which have not been delivered to Beneficiary unless applied in accordance with the Leases prior to an Event of Default; (v) to recover Rents and Profits received by Grantor after the first day of the month in which an Event of Default occurs and prior to the date Beneficiary acquires title to the Property which have not been applied to the Loan or in accordance with the Loan Documents to operating and maintenance expenses of the Property; (vi) to recover damages, costs and expenses arising from, or in connection with, any breach of a covenant contained in Article 6 hereof or the Indemnity Agreement; (vii) to recover any amount expended by Beneficiary in connection with a foreclosure or trustee’s sale hereunder, (viii) to recover damages arising from Grantor’s failure to comply with Section 8.1 of this Deed of Trust pertaining to ERISA; and/or (ix) to recover damages, costs and expenses arising from, or in connection with, Grantor’s failure to pay any Impositions or Premiums.

(b) The limitation of liability set forth in this Section 9.1 shall not apply and the Loan shall be fully recourse in the event that prior to the indefeasible payment in full of the Secured Indebtedness

(i) Grantor commences a voluntary bankruptcy or insolvency proceeding or (ii) an involuntary bankruptcy or insolvency proceeding is commenced against Grantor and Grantor or any related party has directly or indirectly encouraged, participated with, or colluded with the parties filing such involuntary bankruptcy or insolvency proceeding to file such proceeding. In addition, this agreement shall not waive any rights which Beneficiary would have under any provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the Secured Indebtedness or to require that the Property shall continue to secure all of the Secured Indebtedness.

ARTICLE 10
CHANGE IN OWNERSHIP, CONVEYANCE OF PROPERTY

10.1 CONVEYANCE OF PROPERTY. CHANGE IN OWNERSHIP AND COMPOSITION.

(a) Grantor shall not cause or permit (i) the Property, or any interest in the Property, to be conveyed, transferred, assigned, encumbered (except for Permitted Exceptions), sold or otherwise disposed of; or (ii) any transfer, assignment or conveyance of any interest in Grantor or in the partners, or stockholders, or members or beneficiaries of, Grantor or of any of Grantor's Constituents; or (iii) any merger, reorganization, dissolution or other change in the ownership structure of Grantor or any of 'the members of Grantor, including, without limitation, any conversion of Grantor or any member of Grantor from a limited liability company to a general partnership, limited partnership, or a limited liability partnership, or vice-versa (collectively, "Transfers").

(b) The prohibitions on transfer shall not be applicable to (i) Transfers as a result of the death of a natural person; or (ii) Transfers in connection with estate planning between or among a revocable trust or a natural person to a spouse, son or daughter or descendant of either, a stepson or stepdaughter or descendant of either, or (iii) Transfers to or from a spouse in connection with the dissolution of a marriage, so long as Grantor pays to Beneficiary all costs and expenses incurred by Beneficiary in connection with any proposed Transfer pursuant to the preceding clauses (i), (ii), or (iii), if any, including without limitation title insurance premiums, documentation and recording costs, and reasonable attorneys' costs and fees.

(c) Notwithstanding the foregoing, transfers to or among the constituent members of Grantor or the constituent owners of any of Grantor's Constituents shall be permitted without the consent of Beneficiary provided that (i) there shall not then be a default or Event of Default hereunder or under any of the other Loan Documents, or the Guaranty or the Indemnity Agreement or any event which would, after the passage of time or the giving of notice, or both, constitute such a default; (ii) Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership ("BCSP II") maintains at least a 48.02% ownership interest in Grantor, either directly or through intermediate entities; (iii) BCSP II retains the sole right and power to direct or cause the direction of the management and policies of Grantor, (iv) the entity that comprises Grantor after the completion of such transfers shall be able to and shall make the warranties set forth in Sections 8.1, 8.2 and 8.4 hereof; (v) Grantor notifies Beneficiary of any such transfer and provides any information Beneficiary may reasonably require in connection therewith (provided, however, that with respect to transfers of interests in those Grantor's Constituents that are not affiliated with BCSP II, Grantor shall notify Beneficiary of such transfer and provide such information to Beneficiary when Grantor is notified of such transfer and obtains such information), and (vi) Grantor pays to Beneficiary a $5,000.00 processing fee and any other reasonable out-of-pocket costs and expenses incurred by Beneficiary in connection with any transfer or transfers in a single transaction, including document costs, if any, and reasonable attorneys' fees. In addition, notwithstanding Subsections 10.1(a)(ii) and 10.1(a)(iii) above, the Beacon Lender (as hereafter defined), which is an affiliate of Grantor and whose ownership interests are owned (directly or indirectly) by the same entity that owns the ownership interests in 1225 Equity LLC, a Delaware limited liability company ("Beacon Sub"), may be admitted as a non-managing member of Grantor without the consent of Beneficiary provided that conditions (i) through (vi) of this Subsection 10.1(c) are satisfied and that all of the ownership interests in Beacon Lender are held (directly or indirectly) by the same entity that owns the ownership interests in Beacon Sub. In addition, notwithstanding anything to the contrary contained herein, transfers or issuance of stock in BCSP II Washington Properties, Inc., a Maryland corporation ("Washington Properties") and the sole member of Beacon Sub, shall be permitted without the consent of Beneficiary provided that conditions (ii), (iii) and (iv) of this Subsection 10.1(c) are satisfied and provided that BCSP II continues to own at least 98% of the stock of Washington Properties. Furthermore, notwithstanding Subsections 10.1(a)(ii) and 10.1(a)(iii) above, the members of Grantor and the owners of any of Grantor's Constituents that are not affiliated with BCSP II shall be permitted to transfer their direct or indirect interests in Grantor to a party or parties that are not members of Grantor or owners of any of Grantor's Constituents as of the date hereof without the consent of Beneficiary provided that: (I) conditions (i) through (vi) of this Subsection 10.1(c) are satisfied and (II) on the first date that more than twenty percent (20%) of such ownership interests (direct or indirect) in Grantor in the aggregate are transferred in one or more transactions, Grantor shall pay to Beneficiary a transfer fee equal to one one-hundredth of one percent (0.01%) of the outstanding principal balance of the Loan for each percentage point of such ownership interest (direct or indirect) in Grantor being transferred that is in excess of such aggregate twenty percent (20%) ownership interest threshold. As an example of the foregoing, if in one transaction or over several transactions, thirty percent (30%) of the direct or indirect ownership interests in Grantor that are not affiliated with BCSP II in the aggregate are transferred, then Grantor will be required to pay a transfer fee equal to ten (10) basis points (or 0.10%) of the outstanding principal balance of the Loan at the time the last such transfer occurs; if, subsequently, an additional five percent (5%) of the direct or indirect ownership interests in Grantor that are not affiliated with BCSP II are transferred, then Grantor will be required to pay an additional transfer fee equal to five (5) basis points (or 0.05%) of the outstanding principal balance of the Loan at the time such transfer occurs. Any such transfer will not relieve Grantor of its obligations under the Note or any of the other Loan Documents or the obligations of the Liable Parties under the Guaranty or the Indemnity Agreement. For purposes hereof, the term "Beacon Lender" shall mean TTF Lending LLC, a Delaware limited liability company, and its successors and permitted assigns.

(d) In addition, at any time on or after July 1, 2004, the original named Grantor shall have a one-time right to transfer the Property (subject to the Loan), either directly, by a transfer of all or substantially all of the ownership interests in Grantor or by a transfer of all or substantially all of the ownership interests in Grantor owned (directly or indirectly) by BCSP II, to a third party provided that (i) there shall not then be an Event of Default hereunder, (ii) Grantor obtains Beneficiary's written approval of the proposed third party transferee, which approval shall not be unreasonably withheld, conditioned or delayed provided that the criteria set forth in this Subsection 10.1(d) are met; (iii) the third party transferee shall be experienced in the ownership, management and leasing of properties similar to the Property; (iv) the third party transferee shall have both a controlling and managing equity interest of real estate assets with an aggregate market value of not less than Six Hundred Million Dollars ($600,000,000.00) in the normal course of business; (v) the third party transferee shall be able to and shall make the warranties set forth in Sections 8.1, 8.2 and 8.4 hereof; (vi) the unpaid principal balance of the Loan shall not exceed sixty-five percent (65%) of the value of the Property based upon a bona fide sales price; (vii) in the opinion of Beneficiary, the annual net operating income during the then upcoming 12-month period to be derived from the Property at the time of the transfer (as calculated pursuant to space leases with tenants who are in actual occupancy, pay rent on a current basis, and are not in default) shall be at least two hundred forty-five percent (245%) of the aggregate amount of monthly installments due under the Note and any subordinate financing (with all accrued obligations thereunder being treated as currently due); (viii) Grantor or the transferee shall pay to Beneficiary a fee equal to one percent (1%) of the outstanding principal balance of the Loan at the time of the transfer, (ix) another party or parties acceptable to Beneficiary shall execute agreements similar to the Indemnity Agreement and the Guaranty with respect to events arising or occurring from and after the date of the transfer, in a form and manner satisfactory to Beneficiary in its sole and absolute discretion, which additional party or parties shall have in the aggregate a net worth of not less than One Hundred Million Dollars ($100,000,000.00); (x) the third party transferee shall expressly assume all obligations of Grantor under the Loan Documents and the Indemnity Agreement in a manner satisfactory to Beneficiary, in its sole and absolute discretion; (xi) if the Loan has been securitized, Beneficiary shall have received confirmation that the assumption of the Loan by the transferee will not result in an adverse change in the rating of the Securities by the Rating Agency (as such terms are defined in Section 3.1(b)); and (xii) Grantor or such transferee shall pay all costs and expenses incurred by Beneficiary in connection with the transfer, including title insurance premiums, documentation costs and reasonable attorneys' fees. Any such transfer will not relieve Grantor of its obligations under the Note, any of the Loan Documents or the Indemnity Agreement or the obligations of the Liable Parties under the Guaranty and the Indemnity Agreement arising prior to the date of the transfer. The inclusion of a reference to subordinate financing in clause (vii) above shall not be construed as a consent by Beneficiary to any such subordinate financing, except as permitted in Section 10.2; any such consent may be granted or withheld in Beneficiary's sole and absolute discretion. In determining the loan to value ratio and the debt service coverage ratio for purposes of clauses (vi) and (vii) above, the unpaid principal balance of, and the payments required or accrued under, the Subordinate Loan (as such term is defined in Section 10.2) shall be disregarded.

10.2 PROHIBITION ON SUBORDINATE FINANCING.

(a) Except as set forth below in this Section, Grantor shall not incur or permit the incurring of (i) any financing (other than equipment leases) in addition to the Loan that is secured by a lien, security interest or other encumbrance of any part of the Property or (ii) any pledge or encumbrance of any constituent who is a controlling member of Grantor of its interest in Grantor.

(b) Notwithstanding the foregoing, Beacon Lender shall be permitted to hold the Subordinate Loan (as such term is defined in that certain Subordination and Standstill Agreement of even date herewith (the "Standstill Agreement") by and among Grantor, Beneficiary, and Beacon Lender, which is being recorded concurrently herewith), subject to all of the terms and provisions of the Standstill Agreement

10.3 RESTRICTIONS ON ADDITIONAL OBLIGATIONS. During the term of the Loan, Grantor shall not, without the prior written consent of Beneficiary, become liable with respect to any indebtedness or other obligation except for (i) the Loan, the Subordinate Loan, and equipment leases, (ii) Leases entered into in the ordinary course of owning and operating the Property for the Use, (Iii) other liabilities incurred in the ordinary course of owning and operating the Property for the Use but excluding any loans or borrowings, (iv) liabilities or indebtedness disclosed in writing to and approved by Beneficiary on or before the Execution Date, and (v) any other single item of indebtedness or liability which does not' exceed $50,000.00 or, when aggregated with other items of indebtedness or liability, does not exceed $250,000.00.

10.4 STATEMENTS REGARDING OWNERSHIP. Grantor agrees to submit or cause to be submitted to Beneficiary within thirty (30) days after December 31st of each calendar year during the term of this Deed of Trust and ten (10) days after any written request by Beneficiary, a sworn, notarized certificate, signed by an authorized (i) individual who is Grantor or one of the individuals comprising Grantor, (ii) member of Grantor, (iii) partner of Grantor or (iv) officer of Grantor, as the case may be, stating since the date hereof or the last statement given hereunder (as the case may be) whether (x) any part of the Property, or any interest in the Property, has been conveyed, transferred, assigned, encumbered (other than Permitted Exceptions), or sold, and if so, to whom; (y) any conveyance, transfer, pledge or encumbrance of any interest in Grantor has been made by Grantor and if so, to whom; or (z) there has been any change in the individual(s) comprising Grantor or in the partners, members, stockholders or beneficiaries of Grantor from those on the Execution Date, and if so, a description of such change or changes.

ARTICLE 11
DEFAULTS AND REMEDIES

11.1 EVENTS OF DEFAULT. Any of the following shall be deemed to be a material breach of Grantor's covenants in this Deed of Trust and shall constitute a default ("Event of Default"):

(a) The failure of Grantor to pay any installment of principal, interest or principal and interest, any required escrow deposit or any other sum required to be paid under any Loan Document, whether to Beneficiary or otherwise, within seven (7) days of the due date of such payment;

(b) The failure of 'Grantor to perform or observe any other term, provision, covenant, condition or agreement under. any Loan Document for a period of more than thirty (30) days after receipt of notice of such failure or such longer period as is necessary to cure such failure in the exercise of due diligence, but in no event longer than ninety (90) days from the receipt of notice of such failure, provided Grantor commences the cure within the initial thirty (30) day period and continuously pursues such cure to completion;

(c) The filing by Grantor or one of the Liable Parties (an "Insolvent Entity") of a voluntary petition or application for relief in bankruptcy, the filing against an Insolvent Entity of an involuntary petition or application for relief in bankruptcy which is not dismissed within ninety (90) days, or an Insolvent Entity's adjudication as a bankrupt or insolvent, or the filing by an Insolvent Entity of any petition, application for relief or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law, code or regulation relating to bankruptcy, insolvency or other relief for debtors, or an Insolvent Entity's seeking or consenting to or acquiescing in the appointment of any trustee, custodian, conservator, receiver or liquidator of an Insolvent Entity or of all or any substantial part of the Property or of any or all of the Rents and Profits, or the making by an Insolvent Entity of any general assignment for the benefit of creditors, or the admission in writing by an Insolvent Entity of its inability to pay its debts generally as they become due;

(d) If any warranty, representation, certification, financial statement or other information made or furnished at any time pursuant to the terms of the Loan Documents by Grantor, or by any person or entity otherwise liable under any Loan-Document, shall be materially false or misleading, and the failure of Grantor to cure such breach within thirty (30) days after receipt of notice of such breach or such longer period as is necessary to cure such breach in the exercise of due diligence, but in no event longer than ninety (90) days from the receipt of notice of such breach, provided Grantor commences the cure within the initial thirty (30) day period and continuously pursues such cure to completion;

(e) If Grantor shall suffer or permit the Property, or any part of the Property, to be used in a manner that might (1) impair Grantor's title to the Property, (2) create rights of adverse use or possession, or (3) constitute an implied dedication off any part of the Property,

(f) If Liable Parties shall default under the Guaranty;

(g) If Grantor or Liable Parties shall default under the Indemnity Agreement beyond any applicable periods of notice and/or grace- set forth therein; or

(h) If Grantor or Beacon Lender shall default under the Standstill Agreement beyond any applicable periods of notice and/or grace set forth therein.

11.2 REMEDIES UPON DEFAULT. Upon the happening of an Event of Default the Secured Indebtedness shall, at the option of Beneficiary, become immediately due and payable, without further notice or demand, and Beneficiary may undertake any one or more of the following remedies:

(a) Foreclosure. Institute a foreclosure action in accordance with the law of the

State, or take any other action as may be allowed, at law or in equity, for the enforcement of the Loan Documents and realization on the Property or any other security afforded by the Loan Documents. In the case of a judicial proceeding, Beneficiary may proceed to final judgment and execution for the amount of the Secured Indebtedness owed as of the date of the judgment, together with all costs of suit, reasonable attorneys' fees and interest on the judgment at the maximum rate permitted by law from the date of the judgment until paid. If Beneficiary is the purchaser at the foreclosure sale of the Property, the foreclosure sale price shall be applied against the total amount due Beneficiary. At any foreclosure sale, such portion of the Property as is offered for sale may, at Beneficiary's option, be offered for sale for one total price, and the proceeds of such sale accounted .for in one account without distinction between the items of security or without assigning to them any proportion of such proceeds, Grantor hereby waiving application of any doctrine of marshaling. If less than all of the Property is sold at foreclosure and any of the Secured Indebtedness remains outstanding after the sale proceeds are applied thereto, this Deed of Trust shall continue as a lien on the Property remaining unsold, and Beneficiary may at any time thereafter direct Trustee to sell the same as provided above; and/or

(b) Power of Sale. Institute a non judicial foreclosure proceeding in compliance with applicable law in effect on the date foreclosure is commenced for Trustee to sell the Property either as a whole or in separate parcels as Beneficiary may determine at public sale or sales to the highest bidder for cash, in order to pay the Secured Indebtedness. If the Property is sold as separate parcels, Beneficiary may direct the order in which the parcels are sold. Trustee shall deliver to the purchaser a trustee's deed or deeds without covenant or warranty, express or implied Trustee may postpone the sale of all or any portion of the Property by public announcement at the time and place of sale, and from time to time may further postpone the sale by public announcement in accordance with applicable law; and/or

(c) Entry. Enter into possession of the Property, lease the Improvements, collect all Rents and Profits and, after deducting all costs of collection and administration expenses, apply the remaining Rents and Profits in such order and amounts as Beneficiary, in Beneficiary's sole discretion, may elect to the payment of Impositions, operating costs, costs of maintenance, restoration and repairs, Premiums and other charges, including, but not limited to, costs of leasing the Property and fees and costs of counsel and receivers, and in reduction of the Secured Indebtedness; and/or

(d) Receivership. Have a receiver appointed to enter into possession of the Property, lease the Property, collect the Rents and Profits and apply them as the appropriate court may direct. Beneficiary shall be entitled to the appointment of a receiver without the necessity of proving either the inadequacy of the security or the insolvency of Grantor or any of the Liable Parties. Grantor and Liable Parties shall be deemed to have consented to the appointment of the receiver. The collection or receipt of any the Rents and Profits by Beneficiary or any receiver shall not affect or cure any Event of Default. Beneficiary's rights hereunder include all rights and powers permitted under the laws of the State.

11.3 APPLICATION OF PROCEEDS OF SALE. In the event of a sale of the Property pursuant to Section 11.2 of this Deed of Trust, to the extent permitted by law, Beneficiary shall determine in its- sole discretion the order in which the proceeds from the sale shall be applied to the payment of the Secured Indebtedness, including without limitation, the expenses of the sale and of all proceedings in connection with the sale, including reasonable attorneys' fees and expenses; Impositions, Premiums; liens, and other charges and expenses; the outstanding principal balance of the Secured Indebtedness; any accrued interest; any Prepayment Fee; and any other amounts owed under any of the Loan Documents.

11.4 WAIVER OF JURY TRIAL. To the fullest extent permitted by law, Grantor and Beneficiary HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY in any action, proceeding and/or hearing on any matter whatsoever arising out of, or in any way connected with, the Note, this Deed of Trust or any of the Loan Documents, or the enforcement of any remedy under any law, statute, or regulation. Neither party will seek to consolidate any such action in which a jury has been waived, with any other action in which a jury trial cannot or has not been waived. Each party has received the advice of counsel with respect to this waiver.

11.5 BENEFICIARY'S RIGHT TO PERFORM GRANTOR'S OBLIGATIONS. Grantor agrees that, if Grantor fails to perform any act or to pay any money which Grantor is required to perform or pay under the Loan Documents, Beneficiary may make the payment or perform the act at the cost and expense of Grantor and in Grantor's name or in its own name. Any money paid by Beneficiary under this Section 11.5 shall be reimbursed to Beneficiary in accordance with Section 11.6.

11.6 BENEFICIARY REIMBURSEMENT. All payments made, or funds expended or advanced by Beneficiary pursuant to the provisions of any Loan Document, shall (1) become a part of the Secured Indebtedness, (2) bear interest at the Interest Rate (as defined in the Note) from the date such payments are made or funds expended or advanced, (3) become due and payable by Grantor upon demand by Beneficiary, and (4) bear interest at the Default Rate (as defined in the Note) from the date of such demand. Grantor shall reimburse Beneficiary within ten (10) days after receipt of written demand for such amounts.

11.7 FEES AND EXPENSES. If Beneficiary becomes a party (by intervention or otherwise) to any action or proceeding affecting, directly or indirectly, Grantor, the Property or the title thereto or Beneficiary's interest under this Deed of Trust, or employs an attorney to collect any of the Secured Indebtedness or to enforce performance of the obligations, covenants and agreements of the Loan Documents, Grantor shall reimburse Beneficiary is accordance with Section 11.6 for all expenses, costs, charges and legal fees incurred by Beneficiary (including, without limitation, the fees and expenses of experts and consultants), whether or not suit is commenced. Notwithstanding the foregoing, Grantor shall not be required to reimburse Beneficiary for such expenses to the extent Grantor is the prevailing party in any action or other proceeding commenced by Grantor against Beneficiary.

11.8 WAIVER OF CONSEQUENTIAL DAMAGES. Grantor covenants and agrees that in no event shall Beneficiary be liable for consequential damages, and to the fullest extent permitted by law, Grantor expressly waives all existing and future claims that it may have against Beneficiary for consequential damages.

11.9 INDEMNIFICATION OF TRUSTEE. Except for gross negligence and willful misconduct, Trustee shall not be liable for any act or omission or error of judgment Trustee may rely on any document believed by it in good faith to be genuine. All money received by Trustee shall be held in trust, but need not be segregated (except to the extent required by law), until used or applied as provided in this Deed of Trust. Trustee shall not be liable for interest on the money. Grantor shall protect, indemnify and hold harmless Trustee against all liability and expenses which Trustee may incur in the performance of its duties.

11.10 ACTIONS BY TRUSTEE. At any time, upon written request of Beneficiary and presentation of this Deed of Trust and the Note for endorsement, and without affecting the personal liability of any entity or the Liable Parties for payment of the Secured Indebtedness or the effect of this Deed of Trust upon the remainder of the Property, Trustee may take such actions as Beneficiary may request which are permitted by this Deed of Trust or by applicable law.

11.11 SUBSTITUTION OF TRUSTEE. Beneficiary has the power and shall be entitled, at any time and from time to time, to remove Trustee or any successor trustee and to appoint another trustee in the place of Trustee or any successor trustee, by an instrument recorded in the land records of the State. The recorded instrument shall be conclusive proof of the proper substitution and appointment of the successor Trustee without the necessity of any conveyance from the predecessor Trustee.

11.12 NO REINSTATEMENT. Except as otherwise provided by applicable law, if an Event of

Default shall have occurred and Beneficiary or Trustee shall have commenced to exercise any of the remedies permitted hereunder, then a tender of payment by Grantor or by anyone on behalf of Grantor of the amount necessary to satisfy all sums due hereunder, or the acceptance by Beneficiary of any such payment so tendered, shall not, without the prior consent of Beneficiary, constitute a reinstatement of the Note or this Deed of Trust

11. 13 WAIVER RELATING TO REMEDIES. Grantor (i) waives, to the full extent provided by law, any requirement that Beneficiary or Trustee present evidence or otherwise proceed before any court, clerk or other judicial or quasi judicial body before exercising the power of sale contained in this Deed of Trust and (ii) agrees that upon the occurrence of an Event of Default, neither Grantor nor anyone claiming through or under Grantor will seek to take advantage of any moratorium, reinstatement, forbearance, appraisement, valuation, stay, extension, homestead exemption or redemption law now or hereafter in force, in order to prevent or hinder the enforcement of the provisions of this Deed of Trust and hereby waives to the full extent that it may lawfully so do, the benefit of all such laws.

ARTICLE 12
GRANTOR AGREEMENTS AND FURTHER ASSURANCES

12.1 PARTICIPATION AND SALE OF LOAN.

(a) Beneficiary may sell, transfer or assign its entire interest or one or more participation interests in the Loan and the Loan Documents at any time and from time to time, including, without limitation, its rights and obligations as servicer of the Loan. Beneficiary may issue mortgage pass-through certificates or other securities evidencing a beneficial interest in a rated or unrated public offering or private placement, including depositing the Loan Documents with a trust that may issue securities (the “Securities”). Beneficiary may forward to each purchaser, transferee, assignee, servicer, participant, or investor in such Securities (collectively, the “Investor”). or any Rating Agency rating such Securities and each prospective Investor, all documents and information which Beneficiary now has or may hereafter acquire relating to the Secured Indebtedness and to Grantor or any Liable Parties and the Property, whether furnished by Grantor, any Liable Parties or otherwise, as Beneficiary determines necessary or desirable.

(b) Grantor will cooperate with Beneficiary and the rating agencies in furnishing such information and providing such other assistance, reports and legal opinions as Beneficiary may reasonably request in connection with any such transaction. Grantor’s obligation to cooperate with Beneficiary does not include the obligation to incur any expenses to any third parties. In addition, Grantor acknowledges that Beneficiary may release or disclose too potential purchasers or transferees of the Loan, or potential participants in the Loan, originals or copies of the Loan Documents, title information, engineering reports, financial statements, operating statements, appraisals, Leases, rent rolls, and all other materials, documents and information in Beneficiary’s possession or which Beneficiary is entitled to receive under the Loan Documents, with respect to the Loan, Grantor, Liable Parties or the Property. Grantor shall also furnish to such Investors or such prospective Investors or such Rating Agency any and all information concerning the Property, the Leases, the financial condition of Grantor or any Liable Parties as may be requested by Beneficiary, any Investor or any prospective Investor or any Rating Agency in connection with any sale, transfer or participation interest. Beneficiary shall use reasonable efforts to advise any party to whom Beneficiary provides any information provided by Grantor under this Section to keep such information confidential.

12.2 REPLACEMENT OF NOTE. Upon notice to Grantor of the loss, theft, destruction or mutilation of the Note, Grantor will execute and deliver, in lieu of the original Note, a replacement note, identical in form and substance to the Note and dated as of the Execution Date. Upon the execution and delivery of the replacement note, all references in any of the Loan Documents to the Note shall refer to the replacement note.

12.3 GRANTOR'S ESTOPPEL. Within ten (10) days after a request by Beneficiary,

Grantor shall furnish an acknowledged written statement in form satisfactory to Beneficiary (1) setting forth the amount of the Secured Indebtedness, (ii) stating either that no offsets or defenses exist against the Secured Indebtedness, or if any offsets or defenses are alleged to exist, their nature and extent, (iii) whether any default then exists under the Loan Documents or any event has occurred and is continuing, which, with the lapse of time, the giving of notice, or both, would constitute such a default, and (iv) any other matters as Beneficiary may reasonably request. If Grantor does not furnish an estoppel certificate within the 10-day period, Grantor appoints Beneficiary as its attorney-in-fact to execute and deliver the certificate on its behalf, which power of attorney shall be coupled with an interest and shall be irrevocable.

12.4 FURTHER ASSURANCES. Grantor shall, without expense to Beneficiary and/or Trustee, execute, acknowledge and deliver all further acts, deeds, conveyances, mortgages, deeds of trust, assignments, security agreements, and financing statements as Beneficiary and/or Trustee shall from time to time reasonably require, to assure, convey, assign, transfer and confirm unto Beneficiary and/or Trustee the Property and rights conveyed or assigned by this Deed of Trust or which Grantor may become bound to convey or assign to Beneficiary and/or Trustee, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust or any of the other Loan Documents, or for filing, refiling, registering, reregistering, recording or rerecording this Deed of Trust. If Grantor fails to comply with the terms of this Section, Beneficiary may, at Grantor's expense, perform Grantor's obligations for and in the name of Grantor, and Grantor hereby irrevocably appoints Beneficiary as its attorney-in-fact to do so. The appointment of Beneficiary as attorney-in-fact is coupled with an interest.

12.5 SUBROGATION. Beneficiary shall be subrogated to the lies of any and all encumbrances against the Property paid out of the proceeds of the Loan and to all of the rights of the recipient of such payment

ARTICLE 13
SECURITY AGREEMENT

13.1 SECURITY AGREEMENT. THIS DEED OF TRUST CREATES A LIEN ON THE PROPERTY. IN ADDITION, TO THE EXTENT THE PROPERTY IS PERSONAL PROPERTY OR FIXTURES UNDER APPLICABLE LAW, THIS DEED OF TRUST CONSTITUTES A SECURITY AGREEMENT UNDER THE DISTRICT OF COLUMBIA UNIFORM COMMERCIAL CODE (THE "U.C.C.") AND ANY OTHER APPLICABLE LAW AND IS FILED AS A FIXTURE FILING. UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, BENEFICIARY MAY, AT ITS OPTION, PURSUE ANY AND ALL RIGHTS AND REMEDIES AVAILABLE TO A SECURED PARTY WITH RESPECT TO ANY PORTION OF THE PROPERTY, AND/OR BENEFICIARY MAY, AT ITS OPTION, PROCEED AS TO ALL OR ANY PART OF THE PROPERTY IN ACCORDANCE WITH BENEFICIARY'S RIGHTS AND REMEDIES WITH RESPECT TO THE LIEN CREATED BY THIS DEED OF TRUST. THIS FINANCING STATEMENT SHALL REMAIN IN EFFECT AS A FIXTURE FILING UNTIL THIS DEED OF TRUST IS RELEASED OR SATISFIED OF RECORD.

13.2 REPRESENTATIONS AND WARRANTIES. Grantor warrants, represents and covenants as follows:

(a) Grantor owns the Personal Property free from any lien, security interest, encumbrance or adverse claim, except for any item of personal property which is the subject of an equipment lease and except as otherwise expressly approved by Beneficiary in writing. Grantor will notify Beneficiary of, and will protect, defend and indemnify Beneficiary against, all claims and demands of all persons at any time claiming any rights or interest in the Personal Property.

(b) The Personal Property shall not be used or bought for personal, family, or household purposes, but shall be bought and used solely for the purpose of carrying on Grantor's business.

(c) Grantor will not remove the Personal Property without the prior written consent of Beneficiary, except the items of Personal Property which are consumed or worn out in ordinary usage shall be promptly replaced by Grantor with other Personal Property of value equal to or greater than the value of the replaced Personal Property.

13.3 CHARACTERIZATION OF PROPERTY. The grant of a security interest to Beneficiary in this Deed of Trust shall not be construed to limit or impair the lien of this Deed of Trust or the rights of Beneficiary with respect to any property which is real property or which the parties have agreed to treat as real property. To the fullest extent permitted by law, everything used in connection with the production of Rents and Profits is, and at all times and for all purposes and in all proceedings, both legal and equitable, shall be regarded as real property, . irrespective of whether or not the same is physically attached to the Land and/or Improvements.

13.4 PROTECTION AGAINST PURCHASE MONEY SECURITY INTERESTS. It is understood and agreed that in order to protect Beneficiary from the effect of U.C.C. Section 28:9-334, as amended from time to time and as enacted in the State, in the event that Grantor intends to purchase any goods which may become fixtures attached to the Property, or any part of the Property, and such goods will be subject to a purchase money security interest held by a seller or any other party:

(a) Before executing any security agreement or other document evidencing or perfecting the security interest, Grantor shall obtain the prior written approval of Beneficiary. All requests for such written approval shall be in writing and contain the following information: (i) a description of the fixtures (ii) the address at which the fixtures will be located; and (iii) the name and address of the proposed holder and proposed amount of the security interest.

(b) Grantor shall pay all sums and perform all obligations secured by the security agreement. A default by Grantor under the security agreement shall constitute a default under this Deed of Trust If Grantor fails to make any payment on an obligation secured by a purchase money security interest in the Personal Property or any fixtures, Beneficiary, at its option, may pay the secured amount and Beneficiary shall be subrogated to the rights of the holder of the purchase money security interest.

(c) Beneficiary shall have the right to acquire by assignment from the holder of the security interest for the Personal Property or fixtures, all contract rights, accounts receivable, negotiable or non-negotiable instruments, or other evidence of indebtedness and to enforce the security interest as assignee.

(d) The provisions of subparagraphs (b) and (c) of this Section 13.4 shall not apply if the goods which may become fixtures are of at least equivalent value and quality as the Personal Property being replaced and if the rights of the party holding the security interest are expressly subordinated to the lien and security interest of this Deed of Trust in a manner satisfactory to Beneficiary.

ARTICLE 14
MISCELLANEOUS COVENANTS

14.1 NO WAIVER. No single or partial exercise by Beneficiary and/or Trustee, or delay or omission in the exercise by Beneficiary and/or Trustee, of any right or remedy under the Loan Documents shall preclude, waive or limit the exercise of any other right or remedy. Beneficiary shall at all times have the right to proceed against any portion of, or interest in, the Property without waiving any other rights or remedies with respect to any other portion of the Property. No right or remedy under any of the Loan Documents is intended to be exclusive of any other right or remedy but shall be cumulative and may be exercised concurrently with or independently from any other right and remedy under any of the Loan. Documents or under applicable law.

14.2 NOTICES. All notices, demands and requests given. or required to be given by, pursuant to, or relating to, this Deed of Trust shall be in writing. All notices shall be deemed to have been properly given if mailed by United States registered or certified mail, with return receipt requested, postage prepaid, or by United States Express Mail or other comparable overnight courier service to the parties at the addresses set forth in the Defined Terms (or at such other addresses as shall be given in writing by any party to the others) and shall be deemed complete upon receipt or refusal to accept delivery as indicated in the return receipt or in the receipt of such United States Express Mail or courier service.

14.3 HEIRS AND ASSIGNS: TERMINOLOGY.

(a) This Deed of Trust applies to, inures to the benefit of and binds Grantor, Beneficiary, Liable Parties and Trustee, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term “Grantor” shall include both the original Grantor and any subsequent owner or owners of any of the Property. The term “Beneficiary” shall include both the original Beneficiary and any subsequent holder or holders of the Note. The term “Trustee” shall include both the original Trustee and any subsequent successor or additional trustee(s) acting under this Deed of Trust. The term “Liable Parties” shall include both the original Liable Parties and any subsequent or substituted Liable Parties.

(b) In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(c) If more than one party executes this Deed of Trust as Grantor, the obligations of such parties shall be the joint and several obligations of each of them.

14.4 SEVERABILITY. If any provision of this Deed of Trust should be held unenforceable or void, then that provision shall be separated from the remaining provisions and shall not affect the validity of this Deed of Trust except that if the unenforceable or void provision relates to the payment of any monetary sum, then, Beneficiary may, at its option, declare the Secured Indebtedness immediately due and payable.

14.5 APPLICABLE LAW. This Deed of Trust shall be construed and enforced in accordance with the laws of the State.

14.6 CAPTIONS. The captions are inserted only as a matter of convenience and for reference, and in no way define, limit, or describe the scope or intent of any provisions of this Deed of Trust.

14.7 TIME OF THE ESSENCE. Time shall be of the essence with respect to all of Grantor’s obligations under this Deed of Trust and the other Loan Documents.

14.8 NO MERGER. In the event that Beneficiary should become the owner of the Property, there shall be no merger of the estate created by this Deed of Trust with the fee estate in the Property.

14.9 NO MODIFICATIONS. This Deed of Trust may not be changed, amended or modified, except in a writing expressly intended for such purpose and executed by Grantor and Beneficiary

14.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed an on final, but all such counterparts shall constitute but one and the same instrument.

an on final, but all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust, or has caused this Deed of Trust to be executed by its duly authorized representative(s) as of the Execution Date.

1225 EYE STREET, N.W. ASSOCIATES LLC
a Delaware limited liability company

By: BCSP II Washington Manager LLC, a Delaware limited liability company, its Manager

By: Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership, Majority Member

By: BCP Strategic Partners II, LLC, a Delaware limited liability company, its General Partner

By: Beacon Capital Partners. LLC, a Delaware limited liability company, its Manager

By: /s/ Nancy J. Broderick

Nancy J. Broderick
Vice President and Treasurer

[SEAL]

Address: One Federal Street, 26th Floor
Boston, Massachusetts 02110

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF SUFFOLK: ss:

This instrument was acknowledged before me on October 24, 2002 by Nancy J. Broderick, the Vice President and Treasurer of Beacon Capital Partners, LLC, the Manager of BCP Strategic Partners II, LLC, the General Partner of Beacon Capital Strategic Partners II, L.P., Majority Member of BCSP II Washington Manager LLC, the Manager of 1225 Eye Street, N.W. Associates LLC, as the free act and deed of said 1225 Eve Street. N.W. Associates LLC.

/s/ Patricia Ann Dennis

Notary Public

[SEAL]

My Commission expires: April 2, 2004

EXHIBIT A

PROPERTY DESCRIPTION

Lot(s) numbered Forty-seven (47) in Square numbered Two Hundred Eighty-five (285) in a subdivision made by 1225 Eye Street, N. W. Associates Limited Partnership as per plat recorded in Liber 173 at folio 67 in the Office of the Surveyor for the District of Columbia.

EXHIBIT B

LEASING GUIDELINES

“Leasing Guidelines” shall mean the guidelines approved in writing by Beneficiary, from time to time, with respect to the leasing of the Property. The following are the initial Leasing Guidelines:

(a) All Leases shall be on the standard form of lease approved by Beneficiary in writing (as modified by commercially reasonable changes negotiated in the ordinary course);

(b) All Leases shall have an initial term of at least three (3) years but not more than ten (10) years;

(c) None of the Leases shall cover greater than or within. 1,000 rentable square feet of a full floor of the Improvements;

(d) None of the Leases shall cover less than 5,000 square feet of rentable floor area;

(e) All Leases shall have an annual minimum rent and net effective rent at least equal to market rates;

(f) All net Leases shall contain provisions requiring the tenant to pay its proportionate share of operating expenses and taxes, and all other Leases shall contain provisions requiring the tenant to pay, after the first year, its proportionate share of increases in taxes and operating expenses; and

(g) No Leases shall be entered into without the written approval of Beneficiary if there exists an Event of Default.

EXHIBIT 10.119

LIMITED LIABILITY COMPANY AGREEMENT FOR
1201 EYE STREET, N.W. ASSOCIATES, LLC

LIMITED LIABILITY COMPANY AGREEMENT

OF

1201 EYE STREET, N.W. ASSOCIATES LLC

1201 Eye Street, N.W.
Washington, D.C.
September 27, 2002

LIMITED LIABILITY COMPANY AGREEMENT
OF
1201 EYE STREET, N.W. ASSOCIATES LLC

TABLE OF CONTENTS

ARTICLE 1 - ORGANIZATIONAL MATTERS 2

Section 1.1 Formation; LLC Act; Certificate 2
Section 1.2 Name 4
Section 1.3 Registered Office and Agent; Principal Office 4
Section 1.4 Purposes 5
Section 1.5 Powers 5
Section 1.6 Term 5
Section 1.7 Title to Company Assets; Nature of Company Interests 5
Section 1.8 Members and Percentage Interests 6
Section 1.9 Incorporation 6
Section 1.10 Representation and Warranties 6
Section 1.11 Entity Characterization 7

ARTICLE 2 - CAPITAL ACCOUNTS; CAPITAL CONTRIBUTIONS 8

Section 2.1 Capital Accounts 8
Section 2.2 Initial Capital Contributions of the Members; Special Loan 9
Section 2.3 Additional Funding Needs 9
Section 2.4 Additional Capital Contributions 11
Section 2.5 Return of Capital; No Withdrawal 13
Section 2.6 No Other Contributions 13
Section 2.7 Liability of Members; No Management of Company 13
Section 2.8 No Third Party Beneficiaries 14

ARTICLE 3 - MANAGEMENT AND OPERATIONS OF BUSINESS 15

Section 3.1 Management 15
Section 3.2 Binding the Company 20
Section 3.3 Officers and Agents; Reliance 21
Section 3.4 Compensation of Manager and Members 22
Section 3.5 Contracts with Members or Affiliates 22
Section 3.6 Indemnification 23
Section 3.7 Other Matters Concerning the Manager 25

ARTICLE 4 - FISCAL MATTERS 30

Section 4.1 Records and Accounting 30
Section 4.2 Fiscal Year 30
Section 4.3 Reports 30
Section 4.4 Confidentiality 30

Section 4.5 Bank Accounts; Company Funds 31
Section 4.6 Additional Information 31

ARTICLE 5 - DISTRIBUTIONS 32

Section 5.1 Requirement and Characterization of Distributions 32
Section 5.2 Withholding 34

ARTICLE 6 - ALLOCATIONS OF PROFIT AND LOSS 36

Section 6.1 Allocations of Profits and Losses 36
Section 6.2 Required and Special Allocations 37

ARTICLE 7 - RIGHTS, LIABILITIES AND OBLIGATIONS OF MEMBERS 43

Section 7.1 Limited Liability 43
Section 7.2 Outside Activities of Members 43
Section 7.3 Duties to Other Members 44

ARTICLE 8 - MEMBERS' SPECIAL LIABILITY 45

Section 8.1 Member's Special Liability 45
Section 8.2 Certain Limitations on Specified Liability Provisions Liability 46
Section 8.3 Additional Remedies 47

ARTICLE 9 - TAX MATTERS 49

Section 9.1 Preparation of Tax Returns 49
Section 9.2 Tax Elections 49
Section 9.3 Tax Matters Partner 49

ARTICLE 10 - TRANSFERS AND WITHDRAWALS; RIGHT OF FIRST OFFER 52

Section 10.1 Transfer 52
Section 10.2 Members' Rights to Transfer 52
Section 10.3 General Restrictions on All Transfers 54
Section 10.4 Substitute Members 58
Section 10.5 General Provisions 58
Section 10.6 Acquisition of Interest by Subordinate Lenders 59
Section 10.7 Right of First Offer 59

ARTICLE 11 - DISSOLUTION, LIQUIDATION AND TERMINATION 64

Section 11.1 Dissolution 64
Section 11.2 Winding Up 64
Section 11.3 Notice of Dissolution 66
Section 11.4 Termination of Company and Cancellation of Certificate of the Company 66
Section 11.5 Deemed Distribution and Recontribution 67
Section 11.6 Liability of Liquidator 67

ARTICLE 12 - GENERAL PROVISIONS 68

Section 12.1 Addresses and Notice; Time Computation 68
Section 12.2 Titles and Captions 69
Section 12.3 Pronouns and Plurals; Word Meanings 69
Section 12.4 Waiver of Partition and Certain Other Rights 70
Section 12.5 Binding Effect 70
Section 12.6 No Third Party Rights 70
Section 12.7 Waivers 70
Section 12.8 Counterparts 71
Section 12.9 Applicable Law 71
Section 12.10 Invalidity of Provisions 71
Section 12.11 Entire Agreement; Amendments 71
Section 12.12 Additional Documents and Acts 72
Section 12.13 Prevailing Party; Attorney's Fees 72
Section 12.14 Legal Counsel 73
Section 12.15 Power Of Attorney 73
Section 12.14 Investor's Limited Liability 74
Section 12.16 Survival of Certain Provisions 75

DEFINITIONS

EXHIBITS

Exhibit A Members; Restated Capital Accounts; Percentage Interests

Exhibit B Property Description

Schedule 1 Articles and Plan of Merger and Conversion

LIMITED LIABILITY COMPANY AGREEMENT
OF
1201 EYE STREET, N.W. ASSOCIATES LLC

THIS LIMITED LIABILITY COMPANY AGREEMENT OF 1201 EYE STREET, N.W. ASSOCIATES LLC (this “Agreement”), dated as of September 27, 2002, is entered into by and among 1201 EQUITY LLC, a Delaware limited liability company, (“TZO” or, in its capacity as the initial Manager, the “Manager”), and each of the parties listed in Exhibit A attached hereto, other than TZO (such parties, and including herein TZO, are sometimes collectively referred to as the “Members” and individually as a “Member”, and each of such parties other than TZO are herein referred to individually as an “Original Partner” and collectively as the “Original Partners,” even if such reference is to an Original Partner’s status as a Member).

RECITALS:

A. The Company was previously formed on August 28, 2002 by the filing of its Certificate of Formation in the office of the Secretary of State of the State of Delaware.

B. The Members, other than TZO, are currently all of the partners, general and limited, in 1215 Eye Street, N.W. Associates Limited Partnership, a District of Columbia limited partnership (the “Partnership”), an Entity presently governed by that certain Second Amended and Restated Agreement of Limited Partnership of 1215 Eye Street, N.W. Associates Limited Partnership, dated November 11, 1999, as amended by a First Amendment thereto dated of even date herewith (as so amended, the “Predecessor Agreement.” As contemplated by that certain Master Transaction Agreement, dated as of September 25, 2002, among the Partnership and other parties relating to the Partnership and other Entities and other matters, and by those certain Consent and Agreements entered into by each of the Original Partners which is a limited partner in the Partnership, in its separate capacity as a limited partner in the Partnership (collectively, the “Master Transaction Agreement”), the Members are entering into this Agreement as part of the transactions contemplated by the Master Transaction Agreement (the “MTA Transactions”) so as to have this Agreement in existence for the completion of the Closing under, and as such term is defined in the Master Transaction Agreement, and for the conversion of the Partnership to a limited liability company formed under and governed by Delaware law by the merger (the “Merger”) of the Partnership into the Company.

C. The Company was formed by TZO in contemplation of the aforesaid contemplated conversion and merger and prior hereto engaged in no activities;

prior hereto all the interests in the Company were held by TZO solely to enable the Partnership to have a shell Delaware limited liability company in existence in order to proceed with the MTA Transactions effectuate the Merger. In connection with the potential occurrence of the Merger the Members are entering into this Agreement to govern the affairs and the conduct of the business of 1201 Eye Street, N.W. Associates LLC (the "Company") as a limited liability company pursuant to the provisions of the Delaware Limited Liability Company Act (the "LLC Act"), and to provide for, among other matters, the management of the business and affairs of the Company, the allocation of profits and losses among the Members and the making of distributions among the Members, the respective rights and obligations of the Members to each other and to the Company, the governance of the Company, and otherwise as to the relationships among the Members and the Manager, as to each in such stated capacity, in and as to the Company.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE 1
ORGANIZATIONAL MATTERS

Section 1.1 Formation; LLC Act; Certificate.

A. The Company was previously formed pursuant to and in accordance with the LLC Act by the filing of the Certificate with the Secretary of State of the State of Delaware on the date hereof (the "Effective Date"). Each Member hereby adopts, confirms and ratifies the filing of the Certificate and all acts taken by Eleanor Coleman in filing the Certificate. Each Member agrees to execute such documents and otherwise engage in such acts as are reasonably necessary to cause the conversion of the Partnership to the Company by the Merger of the Partnership into the Company, and the Members hereby authorize the Manager to file a Certificate of Conversion and such other certificates, documents and instruments as the Manager deems necessary or appropriate to accomplish such conversion.

The rights and liabilities of the Members in the Company and as between them as to the Company shall be determined pursuant to the LLC Act and this Agreement, but, to the extent permitted thereby, the Company shall not be governed by any amendments to the LLC Act which become effective subsequent to the date hereof and which would only be applicable to the Company absent a provision in this Agreement to the contrary unless such amendments are adopted as amendments to this Agreement. To the extent the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be under the LLC Act in the absence of any such provision, or even if this Agreement is inconsistent with the LLC Act, this Agreement shall control except to the extent the LLC Act prohibits any particular provision of the LLC Act to be waived or modified by the Members, in which event any contrary provisions hereof shall be valid to the extent permitted under the LLC Act, except where such partial validity is clearly inconsistent with the intent of the Members, in which event the entire contrary provision shall be invalid.

Each of the Members hereby acknowledges that on the Closing Date the Partnership will be converted into the Company by consummation of the Merger in accordance with, and as contemplated by the Master Transaction Agreement. Such conversion and merger will be accomplished by the Merger of the Partnership into the Company, and each Member hereby confirms and acknowledges that such Member hereby approve the Merger and the form of the Articles and Plan of Conversion and Merger attached hereto as Schedule 1. The Members hereby authorize the Manager to execute and deliver, on behalf of the Company, and, as appropriate, file or record, the Articles and Plan of Conversion and Merger, the Certificate of Merger for the State of Delaware, and the Articles of Merger for the District of Columbia, and the Members hereby further authorize the Manager to enter into, execute and deliver, on behalf of the Company and on behalf of all the Members, in each Member's capacity as a Member, and, as necessary, file and/or record, and otherwise to deal with, any of the aforesaid documents and all other documents, certificates and other instruments, and to engage in such other actions, all as the Manager determines to be necessary, desirable or convenient in order to effectuate the Merger, in such form and with such substance as the Manager determines to be appropriate, provided only that such are consistent with the intent of the Master Transaction Agreement.

B. The Manager shall cause to be filed such certificates and documents as are necessary to comply with the applicable requirements for the organization and operation of a limited liability company in accordance with the laws of the State of Delaware and of any other jurisdictions in which the Company shall conduct business, and shall continue to do so as long as the Company exists or, as the case may be, conducts business in any such jurisdiction. The Manager may have the Company establish places of business within and without the State of Delaware as and when required by its business and in furtherance of its purposes set forth in Section 1.4 hereof, and may appoint agents for service of process in all jurisdictions in which the Company shall conduct business. The Manager may cause the Company from time to time to change its resident agent for service of process, the location of its registered office and/or any other matter described in the Certificate; provided, however, that a change in the purposes of the Company shall require the unanimous consent of the Members. The Manager shall have no obligation to deliver or mail a copy of any amendment to the Certificate to the Members.

C. The Manager and any other Person(s) as may be designated from time to time by the Manager are hereby designated as authorized persons, within the meaning of the LLC Act, to execute, deliver and file the Certificate and any amendments or restatements of the Certificate and any other certificates and any amendments or restatements thereof necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business.

Section 1.2 Name. The name of the Company shall be 1201 Eye Street, N.W. Associates LLC. The Company's business and affairs may be conducted under any other name or names deemed necessary, advisable or desirable by the Manager, including the name of the Manager or any Affiliate thereof, and the Company may use wholly-owned subsidiary Entities to hold all or any of the Company's assets, all as determined by the Manager as it deems necessary or desirable.

The Manager may change the name of the Company at any time and from time to time, subject to compliance with the LLC Act. In the event of any such change, the Manager shall notify the Members in writing reasonably promptly after any such change.

Section 1.3 Registered Office and Agent; Principal Office. The address of the registered office of the Company in the State of Delaware and the name and address of the registered agent for service of process on the Company in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. The principal office of the Company shall be c/o Beacon Capital Partners, LLC, One Federal Street, 26th Floor, Boston, Massachusetts, 02110. The registered office and agent and/or the principal office may be changed by the Manager from time to time. but only upon compliance with the applicable provisions of the LLC Act and any applicable other state law requirements. Reasonably promptly after any such change the Manager shall provide written notice thereof to the other Members.

The Manager may establish additional places of business of the Company within and without the State of Delaware as and when required by the business of the Company and in furtherance of its purposes set forth in Section 1.4 hereof, and may appoint agents for service of process in any jurisdiction in which the Company shall conduct business.

Section 1.4 Purposes. The purpose and nature of the business to be conducted by the Company shall be limited to engaging in the following activities (conducted directly or indirectly through one or more wholly-owned subsidiary or lower tier Entities): (i) the acquisition, ownership, subdivision, rezoning, development, operation, maintenance, management, improvement, expansion, renovation, redevelopment, repair, leasing, encumbering, mortgaging, borrowing, financing and refinancing, and consistent with its holding of the Property for investment, selling, exchanging, transferring or conveying, and otherwise dealing with the Property and any other assets of the Company from time to time acquired by or contributed to the Company which are part of or are to be used in connection with, and any other assets which are incidental or related to the ownership of, the Property, (ii) engaging in and performing any and all other acts and activities as may be necessary, incidental or convenient to carry out the foregoing, (iii) to hold interests as a partner (general or limited), member, manager or otherwise in any Entities directly or indirectly holding title to any of said Property, (iv) to merge into or with any other entity or consolidate or reorganize, or divide or otherwise engage in any similar transaction, and (v) to contribute all or any part of the Company's assets to other Entities for interests in other Entities.

Section 1.5 Powers. Without limiting the generality of Section 1.4 hereof, the Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, incidental or convenient to or for the accomplishment and furtherance of the purposes set forth in Section 1.4, including, but not limited to, the full power and authority to sell, convey, lease, license, borrow, finance, mortgage, encumber, pledge or otherwise hypothecate any of the Property and other assets of the Company, and to make, execute, deliver, acknowledge and file any and all documents or instruments, and to enter into any kind of activity and to take any and all acts and actions as are necessary, convenient or incidental to the conduct, promotion and accomplishment of the purposes of the Company, so long as such activities may be lawfully carried on or performed by a limited liability company under the laws of the State of Delaware.

Section 1.6 Term. The term of the Company commenced on the date the Certificate was filed with the Secretary of State of the State of Delaware and shall continue in perpetuity unless and until the Company is dissolved pursuant to the provisions of Article 11 or as otherwise provided by law.

Section 1.7 Title to Company Assets; Nature of Company Interests. Title to the Company's assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Company as an Entity, and no Member, individually or collectively, shall have any ownership interest in any Company's assets or any portion thereof. All Company assets shall be recorded as the property of the Company in its books and records, irrespective of the name in which legal title to such Company assets is held.

The interests of each Member in the Company shall be personal property and shall not be a direct or indirect undivided or other interest in any of the Company's assets.

1.8 Members and Percentage Interests. The names, current addresses and Percentage Interests of the Members in the Company are as set forth in Exhibit A, as such may be amended or otherwise changed from time to time pursuant to the other provisions of this Agreement. A Member's change of address shall be made in the manner set forth in Section 12.1, and any such change shall be noted by the Manager in the Company's books and records, but Exhibit A shall not be amended solely to reflect any such change.

Section 1.9 Incorporation. The Definitions at the end of this Agreement and the Exhibits and Schedules attached hereto are incorporated herein and made a part hereof.

Section 1.10 Representation and Warranties. Each Member (including, without limitation, each Permitted Transferee as a condition to becoming a Member) represents and warrants to the Company, the Manager and each other Member that (i) if it is an Entity, it has all requisite power and authority to enter into and to perform its obligations under this Agreement, and this Agreement and all transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary corporate, other organizational or other necessary action, (ii) this Agreement and the performance by a Member of its covenants and obligations under this Agreement will not result in a breach or violation of, or a default under, its partnership or operating agreement, trust agreement, charter or by-laws, as the case may be, any material agreement by which such Member or any of such Member's properties, is or are bound, or any statute, regulation, order or other law to which such Member is or are subject, (iii) there are no governmental or client consents or approval necessary, or which have not already been obtained, for such Member to enter into and to perform its obligations under this Agreement, and (iv) such Member is neither a "foreign person" within the meaning of Code Section 1445(f) nor a "foreign partner" within the meaning of Code Section 1446(e). Each of the above representations and warranties of a Member shall be deemed remade as of the Closing Date upon the occurrence of the Merger

As of the occurrence of the Merger, each Original Partner which is a limited partner in the Partnership will be deemed to have remade the representations and warranties of such Original Partner made in the Consent and Agreement executed by such Original Partner, all as if said representations and warranties were set forth in this Agreement and were made on the Closing Date.

Section 1.11 Entity Characterization. It is the intention of the Members that the Company constitute a partnership for federal, state and local income tax purposes, and the Company shall make any election reasonably requested by any Member which is necessary or appropriate in order to ensure the treatment of the Company as a partnership for federal, state or local income tax purposes.

Section 1.12 Pre-Merger Activities. Until the Merger occurs, the Company shall engage in no activities nor take any actions other than such activities and actions as are necessary or appropriate for its organizational existence or as are necessary or appropriate in order to achieve the Closing under, and all other actions necessary or appropriate under, the Master Transaction Agreement, all as determined by the Manager in it sole discretion.

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ARTICLE 2
CAPITAL ACCOUNTS; CAPITAL CONTRIBUTIONS

Section 2.1 Capital Accounts. A separate Capital Account shall be maintained for each Member, including any Member who shall hereafter acquire an Interest in the Company. Capital Account shall mean a capital account maintained and adjusted for each Member in accordance with the Code and the Treasury Regulations, including the Treasury Regulations under Sections 704(b) and (c) of the Code. The Capital Account of each Member shall be:

(i) credited with all payments made to the Company by such Member on account of Capital Contributions (and as to any property other than cash or a promissory note of the contributing Member, the Book Value of such property), and by such Member's allocable share of Profits and items in the nature of income and gain of the Company;

(ii) charged with the amount of any distributions to such Member (and as to any distributions of property other than cash or a promissory note of a Member or the Company, by the agreed fair market value of such property, net of liabilities secured by such property and/or assumed by such Member or subject to which such distributed property is taken), and by such Member's allocable share of Losses and items in the nature of losses and deductions of the Company;

(iii) adjusted simultaneously with the making of any adjustment to the Book Value of the Company's assets pursuant to the definition thereof, to reflect the aggregate net adjustments to such Book Value as if the Company recognized Profit or Loss equal to the respective amount of such aggregate net adjustments immediately before the event causing such adjustments; and

(iv) otherwise appropriately adjusted to reflect transactions of the Company and the Members.

The provisions of this Section 2.1 relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Sections 1.704-1(b) and 1.704-2, and shall be interpreted and applied in a manner consistent with such Treasury Regulations. If the Manager determines that it is necessary or prudent to modify the manner in which the Capital Accounts are maintained in order to comply with such Treasury Regulations, the Manager may make such modification, provided that, notwithstanding any other provision in this Agreement, such modification will not have a material effect on the amounts distributable to any Member without such Member's consent. The Manager also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes, in accordance with Treasury Regulations Section 1.704-1(b) (2)(iv)(q), and (ii) make any appropriate modifications in the event that unanticipated events might otherwise cause this Agreement not to comply with Treasury Regulations Section 1.704-1(b) or Section 1.704-2.

Section 2.2 Initial Capital Contributions of the Members.

The Members of the Company are set forth in Exhibit A attached hereto. Until the consummation of the Merger, TZO shall own all the economic interests in the Company. Effective upon the consummation of the Merger, the Capital Account of each Member in the Company shall be its Capital Account in the Partnership on the effective date of the Merger of the Partnership into the Company, as the Capital Accounts of the Members were restated in the Partnership upon the admission of TZO to the Partnership. Effective upon the consummation of the Merger, the respective Percentage Interests of the Members will be as set forth in Exhibit A attached hereto. The Capital Accounts of the Members in the Partnership were restated based upon the Property having an agreed gross fair market value of $96,515,000, with the total (debt and equity) capitalization of the Partnership and the Company, including, however, additional costs and expenditures incurred in connection with the MTA transactions, all as further provided for in the Master Transaction Agreement. The restated Capital Accounts of the Original Partners on the Closing Date, totaling an aggregate amount of $615,000 after taking into account the making of Special Distribution, are herein referred to as the "Subordinate Capital Contributions" and the amount thereof of each Original Partner is set forth in Exhibit A.

No other Capital Contributions have previously been made by the Members, either in their capacities as Members or as partners in the Partnership, which have either not been previously returned or are not part of the determination of the initial Capital Accounts of the Members in the Company.

Section 2.3 Additional Funding Needs.

A. (i) If at any time the Company requires additional funds (any such requirement, a "Shortfall") (x) for the operating, capital or other financial needs of the Company for actions or other matters which are reasonably consistent with the purposes of the Company (all as determined by the Manager, including funds for the leasing, releasing, redevelopment or reconstruction of any portion of the Property, all as determined solely by the Manager), or (y) to meet the then current obligations, liabilities, expenditures or other needs of the Company (i.e., due within sixty (60) days) for any actions or other matters which are reasonably consistent with the purposes of the Company, or (z) if any Member or any Affiliate of any Member has made or is then currently obligated to make any payments on account of any obligation of the Company which any such Person has Guaranteed in furtherance of the purposes of the Company, whether or not such Member has provided the notification required under Section 2.3B (but without duplication of such amount if already included in either of the preceding clause (x) or (y)), the Manager shall request that the Members make additional Capital Contributions ("Additional Capital Contributions") in the amount of such Shortfall.

Notwithstanding the above, each of the Members other than TZO acknowledges that it does not currently intend to make any Additional Capital Contributions and therefore it is agreed that in the event the Manager is to make a capital call it need provide notice thereof only to the Beacon Members. However, if in the future a Member desires to make Additional Capital Contributions it may provide notice thereof to the Manager and in such event the Manager shall thereafter include any such Member as a Member who is to receive notice of future capital calls, provided, however, that if at any time thereafter such Member does not contribute its full share of any capital call for Additional Capital Contributions, the Manager shall thereafter no longer be required to provide notice to such Member of any capital calls. In the event the Manager fails to notify a Member of a capital call when the Manager is obligated pursuant to the above to provide such notice, the sole remedy of any such Member entitled to receive notice of capital calls shall be to contribute its share of any such capital call as to which it did not receive notice and as to which such Member was entitled to receive notice, such right to be exercisable only if exercised within thirty (30) days after such Member receives a quarterly, annual or other report which shows that during such period Additional Capital Contributions were made as to which such Member did not receive notice when it was entitled to such notice pursuant to the above.

(ii) Except as to a Shortfall (including, without limitation, debt service on any indebtedness of the Company and payments made by a Member or any Affiliate of a Member on account of any Guaranty) or as provided in Section 2.3.A (iii), no Member shall be required to make any Additional Capital Contribution without its consent nor shall any Member be permitted to make an Additional Capital Contribution other than for a Shortfall, unless as to any such matter the Manager has authorized either the making of such Additional Capital Contributions or has previously authorized the action or other matter which gave rise to the Shortfall or any other need for Additional Capital Contributions. The Manager shall also make a capital call upon request of a Member pursuant to Section 2.3.B

If requested by the Manager pursuant to the provisions of this Section 2.3.A to make an Additional Capital Contribution, each Member shall, within five (5) Business Days after such request or such other, later date as the Manager may have set in its notice (the relevant due date being the "Financial Needs Date"), contribute to the Company its pro rata share (in proportion to the Percentage Interests of the Members at the time of such request from the Manager) of the amount of the applicable Shortfall.

(iii) In addition to the above provisions of this Section 2.3.A, and notwithstanding anything in this Agreement to the contrary, if the Manager elects, on behalf of the Company, to exercise the Borrower's Special Prepayment Right under, and as such term is defined in each of the notes evidencing the two Subordinate Loans, TZO shall be obligated to make Capital Contributions to the Company in sufficient amounts so as to enable the Company to repay the amount of the Subordinate Loan elected by the Company to be so prepaid.

B. If a Member or an Affiliate of a Member has an outstanding Guaranty and demand is made on such Person for any amounts claimed due under any such Guaranty, such Member shall reasonably promptly after any such event notify the Manager of such event and of the amounts claimed due, and if it has not already made a capital call therefor, the Manager shall then make a capital call for the amount it reasonably believes is due.

Section 2.4 Additional Capital Contributions.

A. On or before the Financial Needs Date, each Member shall contribute to the Company, as an Additional Capital Contribution, an amount equal to the total amount specified in the capital call notice from the Manager multiplied by such Member's then Percentage Interest.

B. If any Member (a "Non-Contributing Member") fails to make all or any part of its Additional Capital Contributions under this Agreement by the Financial Needs Date therefor (such unfunded amount, a "Cash Deficiency"), each of the remaining Members (each a "Contributing Member"), in addition to funding such Contributing Member's own share, shall be entitled (but not required) to fund the Non-Contributing Member's share as an additional Capital Contribution by any such Contributing Member. If Contributing Members contribute, in the aggregate, more than the aggregate Cash Deficiencies, then the Contributing Members will be deemed to have contributed an amount equal to each such Contributing Member's Percentage Interest multiplied by the aggregate Cash Deficiencies, and any amounts contributed by a Contributing Member in excess of the amount so deemed to have been contributed shall be returned to each such Contributing Member.

The rights of the Contributing Members (or any of them) pursuant to the preceding paragraph (and the consequent effect on the Percentage Interests of the Members, as provided in Section 2.4.C) shall be the sole and exclusive remedy of the Members or the Company in the event of a failure by a Non-Contributing Member to make any Capital Contribution required under this Agreement.

C. Upon the making of any Capital Contributions pursuant to this Section 2.4 or pursuant to Section 2.3.A(iii), each Member's Percentage Interest shall thereafter be the ratio, expressed as a percentage, equal to such Member's total Capital Contributions over the aggregate Capital Contributions made by all Members to the Company.

The resulting reduction in the Percentage Interest of any Non-Contributing Member(s) and the simultaneous increase of the Percentage Interests of the Contributing Member(s) shall not effect any change in the Capital Accounts, Unrecovered Capital Contributions, Unrecovered Subordinate Capital Contributions, etc. of the Members, except as to the amount of the Capital Contributions made by the Contributing Member(s) pursuant to the above provisions of this Section 2.4 or pursuant to Section 2.3.A(iii).

Any adjustments in Percentage Interest pursuant to this Section 2.4.C. shall be automatic and without the necessity of any action beyond the making of a Capital Contribution by a Contributing Member. Notwithstanding the foregoing, however, the Members hereby agree to execute such documents and take such additional actions as may be necessary to effectuate or evidence any such adjustments to the Members' Percentage Interests. The failure to execute any such documents shall in no way affect the making of any adjustments in the Percentage Interests pursuant to the above provisions.

If the Percentage Interest of a Member is adjusted during a Fiscal Year pursuant to the above, the Profits and Losses from Operations shall be prorated on such basis as the Manager shall determine in its sole discretion which is a permitted method under the Code or the Treasury Regulations. For the period ending on the date of adjustment, Operating Cash Flow shall be distributed pursuant to the provisions of Article 5 according to the Percentage Interests in effect prior to the date of such adjustment, and Operating Cash Flow for the balance of such Fiscal Year shall be distributed pursuant to the provisions of said Article 5 according to the Percentage Interests of such Members as so adjusted. Any allocations and distributions due to a Capital Transaction shall be made based upon the date upon which such Capital Transaction actually occurs. However, any requirement under the Code or the Treasury Regulations which requires a different method of allocation of Profits and Losses shall control.

Section 2.5 Return of Capital; No Withdrawal. Except to the extent of distributions made pursuant to this Agreement, no Member shall be entitled to resign or withdraw from the Company or to the withdrawal or return of its Capital Contribution or any other distribution from the Company as a result of any such resignation or withdrawal (including, without limitation, pursuant to Section 18-604 of the LLC Act), and no Member shall have the right to demand a return of all or any part of its Capital Contributions or to demand and receive property of the Company in exchange for all or any portion of its Capital Contribution or Capital Account, or otherwise as to its Interest as a Member, nor may any Member otherwise have any right to demand or receive the return of its Capital Contributions to, or Capital Account in, the Company. Any return of the Capital Contributions of any Member shall be made solely from the assets of the Company and only in accordance with the terms of this Agreement, and no Manager or Member shall be liable for the return of any portion of the Capital Contribution of any (other) Member, and the return, if any, of any Member's Capital Contributions shall be made solely from Company assets.

Except as otherwise expressly provided in this Agreement, including any amendments hereto in accordance with the provisions hereof, no Member shall have priority over any other Member, either as to the return of Capital Contributions or as to profits, losses or distributions, nor shall any preferred return or interest accrue or be paid to any Member with respect to its Capital Contributions.

Section 2.6 No Other Contributions. Except as expressly required by this Article 2 or 6 or by the LLC Act, no Member shall have any obligation to make any Capital Contribution to the Company or to advance or loan any funds to the Company. No loan made to the Company by a Member shall constitute a Capital Contribution to the Company for any purpose.

Section 2.7 Liability of Members; No Management of Company.

A. No Member, in its capacity as a Member and/or as a Manager, shall have any liability to restore any negative balance in its Capital Account or to contribute to, or in respect of, the liabilities or the obligations of the Company, or to restore any amounts distributed from the Company, except as may be required under the LLC Act. In no event shall any Member, in its capacity as and by reason of being a Member and/or as a Manager, be personally liable for any liabilities or obligations of the Company, except as to any such liability of the Company a which Member, in its individual capacity, has separately guaranteed in such separate, individual capacity.

B. No Member which is not a Manager (and even then only in its capacity as a Manager) shall take part in the management or control of the business or other affairs of the Company or transact any business in the name of or on behalf of the Company.

Section 2.8 No Third Party Beneficiaries. The provisions of this Article 2 are not intended to be for the benefit of any creditor or other Person (other than a Member in its capacity as a Member) to whom any debts, liabilities or obligations are owed by (or who otherwise has any claim against) the Company or any of the Members. Moreover, notwithstanding anything contained in this Agreement, including specifically, but without limitation, this Article 2, no such creditor or other Person shall be entitled to rely upon or entitled to enforce the obligations of the Members under this Article 2 or obtain any other rights under this Agreement or shall, by reason of this Agreement, make any claim in respect of any debt, liability or obligation (or otherwise) against the Company or any Member.

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ARTICLE 3
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 3.1 Management; Successor Manager.

A. The management of the business and affairs of, and the conduct of all of the business of, the Company are and shall be exclusively vested in the Manager, and no Member which is not the Manager shall have any right to vote upon or otherwise participate in or exercise control or management power over the business and affairs of the Company. In addition to the powers granted to or permitted to be exercised by a "manager" under the LLC Act, the Manager shall be entitled to exercise the broadest of powers and rights which may be exercised as a "manager" under the LLC Act or which are granted to the Manager under any other provision of this Agreement. The Manager shall have full power and authority to do all things deemed necessary or desirable by it, to conduct the business of the Company and to exercise, without the vote or participation of any of the Members, all powers which the Company may legally possess to effectuate the purposes set forth in Section 1.4 hereof, including, without limitation:

(1) the making of any expenditures, and the incurring of any obligations necessary or desirable in connection with the Company's business and activities;

(2) the use of the assets of the Company (including, without limitation, cash on hand) for any purpose consistent with the general purposes of the Company;

(3) the making, negotiation, execution, and performance of any contracts, leases, waivers, releases, agreements or other instruments in writing as necessary or appropriate that the Manager considers useful or necessary to the conduct of the Company's operations or the implementation of the Manager's powers under this Agreement, including, without limitation, contracting with contractors, developers, consultants, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation out of the Company's assets;

(4) subject to compliance with Section 10.7, the sale, conveyance, assignment, exchange or other disposition of any part of the Property or any other real estate, personal property or other assets of the Company;

(5) borrowing money and issuing evidences of indebtedness (including, without limitation, borrowing from a Member or an Affiliate of a Member) in furtherance of any or all of the purposes of the Company and to secure the same by deed of trust, mortgage or other lien on the Property or any other assets of the Company;

(6) entering into covenants, easements, rights or way, utility, or other agreements necessary or desirable (i) for the redevelopment, operation or use of the Property (or any portion thereof) or (ii) to permit access over, through, and across the Property or any portion thereof (to serve adjoining properties, for vehicular and pedestrian access, utility installations maintenance, or for any other purposes);

(7) prepaying, in whole or in part, refinancing, recasting, increasing, reducing, modifying, or extending any promissory note, loan agreement, deed of trust or mortgage affecting any asset of the Company or any other indebtedness of the Company, including, without limitation, all such matters as to either of the Subordinate Loans or, subject to the first paragraph of Section 3.5, with any other Affiliate of the Manager, and in connection with any of the above, to execute any extensions, renewals, or modifications of such other indebtedness, notes, loan agreements, deeds of trust, and/or mortgages, provided, however, that any change in the interest rate or participation features of, or a shortening of the stated maturity date of, either Subordinate Loan shall require the consent of the Akridge Representative;

(8) holding reserves and other cash balances and investing such sums in interest bearing accounts and investments and other similar forms of investments, without, however, being in the business of lending money;

(9) the exercise of the Company’s interest in any matters affecting the rights and obligations of the Company, including the settlement, compromise, submission to arbitration or any other form of dispute resolution, or abandonment of, any claim, cause of action, liability, debt or damages, due or owing to or from the Company, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitration or other forms of dispute

resolution, and the representation of the Company in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(10) the opening and closing of bank accounts, and the distribution of Company cash or other Company assets in accordance with this Agreement;

(11) holding, managing, investing and reinvesting cash and other assets of the Company;

(12) the collection and receipt of revenues and income of the Company;

(13) the establishment of one or more divisions of the Company, the selection and dismissal of employees of the Company (including, without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer" of the Company), and agents, outside attorneys, accountants, consultants and contractors of the Company, and the determination of their compensation and other terms of employment or hiring;

(14) the maintenance of such insurance for the benefit of the Company and the Manager and Members and other Persons as the Manager deems necessary or appropriate; and

(15) taking or causing to be taken all actions or to causing to be performed all functions necessary, desirable or otherwise appropriate to promote the business of the Company or to realize and carry out its purposes.

Nothing herein shall be deemed to allow the Company to enter into any contract or agreement which would be recourse to or impose liability on any Member, in said Member's capacity as a Member in the Company, for any liabilities or obligations of the Company, except such as are specifically consented to or entered into in writing by any such Member.

In connection with any potential Taxable Disposition, the Manager agrees to reasonably cooperate with the Original Partners to attempt to structure, if possible, a tax deferral in lieu of what would otherwise be a Taxable Disposition, provided, however, that any such cooperation and any such attempt to structure a tax deferral shall not be required if and to the extent such cooperation or attempt to structure a tax deferral inhibits or otherwise in any manner affects the potential

Taxable Disposition in any manner (including, without limitation, the timing for entering into an agreement for, or the closing of, such transaction, the price and/or terms of payment, additional representations and warranties and/or indemnities, additional closing conditions or requirements, additional transactional costs, etc.), all as determined by the Manager, in its sole discretion. If a tax deferral structure proposed by the Original Partners is not acceptable to the Manager solely due to a monetary deficiency in the amount of money it and other Beacon Members would receive under such alternative structure, but has no other adverse impacts, as determined by the Manager in its sole discretion, the Original Partners shall be entitled to proceed to attempt to close such alternative structure (within such time as the Manager shall designate consistent with the timing for the closing of a potential sale of the Property) provided that (i) the Beacon Members receive any such deficiency in addition to all other amounts they would have received so that in the aggregate the Beacon Members receive not less than the amount they would have received had the Property been sold, with the form of consideration being all cash unless any prospective transaction for the sale of the Property then being considered by the Manager would provide for other than cash consideration, and in such event amounts and type of consideration consistent with any such other prospective transaction, and (ii) the type of income under the Code which the Beacon Members would receive is the same type of income they would have received had the Property been sold by the Company. In determining the amounts pursuant to clause (i) of the preceding sentence, it shall be assumed that no amount would be payable by the Company upon a sale of the Property on account of the D.C. Franchise Tax if none would have been payable upon a sale based on the Company liquidating at the time of a sale of the Property by the Company (and thus the gain being passed out to the Members of the Company, if such is then permissible or required under applicable law), and after deducting one-half of the then applicable real estate transfer tax if none is incurred in the actual transaction or if and to the extent the Beacon Members do not bear such tax. The failure or inability by the Original Partners to structure or otherwise obtain a tax deferral for themselves pursuant to the preceding sentence shall in no way limit the Manager's rights as the Manager of the Company to cause the Company to engage in a Taxable Disposition, subject only to Section 10.7.

In connection with the refinancing of any indebtedness of the Company which for purposes of the Code and the Treasury Regulations is "non-recourse indebtedness" of the Company, the Manager agrees to use commercially reasonable efforts to obtain replacement indebtedness that is the lesser of such amount as would not reduce the amount of non-recourse indebtedness outstanding at the time of any such refinancing, or financing that is not greater than a 65% loan to value ratio, as determined by a prospective lender(s), or, if there is to be a reduction, to use commercially reasonable efforts to obtain for the Original Partners the right to provide to the relevant prospective lender(s) so-called “bottom-up” guarantees. However, notwithstanding the preceding sentence, in all events, the Original Partners acknowledge and agree that the amount and all other terms of any financing obtained by the Manager on behalf of the Company (including, without limitation, the obtaining of the right to provide “bottom-up” guarantees) shall be determined in the sole discretion of the Manager (including, without limitation, obtaining financing from Affiliates of the Manager where the Manager deems such to be necessary or appropriate) and that nothing in this paragraph shall in any way limit the Manager’s rights as to any financings or refinancings of the Company.

Nothing in the two immediately preceding paragraphs shall (i) impose any liability of any nature or create any legal or equitable rights in the Original Partners unless the Manager acts in bad faith in carrying out the provisions of said two paragraphs, or (ii) in any way limit the Manager’s rights, as the Manager of the Company, to cause the Company to sell or refinance the Property in the Manager’s sole discretion (subject, in the event of a sale of the Property, only to Section 10.7), nor otherwise limit, restrict or otherwise affect any of the other provisions of this Agreement.

B. The Manager shall devote, and shall cause its partners, members, officers, directors and employees, if any, to devote such time to the affairs of the Company as the Manager, in its sole discretion, determines is necessary for performance by the Manager of its duties hereunder. It is understood that neither the Manager nor any of the aforesaid Persons shall be required to devote full time to the business and affairs of the Company and that all such Persons are engaged in, and intend in the future to engage in, other activities.

C. The Manager is authorized to execute, deliver and perform any and all agreements, filings, arrangements, transactions and other activities on behalf of the Company without any act, approval or vote of any of the Members. The execution, delivery or performance by the Manager or the Company of any agreement or activity authorized or permitted under this Agreement shall not constitute a breach by the Manager of any duty that the Manager may owe the Company or the Members or any other Persons under this Agreement or of any duty stated or implied by law or equity.

D. No Member who is not also a Manager, and then only in such Member’s capacity as a Manager, shall be allowed to take part in the management or control of the Company’s business (excluding the exercise of any power granted to such Member by this Agreement or which is mandated by the LLC Act and which cannot be waived or modified by agreement among the Members) or to sign for or bind the Company, such power being vested solely and exclusively in the Manager, all as further provided in this Article 3.

E. TZO or any of its permitted successors shall have the right to designate any Affiliate of TZO or, as the case may be, any Affiliate of its then permitted successor, as a replacement and successor Manager to the then Manager. Any such replacement or successor Manager need not be a Member. In the event of any change in the Manager, the prior or successor Manager shall notify the Akridge Representative of such change, which notice shall include the name of the new Manager and its mailing address.

Any successor Manager may be removed and/or replaced by TZO at any time and for any, or for no reason, all as it shall decide in its sole discretion. Any Manager designated by TZO shall file a written acceptance of such designation with the Company. A Manager need not join in this Agreement but in all events shall be entitled to the rights and protections provided for in this Agreement for a Manager and, by the filing with the Company of its acceptance of designation as a Manager, shall be deemed to have accepted the role and responsibilities of a Manager under this Agreement.

Section 3.2 Binding the Company.

Any action taken by, or the execution of any agreement, contract document or other written instrument by, the Manager, as the Manager of the Company, shall, as against third parties, bind the Company, and shall be the valid and binding action of the Company. Third parties transacting business with the Company may rely on the actions of the Manager as being on behalf of the Company as being in all situations the valid action of the Company, and the execution of any documents or the taking of any action by the Manager shall be conclusive evidence of the authority of such Manager and the Company with respect thereto, and no third party need look to any other evidence or require joinder or consent of any other Manager, if there is at any time more than one, or any other Member.

Each Member hereby waives for itself and for the Company any and all defenses or other remedies which may be available against such third party Person to contest, negate or disaffirm any action of the Manager in connection with any such dealing. In no event shall any Person dealing with the Manager or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the Manager or its representatives. Each and every certificate, document or other instrument executed on behalf of the Company by the Manager or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect; (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Company; and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Company.

Section 3.3 Officers and Agents; Reliance.

A. The Manager shall have the power to appoint agents to act for the Company with such titles as the Manager deems appropriate and to delegate to such agents such of the powers as are granted to the Manager hereunder, including the power to execute documents on behalf of the Company, all as the Manager may in its sole discretion determine, provided any such appointment shall be in writing; provided further, however, that no such delegation by the Manager shall cause the Manager to cease to be the Manager of the Company within the meaning of the LLC Act nor expand the powers of the Manager. The agents so appointed may include persons holding titles such as Chairperson, Chief Executive Officer, President, Vice President, Chief Operating Officer, Chief Financial Officer, Treasurer or Controller. Unless the authority of the agent designated as the officer in question is limited in the document appointing such officer, any officer so appointed shall have the same authority to act for the Company, subject to the terms of this Agreement, as a corresponding officer of a Delaware corporation would have to act for a Delaware corporation; provided, however, that unless such power is specifically delegated in writing by the Manager to the officer in question either for a specific transaction or generally, no such officer shall have the power to lease or acquire real property, to borrow money, to issue notes, debentures, securities, equity or other interests of or in the Company, to make investments in (other than the investment of surplus cash in the ordinary course of business) or to acquire securities of any Person, to give guarantees or indemnities, to merge, liquidate or dissolve the Company or to sell or lease all or any substantial portion of the assets of the Company. The Manager, in its sole discretion, but subject to the other terms of this Agreement may by its written act, ratify any act previously taken by any agent acting on behalf of the Company.

B. Any Person dealing with the Company or the (or a) Manager may rely on a certificate signed by the (or a) Company's Manager:

(i) as to the existence or nonexistence of any fact or facts which constitute conditions precedent to acts by the Manager or are in any other manner germane to the affairs of the Company;

(ii) as to who is authorized to execute and deliver any instrument or document on behalf of the Company, and as to whether any approval, consent, or other action is necessary under this Agreement and/or as to whether any such action or consent has been obtained;

(iii) as to the authenticity of any copy of the Certificate, and as to the status of this Agreement and amendments hereto; or

(iv) as to any act or failure to act by the Company or as to any other matter whatsoever involving the Company or any Member.

Section 3.4 Compensation of Manager and Members. No payment shall be made by the Company to any Manager or Member for such Manager's or Member's services as a Manager or Member. The Manager, and each of them, if more than one, shall be entitled to reimbursement from the Company for all third-party expenses incurred by such Manager in managing and conducting the business and affairs of the Company. The Manager shall determine which expenses, if any, are allocable to the Company in a manner which is fair and reasonable to the Manager and the Company and customary in comparable arrangements, and if such allocation is made in good faith, it shall be conclusive in the absence of manifest error.

The Manager and its Affiliates shall be reimbursed on a monthly basis, or such other basis as the Manager may determine in good faith and in its reasonable discretion, for all expenses and expenditures that the Manager or any Affiliate of Manager incurs relating to the operation of, or for the benefit of, the Company.

Section 3.5 Contracts with Members or Affiliates. Notwithstanding anything in this Agreement to the contrary, the Manager and any of its Affiliates may engage in transactions with the Company, directly or indirectly, pursuant to any arrangements and on such terms thereof as are determined by the Manager to be comparable to the terms of any such arrangement had such arrangement been entered into by an unaffiliated third party.

Each Member acknowledges that the holders of the Subordinate Loans are Affiliates of TZO. Each Member hereby acknowledges and agrees that notwithstanding anything this Agreement or at law or equity to the contrary, each said Affiliate and/or its successor shall at all times have the right to exercise any and all of the rights and remedies of the holder of the relevant Subordinate Loan without any limitation thereon, including, without limitation, any limitation in any way related to the fact that any of such Persons who are holders of a Subordinate Loan may be Affiliated in any manner whatsoever to TZO or to any other Member.

Section 3.6 Indemnification.

A. To the fullest extent permitted by applicable law, the Company shall indemnify and hold harmless the Manager, each Member, including the Tax Matters Member, each Representative, each such Person's direct and indirect members, managers, officers, directors, partners, shareholders, employees, and agents, and the employees, officers, and agents of the Company and any other Person serving at the request of, or on behalf of, the Company (all indemnified persons being referred to as "Indemnified Persons") from and against any and all losses, claims, obligations, damages, liabilities, joint or several, costs, expenses and disbursements (including, without limitation, reasonable attorneys fees and other legal fees and expenses and disbursements), judgments, fines, penalties, settlements, and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, arising from or by reason of any act performed or omitted to be performed by the Indemnified Person in connection with the business of the Company and from liabilities or obligations of the Company imposed on such Person by virtue of such Person's position with the Company, or that relate to the operations of the Company as set forth in this Agreement, in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise; provided, however, that indemnification shall not be paid hereunder with respect to any matter as to which any Indemnitee shall have been finally adjudicated in any such action, suit or other proceeding, or otherwise by a court of competent jurisdiction, to have committed willful malfeasance, bad faith, dishonesty or fraud in the conduct of its or their office.

The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 3.6.A. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the Indemnitee acted in a manner contrary to that specified in this Section 3.6.A. with respect to the subject matter of such proceeding.

Any Person who is within the definition of "Indemnified Person" at the time of any action or inaction in connection with the business of the Company shall be entitled to the benefits of this Section 3.6 as an "Indemnified Person" with respect thereto, regardless of whether such Person continues to be within the definition of "Indemnified Person" at the time of its claim for indemnification or exculpation hereunder.

Any indemnification pursuant to this Section 3.6 shall be made only out of the assets of the Company and any insurance proceeds from any insurance policies covering any Indemnitee and/or the Company, and no Member shall have any obligation to contribute to the capital of the Company, or otherwise provide funds, to enable the Company to meet its obligations under this Section 3.6.

B. The right to indemnification conferred by this Section 3.6 shall include the right to be paid or reimbursed by the Company for the reasonable expenses incurred in advance of the final disposition of a proceeding and without any determination as to the Person’s ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred in advance of the final disposition of a proceeding shall be made only upon delivery to the Company of a written affirmation by such Person of its good faith belief that it has met the standard of conduct necessary for indemnification under this Section 3.6 and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such Person is not entitled to be indemnified under Section 3.6 or otherwise.

C. The indemnification provided by this Section 3.6 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled to, or as a matter of law or equity or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity unless otherwise provided in a written agreement pursuant to which such Indemnitee is indemnified.

D. The Company may, but shall not be obligated to, purchase and maintain insurance, at its expense and in an amount determined by the Manager, on behalf of the Indemnitee and such other Persons as the Manager shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Company’s activities, regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. The provisions of this Section 3.6 are for the benefit of each Indemnitee, its successors and assigns, and shall not be deemed to create any rights for the benefit of any other Persons. Any amendment, modification or repeal of this Section 3.6 or any provision hereof shall be prospective only and shall not in any way affect the Company’s liability to any Indemnitee under this Section 3.6, as in effect immediately prior to such amendment, modification, or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

F. If any paragraph of this Section 3.6 or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Manager or any other Indemnitee as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Section 3.6 that shall not have been invalidated.

G. An Indemnitee shall not be denied indemnification in whole or in part under this Section 3.6 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

Section 3.7 Other Matters Concerning the Manager.

A. Notwithstanding anything to the contrary set forth in this Agreement, the Manager and its Affiliates shall not be liable for monetary or other damages to the Company or any Member for losses sustained or liabilities incurred as a result of errors in judgment or of any act or omission, provided that any such Person shall not have committed willful malfeasance, bad faith, dishonesty or fraud in performing its duties under this Agreement.

Whenever in this Agreement the Manager, a Member or an Indemnitee is permitted or required to make a decision or otherwise to take an action (including inaction) in good faith or in its discretion or sole discretion or under another express standard as to any such decision or other matter, such Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement, the LLC Act or any other applicable law or in equity. Notwithstanding anything at law or equity to the contrary, the Manager's sole duty to the Members in making decisions or otherwise taking actions on behalf of the Company and otherwise in managing the business and affairs of the Company is to not commit willful malfeasance, dishonesty or fraud, to not act in bad faith, and to not treat the Members differently from each other under this Agreement, except where such differential treatment is provided for under this Agreement, and in making any decisions or otherwise in managing the business and affairs of the Company, the Manager need not consider the separate interests of any Member. The Members hereby acknowledge the above and hereby waive any rights at law, equity or otherwise which they might otherwise have which would impose different duties of any nature whatsoever.

The Manager shall not have any obligations hereunder except to the extent that Company funds are reasonably available to it for the performance of such duties, and nothing herein contained shall be deemed to require the Manager, in its capacity as such or as it is a Member, to expend its individual funds for payment of, or to undertake any individual liability or obligation on behalf of the Company.

The Members expressly acknowledge that the Manager and each Member is acting for the benefit of the Company, the Members and, as to the Manager and any Member which is an Entity, such Person's members, partners, shareholders and other direct and indirect equity owners, (collectively "Upper Tier Equity Owners") and that neither the Manager nor any Member is under any obligation to give priority to the separate interests of the Members or to any Member's Upper Tier Equity Owners (including, without limitation, the tax consequences to Members or any Member's Upper Tier Equity Owners) in deciding whether to cause the Company to take (or decline to take) any actions, and neither the Manager nor any Member shall be liable to the Company or to any Member for monetary or any other damages for losses sustained, liabilities incurred, or benefits not derived by any other Member or any of any such Member's Upper Tier Equity Owners in connection with such decisions, unless such Manager or Member, as the case may be, has acted in bad faith or has acted outside the scope of such Person's rights or authority under this Agreement.

The Members further acknowledge that (i) the Manager and/or an Affiliate of the Manager may be liable for some of the indebtedness of the Company for which such Person would not otherwise be liable for if certain actions are taken by the Company or if the Company fails to take certain actions, and that in making a determination as to any such matter, the Members agree that the Manager, in its sole determination, may determine to take or may determine not to take actions so that said Manager or its Affiliates will not have any potential liability for any such indebtedness of the Company, even if the opposite from the action or non-action taken by the Manager would or might be more advantageous to the Company and/or some or all of the Members, and the Manager shall have no duty or liability to the Company or the Members arising from the consequences of any such decisions made by the Manager, and (ii) in determining to sell, refinance or otherwise take any actions under this Agreement, the Manager need not take into account the disparate tax or any other effect that such actions may have on some of the Members, including itself and its Affiliates, versus other Members, any other such disparate effect being hereby waived by each Member.

Except as provided in Article 8, a Member's, the Manager's and a Representative's duty of care in the discharge of, as the case may be, such Member's, Manager's or Representative's duties to the Company is limited to refraining from engaging in fraud, intentional misconduct, malfeasance or misfeasance. In discharging its duties, every Member, Manager, Representative or other Indemnified Person shall be fully protected in relying in good faith upon the records required to be maintained under this Agreement and upon such information, opinions, reports, or statements by any of its agents, or by any other Person, as to matters such Member or Manager, Representatives or other Indemnified Person, as the case may be, reasonably believes are within such other Person's professional or expert competence and who have been selected with reasonable care by or on behalf of the Company, including information, opinions, reports, or statements as to the value and amount of the assets, liabilities, profits, or losses of the Company or any other facts pertinent to the existence and amount of assets from which distributions to the Member might properly be paid.

Notwithstanding anything to the contrary set forth in this Agreement, neither any Member, the Manager, any Representative, nor any equity owners, managers, partners (general or limited), officers, directors, employees or agents, in any such Person's capacity so described above, shall be liable for any damages suffered by the Company for losses sustained or liabilities incurred as a result of errors in judgment or of any act or omission of any such Person if such Person acted in good faith or otherwise acted in accordance with, or as otherwise specifically permitted by, this Agreement, except that this Section 3.7 shall not eliminate or limit the liability of any Person described above to the extent such Person is found liable for an act or omission not in good faith or not otherwise in accordance with, or not otherwise specifically permitted by, this Agreement and that constitutes a material breach of duty of such Person or an act or omission that involves fraud, intentional misconduct of a knowing violation of the law.

B. The Manager may consult with legal counsel, accountants, appraisers, management consultants, investment bankers, architects, engineers, environmental consultants and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters which such Manager reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

C. Subject to its obligations and duties as Manager set forth herein, and as otherwise provided in this Agreement regarding arrangements with Affiliates, the Manager may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, including Affiliates of the Manager. The Manager shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the Manager so long as the Manager acted in good faith and was not grossly negligent in making any such appointment.

D. Any amendment, modification or repeal of this Section 3.7 or any provision hereof shall be prospective only and shall not in any way affect the limitations on any Indemnified Person's liability to the Company and the Members under this Section 3.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted. In addition to the circumstances in which a Person is not liable as set forth in the preceding provisions of this Section 3.7, any such Person shall not be liable to the fullest extent permitted by any provision of the statutes and other laws of Delaware hereafter enacted that further limits the liability of a Person serving in the capacity stated.

E. Notwithstanding the above or any other provisions of this Agreement or the LLC Act, the Company shall not take any action which, in the sole judgment of the Manager (1) so long as BCSP qualifies as a REIT, and without limiting the right of BCSP, in its sole discretion, to cease qualifying as a REIT, (a) would cause any income or receipts of the Company to be other than rents from real property, as defined in Section 856 of the Code and the Treasury Regulations thereunder, or other miscellaneous income or receipts which would not qualify under Section 856(c) of the Code and the Treasury Regulations thereunder, (b) could, in the judgment of the Manager, otherwise adversely affect the ability of BCSP to continue to qualify as a REIT, or (c) could, in the judgment of the Manager, subject BCSP to any additional taxes under Section 857 or Section 4981 of the Code, or (2) if and so long as any direct or indirect holders of interests in the Manager are subject to the provisions of Section 511, et seq (the "UBTI Provisions") of the Code, could, in the Manager's judgment, cause the Company to incur any income which would give rise to unrelated business taxable income ("UBTI") under the UBTI Provisions as if the Company were subject thereto, or (3) could, in the Manager's judgment, violate any law or regulation of any governmental body or agency having jurisdiction over its, BCSP's or Beacon's securities. The Members acknowledge that the Company shall not take any action prohibited by the preceding sentence even if the taking of any such action might otherwise be advantageous to the Company or to some of the Members unless the Manager specifically determines to take, or otherwise consents to the taking of, any such action, in its sole discretion. The provisions of this paragraph are solely for the benefit of the Beacon Members and no other Person shall have the right to enforce, or be the beneficiary of, the provisions of this paragraph.

Any action of the Manager on behalf of the Company or any decision of the Manager to refrain from acting on behalf of the Company undertaken in the good faith belief that such action or omission is necessary or advisable in order to comply with the provisions of the preceding paragraph and/or to minimize the receipt of income so as to allow BCSP to avoid incurring any liability for taxes under Section 857 or Section 4981 of the Code, or to avoid or minimize the receipt of revenues or income which would give rise to UBTI if the Company or any direct or indirect owner of the Company were subject to the UBTI Provisions is expressly authorized under this Agreement, even if taking such action or omission was not otherwise in the best interests of the Company or any of its Members, so long as, in any such event, the Manager acted in good faith and such action or omission was reasonably believed by the Manager to be within the scope of the purposes of the Company.

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ARTICLE 4
FISCAL MATTERS

Section 4.1 Records and Accounting. The Manager shall keep or cause to be kept at the principal office of the Company those records and documents required to be maintained by the LLC Act and such other books and records deemed by the Manager to be appropriate with respect to the Company's business, including, without limitation, all books and records necessary to provide to the Members any information, lists and copies of documents required to be provided pursuant to Section 4.3 hereof. Any records maintained by or on behalf of the Company in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micrographics or any other information storage device. The books of the Company shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles, or such other basis as the Manager determines to be necessary or appropriate. Any Member shall have the right, for any purpose reasonably related to the Member's interest as a Member in the Company, during normal business hours and upon reasonable notice, to examine and copy (at such Member's own expense) the books and records of the Company. Such examination shall be held, at the Manager's determination, at the principal office of the Company or of the Manager or at the Property or at such other location in the greater Washington, D.C. metropolitan area where the relevant information is held. Nothing in this Section 4.1 shall be deemed to limit the provisions of Section 4.4. The Manager shall have the right to withhold any requested information to the extent permitted by Section 18-305(c) of the LLC Act.

Section 4.2 Fiscal Year. The fiscal year (a "Fiscal Year") of the Company shall be the calendar year.

Section 4.3 Reports. As soon as practicable, and using all reasonable efforts to cause such to be provided within ninety (90) days after the close of each Fiscal Year, the Manager shall cause to be provided to each Member as of the close of the Fiscal Year, annual financial statements of the Company for such Fiscal Year, prepared in accordance with generally accepted accounting principles, consistently applied, and audited by the Accountants.

Section 4.4 Confidentiality. The Members acknowledge that, from time to time, they may receive information from or regarding the Company in the nature of financial statements and information, marketing strategies, trade secrets or other information which is confidential or not generally available to the public, the release of which may be damaging to the Company, the Manager or its Affiliates or Persons with which the Company does business. Each Member agrees that, except with the consent of the Manager, all non-public information furnished to it or received by it pursuant to this Agreement will be kept confidential and will not be disclosed by such Member, or by any of its agents, representatives, or employees, in any manner whatsoever, in whole or in part (but not including herein information that a Member has also received from a source independent of the Company or its representatives), except that (i) each Member (and its equity holders) shall be permitted to disclose such information to those of its agents, representatives, and employees who need to be familiar with such information in connection with such Member's (or such equity holder's indirect) investment in the Company or such Member's tax returns or as required by securities laws or other legal obligations, (ii) each Member that is an Entity shall be permitted to disclose such non-public information of the Company as is reasonably necessary for the intended purpose of such disclosure to its partners, members, stockholders and other holders of equity interests and to any potential buyer of a Member's Interest or of the Company's assets or any potential lender to any Member, so long as any such Person agrees to keep such information confidential on the terms set forth herein, (iii) each Member that has entered into this Agreement as a nominee for another Person may disclose such information to such other Person so long as such other Person agrees to keep such information confidential on the terms set forth herein, (iv) each Member shall be permitted to disclose information to the extent required either (x) as part of any filings, reports or similar matters which it is obligated to file, or (y) otherwise by law or by order or requirement of any court, administrative or other judicial or quasi-judicial entity, provided that as to any matter under clause (y) such Member shall make reasonable attempts to first afford the Company with a reasonable opportunity to contest the necessity of disclosing such information, and (v) each Member shall be permitted to disclose information to the extent necessary for the enforcement of any right of such Member arising under this Agreement. The Members acknowledge that breach of the provisions of this Section 4.4 may cause irreparable injury to the Company for which monetary damages are inadequate, difficult to compute, or both. Accordingly, the Members agree that the provisions of this Section 4.4 may be enforced by specific performance without posting bond.

Section 4.5 Bank Accounts; Company Funds. Bank accounts and/or other accounts of the Company shall be kept separate and apart from the books and records and accounts of any other Person, and shall be maintained in such banking and/or other financial institution(s) as shall be selected by the Manager, and withdrawals shall be made and other activity conducted on such signature or signatures as the Manager may from time to time determine.

Section 4.6 Additional Information. In addition to the other rights specifically set forth in this Agreement, each Member is entitled to all information to which that Member is required to have access pursuant to a non-waivable provision of the LLC Act, under the circumstances and subject to the conditions therein stated.

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ARTICLE 5
DISTRIBUTIONS

Section 5.1 Requirement and Characterization of Distributions.

A. Prior to making any distributions to the Members pursuant to the following provisions of this Section 5.1, the Company shall first pay to any Member entitled thereto any then accrued and unpaid Guaranteed Payments, and as among Members entitled to any such payments in proportion to the aggregate amounts owed each such Member.

B. Operating Cash Flow shall be distributed to the Members at such times and with such frequency as the Manager shall determine, in its reasonable discretion. Capital Transaction Proceeds from other than a Terminating Capital Transaction shall be distributed by the Manager as soon as reasonably possible after the Capital Transaction giving rise thereto as the Manager, in its sole discretion, shall determine is appropriate. All Operating Cash Flow and all Capital Transaction Proceeds other than those from a Terminating Capital Transaction shall be distributed to the Members as follows:

(i) First: To the Beacon Members until their respective Unrecovered Capital Contributions are reduced to zero.

(ii) Second: To the Original Partners in proportion to their respective Percentage Interests, until each such Original Partner has received a cumulative, compounded return of fifteen percent (15%) per annum, compounded quarterly, on the Unrecovered Capital Contributions of each such Original Partner.

(iii) Third: To each Original Partner until each Original Partner's Unrecovered Subordinate Capital Contribution is reduced to zero.

(iv) Fourth: Any remaining amount to all the Members in proportion to their respective Percentage Interests.

C. Capital Transactions Proceeds from a Terminating Capital Transaction and amounts available upon dissolution, and after payment of, or adequate provisions for, the debts and obligations of the Company, and after liquidation of any remaining assets of the Company, shall be distributed and applied in the following priority:

(i) First, to fund reserves for liabilities not then due and owing and for contingent or unforeseen liabilities and obligations to the extent deemed appropriate by the Manager; and

(ii) Second, to the Members, an amount sufficient to reduce each Member's Capital Account to zero, in proportion to the positive balances in such Capital Accounts (after reflecting in such Capital Accounts all adjustments thereto necessitated by (A) all other Company transactions (distributions and allocations of Profits and Losses and items of income, gain, deduction, and loss) and (B) such Terminating Capital Transaction).

Upon the expiration of such period of time as the Manager shall deem advisable, the balance of any reserves established under clause (i) which are remaining after payment of any contingencies shall be distributed in the manner and in the priorities set forth above in Clause Second of this Section 5.1.C.

D. All Guaranteed Payments shall be "guaranteed payments" under and pursuant to Section 707(c) of the Code.

E. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to any Member if such distribution would violate the applicable provisions of the LLC Act or other applicable law.

F. If any assets of the Company shall be distributed in kind pursuant to this Article 5, such assets shall be distributed to the Members entitled thereto in the same proportion as the Members would have been entitled to cash distributions. The amount by which the fair market value of any property to be distributed in kind to the Members exceeds or is less than the adjusted book basis of such property shall, to the extent not otherwise recognized by the Company, be taken into account in determining Profits and Losses and determining the Capital Accounts of the Members as if such property had been sold at its fair market value.

G. Notwithstanding anything in this Agreement to the contrary, if any amounts are owed by an Original Partner to the Company under the Indemnity Agreement or under the Master Transaction Agreement, the Company shall have the right to apply any distributions or other payments otherwise to be made to a Member under this Agreement to any such amounts owed to the Company. If any such application is so made, it shall be treated for all purposes as if the distribution had been made to such Member and such Member had made a payment to the Company under the applicable agreement.

H. As contemplated by the Master Transaction Agreement, upon the occurrence of the Closing, certain loan proceeds, in an amount determined pursuant to the Master Transaction Agreement (the "Special Distribution Amount"), are to be retained by the Company and distributed to the Original Members; notwithstanding anything in this Agreement to the contrary, the Company, upon receipt of such amounts, shall promptly make a distribution (the "Special Distribution") to the Original Partners in an amount equal to the Special Distribution Amount, and as among the Original Partners in such amounts as the Akridge Representative shall direct at the time of the Closing. If the Manager makes the Special Distribution among the Original Partners in accordance with the instructions of the Akridge Representative, then the Manager shall have no liability to any Original Partner in the event the Special Distribution to an Original Partner is less than such Original Partner was entitled to (or which it believes it was entitled to), and such Original Partner's sole recourse in such event shall be against the Akridge Representative.

Section 5.2 Withholding.

A. Each Member hereby authorizes the Company to withhold from, or pay on behalf of or with respect to, such Member any amount of federal, state, local, or foreign taxes that the Manager determines that the Company is required to withhold or pay with respect to any amount distributable or allocable to such Member pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Company pursuant to Sections 1441, 1442, 1445, or 1446 of the Code. Any amount paid on behalf of or with respect to a Member shall constitute an advance by the Company to such Member, which advance shall be repaid by such Member within fifteen (15) days after notice from the Manager that such payment must be made unless (i) the Company withholds such payment from a distribution which would otherwise be made to the Member; or (ii) the Manager determines that such payment may be satisfied out of the available funds of the Company which would, but for such payment, be distributed to the Member. Any amounts withheld pursuant to the foregoing clauses (i) or (ii) shall be treated as having been distributed to such Member.

B. Any amounts payable by a Member hereunder shall bear interest at the lesser of (A) the Base Rate plus five (5) percentage points (i.e., 500 basis points), or (B) the maximum lawful rate of interest on such obligation, such interest to accrue from the date such amount is due (*i.e*., fifteen (15) days after demand) until such amount is paid in full. Each Member shall take such actions as the Company or the Manager shall request in order to perfect or enforce the security interest created hereunder.

C. For purposes of this Section 5.2, the Company may assume that any Member who fails to provide the Manager satisfactory evidence of its tax status for United States federal income tax purposes is, for purposes of the Code, a foreign person.

D. All amounts withheld pursuant to the Code or any provisions of any state or local tax law and Section 5.2 hereof with respect to any allocation, payment or distribution to a Member shall be treated as amounts distributed to such Member pursuant to Section 5.1 for all purposes under this Agreement.

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ARTICLE 6
ALLOCATIONS OF PROFIT AND LOSS

Section 6.1 Allocations of Profits and Losses.

A. Profits and Losses. Subject to Sections 6.1.B and C, and after giving effect to the special allocations, if any, provided in Sections 6.2.A and B, Profits and Losses, other than those attributable to a Terminating Capital Transaction, shall be allocated among the Members so as to make the Partially Adjusted Capital Account of each Partner equal to such Partner's Target Balance, to the extent possible.

In the event the amount of Profits or Losses allocable to the Members pursuant to this Section 6.1.A are insufficient to allow the Partially Adjusted Capital Account of each Member to equal each such Member's Target Balance, the Profits or Losses allocable pursuant to this Section 6.1.A shall be allocated among the Members first so as to achieve a proportion in the respective differences among (x) each Member's Target Balance and (y) such Member's Partially Adjusted Capital Account balance immediately prior to the allocation of Profits or Losses pursuant to this Section 6.1.A which is the same as the proportion of their Percentage Interests, and then in proportion to the remaining respective differences.

No Profits for any applicable period shall be allocated to a Member whose Target Balance is less than or equal to its Partially Adjusted Capital Account for such period, nor shall any Losses be allocated to a Member whose Target Balance is greater than or equal to its Partially Adjusted Capital Account for such period.

The above allocations of Profits and Losses are applicable commencing on the beginning of business on the day immediately following the Closing Date. Profits and Losses prior to and through the end of business on the Closing Date shall be allocated among the Original Partners in the manner provided for in the Predecessor Agreement.

B. Loss Limitation. Notwithstanding anything to the contrary in Section 6.1.A, no Losses shall be allocated to a Member if or to the extent such allocation would cause or increase a Member's Adjusted Capital Account Deficit. In the event any allocation of Losses would cause a Member to have an Adjusted Capital Account Deficit, then the amount of any such Losses which would cause or increase such Adjusted Capital Account Deficit of a Member shall be allocated, instead, to the other Members in proportion to the manner in which they would bear such Losses pursuant to the other provisions of this Agreement.

C. Profits and Losses From Terminating Capital Transaction. Notwithstanding anything contained in Sections 6.1.A and B hereof, after giving effect to the special allocations, if any, provided in Sections 6.2.A. and B. hereof, but in all events subject to Section 6.2.C., all items of Company Profits and Losses arising from a Terminating Capital Transaction shall be allocated among the Members so as to insure to the maximum extent possible that, after giving effect to the allocation of such Profits and Losses in the Capital Accounts of the Members, the Capital Account balance of each Member is positive in the amount of cash that such Member would receive if the Capital Transaction Proceeds from such Terminating Capital Transaction were distributed pursuant to Section 5.1.B.

Section 6.2 Required and Special Allocations.

A. Special Allocations. Except as otherwise provided in this Agreement, the following special allocations will be made in the following order and priority:

(1) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Article 6, if there is a net decrease in Minimum Gain during any tax year or other period for which allocations are made, the Members will be specially allocated items of Company income and gain for that period (and, if necessary, subsequent periods) in an amount equal to such Member's share of the net decrease in Minimum Gain during such tax year or other period determined in accordance with Treasury Regulations Section 1.704-2(g)(2). Allocations pursuant to the preceding sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Treasury Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2)(i). This Section 6.2.A.(1) is intended to comply with the minimum gain chargeback requirements set forth in Treasury Regulations Section 1.704-2(f) and shall be interpreted consistently therewith, including the exceptions to the minimum gain chargeback requirement set forth in Treasury Regulations Sections 1.704-2(f)(2) and (3).

(2) Partner Nonrecourse Debt Minimum Gain Chargeback. Notwithstanding any other provision of Section 6.1 or this Section 6.2 (other than Section 6.2.A(1), which shall be applied before this Section 6.2.B(2)), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any tax year or other period for which allocations are made, each Member with a share of

Partner Nonrecourse Debt Minimum Gain determined in accordance with Treasury Regulations Section 1.704-2(i)(5) shall be specially allocated items of Company income and gain for that period (and, if necessary, subsequent periods) in an amount equal to the Member's share of the net decrease in the Partner Nonrecourse Debt Minimum Gain determined in accordance with Treasury Regulation 1.704-2(i). The items to be so allocated shall be determined in accordance with Treasury Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii). This Section 6.2.A(2) is intended to comply with the minimum gain chargeback requirements of Treasury Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith, including the exceptions set forth in Treasury Regulations Section 1.704-(f)(2) and (3) to the extent such exception apply to Treasury Regulations Section 1.704-2(i)(4).

(3) Qualified Income Offset. A Member who unexpectedly receives any adjustment, allocation or distribution described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), respectively, will be specially allocated items of income and gain (consisting of a pro rata portion of each item of partnership income, including gross income, and gain for the relevant tax year) in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account Deficit of the Member as quickly as possible, provided that an allocation pursuant to this Section 6.2.A(3) shall be made only to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 6.2.A have been made in the first instance without regard to this Section 6.2.A(3).

(4) Nonrecourse Deductions. Nonrecourse Deductions for any Fiscal Year or other period shall be allocated among the Members in proportion to each Member's Percentage Interest. The items of Losses, deductions and Code Section 705(a)(2)(b) expenditures to be so allocated shall be determined in accordance with Treasury Regulation §1.704-2(j)(1)(ii).

(5) Partner Nonrecourse Deductions. Notwithstanding anything to the contrary in this Agreement, any Partner Nonrecourse Deductions for any taxable year or other period for which allocations are made will be allocated to the Member who bears the economic risk of loss with respect to the liability to which the Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i).

(6) Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company asset under Code Section 734(b) or 743(b) is required to be taken into account in determining Capital Accounts under Treasury Regulations Section 1.704-1(b)(2) (iv)(m), the amount of the adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset), and the gain or loss will be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted under Treasury Regulations Section 1.704-1(b)(2)(iv)(m).

(7) Depreciation Recapture. In the event there is any recapture of Depreciation or item of tax credit, the allocation thereof shall be made among the Members in the same proportion as the deduction for such Depreciation or item of tax credit was allocated.

B. Regulatory Compliance; Curative Allocations. The allocations set forth in Sections 6.2.A(1) through (5) hereof (the "Regulatory Allocations") are intended to comply with certain requirements of Treasury Regulations Sections 1.704-1(b) and 1.704-2, and shall be interpreted in a manner consistent with such Treasury Regulations. The Regulatory Allocations may not be consistent with the manner in which the Members intend to divide Company distributions. Accordingly, the Manager is hereby authorized to further allocate Profits, Losses, and other items among the Members in a reasonable manner so as to prevent the Regulatory Allocations from distorting the manner in which Company distributions would be divided among the Members under Section 5.1 hereof, but for application of the Regulatory Allocations. In general, such reallocation will be accomplished by specially allocating other Profits, Losses and items of income, gain, loss and deduction, to the extent they exist, among the Members so that the net amount of the Regulatory Allocations and the special allocations to each Member is zero. The Manager may accomplish this result in any reasonable manner that is consistent with Code Section 704 and the related Treasury Regulations.

C. Tax Allocations - Code Section 704(c).

(1) Notwithstanding anything contained in this Agreement to the contrary, taxable income, gain, loss, and deduction with respect to any Company property that is subject to Code Section

704(c), the Treasury Regulations thereunder and/or Treasury Regulations Section 1.704-1(b)(2)(iv)(f) (the “Section 704(c) Provisions”) shall be determined and allocated among the Members in accordance with such Code Section and/or the Treasury Regulations, as the case may be, and pursuant thereto, it is agreed that allocations under the Section 704(c) Provisions as to the Property shall be made under the so-called “traditional method” with a back-end curative allocation, as permitted by Treasury Regulation Section 1.704-3(C). As to any property other than the Property that may in the future be contributed to the Company, the Manager may elect any permissible method under the Section 704(c) Provisions, with the consent of the Akridge Representative, such consent to be unreasonably withheld.

(2) In the event the Book Value of any Company asset is adjusted pursuant to the other provisions of this Agreement (not including herein the initial booking of any asset contributed to the Company), subsequent allocations of taxable income, gain, loss and deduction with respect to such asset shall be determined and allocated among the Members, and the Capital Accounts of the Members shall be determined, so as to account for any Book-Tax Disparity arising from such adjustment in the same manner as would occur as to an asset contributed to the Company under Code Section 704(c) and the Treasury Regulations thereunder.

D. Other Allocation Rules. The following rules will apply to the calculation and allocation of Profits, Losses and other items:

(1) Unless otherwise determined by the Manager, for purposes of determining the Profits, Losses or any other item allocable to any period, Profits, Losses and other items will be determined on a daily basis under Code Section 706 and the related Treasury Regulations.

(2) Except as otherwise provided in this Agreement, all items of Company income, gain, loss, deduction, and other allocations not provided for in this Agreement will be divided among the Members in the same proportions as they share Profits and Losses, provided that any credits shall be allocated in accordance with Treasury Regulations Section 1.704-1(b)(4)(ii).

(3) For federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Members in

the same manner as its correlative item of "book" income, gain, loss or deduction has been allocated pursuant to the other provisions this Article 6, except as otherwise provided in Section 6.2.C.

(4) Upon the admission of a new Member or the Transfer of an Interest, the new and old Members or the transferor and transferee shall be allocated shares of Profits and Losses and other allocations from the ongoing operations of the Company based on the actual portions of the Fiscal Year that the new or transferred Interest was held by the new and old Members, or the transferor and transferee, respectively. Profits and Losses and other allocations from Capital Transactions shall be allocated between any said parties based on the holder of the relevant Interest on the date of any such Capital Transactions. For the purpose of allocating Profits and Losses and other allocations, (i) such admission or Transfer shall be deemed to have occurred on the first day of the month in which it occurs, or if such date shall not be permitted for allocation purposes under the Code or the Treasury Regulations, on the nearest date otherwise permitted under the Code or the Treasury Regulations, and (ii) if required by the Code or the Treasury Regulations, the Company shall close its books on an interim basis on the last day of the previous calendar month.

(5) If any assets are sold in transaction in which, by reason of the provisions of Section 453 of the Code or any successor thereto, gain is realized but not recognized, such gain shall be taken into account when realized in computing gain or loss of the Company for purposes of allocation of Profit or Loss under this Article 6, and, if such sale(s) shall involve substantially all the assets of the Company, the Company shall be deemed to have been dissolved and terminated for purposes of making the aforesaid allocations notwithstanding any continuation of the Company for purposes of collecting the proceeds of such sales.

E. Effect of Treasury Regulations; Liquidation. In the event the Company is "liquidated" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to Section 5.1.C. If any Member has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations), such Member shall have no obligation to make any contribution to the capital of the Company. In the event the Company is "liquidated" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g) but there has been no dissolution of the Company, then the Company assets shall not be liquidated, the Company's liabilities shall not be paid or discharged and the Company's affairs shall not be wound up.

F. Closing of the Books; Prior Profits and Losses. As contemplated by the Master Transaction Agreement, it is agreed that the Company (as the successor to the Partnership for federal income tax purposes) will use the "interim closing of the books" method as of the end of day of the date of this Agreement, i.e., the date on which TZO was admitted to the Partnership. All profits, losses, deductions, credits and all items thereof (including, without limitation, any cancellation of indebtedness income) of the Partnership on or prior to (but including) the date of this Agreement and of the Company since its merger with the Partnership and on or prior to (but including) the date of this Agreement shall be allocated solely to the Original Partners, and among them in accordance with the Second Amended and Restated Limited Partnership Agreement. All profits, losses, deductions, credits and all items thereof of the Company commencing on the first day after the date of this Agreement shall be allocated to the Members in accordance with this Agreement.

G. Allocation of Nonrecourse Liabilities. Solely for purposes of determining each Member's proportionate share of the "excess nonrecourse liabilities" of the Company within the meaning of Treasury Regulation §1.752-3(a)(3), to the extent permissible under the Code and the applicable Treasury Regulations thereunder, such excess nonrecourse liabilities shall first be allocated among the Original Partners so as to provide adequate basis for the negative capital account (for federal tax purposes) of each such Original Partner, and thereafter in accordance with each Member's interest in the profits of the Company, and for the aforesaid purpose, each Member's interest in the Profits of the Company shall be equal to its Percentage Interest in the Company.

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ARTICLE 7
RIGHTS, LIABILITIES AND OBLIGATIONS OF MEMBERS

Section 7.1 Limited Liability. No Member, in its capacity as such, shall, unless expressly agreed to in writing by such Member otherwise, be personally liable for any of the debts or other obligations or liabilities of the Company.

No Member with a negative balance in its Capital Account shall have any obligation to the Company or the other Member to restore such negative balance upon the dissolution or termination of the Company or otherwise, and any such deficit in the Capital Account of any Member shall not constitute an obligation of such Member to the Company or the other Member.

Section 7.2 Outside Activities of Members. No business or other opportunities other than those related to the Property shall be deemed to be the Property of, or belong to, the Company. Any Member, including the Manager, and any partner, member, shareholder, equity holder, officer, director, employee, agent, trustee, or Affiliate of any Member shall be entitled to and may have and own real property and other business interests and engage in business activities in addition to those relating to the Company, including real property and other business interests and activities that are contiguous, adjacent to or near the Property and/or in direct competition with the Property and/or the Company or that are directly or indirectly enhanced by the Property and/or business and activities of the Company. Neither the Company nor any Member nor any Affiliate of any Member nor any other Person shall have any rights by virtue of this Agreement or the Company relationship established hereby in any such or any other business ventures of any other Member or any of its Affiliates. No Member or such other Person shall have any obligation pursuant to this Agreement to offer any interest in any such business ventures to the Company, any Member or any such other Person, even if such opportunity is of a character which, if presented to the Company, any Member or such other Person, could be undertaken by such Person.

Each Member understands and acknowledges that the conduct of the business of the Company may involve business dealings with such other businesses or undertakings of a Member or its Affiliates. The creation of the Company and the assumption by each Member of its duties hereunder shall be without prejudice to the respective rights (or the rights of its Affiliates) to maintain such other interests and activities and to receive and enjoy profits or compensation therefrom, and each Member hereby waives any rights it might otherwise have to share or participate in such other interests or activities of any other Member or such Member's Affiliates.

Section 7.3 Duties to Other Members. The Members understand and acknowledge that each Member and the Manager may have contractual and statutory fiduciary and other duties to various direct and/or indirect investors in such Member and/or Manager, and further acknowledge and agree that the duties which the Member and the Manager have to each other are expressly subject to such other duties; provided, however, that each Member and the Manager shall at all times endeavor to conduct its affairs and make decisions in good faith and in a manner which does not treat any Member differently from any other Member except as is otherwise provided for or permitted by Article 5 of this Agreement.

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ARTICLE 8
MEMBERS' SPECIAL LIABILITY

Section 8.1 Members' Special Liability.

A. Each Member agrees that it will not interfere or attempt to interfere (and will cause its Affiliates, and all Persons claiming by or through any of them, not to interfere) directly or indirectly with (x) the conduct of the business of the Company by the Manager or the right of the Manager to control and manage the Company, the Company's business and the Property, or the taking or failure to take any action by the Manager under this Agreement, (y) any action taken under or other matter as to the Subordinate Loans or under the Option Agreements which action or other matter is otherwise permitted under the terms and provisions of any said Subordinate Loan or Option Agreement.

B. The following, the "Specified Liability Provisions," are matters for which a Member shall have individual liability for, as the context requires, breach of, or liability for, but subject in any event to Section 8.2, and each Member acknowledges and agrees that it shall be such Member's fiduciary duty to all the other Members not to engage in any of the following:

(i) the commencement, institution or instigation of, or the joining in the prosecution of, or participation in, any claim, suit or legal proceeding, directly or indirectly, by a Member or any of its Affiliates as to any other business activity of and as to the Company, by the Manager or any of its Affiliates, which claim, suit or proceeding makes any claim inconsistent with the powers or rights of the Manager and its Affiliates under this Agreement;

(ii) any loss or liability arising from breach of any of its representations and warranties contained in Section 1.10;

(iii) the commencement or institution of, or the joining in the prosecution of, or participation in, any claims, suits or other legal proceedings, directly or indirectly, by a Member or any of its Affiliates (any of the above being referred to in this clause (iii) as a "Proceeding") which requests either an injunction, delay or other relief to prevent, delay or otherwise interfere with the Company from entering into or completing any financing or refinancing or the encumbrance or the sale, transfer or other disposition of any Property of the Company or of engaging in any other transaction or activity authorized by the Manager on behalf of the Company, or with any Transfer by any Beacon Member permitted by Article 10 of this Agreement (a "Delay"), or the making by a Member or any of its Affiliates of any threat or allegation to any other party to, or otherwise involved in, any such transaction to the effect that any such transaction is not permitted to be taken by the Manager on behalf of the Company under this Agreement or that such Member or Affiliate will involve any third party in litigation or in any other proceedings of any nature whatsoever because such transaction is not so permitted, except that it shall not be a breach of this clause (iii) as to the commencement or institution of a proceeding alleging the bad faith or willful malfeasance of the Manager or a Member or a breach of Section 10.7, but it shall be a breach for purposes of this clause (iii) unless the Member commencing or instituting any such a proceeding is both the prevailing party therein on any of the material matters alleged in such Proceeding and as to the material matter on which such Member prevailed the relief granted includes either an injunction, delay or other relief to prevent, delay or prohibit or modify in a material way the relevant proposed matter as to which the Proceeding was initiated or an order is entered requiring compliance with Section 10.7 of this Agreement where it had been alleged that there had been a failure to so comply and the court found that there had been such a failure to comply;

(iv) breach by a Member of the provisions of Article X or of Section 12.4;

(v) costs and expenses recoverable under Section 12.13; and

(vi) failure by a Member to make any payments required to be made to the Company pursuant to the Indemnity Agreement after notice thereof from the Company and a lapse of thirty (30) days after such notice is given.

Section 8.2 Certain Limitations on Specified Liability Provisions Liability.

A. Except as to any liability under Section 8.1.A and under clauses (i), (iii) and (vi) of Section 8.1.B, the liability of any Member under any Specified Liability Provision shall be for any direct damages suffered by any other Member or the Company as a result of the matter specified in Section 8.1, and shall in no event include, and, other than as to liability under Section 8.1.A and under clauses (i) and (iii) of Section 8.1.B, each Member hereby waives any rights to, any consequential or other damages, other than direct damages, as to any such matter included as a Specified Liability Provision.

Each Member acknowledges and agrees that in the event it breaches clause (i), (iii) or (vi) of Section 8.1.B and such breach interferes with or delays any prospective financing or refinancing by the Company or a sale of the Property or a Transfer of all or any portion of any Beacon Member's Interest and/or the Interest of any Affiliate of TZO in the Company, each other Member shall be entitled not only to direct damages but also to any consequential, special or other damages. In particular, in the event of any such prospective financing, refinancing, sale or a Transfer described immediately above affected by the breach of a Member, or by any of its Affiliates or any other Person claiming by through or under any such Member, of Section 8.1.A or under either clause (i) or (iii) of Section 8.1.B, consequential damages to which TZO and each of the Subordinate Lenders, if any such Subordinate Lender acquires Interests in the Company pursuant to its rights under an Option Agreement, and any other Beacon Member shall be entitled to include, without limitation, payment of such amounts, as consequential damages, as would allow such Person to obtain a so-called "internal rate of return" on such Person's investment which is no less than the internal rate of return which each such Person would have earned had any such proposed transaction affected by any such breach been consummated, due regard being given to the amount and timing of any later completed transaction and any tax differential treatment between any damages and the proceeds of a proposed transaction.

B. Subject to the provisions of Section 8.2.A, nothing contained above in this Article 8 or elsewhere in this Agreement shall be construed as limiting the liability of any Member with respect to obligations incurred from and after the date hereof by such Member or any liability of any such Member to the Company or any other Member: (1) under or as to any Specified Liability Provisions; or (2) for any liability or loss resulting from any act or failure to act arising out of, or in connection with fraud, willful misconduct or misappropriation of such Member.

Section 8.3 Additional Remedies. In the event of the breach or failure by (a) any Member or any of its Affiliates or any other Person claiming by through or under any such Member of either Section 8.1.A or clause (i) or (iii) of Section 8.1.B, such Member and every other Member which is an Affiliate of such breaching Member (collectively, when applicable, the "Defaulting Members"), or (b) in the event of a breach by any Member of clause (vi) of Section 8.1.B, all of the Members other than any Beacon Members (collectively, in any applicable situation, the "Defaulting Members"): (x) at the Manager's option, in its sole discretion, upon written demand from the Manager, each Defaulting Member shall escrow with the Company the amount of any such Defaulting Member's guaranty of any indebtedness of the Company (including, without limitation, any indebtedness owed to a Member or any Affiliate or a Member), and (y) each of TZO and Beacon shall have the right to purchase the Interest of any such Defaulting Member for an amount equal to the amount such Defaulting Member whose Interest is being purchased pursuant to this clause (y) would have received if the Property were sold for ninety two and one-half percent (92.5%) of its fair market value, with the agreed fair market value being equal to the net operating income of the Property for the last Full Fiscal Year prior to such breach, reduced by an amount equal to the amortization over five (5) years of the reasonably anticipated tenant improvements and leasing commissions to be incurred over the five (5) Fiscal Years following such last full Fiscal Year, with a 12% per annum return over such period of amortization, said difference then capitalized at nine percent (9%). Each of the aforesaid remedies, and any other remedies that may be available under this Agreement or at law or equity in the event of a breach by a Member of the provisions of Section 8.1, shall be non-exclusive and may be exercised consecutively and/or concurrently and in any order.

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ARTICLE 9
TAX MATTERS

Section 9.1 Preparation of Tax Returns. The Manager shall arrange for the preparation and timely (including valid extensions) filing of all similar federal, state and local income tax returns and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information required to be furnished to the Members for federal, state and local income tax reporting purposes. The Manager shall use reasonable efforts prior to filing to allow the Akridge Representative ten (10) days in which to review and comment on any such income tax returns, but such right shall not include any approval thereof, and the Manager shall have no obligation to make any changes or other modifications that may be requested by the Akridge Representative other than compliance with the provisions of Article 6.

Section 9.2 Tax Elections. The Manager shall determine all elections to be made by the Company pursuant to the Code, except that the Manager shall not make any election which would adversely affect either of the Members or cause the Company to be taxed as a corporation under the Code or under any state or local income tax law, and in any event the Manager shall make the election agreed upon pursuant to the last sentence of clause (1) of Section 6.2.C. Except as otherwise provided in this Agreement, the Manager shall have the right to seek to revoke any tax election it makes (including, without limitation, the election under Section 754 of the Code) upon the Manager's determination that such revocation is in the best interests of the Members.

Section 9.3 Tax Matters Partner.

A. The Manager shall be the "Tax Matters Partner" of the Company for federal income tax purposes. Pursuant to Section 6230(e) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Company, the Tax Matters Partner shall furnish the IRS with the name, address, taxpayer identification number, and profit interest of each of the Members and the Assignees; provided, however, that such information is provided to the Company by the Members and the Assignees. Notwithstanding anything herein to the contrary, the Tax Matters Partner shall, upon receipt of notice from the IRS, give notice of an administrative proceeding with respect to the Company to all Members in accordance with, and as if such Members were each a "notice partner" pursuant to, Section 6231(a)(8) of the Code.

B. The Tax Matters Member shall represent the Company, at the Company's expense, in connection with all examinations of the Company's affairs by tax authorities including any resulting administrative or judicial proceedings. Without limiting the generality of the foregoing, the Tax Matters Member is authorized, but not required:

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Company items required to be taken into account by a Member for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Members, except that such settlement agreement shall not bind any Member (i) who (within the time prescribed pursuant to the Code and Treasury Regulations) files a statement with the IRS providing that the Tax Matters Member shall not have the authority to enter into a settlement agreement on behalf of such Member; or (ii) who is a "notice partner" (as defined in Section 6231(a)(8) of the Code) or a member of a "notice group" (as defined in Section 6223(b)(2) of the Code);

(2) in the event that a notice of a final administrative adjustment at the Company level of any item required to be taken into account by a Member for tax purposes (a "Final Adjustment") is mailed to the tax matters partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court or the filing of a complaint for refund with the United States Claims Court or the District Court of the United States for the district in which the Company's principal place of business is located;

(3) to intervene in any action brought by any other Member for judicial review of a final adjustment;

(4) to file a request for an administrative adjustment with the IRS and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;

(5) to enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken account of by a Member for tax purposes, or an item affected by such item; and

(6) to take any other action on behalf of the Members or the Company in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The Tax Matters Member shall be entitled to incur such expenses as are reasonably necessary in fulfilling its role as Tax Matters Member. The provisions relating to indemnification of the Manager set forth in Section 3.6 of this Agreement shall be fully applicable to the Tax Matters Member in its capacity as such.

C. The Tax Matters Member shall receive no compensation for its services. The Company shall indemnify and reimburse the Tax Matters Member for all third party costs and expenses (including legal and accounting fees) reasonably incurred as Tax Matters Member in performing its duties pursuant to this Article 9 and in connection with any administrative or judicial proceeding with respect to any matter which is a "partnership tax item" under the Code. The payment of all such expenses shall be made before any distributions are made to the Members. Nothing herein shall be construed to restrict the Company from engaging an accounting, legal and/or other firm to assist the Tax Matters Member in discharging its duties hereunder, so long as the compensation paid by the Company for such services is reasonable.

D. The Tax Matters Member shall use its best efforts to keep each Member informed of any administrative and judicial proceedings for the adjustment at the Company level of any item required to be taken into account by a Member for income tax purposes or any extension of the period of limitations for making assessments of any tax against a Member with respect to any Company item, or of any agreement with the Internal Revenue Service that would result in any material change either in income or loss as previously reported.

E. Any Member that receives a notice of an administrative proceeding under Code Section 6233 relating to the Company shall promptly notify the Tax Matters Member of the treatment of any Company item on such Member's federal income tax return that is or may be inconsistent with the treatment of that item on the Company's return. Any Member that enters into a settlement agreement with the Secretary of the Treasury with respect to any Company item shall notify the Tax Matters Member of such agreement and its terms within 60 days after its date.

ARTICLE 10
TRANSFERS AND WITHDRAWALS; RIGHT OF FIRST OFFER

Section 10.1 Transfer.

A. The term “Transfer,” when used in this Agreement with respect to any Interest in the Company, shall mean (i) a transaction in which a Member assigns, absolutely, conditionally, as security or otherwise, all or any part of its Interest (legal and/or beneficial) to another Person, and includes any sale, assignment, gift, pledge, mortgage, exchange, hypothecation, encumbrance or other disposition, including any such matter occurring by operation of law (such as, but not limited to, a statutory merger) or otherwise, and (ii) any of the transactions described in clause (i) above as to any interest in any upper tier Entity which, directly or indirectly, holds an equity interest in a Member.

B. No Interest shall be Transferred, in whole or in part, except in accordance with the terms and conditions of this Agreement. Any Transfer or purported Transfer of an Interest not made in accordance with this Article 10 shall be null and void.

Section 10.2 Members’ Rights to Transfer.

A. Subject to the provisions of Section 10.2.E and Section 10.3, a Member may not Transfer all or any part of its Interest without the consent of the Manager except as follows:

(i) a Transfer to an Entity which directly or indirectly wholly owns and controls such Member (a “Member Parent”) or which directly or indirectly is wholly owned and controlled by such Member;

(ii) as part of a merger, consolidation or similar transaction involving a substantial portion of the assets owned by a Member Parent, or Transfers of or the issuance of interests or shares in a Member Parent;

(iii) Transfers of interests in a Member which is an Entity so long as there is no change in control of the Entity and so long as Persons presently holding, directly or indirectly, 51% of the interests in such Entity continue to own at least 51%.

(iv) to the transferee’s Immediate Family or to a trust or other gift or estate planning vehicle whose sole beneficiaries are the Member and such Member’s Immediate Family; or

(v) upon the death of a person, but only to the estate of such person.

B. Subject to the provisions of Section 10.2.E and Section 10.3, in addition to the provisions of Section 10.2.A, any Beacon Member may Transfer all or any part of its Interest without the consent of the Members as follows:

(i) to an Entity which is directly or indirectly wholly owned and controlled by TZO or Beacon, or

(ii) to any Person provided that such Person has sufficient net worth to reasonably support the obligations of the transferring Beacon Member under this Agreement.

In addition, any Beacon Member may Transfer all or any part of its Interest to any Person with the consent of the holders of a majority of the Percentage Interests in the Company not held by the Beacon Members. Furthermore, notwithstanding anything in this Article 10 to the contrary, the provisions of this Article 10, and the term Transfer, shall not include the transfers of or issuance of membership interests in a Beacon Member, limited partner interests in Beacon or in Beacon Capital Strategic Partners II, L.P., or shares in BCSP.

C. The Manager may prohibit any Transfer of an Interest by a Member if, in the opinion of legal counsel to the Company, such transfer would require filing of a registration statement under the Securities Act or would otherwise violate any federal or state securities laws or regulations applicable to the Company, or would cause a breach or default under any agreement or other instrument which the Company is a party to or which the Company or any of the Property is subject to.

D. No Transfer of any Interest may be made to a lender to the Company or any Person who is related (within the meaning of Section 1.752-4(b) of the Treasury Regulations) to any lender to the Company whose loan constitutes a Nonrecourse Liability, without in any such instance the written approval of the Manager made with the actual knowledge of the Manager that such relationship exists.

E. Except for Transfers permitted by Section 10.2.B, notwithstanding anything in this Agreement to the contrary, including, without limitation, Transfers otherwise permitted by Section’s 10.2.A, no Transfer of any direct or indirect Interest or of any direct or indirect interest in a Member which is an Entity may be made if (i) such Transfer would be included in making calculations of transfers under the District of Columbia Economic Interests Reporting Act, and (ii) if such Transfer occurs or would occur prior to twelve months and one day after the later to occur of the rights of either of the Subordinate Lenders under either of the Option Agreements having expired unexercised or the closing of the exercise of the last of such rights which can be exercised by the Subordinate Lenders. If any Transfer is made of a direct or indirect Interest or of any direct or indirect interest in a Member in violation of the provisions of this Section 10.2E and as a result thereof, after taking into account any Transfers resulting from the exercise of the rights of the Subordinate Lenders under the Option Agreements and any Capital Contributions made pursuant thereto and pursuant to Section 2.3.A(iii), whether made before or after any such initially described Transfer, a transfer tax is payable pursuant to the District of Columbia Economic Interests Reporting Act, then the Member which made any such prohibited Transfer or which had a direct or indirect interest in it Transferred in violation of the provisions of this Section 10.2E shall be liable for any transfer tax payable as a consequence thereof.

Section 10.3 General Restrictions on and Conditions to All Transfers.

A. Every Transfer of an Interest permitted by this Article 10 and every Transfer of an interest in any Entity which directly or indirectly holds an Interest in the Company which is permitted by this Article 10, shall nevertheless be subject to the following:

(i) No Transfer of any Interest may be made if such Transfer would cause or result in a breach of any agreement binding upon the Company or to which any of its property is subject, or of any then applicable rules and regulations of any governmental authority having jurisdiction over the Company or such Transfer;

(ii) Other than a Transfer pursuant to a merger or other statutory scheme under which, by operation of law, the surviving Entity succeeds to, and is deemed to have assumed, the obligations of the other Entity involved in such a Transaction, in the event of any Transfer of an Interest there shall be filed with the Company a duly executed and acknowledged counterpart of the instrument effecting such Transfer. In addition, in the event of any such Transfer, the transferee shall enter into a valid and binding agreement with the

Company and each of its Members the effect of which will be that the Interest so Transferred shall continue to remain subject to the provisions of this Agreement with the same force and effect as if such transferee had originally been a party hereto as to the interest so Transferred. Each transferee shall also execute such additional instruments as shall be reasonably required by the Manager. The Company need not recognize any Transfer for any purpose unless, and until, the foregoing provisions of this clause (iii) have been fully satisfied; and the Company shall have no obligation to admit a transferee as substitute Member except as expressly required by this Agreement;

(iii) No Transfer of an Interest (by conveyance, operation of law or otherwise) shall be effective to convey the subject matter thereof until the transferee executes all necessary certificates or other documents and performs all acts required in accordance with the laws of the State of Delaware and any other states in which the Company is then doing business and executes any and all documents as shall be required from time to time by the rules and regulations of any regulatory body or commission having jurisdiction over the Company or its properties, to the full extent that the same may be necessary to constitute such transferee a substitute Member;

(iv) Notwithstanding and in addition to all other provisions of this Agreement, including this Article 10, no Transfer of an Interest will be or remain a permitted Transfer, or be permitted pursuant to this Article 10, unless all of the following additional conditions are satisfied: (i) the Transferee is a single, legally existing Person owning the entire Interest transferred, or (ii) in the case of any Transferee that is an Entity, there will always be one or more officers, partners or trustees who are each designated by the owner of such Member's Interest as the parties who can each, at all times, legally and validly act on behalf of and legally bind the Entity which owns such Interest who are expressly so designated and so authorized to act on all matters under this Agreement or otherwise on behalf of said Entity which owns such Interest;

(v) Notwithstanding anything contained herein to the contrary, no Interest as a Member of the Company shall be transferred if, by reason of such Transfer, the classification of the Company as a partnership for federal income tax purposes would be adversely affected or jeopardized, or if such Transfer would have any other substantial adverse effect for federal income tax purposes, all as determined by the Manager; provided, however, if a Transfer is precluded by this clause (v) all or portions of such Transfer shall be permitted at the earliest possible time that such Transfer will not result in any such adverse federal income tax effect; and

(vi) Notwithstanding any provisions hereof to the contrary, no Transfer shall be made pursuant to this Article 10 to any foreign Person unless and until the transferee agrees in writing in advance of the Transfer that (a) the transferee and the Company shall comply with all applicable Federal, state and local laws pertaining to the acquisition, ownership or disposition of United States real property (or of directly or indirectly held interests therein) by any foreign Person and with all Federal, state and local laws of similar import pertaining to foreign Persons; (b) the Company may comply with any and all income and other withholding obligations that may be imposed on the Company without regard to other provisions of this Agreement that may otherwise govern the transferee's right to its share of Company income and loss and to receive distributions from the Company; and (c) the transferee shall indemnify and hold the Company and the non-transferring Members harmless from and against any and all expense or liability that is or may be imposed on the Company or the non-transferring Members attributable to or arising out of such Transfer because of such status of the transferee. Any agreement of a transferee Member required by this clause (vi) shall be in such form and shall contain such additional provisions as the non-transferring Member, in the exercise of its reasonable discretion, shall request as a condition precedent to such Transfer.

(vii) Notwithstanding anything to the contrary contained in this Agreement, without the consent of the Manager, in no event shall any Member Transfer all or any portion of its Interest or any economic interest or other right in all or any portion of its Interest to (i) any "Qualified Organization" within the meaning of Section 514(c)(9)(C) of the Code (a "Qualified Organization") or (ii) to any entity in which a Qualified

Organization has at the time of such Transfer a direct (or, to the transferring Member's actual knowledge, indirect) beneficial interest if such entity is treated as a partnership or otherwise as a "pass-through entity" for federal income tax purposes if such Qualified Organization may receive a direct or indirect allocation that could cause the Company not to meet the requirements of Section 514(c)(9)(E) of the Code (including, without limitation, by reason of Section 514(c)(9)(D) of the Code) and the Treasury Regulations thereunder. The Manager shall have the right to request, from time to time, that the other Members confirm in writing their continued compliance with this clause (vii).

(viii) If the Company is required to pay any fee, cost or other payment to any third party lender to the Company as a result of any Transfer by a Member of all or any portion of its Interest or of any direct or indirect Interest in any such Member which is an Entity, then such Member shall reimburse the Company for any such payment.

B. A Transfer of an Interest in the Company to a Permitted Transferee under this Article 10 shall nonetheless be subject to such Transferee assuming its proportionate share of the obligations of the Member which is making such Transfer. Any Person who acquires in any manner whatsoever an Interest (or any part thereof) in the Company, whether or not such Person has accepted and assumed in writing the terms and provisions of this Agreement or been admitted into the Company as a Member as provided in Section 10.4, shall be deemed, by acceptance of the acquisition of any such Interest, to have agreed to be subject to and bound by, and shall be deemed to have assumed all of the obligations of this Agreement with respect to such Interest and shall be subject to the provisions of this Agreement with respect to any subsequent Transfer of such Interest.

C. Upon the admission or withdrawal of a Member (whether by reason of a Transfer or otherwise), this Agreement and the Certificate, to the extent required under the LLC Act, shall be amended appropriately to reflect the then existing names and addresses of the Members and other appropriate and necessary information.

D. Any Transfer in contravention of any of the provisions of this Agreement shall be null and void and ineffective to Transfer any Interest, and shall not bind, or be recognized by, or on the books of, the Company.

E. In the event any Member shall at any time Transfer an Interest in the Company in contravention of any of the provisions of this Agreement, then the Company and each other Member, in addition to the rights above and all other rights and remedies at law and equity, shall be entitled to a decree or order restraining and enjoining such transaction, and the offending Member shall not plead in defense thereto that there would be an adequate remedy at law; it being expressly hereby acknowledged and agreed that damages at law would be an inadequate remedy for a breach or threatened breach of the violation of the provisions concerning such transactions set forth in this Agreement.

F. The death, legal disability, bankruptcy or dissolution of a Member or the Transfer by any Member of all or any part of its Interest in the Company (whether or not in compliance with the terms of this Agreement) shall not dissolve the Company.

Section 10.4 Substitute Members.

A. Any Person to whom an Interest is Transferred pursuant to Section 10.2 and in compliance with Section 10.3, other than a Transfer under Section 10.2.A(iii), shall become a Substitute Member, and such substitution shall be a condition to any such otherwise permitted Transfer.

B. A transferee who has been admitted as a Substitute Member in accordance with this Article 10 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Member under this Agreement.

C. Upon the admission of a Substituted Member, this Agreement shall be appropriately amended to reflect the name, address, and Percentage Interest of such Substitute Member and to eliminate or adjust, if necessary, the name, address and interest of the predecessor of such Substitute Member. Substitute Members shall be added only on the first day a fiscal quarter unless the Manager, in its sole discretion, otherwise agrees.

Section 10.5 General Provisions.

A. No Member may withdraw from the Company other than as a result of a permitted Transfer of all of such Member's Company Interest in accordance with this Article 10.

B. Any Member who shall Transfer all of its Interest in the Company pursuant to this Article 10 shall cease to be a Member upon the admission of the assignee(s) of such Interest as a Substitute Member(s).

C. If any Interest is transferred or assigned during any portion of a Fiscal Year in compliance with the provisions of this Article 10 on any day other than the first day of a Fiscal Year, then Profits and Losses, each item thereof and all other items attributable to such interest for such Fiscal Year shall be divided and allocated between the transferor Member and the transferee Member or assignee by taking into account their varying interests during the Fiscal Year on such basis as the Manager may elect, provided that all Profits and Losses and items thereof and all other allocations attributable to a Capital Transaction shall be allocated to whichever of the transferor or the transferee is entitled to any distributions from such Capital Transaction, all of the above only if and to the extent such is permitted under the Code. All distributions of Operating Cash Flow attributable to such Interest before the date of such Transfer shall be made to the transferor Member, and all distributions of Operating Cash Flow thereafter attributable to such Interest shall be made to the transferee. Any distribution of Capital Transaction Proceeds shall be made based upon who was the Member when the Capital Transaction occurred.

Section 10.6 Acquisition of Interest by Subordinate Lenders.

The Members acknowledge that each of the Subordinate Lenders has the right to acquire an Interest as a Member in the Company pursuant to certain agreements between the Company and each of the Subordinate Lenders, and it is further acknowledged that the Members shall have no rights of any nature whatsoever as would restrict, limit or might otherwise affect the rights of the Subordinate Lenders to effectuate their respective rights under the aforesaid agreements. Without limiting the provisions of clause (iii) of the second paragraph of Section 12.11, each Member agrees to execute such documents as may be reasonably requested to enable a Subordinate Lender to consummate the exercise by it of the aforesaid right and option. No other provisions of this Article 10 are applicable to, or shall limit or otherwise affect, a Subordinate Lenders' rights and options under the aforesaid agreements to become a Member in the Company.

Section 10.7 Right of First Offer.

Prior to the solicitation of third party offers or the written acceptance of an unsolicited third party offer for sale of the Property by the Company in a transaction that would be a taxable disposition under the Code, the Manager shall first notify the Akridge Representative in writing, of the price (the "Specified Selling Price") for the Property, provided that the provisions of Section 10.7 need not be complied with if at the time they would otherwise be applicable TZO and/or Beacon are exercising their rights under Section 8.3 against Members whose aggregate Percentage Interests are more than 33 $^1/_3$% of the aggregate Percentage

Interests of all of the Original Partners or if at such time there has been failure to make any payments required to be made to the Company pursuant to the Indemnity Agreement after notice thereof from the Company and there has been a lapse of thirty (30) days since such notice was given. The Original Partners (among themselves in whatever proportions as they may determine) shall then have the right to purchase the Property at the Specified Selling Price set forth in the Manager's notice or to purchase the Interests of TZO and all of (but not less than all of) the other Beacon Members in the Company (the "Beacon Interests"), such right to be exercised, if exercised at all, by written notice from the Akridge Representative to the Manager given within thirty (30) days (the "Election Period") after the notice from the Manager given pursuant to above. Any such notice shall also include an election as to whether the purchase is of the Property or of the Beacon Interests. If no such designation is made, it shall be deemed that the Original Partners have elected to purchase the Beacon Interests. If the Original Partners exercise their rights under this paragraph, then the notice of such election shall be accompanied by, and shall be valid only if accompanied by, a non-refundable $2,000,000 cash deposit paid to an escrow agent designated by the Manager; such deposit shall be held by the escrow agent in an interest bearing account. If notice is not timely given or is not accompanied by the requisite deposit, the Original Partners shall be deemed to have elected not to purchase the Property. If the Original Partners purchase the Property or the Beacon Interests, as the case may be, the $2,000,000 shall be a credit against the purchase price.

During the Election Period, the Manager shall make the books and records of the Company available to the Original Partners and shall allow access to the Property during normal business hours for customary inspections by prospective purchasers of real property, subject, however, to delivery of confidentiality agreements and indemnities as to access comparable to those contained in the Master Transaction Agreement.

Any purchase of the Property or the Beacon Interests by the Original Partners under this Section 10.7 shall be consummated within sixty (60) days after the notice from the Original Partners of their election to purchase the Property or the Beacon Interests, as the case may be, shall be for all cash and shall require the repayment of all mortgage loans on the Property, including, without limitation, the Subordinate Loans, provided, however, if any third party loan is assumable or, as the case may be, is not callable or it is not a default thereunder as a result of the consummation of the purchase of the Beacon Interests, such loan may be assumed or, as the case may be, remain outstanding if such is not callable or a default or appropriate consent is received, provided that all fees and other costs and expenses for such assumption shall be paid by the purchasing Original Partners, and TZO, any other Beacon Member, Beacon and any of their Affiliates which have provided any guarantees or indemnities in connection with any such loan shall be released therefrom.

In the event the Beacon Interests are to be purchased, the purchase price for the Beacon Interests shall be the amount the Beacon Members owning the Beacon Interests would receive (and as among the Beacon Members, in the amount each such Beacon Member would receive) if the Property were sold for the Specified Selling Price, all indebtedness of the Company were discharged, all other assets of the Company other than cash and cash equivalents were sold for their respective Book Values and the Company then liquidated. If any then existing third party indebtedness of the Company remains outstanding after a purchase of the Beacon Interests, then the principal amount thereof on the Closing of any such purchase shall be deducted in determining the aforesaid purchase price. In determining the amount pursuant to clause (i) of the first sentence of this paragraph, it shall be assumed that no amount would be payable by the Company upon a sale of the Property on account of the D.C. Franchise Tax if none would have been payable upon a sale of the Property by the Company based on the Company liquidating at the time of a sale (and thus the gain being passed out to the Members of the Company, if such is then permissible or required under applicable law), and after deducting one-half of the then applicable real estate transfer tax if none is incurred in the actual transaction or if and to the extent the Beacon Members do not bear such tax.

For purposes of determining the amount due under the Subordinate Loans under the immediately preceding two paragraphs, it shall be deemed that the Property is sold for the Specified Selling Price.

If the Original Partners do not exercise, or are deemed not to have exercised, their right of purchase pursuant to the preceding provisions of this Section 10.7, the Manager shall thereafter be entitled to cause the Company to sell the Property, provided that any such sale is closed within two hundred and seventy (270) days after the expiration of the Election Period at a price which is not less than ninety-two and one-half percent (92.5%) of the Specified Selling Price. In the event the Property is not sold to a third party within the aforesaid two hundred and seventy (270) days period for the minimum price determined pursuant to this paragraph, then if the Manager thereafter desires to sell the Property or thereafter receives an unsolicited offer for the Property, the Manager shall be required to reinstate the aforesaid provisions of this Section 10.7.

In the event the Original Partners elect to purchase the Property or the Beacon Interests but fail to complete the purchase for any reason other than the Manager’s failure to cause the Company to convey the Property or any Beacon Member’s failure to convey its Interest or the failure to give the requisite representations and warranties provided for above , the aforesaid $2,000,000 deposit shall be retained by the Beacon Members as liquidated damages (as payments between Members and not as Company revenue or expenditure) and the Manager shall thereafter be free to cause the Company to sell the Property at any time and for any price and the provisions of this Section 10.7 shall thereafter be null and void and no longer applicable as to any future potential sale of the Property. The remedies under this paragraph shall be the sole and exclusive remedies in the event the Original Partners elect to purchase the Property or to purchase the Beacon Interests but thereafter fail to close.

Any conveyance of the Property by the Company to or as directed by the purchasing Original Partners shall be by standard conveyance documents, "as is", and without any representations and warranties by the Company or the Beacon Members except that, subject to the proviso below, the Beacon Members shall make real estate representations as to rent roll, leases and operating contracts (but not any other real estate related representations) which the Beacon Members' parent customarily makes when it sells real estate and due authorization and similar entity representations of the selling Entity, except that all matters occurring or existing prior to the Closing Date under the Master Transaction Agreement shall be excluded from any such representations, provided, however, if at such time the John A. Akridge Company or any Affiliate thereof or any Affiliate of any Original Partner (an "Akridge PM Affiliate") is the property manager or the subproperty manager, then no real estate representations of any nature shall be made by the Company or the Beacon Members. Any conveyance of the Beacon Interests in the Company if there is a purchase of the Beacon Interests shall be by an Assignment of Member Interest with representations and warranties by the assigning Beacon Member of its authority to so convey and its ownership of the Interest being conveyed free and clear of all liens and other encumbrances other than those under this Agreement, as well as representations and warranties of the Beacon Members comparable to the Entity Representations contained in, and as such term is defined in, the Master Transaction Agreement for the period from the Closing Date until the closing of the purchase of the Beacon Interests. Any representations and warranties so provided shall have survival periods, floors and limits of liability and concepts of "deemed Buyer knowledge" which are the same as those set forth in the Master Transaction Agreement; as to "deemed Buyer knowledge", the relevant individuals shall be such Persons as are agreed upon as between the Akridge Representative and the Manager, each acting reasonably, provided that in all events such individuals shall include the appropriate on-site manager, if any, or the person having a comparable off-site position, and the relevant senior supervisor of the Akridge PM Affiliate, if any. In all events, all representations and warranties shall exclude any matter in existence prior to the Closing Date under the Master Transaction Agreement and shall exclude all matters which were or are caused by any act or omission of any Original Partner or any Affiliate of any Original Partner Closing costs shall be apportioned as between, and normal prorations shall be made as between, the Company, as if it were a seller of real property, and the purchasing Original Partners in the customary manner for real estate transactions in the District of Columbia.

At the request of the Manager, upon a prospective sale of the Property, at any time from the initiation of the sale process therefor until the consummation of any sale, the Akridge Representative, on its own behalf and on behalf of all the other Original Partners, shall provide an Estoppel Certificate or other similar form of certification as to the compliance and satisfaction of the provisions of this Section 10.7, or if it believes such compliance has not occurred, stating the particulars of any non-compliance. Any such certification by the Akridge Representative shall be binding on all the Original Partners. If no such certification or statement of non-compliance is received within ten (10) Business Days after request therefor, then it shall be unrebuttably presumed that Section 10.7 has been complied with and such unrebuttable presumption shall be binding on all the Members, and any Person claiming by or through any Member.

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ARTICLE 11
DISSOLUTION, LIQUIDATION AND TERMINATION

Section 11.1 Dissolution. The Company shall not be dissolved by the admission of a Substitute Member or by the permitted withdrawal or any other matter as to a Member or the admission of a successor Manager in accordance with the terms of this Agreement. The Company shall dissolve, and its affairs shall be wound up, only upon the first to occur of any of the following (each a "Liquidating Event"):

A. an election to dissolve the Company made by the Manager with the unanimous consent of Members;

B. entry of a decree of judicial dissolution of the Company pursuant to the provisions of the LLC Act;

C. the sale of all or substantially all of the assets and properties of the Company, unless in connection therewith, and within 180 days thereof, there has been an exchange for other properties or assets; or

D. the Closing not have occurred for any reason by November 30, 2002. The filing of the Certificate of Merger with the Secretary of State of the State of Delaware on or before November 30, 2002 shall be conclusive evidence that the Closing timely occurred and that this Clause D is no longer a Liquidation Event.

Section 11.2 Winding Up.

A. Upon the occurrence of a Liquidating Event, the Company shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Members. No Member shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Company's business and affairs. The Manager or, in the event there is no remaining Manager, any Person elected by Members holding a majority of the Percentage Interests in the Company (the Manager or such other Person being referred to herein as the "Liquidator"), shall be responsible for overseeing the winding up and dissolution of the Company and shall take full account of the Company's liabilities and property and the Company property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (the "Terminating Capital Transaction Proceeds") shall be applied and distributed in the following order:

(1) First, to the payment and discharge of all of the Company's debts and liabilities to creditors other than the Members (Affiliates of the Members shall not be considered "Members" for these purposes);

(2) Second, to the payment and discharge of all of the Company's debts and liabilities to the Members, pro-rata among them; and

(3) Third, but subject to Paragraph D. below, the balance, if any, to the Members in accordance with and in proportion to their positive Capital Account balances, as determined after giving effect to all contributions, distributions and allocations for all periods.

A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Company and the liquidation of its assets pursuant to the other provisions of this Section 11.2 in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between the Members during the period of liquidation.

B. Notwithstanding the provisions of Section 11.2.A hereof which require liquidation of the assets of the Company, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Company the Liquidator determines that an immediate sale of part or all of the Company's assets would be impractical or would cause undue loss to the Members, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Company (including to those Members and their Affiliates as creditors) and/or distribute to the Members, in lieu of cash, as tenants in common and in accordance with the provisions of Section 11.2.A hereof, undivided interests in such Company assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Members, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. In the event the Company is "liquidated" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Article 11 to the Members and assignees that have positive Capital Accounts in compliance with Treasury Regulations Section 1.704-1(b)(2)(ii)(b)(2) to the extent of, and in proportion to, their positive Capital Account balances. If any Member has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such Member shall have no obligation to make any contribution to the capital of the Company with respect to such deficit, and such deficit shall not be considered a debt owed to the Company or to any other Person for any purpose whatsoever, provided that such withheld, or escrowed amount shall be distributed to the Members in the manner and order of priority set forth in Section 11.2.A. hereof as soon as practicable.

D. In the discretion of the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Members pursuant to clause (3) of Section 11.2.A. may be:

(1) distributed to a trust established for the benefit of the Manager and Members for the purposes of liquidating Company assets, collecting amounts owed to the Company, and paying any contingent or unforeseen liabilities or obligations of the Company arising out of or in connection with the Company. The assets of any such trust shall be distributed to the Members from time to time, in the reasonable discretion of the Liquidator, in the same proportions as the amount distributed to such trust by the Company would otherwise have been distributed to the Members pursuant to this Agreement; and/or

(2) withheld or escrowed to provide a reasonable reserve for Company liabilities (contingent or otherwise) or to reflect the unrealized portion of any installment obligations owed to the Company, provided that such withheld or escrowed amounts shall be distributed to the Members by the Liquidator in the manner and order of priority set forth in Section 11.2.A as soon as practicable, as determined by the Liquidator in its reasonable judgment.

Section 11.3 Notice of Dissolution. In the event a Liquidating Event occurs or an event occurs that would, but for the provisions of an election or objection by one or more Members pursuant to Section 11.1, result in a dissolution of the Company, the Manager shall, within thirty (30) days thereafter, provide written notice thereof to each of the Members.

Section 11.4 Termination of Company and Cancellation of Certificate of the Company. Upon the completion of the liquidation of the Company's assets, as provided in Section 11.2 hereof, the Company shall be terminated, a certificate of cancellation shall be filed, and all qualifications of the Company as a foreign limited liability company in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Company shall be taken.

Section 11.5 Deemed Distribution and Recontribution. Notwithstanding any other provision of this Article 11, in the event that the Company is liquidated within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g), but no Liquidating Event has occurred, the Company's property shall not be liquidated, the Company's liabilities shall not be paid or discharged and the Company's affairs shall not be wound up.

Section 11.6 Liability of Liquidator. The Liquidator shall be indemnified and held harmless by the Company from and against any and all claims, liabilities, costs, damages, and causes of action of any nature whatsoever arising out of or incidental to the Liquidator's taking of any action authorized under or within the scope of this Agreement; provided, however, that the Liquidator shall not be entitled to indemnification, and shall not be held harmless, where the claim, demand, liability, cost, damage or cause of action at issue arises out of (i) a matter entirely unrelated to the Liquidator's action or conduct pursuant to the provisions of this Agreement or (ii) the willful malfeasance, bad faith, dishonesty or fraud of the Liquidator.

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ARTICLE 12
GENERAL PROVISIONS

Section 12.1 Addresses and Notice; Time Computation.

A. All notices, elections, offers, acceptances, demands, consents, reports and other communications (collectively, "Notices") given hereunder shall be in writing and shall be given to the Company, the Members or the other Members at the address set forth below or at such other address as the Company or either of the Members may hereafter designate by like notice.

If to TZO, to:

c/o Beacon Capital Partners, LLC
One Federal Street, 26th Floor
Boston, MA 02110
Attn: William Bonn, General Counsel
Telecopier No: (617) 457-0499

c/o Beacon Capital Partners, LLC
One Federal Street, 26th Floor
Boston, MA 02110
Attn: Jeffrey Brown
Telecopier No: (617) 457-0499

with a copy to:

Goulston & Storrs, P.C.
400 Atlantic Avenue
Boston, MA 02110-3333
Attn: Jordan Krasnow, Esq.
Telecopier No.: (617) 574-4112

If to any Member, at: its address set forth in Exhibit A

B. Except as otherwise provided in the last sentence of this paragraph, all Notices or other communications shall be (i) mailed by United States registered or certified mail, return receipt requested, postage prepaid, deposited in a United States post office or a depository for the receipt of mail regularly maintained by the post office, (ii) sent by any reputable overnight courier service (with all fees prepaid), or (iii) sent by telecopier or telefax. All Notices shall be deemed to have been given (and to be effective) (a) on the third business day following the date of such mailing, or (b) if sent by courier, on the date of delivery, or the date tendered for delivery if on a Business Day during normal business hours, or (c) if sent by telecopier, on the date sent. Notices may also be delivered by hand, in which case they shall be deemed to have been given (and to be effective) on the date of delivery.

C. By giving to the other parties at least ten (10) Business Days' prior written notice thereof, the parties hereto shall have the right from time to time and at any time during the term of this Agreement to change their respective addressees effective upon actual receipt (or tender otherwise valid and effective hereunder) by the other parties of such notice and each shall have the right to specify as its address any other address within the United States of America. A change in address of a Member shall not require an amendment of Exhibit A, and the official address of any Member shall be as shown on the books and records of the Company.

D. In computing any period of time under this Agreement, the day of the act, event or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is not a Business Day, in which event the period shall run until the next Business Day.

Section 12.2 Titles and Captions. All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

Section 12.3 Pronouns and Plurals; Word Meanings. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. The words such as "herein", "hereinafter", "hereof", and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires. References to a paragraph shall only be to the grammatical paragraph referred to unless there is a specific paragraph and/or Section designated. The use in this Agreement of the word "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not nonlimiting language (such as "without limitation", or "but not limited to", or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

Section 12.4 Waiver of Partition and Certain Other Rights. Except as set forth in Article 8, no Member shall have the right to terminate this Agreement or dissolve the Company by its express will or by withdrawal without the consent of all the other Members. In addition, each Member agrees that irreparable damage would be done to the Company if any Member brought an action in court to dissolve the Company or partition or apportion the assets of the Company. Accordingly, each Member agrees that it shall not, either directly or indirectly, take any action to require dissolution, partition or appraisement of the Company or of any of the assets of the Company or attempt to withdraw from the Company, and notwithstanding any provisions of this Agreement to the contrary, each Member accepts the provisions of the Agreement as its sole entitlement as to withdrawal by a Member and as to the termination, dissolution and/or liquidation of the Company, and hereby irrevocably waives any and all right to withdraw from the Company or to maintain any action for dissolution or partition or to compel any sale or other liquidation with respect to its interest, in or with respect to, the Company or any properties of the Company; and each Member agrees that it will not petition a court for the dissolution, termination or liquidation of the Company.

Section 12.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 12.6 No Third Party Rights. The provisions of this Agreement are for the benefit of the Company and the Members and the Manager, and no other Person, including creditors of the Company or any other Person, shall have any right or claim against the Company, the Manager or any Member by reason of this Agreement or any provision hereof or be entitled to enforce any provision of this Agreement. Moreover, notwithstanding anything contained in this Agreement, including specifically, but without limitation, Article 2, no such creditor or other Person shall obtain any rights under this Agreement or shall, by reason of this Agreement, make any claim in respect of any debt, liability or obligation (or otherwise) against the Company, the Manager or any Member.

Section 12.7 Waivers. The failure of any Member to at any time enforce any of the provisions of this Agreement, or any agreement or instrument delivered herewith, or to give any notice of default thereunder, shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Agreement, or any agreement or instrument delivered herewith, or any provision hereof or the right of either of the Members to thereafter enforce each and every provision of this Agreement, and each agreement and instrument delivered herewith. No waiver of any breach of any of the provisions of this Agreement, or any agreement or instrument delivered herewith, shall be effective unless set forth in a written instrument executed by the Member against which enforcement of such waiver is sought; and no waiver of any such breach shall be construed or deemed to be a waiver of any other or subsequent breach.

Section 12.8 Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party hereto shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 12.9 Applicable Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law. The Members hereby submit to personal jurisdiction in the State of Delaware for the enforcement of the provisions of this Agreement and waive any and all rights to object to such jurisdiction for purposes of litigation to enforce or interpret, or as to a dispute under or as to, this Agreement. The Members hereby consent to the jurisdiction of the United States District Court in for Delaware and to the Delaware Chancery Court in any action, suit, or proceeding with either or at any time wish to file in connection with this Agreement or any related matter. The Members hereby agree that any action, suit or proceeding to enforce this Agreement shall be brought in the first instance in either the federal court located in Delaware or in the Delaware Chancery Court, and hereby waive any objection which either may have to the laying of the venue of any such action, suit or proceeding in any such court; provided, however, that the provision of this paragraph shall not be deemed to preclude any party from filing any such action, suit or proceeding in any other appropriate forum if, but only if the courts above decline jurisdiction.

Section 12.10 Invalidity of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby, except as provided in Section 1.1.A.

Section 12.11 Entire Agreement; Amendments. This Agreement, together with any agreements and instruments delivered herewith, contains all of the understandings and agreements of whatsoever kind and nature existing between the parties hereto with respect to the matters dealt with in this Agreement and the rights, interests, understandings, agreements and obligations of the respective parties pertaining to the Company. Any and all other prior agreements between the parties with respect to such subject matter are hereby superseded. Notwithstanding anything in this Section 12.11 to the contrary, the parties hereby agree to cooperate reasonably and in good faith to amend this Agreement to the extent necessary and appropriate to allow the Company to qualify as a so-called "special purpose bankruptcy remote entity" in connection with any financing or refinancing of Property; provided, however, that no such amendment shall adversely affect the economic rights, or increase the obligations, of any Member.

No amendment of this Agreement shall be valid as against any party hereto unless such amendment has been executed by such Member, provided, however, that (i) any amendment to this Agreement and/or the Certificate to evidence a Transfer permitted pursuant to Section 10.2.B shall be valid as against all the Members if executed by the Manager and the transferee, (ii) any amendment to this Agreement to evidence any other Transfer permitted by Article 10 shall be valid if executed by the transferor and the transferee Members and by the Manager, and (iii) any amendment to this Agreement to allow the admission of the holder of a Subordinate Loan, such holder's designee, to the Company as a Member in accordance with, and with such interest in the Company as determined under, the Option Agreement between the Company and any such holder shall be valid as against all Members if executed by the Manager and such holder or its designee.

Section 12.12 Additional Documents and Acts. In connection with this Agreement as well as all transactions contemplated by this Agreement, each Member agrees to from time to time, at the Manager's request, execute and deliver such additional documents and instruments, and perform such additional acts, as the Manager may deem to be reasonably necessary or desirable to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

Section 12.13 Prevailing Party; Attorney's Fees. A. In the event of the commencement of any judicial or other proceedings between the Manager and any of the Members or between or among any of the Members or any derivative action commenced by any Member as to the Company and/or this Agreement or the interpretation of any provision of this Agreement or as to any of the relationships, rights, duties, obligations and other matters covered by this Agreement, the prevailing party in any such proceeding shall be entitled to full and complete recovery of all legal and other fees, costs and expenses incurred by such prevailing party in and as a result of any such proceedings, and in the case of a derivative suit in which the Company is not the prevailing party, then the Member instituting such suit shall be liable as the non-prevailing party. For the purposes hereof, a party shall be the prevailing party if it obtains a judgment or other order such that it has prevailed on a substantially greater amount (as measured by claimed damages, not by the number of claims) of the material claims or denials as to the material issues in dispute compared to those as to which the other party has prevailed.

B. In addition to any other remedies available at law or in equity, any distributions under Article 5 to which a Member would otherwise be entitled to shall be first charged for any liability of such Member for any breach of any Specified Liability Provision or for any liability under this Section 12.13.

Section 12.14 Legal Counsel.

A. The Manager may select legal counsel ("Approved Member's Counsel") for a Member or any of its Affiliates (including, without limitation, counsel who represented a Member in connection with the negotiation of this Agreement) to represent the Company in connection with legal work or issues arising as part of the business of the Company (a "Matter").

B. Each Member recognizes and acknowledges that such Approved Member's Counsel will be acting as legal counsel for the Company with respect to each Matter and shall not be acting as the legal counsel of any individual Member. Each Member further recognizes and accepts that its interest with respect to any matter may be adverse to the interests of the other Members and the Company. Each Member nevertheless consents to the representation of the Company by such Approved Member's Counsel with respect to each Matter and waives for the benefit of each other Member and of such Counsel any potential or actual conflict of interest between or among such Members and between such Members and the Company.

C. Each Member understands that, in the course of the representation by such Approved Member's Counsel of the Company, such counsel may obtain access to confidential information of or concerning a Member or all Members and its or their business activities. Such Member's counsel will be instructed to take all reasonable steps to ensure that any confidential information concerning any Member shall remain strictly confidential except as to communications regarding a Matter as are necessary or appropriate to represent that Company or as required by applicable law.

D. Each Member acknowledges that in the event of any future dispute or litigation between or among the Members and/or between any of the Members and the Company, the Approved Member's Counsel may continue to represent its Member client, notwithstanding any such dispute and its prior representation of the Company.

Section 12.15 Power Of Attorney. Each Member hereby irrevocably constitutes and appoints the Manager as its true and lawful attorney-in-fact, in its name, place and stead with full power of substitution, to consent to, make, execute, sign, acknowledge, swear to, record and file, on behalf of such Member and/or on behalf of the Company, the following:

(a) any certificate of foreign limited liability company, any certificate of doing business under an assumed name, and any other certificates or instruments which may be required to be filed by the Company or such Member under the laws of the State of Delaware or any other jurisdiction the laws of which may be applicable;

(b) a certificate of cancellation of the Certificate of Formation of the Company upon a dissolution and termination of the Company in accordance with this Agreement and such other instruments or documents as may be deemed necessary or desirable by said attorneys upon the termination of the Company;

(c) any and all amendments or restatements of the documents described in subsections (a) and (b) above, provided such amendments are either required by law, or are necessary to correct statements herein or therein, or are consistent with this Agreement (including without limitation any amendments referred to in Sections 4.1 and 4.2); and

(d) any and all such other documents as may be deemed necessary or desirable by said attorney to carry out fully the provisions of this Agreement and as are consistent with the terms hereof.

The foregoing grant of authority: (i) is a special power of attorney coupled with an interest, is irrevocable and shall survive the death or incapacity of each Member and (ii) shall survive the delivery of an assignment by a Member of the whole or any portion of its Interest in the Company.

Section 12.16 Members' Limited Liability.

Except with respect to a Member's liabilities and obligations under Article 8, the liability of any Member under this Agreement shall be limited to the Interest of such Member in the Company, and neither the Company nor the other Member shall seek to enforce any judgment or other remedy against any other asset of any other Member. No Member nor the Manager, nor any other investment or asset of any Member or of the Manager, or any partner of, or other participant in or beneficiary of any Member or of the Manager, nor any trustee, beneficiary, employee, partner, member, stockholder, officer, director of a Member or of the Manager or any such other Person, whether disclosed or undisclosed, shall have any personal liability with respect to the liabilities and obligations of any such Member or of the Manager under this Agreement, and each Member hereby agrees that, except with respect to any liabilities or obligations under Article 8 of this Agreement, such Member will not seek to obtain any deficiency or any other money judgment against any Person hereinabove named or referred to as being exculpated from personal liability or from any other Person.

Section 12.17 Survival of Certain Provisions. The Members acknowledge and agree that this Agreement contains certain terms and conditions which are intended to survive the dissolution and termination of the Company, including, but without limitation, the provisions of Sections 3.6, 3.7, 12.13, 12.14, 12.15 and 12.16, and Article 8; provided that the provisions of this sentence shall not be interpreted to mean that assets of the Company, after distribution to a Member or Members, continue to be assets of the Company for purposes of Section 3.6 or any other provision of this Agreement. The Members agree that the provisions of this Agreement which by their terms require, given their context, that they survive the dissolution and termination of the Company so as to effectuate the intended purposes and agreements of the Members shall survive notwithstanding that such provisions had not been specifically identified as surviving and notwithstanding the dissolution and termination of the Company or the execution of any document terminating this Agreement, unless such termination document specifically provides for nonsurvival by reference to this Section 12.17 and to specific nonsurviving provisions.

[PAGE ENDS HERE]

IN WITNESS WHEREOF, the parties hereto have executed this Limited Liability Company Agreement of 1201 Eye Street, N.W. Associates, LLC as of the date first written above.

1201 EQUITY LLC,
a Delaware limited liability company

By: Beacon Capital Strategic Partners II, L.P.,
A Delaware limited partnership, its sole member

By: BCP Strategic Partners II, LLC, a Delaware
limited partnership, its general partner

By: Beacon Capital Partners, LLC, a Delaware
limited liability company, its manager

By: William A. Bonn, Esq.

Name: William A. Bonn, Esq.
Title: Senior Vice President
and General Counsel

1215 ESGP, LLC,
a Delaware limited liability company

By: JACo Eye Street Development,
Inc., its Sole Member

By: /s/ Thomas W. Wilbur

Thomas W. Wilbur
Vice President

/s/ John E. Akridge, III

John E. Akridge, III

[SIGNATURES CONTINUED ON NEXT PAGE]

/s/ D. Steven Akridge

D. Steven Akridge

ALTOONA INVESTORS, INC.

By: /s/ Henry E. Bowden

Henry E. Bowden, President

CC ASSOCIATES LIMITED PARTNERSHIP

By: /s/ Robert L. Cohen

Robert L. Cohen,
its General Partner

ONE FRANKLIN PLAZA, LLC

By: JACo Manager, Inc.,
its Managing Member

By: /s/ Thomas W. Wilbur

Thomas W. Wilbur
Vice President

/s/ Thomas W. Wilbur

Thomas W. Wilbur, Individually

[SIGNATURE PAGE FOR 1201 EYE STREET, N.W.
ASSOCIATES LLC AGREEMENT
(1201 Eye Street, N.W., Washington, D.C.)]

DEFINITIONS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Accountants" means Beacon's accountants at any relevant time to conduct the audits and perform the other functions as designated by the Manager under this Agreement, but if there shall be no such firm retained by the Company at any relevant time, the firm that shall have so prepared the Company's most recent statements and reports, if any, or if none within the preceding twenty-four (24) month period, then the Accountant, who prepare the audited financial statements for Beacon.

"Adjusted Capital Account" means, with respect to any Member, such Member's Capital Account maintained in accordance with Section 2.1 hereof, as of the end of the relevant Fiscal Year of the Company, after giving effect to the following adjustments:

A. credit to such Capital Account that portion of any deficit Capital Account balance that such Member is obligated to restore under the terms of this Agreement or any other document, such Member's share of Minimum Gain determined in accordance with Treasury Regulations Section 1.704-2(g)(1), and such Member's share of Partner Nonrecourse Debt Minimum Gain determined in accordance with Treasury Regulations Section 1.704-2(i)(5).

B. debit to such Capital Account the items described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

The foregoing definition of "Adjusted Capital Account" is intended to comply with the provisions of Treasury Regulations Sections 1.704-1(b)(2) and 1.704-2, and shall be interpreted consistently therewith.

"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in that Member's Adjusted Capital Account as of the end of the relevant Fiscal Year of the Company.

"Affiliate" means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person; (ii) any Person beneficially, directly or indirectly, owning or controlling twenty percent (20%) or more of the outstanding voting interests of such Person; (iii) any Person of which such Person beneficially, directly or indirectly, owns or Controls twenty percent (20%) or more of the voting interests; or (iv) any officer, director, member, manager, partner or trustee in such Person or in any Person referred to in clauses (i), (ii), and (iii) above. For purposes of this definition, "control", as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Agreement" means this Limited Liability Company Agreement, as it may be amended, supplemented or restated from time to time.

"Akridge Representative" means One Franklin Plaza, LLC.

"Base Rate" means the annual rate of interest, determined daily and expressed as a percentage, from time to time announced by the Designated Bank as its so-called "base rate" or "prime rate" if the Company has any material indebtedness which is so-called floating rate debt based on a "prime" or "base" rate (but not if based on LIBOR or other similar measure) outstanding. In such event, the Designated Bank shall be the bank or banks or any other method used (e.g., by reference to The Wall Street Journal), as is designated in the relevant instruments evidencing such indebtedness. If there is no such indebtedness outstanding, the "Base Rate" shall be the "prime rate" as published by The Wall Street Journal for the relevant date or period. If there is not outstanding indebtedness of the Company of the type described above and The Wall Street Journal ceases to publish a "prime rate", then "Base Rate" shall mean a rate of interest, determined daily, which is three percentage points (3.0%) above the 14-day moving average closing trading price of 90-day Treasury bills.

"BCSP" means BCSP REIT II, Inc., a Maryland corporation, and any successor thereto by merger (of any type or form), reorganization, consolidation or otherwise.

"Beacon" means Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership, and any successor by merger (of any type or form), reorganization, consolidation or other involving all or substantially all of Beacon's assets.

"Beacon Members" means TZO, the holder of any Interests acquired pursuant to the Option Agreements, and their respective successors and assigns.

"Book-Tax Disparity" means, as to any property (other than cash) contributed to the Company by a Member, as of the date of determination, the difference between the Book Value of such property and the adjusted basis of such property for federal income tax purposes, as such differential may change as a result of allocations of Profits and Losses and of taxable income and taxable loss pursuant to the provisions of this Agreement.

"Book Value" of any asset of the Company means such asset's adjusted basis for federal income tax purposes, except that:

(i) the initial Book Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset (not reduced for any liabilities to which it is subject or which the Company assumes), as such value is determined and for which credit is given to the contributing Member under this Agreement;

(ii) the Book Values of all assets of the Company shall be adjusted to equal their respective gross fair market values, as determined by the Manager, at and as of the following times:

(a) the acquisition of an additional or new interest in the Company by a new or existing Member in exchange for other than a de minimis Capital Contribution by such Member, if the Manager determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Members;

(b) the distribution by the Company to a Member of more than a de minimis amount of any asset of the Company (including cash or cash equivalents) as consideration for all or any portion of an interest in the Company, if the Manager determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Members; and/or

(c) the liquidation of the Company within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g);

and

(iii) the Book Value of the assets of the Company shall be increased (or decreased) to reflect any adjustment to the adjusted basis of such assets pursuant to Section 734(b) or Section 743(b) of the Code, but only to the extent such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m); provided, however, that Book Value shall not be adjusted pursuant to this clause (iii) to the extent that the Manager determines that an adjustment pursuant to clause (ii) hereof is necessary or appropriate in connection with the transaction that would otherwise result in an adjustment pursuant to this clause (iii).

If the Book Value of an asset has been determined or adjusted pursuant to the preceding clauses (i), (ii) or (iii), such Book Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses, and the amount of the adjustment shall thereafter be taken into account as gain or loss from the distribution of such asset for purposes of computing Profits or Losses.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in either Boston, Massachusetts or New York, New York are authorized or required by law to close.

"Capital Account" shall mean the capital account maintained for a Member pursuant to Section 2.1 hereof.

"Capital Contribution" means, with respect to any Member, the aggregate amount of cash and the gross fair market value of any property which such Member contributes or is deemed to contribute to the Company pursuant to Article 2 reduced by the amount of any liability assumed by the Company relating to any such property and any liability to which such property is subject, including the Capital Contributions of the Members reflected in Exhibit A attached hereto and any Capital Contributions made pursuant to Section 2.3.A(iii) and Section 2.4.

"Capital Transaction" means any of the following: (i) a sale, exchange, transfer, assignment or other disposition of all or any portion of any of the Property or other assets of the Company (but not including occasional sales of inventory, operating equipment or furniture, fixtures and equipment or non-material portions of the Property or any other non-material assets of the Company); (ii) any financing or refinancing of indebtedness of the Company; (iii) any condemnation or deed in lieu of condemnation of all or a portion of any property of the Company; (iv) any collection in respect of property, hazard or casualty insurance (but not rental interruption insurance); or (v) any other transaction the proceeds of which, in accordance with generally accepted accounting principles, are considered to be capital in nature. The receipt by the Company of Capital Contributions from the Members shall not constitute Capital Transactions.

"Capital Transaction Proceeds" means the net cash proceeds from a Capital Transaction after deducting all expenses incurred in connection with such Capital Transaction and after application of any proceeds as required by any obligations binding on the Company, or to which the Company is subject, and otherwise as determined by the Manager toward the payment of any indebtedness of the Company secured by the property that is the subject of a Capital Transaction or any other indebtedness of the Company, or for capital expenditures or the purchase of any improvements or an expansion of any Company property or the acquisition of additional assets by the Company, and after the establishment of such reserves as are deemed necessary or appropriate by the Manager, in its sole discretion, provided, however, that the Special Distribution Amount shall not be considered Capital Transaction Proceeds.

"Certificate" means the Certificate of Formation of the Company filed in the office of the Delaware Secretary of State, as amended from time to time in accordance with the terms of this Agreement and the LLC Act.

"Closing" has the meaning set forth in the Master Transaction Agreement.

"Closing Date" has the meaning set forth in the Master Transaction Agreement.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Company" means the limited liability company formed under the LLC Act pursuant to the Certificate, as constituted under the terms of this Agreement, as this Agreement may be amended and/or restated, and any successor thereto.

"Control" means the ability, directly or indirectly, whether through ownership of partnership interests, manager or member interests, of voting securities, or otherwise, to direct the policies and management of any business entity.

"D.C. Franchise Tax" means the District of Columbia Income and Franchise Tax Act of 1947, as amended.

"Defaulting Member" has the meaning set forth in Section 8.3.

"Depreciation" means, for each Fiscal Year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period for federal income tax purposes, except that if an asset has a Book-Tax Disparity at the beginning of such year or other period (as a result of property contributions or adjustments to such values), Depreciation shall be adjusted as necessary so as to be an amount which bears the same ratio to such beginning Book Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year or other period bears to the beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization or other cost recovery deduction for such year or other period is zero, Depreciation for such year or other period shall be determined with reference to such beginning Book Value using any reasonable method selected by the Manager.

"Entity" or "Entities" means any general partnership, limited partnership, limited liability company, corporation, trust, business trust, cooperative or association or any other form of incorporated or unincorporated entity which is a legal entity under applicable law.

"Financial Need Date" has the meaning set forth in Section 2.3.A.

"Fiscal Year" has the meaning set forth in Section 4.2.

"Guaranteed Payment" means, for any Fiscal Year or other measuring period, the product of the Guaranteed Return Rate and the average daily outstanding balance of the Unrecovered Capital Contributions of each Member, including any Capital Contributions made pursuant to Sections 2.3 and 2.4 and any Capital Contributions made by the holders of, and made under, the Option Agreements, but not including herein any Subordinate Capital Contributions.

"Guaranteed Return Rate" means a rate of fifteen percent (15%) per annum, compounded quarterly.

"Guaranty", "Guaranteed" and any similar capitalized grammatical variation thereof, means any guaranty, indemnity, suretyship or similar agreement made by any Member or an Affiliate of any Member to any third party guaranteeing, or otherwise providing assurances as to, the payment or performance of any of the Company's obligations, provided that (i) any such Guaranty has been approved by the Manager, and (ii) the right of subrogation against, or reimbursement from, the Company has not been waived. The term "Guaranty" shall in all events not include any title and other similar indemnities given to any Person on or before the Closing under the Master Transaction Agreement or given in connection with the transactions contemplated by the Master Transaction Agreement.

"Immediate Family" means with respect to any individual, his or her parents, spouse, issue (whether natural or adopted), or spouse of issue, and any trusts principally for the benefit of any of the foregoing; with respect to any trust, any beneficiary of such trust or any member, as described above, of the Immediate

Family of any such beneficiary; and any entity or entities all of the beneficial owners of which are any one or more of such individuals and trusts described immediately above.

"Indemnitee" has the meaning set forth in Section 3.6.

"Indemnity Agreement" means that certain Indemnity Agreement to be executed on the Closing Date among the Company and all the Original Partners, as contemplated by Section 6.4 of the Master Transaction Agreement.

"Interest" means an ownership interest in the Company representing a Capital Contribution by a Member and includes any and all legal and economic benefits and other attributes to which the holder of such Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement.

"IRS" means the Internal Revenue Service, which administers the internal revenue laws of the United States.

"LLC Act" means the Limited Liability Company Act of the State of Delaware at Del. Code. Ann. Tit 6 §§18-101, et. seq., as amended and in effect from time to time.

"Liquidating Events" has the meaning set forth in Section 11.1.

"Liquidator" has the meaning set forth in Section 11.2.

"Manager" means TZO, in its capacity as the Manager of the Company, or its successors as Manager of the Company.

"Master Transaction Agreement" has the meaning set forth in Recital B.

"MTA Transactions" has the meaning set forth in Recital B.

"Member" shall mean each of the Members from time to time admitted to the Company in any such Person's capacity as a Member of the Company, or its successors as the Members of the Company, or any Substitute Member, in such Person's capacity as a Member of the Company.

"Merger" has the meaning set forth in Recital B.

"Minimum Gain" shall have the meaning of such term as set forth in Treasury Regulations Section 1.704-2(d), and shall generally mean the amount by which the nonrecourse liabilities secured by any assets of the Company exceed the adjusted tax basis of such assets as of the date of determination. A Member's share of Minimum Gain (and any net decrease thereof) at any time shall be determined in accordance with Treasury Regulations Section 1.704-2(g).

"Nonrecourse Liability" has the meaning set forth in Treasury Regulations Section 1.752-1(a)(2).

"Operating Cash Flow" " means, for any Fiscal Year or any other relevant period, the excess, if any, of Operating Revenue over Operating Expenses.

"Operating Expenses" means

(i) all expenses of the Company and of the Manager, in its capacity as the Manager (on a cash basis, but otherwise determined in accordance with generally accepted accounting principles) incurred in connection with the ownership and operation of the Property or the performance of other aspects of the Company business, other than any expense not involving a cash expenditure, such as any amount charged for depreciation or amortization, and other than any interest or other payments on account of any indebtedness of the Company, but in any event including reserves for normal periodic payments such a real estate taxes and insurance;

(ii) regular installments of interest and principal on account of any loans made to the Company or secured by any of the Property;

(iii) sums expended by the Company for replacement of personal property or capital improvements (and not withdrawn from a reserve fund established for such purpose or available from insurance or condemnation proceeds), unless and to the extent such amounts are paid from Company borrowings or Capital Contributions;

(iv) a reserve for working capital items of the Company, as determined by the Manager, in its sole discretion, and

(v) a reserve for the replacement of capital items of the Company and/or for any other potential expenditures by the Company, all as determined by the Manager, in its sole discretion.

"Operating Revenues" means all cash receipts of the Company from the leasing of space with the Property, whether in the form of rent, reimbursements, additional rent, fees, charges or otherwise (other than security deposits unless and until the same are applied to rent), interest from deposits (unless required to be returned to, or such is the property of, tenants), tax refunds, reserves previously created from Operating Revenues, revenue from parking, the proceeds of any business or rental interruption insurance (but not any other type of insurance), and any other incidental income attributable to or resulting from the operations and leasing of the Property or the use of the assets of the Company. Operating Revenues do not include any receipts from a Capital Transaction, Capital Contributions to the Company, insurance proceeds (other than business or rental interruption insurance proceeds), condemnation awards, security deposits (unless and until applied to rent), title insurance proceeds, and any other item the proceeds of which are, under generally accepted accounting principles, attributable to capital.

Notwithstanding the foregoing, after commencement of the dissolution and liquidation of the Company, Operating Revenues shall not include any cash received or reductions in reserves thereafter occurring, or take into account any disbursements thereafter made or reserves thereafter established.

"Option Agreements" means, collectively, those certain (separate) Option Agreement of even date herewith between the Company and each of the Subordinate Lenders pursuant to which each such Subordinate Lender has certain options to acquire Interests in the Company.

"Original Partners" has the meaning therefor set forth in the Preamble, and shall include any heirs, executors, successors or assigns of any Original Partner.

"Partner Nonrecourse Debt" shall have the meaning of such term set forth in Treasury Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" shall have the meaning of such term set forth in Treasury Regulations Section 1.704-2(i).

"Partner Nonrecourse Deductions" shall have the meaning for such term set forth in Treasury Regulations Section 1.704-2(i). Subject to the immediately preceding sentence, Partner Nonrecourse Deductions shall consist of, with respect to any partner nonrecourse debt (as such term is defined in Treasury Regulations Section 1.704-2(b)(4)), the increase in Partner Nonrecourse Debt Minimum Gain during the tax year plus any increase in Partner Nonrecourse Debt Minimum Gain for a prior tax year which has not previously generated a Partner Nonrecourse Deduction hereunder. The determination of which Company items constitute Partner Nonrecourse Deductions shall be made in a manner consistent with the manner in which Company Nonrecourse Deductions are determined hereunder.

“Percentage Interest” for each Member is initially as set forth in Exhibit A, subject to adjustments as a result of any Transfers and pursuant to Section 2.4.C. In calculating Percentage Interests pursuant to those provisions of Section 2.4.C providing for such calculation to be based on Capital Contributions made, such amount (i.e., Capital Contributions made) shall not be reduced by any distributions made to a Member even if, pursuant to other provisions of this Agreement, such distributions are treated as a return of capital for any purpose.

“Permitted Transferee” means any Person to whom a Transfer may be made pursuant to Section 10.2.

“Person” means a natural person or any Entity.

“Predecessor Agreement” has the meaning therefor set forth in Recital B.

“Profits and Losses” means, for each Fiscal Year or other period, an amount equal to the Company’s taxable income or loss (as the case may be) for such year or period, determined in accordance with Code Section 703(a) (for this period, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(1) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition shall be added to such taxable income or loss;

(2) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this definition, shall be subtracted from such taxable income or loss (including amounts paid or incurred to organize the Company (unless an election is made pursuant to Code Section 709(b)) or to promote the sale of interests in the Company and by treating deductions for any losses incurred in connection with the sale or exchange of Company property disallowed pursuant to Section 267(a)(1) or Section 707(b) of the Code as expenditures described in Section 705(a)(2)(B) of the Code);

(3) Gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Book Value of the property disposed of notwithstanding that the adjusted tax basis of such property differs from such Book Value;

(4) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year or other period, computed in accordance with the definition of "Depreciation" herein;

(5) In the event that any item of income, gain, loss or deduction that has been included in the initial computation of Profit or Loss is subject to the special allocation rules of Section 6.2. of this Agreement, Profit or Loss shall be recomputed without regard to such item; and

(6) In the event of an adjustment of the Book Value of any Company asset which requires that the Capital Accounts of the Company be adjusted pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(e), (f) and (m), the amount of such adjustment is to be taken into account as additional Profits or Losses pursuant to Section 6.1 hereof.

Guaranteed Payments accruing during any Fiscal Year shall be expenditures of the Partnership, payable to a Member not in its capacity as a member in the Company, as provided for in Section 707(c) of the Code, and shall be expensed, capitalized, depreciated and/or amortized as otherwise provided for in the Code.

If the Company's taxable income or loss for such Fiscal Year, as adjusted in the manner provided above, is a positive amount, such amount shall be the Company's Profits for such Fiscal Year; and if negative, such amount shall be the Company's Losses for such Fiscal Year.

"Property" means the property generally known as 1201 Eye Street, N.W., Washington, D.C., more particularly described in Exhibit B attached hereto, together with all buildings, structures and improvements located thereon, and all personal property, fixtures and equipment required or beneficial for the operation thereof as the Company from time to time shall own, either directly or, if otherwise permitted pursuant to this Agreement, through interests in one or more other Entities.

"Qualified Organization" has the meaning set forth in Section 10.3A(vii).

"Recapture Income" means any gain recognized by the Company (computed without regard to any adjustments under Sections 734, 743 and 754 of the Code) upon the disposition of any property or asset of the Company, which gain is characterized as ordinary income or is taxed at a different rate from other gain because it represents the recapture of deductions previously taken with respect to such property or asset.

"Regulatory Allocations" has the meaning set forth in Section 6.2.B.

"REIT" means a real estate investment trust qualifying under Code Section 856, or any successor provision thereto.

"SEC" means the Securities and Exchange Commission.

"Section 704(c) Provisions" had the meaning set forth in Section 6.2.C.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Shortfall" has the meaning set forth in Section 2.3.A.

"Special Distribution" has the meaning set forth in Section 5.1.G.

"Special Distribution Amount" has the meaning set forth in Section 5.1.G.

"Specified Liability Provisions" has the meaning set forth in Section 8.1.B.

"Subordinate Capital Contributions" has the meaning set forth in Section 2.2.

"Subordinate Lender" means either of the Subordinate Lenders, as the context may require.

"Subordinate Lenders" means, collectively, , TZO Lending LLC, a Delaware limited liability company, as to the second deed of trust loan described below, and ESDI, LLC, a Delaware limited liability company, as to the third deed of trust loan described below under the definition of Subordinate Loans.

"Subordinate Loan" means either of the Subordinate Loans.

"Subordinate Loans" means, collectively, that certain second deed of trust loan to be made by the Subordinate Lender to the Company as contemplated by the Master Transaction Agreement, and that third deed of trust loan (previously a second deed of trust loan) made to the Partnership and currently held by ESDI, LLC.

"Substitute Member" means a Person who is admitted as a Member to the Company pursuant to Section 10.4.

"Target Balance" means, as to each Member, as of the end of the applicable period for which the calculation is to be made, a balance in such Member's Capital Account equal to the amount such Member would receive in liquidation of the Company if all the assets of the Company were sold (on the last day of the applicable period) for their respective Book Values and the proceeds of such sale, including any cash on hand, were applied pursuant to Section 5.1.B (herein referred to as a "Hypothetical Liquidation Event"), said balance then reduced by the amount of income, loss and gain, or items thereof, that would be allocated to such Member pursuant to Sections 6.2.A and B upon the occurrence of a Hypothetical Liquidation Event. In addition, in calculating the Target Balance upon a Hypothetical Liquidation Event, in satisfying any liabilities of the Partnership which are either Nonrecourse Liabilities or Partner Nonrecourse Debt, such liability satisfaction shall be limited to the Book Value of the assets securing each such liability.

"Taxable Disposition" means a voluntary sale or other disposition by the Company of the Property (or any successor property or properties acquired in a non-taxable transaction) or a merger, consolidation, reorganization or other similar type of transaction, in any such instance in a transaction which causes taxable income to be recognized pursuant to the Section 704(c) Provisions.

"Terminating Capital Transaction" means any sale or other disposition of all or substantially all of the assets of the Company or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Company.

"Transfer," and any grammatical variation thereof shall refer to any sale, conveyance, exchange, issuance, redemption, assignment, distribution, encumbrance, hypothecation, gift, bequest, device, pledge, retirement, resignation, transfer or other withdrawal, disposition or alienation in any way as to any direct or indirect interest in the Company or in any Entity which directly or indirectly owns an interest in the Company. Transfer shall specifically, without limitation of the above, include assignments and distributions resulting from death, incompetency, an Event of Bankruptcy, liquidation and dissolution; however, the term "Transfer" shall not include the matters excluded pursuant to the last sentence of the last paragraph of Section 10.2B.

"Treasury Regulations" means and includes all temporary and final regulations promulgated under the Code, as in effect from time to time, and the corresponding sections of any regulations subsequently issued that amend or supersede any such promulgations.

"UBTI" means any Company income which qualifies as unrelated business taxable income based on the provisions set forth in Section 511, et seq. of the Code and Treasury Regulations.

"UBTI Provisions" means those provisions set forth in Section 511, et seq. of the Code and Treasury Regulations.

"Unrecovered Capital Contributions" of a Member shall mean the aggregate amount of all Capital Contributions made by such Member, other than the Subordinate Capital Contributions, reduced by distributions made to such Member pursuant to Clause First of Section 5.1.B.

"Unrecovered Subordinate Capital Contributions" of any Original Partner shall mean the amount of the Subordinate Capital Contributions of such Original Partner, as a Member in the Company, as set forth in Exhibit A on the date of this Agreement, reduced by distributions made to such Member pursuant to Clause Third of Section 5.1.B.

EXHIBIT A
TO
1201 Eye Street, N.W. Associates LLC
LIMITED LIABILITY COMPANY AGREEMENT

Members	Restated Capital Account (after the Special Distribution)	Percentage Interest	Address
1201 Equity LLC	$ 602,822.00	49.500000%	c/o Beacon Capital Partners, LLC One Federal Street Boston, Massachusetts 02110
John E. Akridge, III	$ 1,895.43	0.155641%	28181 Harleigh Lane Oxford, MD 21654
D. Steven Akridge	$ 388.67	0.031916%	6421 Edgewater Drive Falls Church, VA 22041
Altoona Investors, Inc.	$ 388.67	0.031916%	c/o Henry Bowden 4338 Forest Lane, NW Washington, DC 20007
CC Associates LP	$ 3,088.53	0.253611%	305 West Chesapeake Avenue Towson, MD 21204
One Franklin Plaza, LLC	$ 608,788.53	49.989950%	c/o The John Akridge Company 601 13th Street, NW, Suite 300 North Washington, DC 20005
Thomas W. Wilbur	$ 388.67	0.031916%	3503 Patterson Street, NW Washington, DC 20015
1215 ESGP, LLC	$ 61.50	0.005050%	c/o The John Akridge Company 601 13th Street, NW, Suite 300 North Washington, DC 20005

EXHIBIT 10.120

FIRST AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT FOR 1201 EYE STREET, N.W. ASSOCIATES, LLC

FIRST AMENDMENT
TO
LIMITED LIABILITY COMPANY AGREEMENT
OF
1201 EYE STREET, N.W. ASSOCIATES LLC

This FIRST AMENDMENT to LIMITED LIABILITY COMPANY AGREEMENT of 1201 EYE STREET, N.W. ASSOCIATES LLC, (this "First Amendment") made and effective as of _________, 2003 (the "Effective Date"), is entered into by and among the parties listed in Schedule A attached hereto.

RECITALS

A. 1201 Eye Street, N.W. Associates LLC, a Delaware limited liability company (the "Company") was formed on August 28, 2002 by the filing of its Certificate of Formation in the offices of the Secretary of State of the State of Delaware.

B. As of the date hereof, the parties listed in the Schedule A attached hereto are all of the Members of the Company and are all the parties to, and the Company is currently governed by, that certain Limited Liability Company Agreement of 1201 Eye Street, N.W. Associates LLC, dated September 27, 2002 (the "LLC Agreement").

C. 1201 Equity LLC ("TZO"), a Member of the Company, is wholly owned by BCSP II Washington Properties, Inc., a Maryland corporation that is taxed as a REIT ("Washington REIT"). Beacon Capital Strategic Partners II, L.P. ("Beacon") owns all of the common stock of Washington REIT. Wells Operating Partnership, L.P. is a Delaware limited partnership ("Wells OP"). The general partner of Wells OP is Wells Real Estate Investment Trust, Inc., a Maryland corporation that is taxed as a REIT ("Wells"). Beacon Capital Strategic Partners II, L.P. proposes to sell all the common stock of Washington REIT to Wells OP and thereafter change the legal name of Washington REIT to Wells Washington Properties, Inc. (the "REIT Sale"). The date of the consummation of the REIT Sale, if it occurs, is herein referred to as the "REIT Sale Closing Date".

D. The Members are willing to make certain clarifications and changes to the LLC Agreement, and the Members desire to set forth herein their agreement as to all such clarifications, changes and other matters.

E. Capitalized terms not defined herein shall have the meanings set forth therefore in the LLC Agreement.

NOW THEREFORE, in consideration of the promises hereinafter set forth and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. The Recitals are incorporated herein and made a part hereof.

2. The LLC Agreement is amended, unless otherwise provided herein, by replacing each instance of the following words in the Agreement:

(a) Replacing the words “Beacon Member” with “TZO Member”.

(b) Replacing the words “Beacon Members” with “TZO Members”.

(c) Replacing the words “Beacon Member’s” with “TZO Member’s”.

(d) Replacing the word “Beacon” with “TZO and each Affiliate of TZO”.

(d) Replacing the words “Beacon Interests” with “TZO Interests”.

3. Section 1.3 of the LLC Agreement is hereby modified and amended by deleting the second sentence in the first paragraph and replacing it with:

“The principal office of the Company shall be c/o Wells Operating Partnership, L.P., 6200 Corners Parkway, Suite 250, Norcross, Georgia 30092.”

4. Section 2.1 of the LLC Agreement is amended by adding to the end thereof the following:

“In the event of a Transfer of an Interest permitted under this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent attributable to the transferred Interest.”

5. Notwithstanding Section 2.3 of the LLC Agreement or any other provision of the LLC Agreement, after the date of this First Amendment, LLC, the TZO Members shall have the right to make the full amount of any Capital Contributions called by the Manager.

6. Section 2.4 of the LLC Agreement is hereby modified and amended as follows:

(a) Section 2.4.C is amended by deleting in their entirety the first two paragraphs thereof, deleting “this Section 2.4.C” in the third paragraph thereof and replacing it with “this Agreement”, deleting “pursuant to the above” in the fourth paragraph thereof and replacing it with “in connection with a Capital Contribution”, and replacing the first two paragraphs with the following:

“Upon the making of any Capital Contributions pursuant to this Section 2.4 or Section 5.3 or in connection with any prepayment of the Subordinate Loans or pursuant to the Option Agreements, each Member’s Percentage Interest shall be recalculated.

The resulting adjustments to the Percentage Interests of the Members shall not affect any change in the Capital Accounts of the Members except to reflect the additional Capital Contributions."

7. Section 3.1.A of the LLC Agreement is hereby modified and amended as follows:

(a) The following phrase shall be deleted from Section 3.1.A(4) "subject to compliance with Section 10.7" and the following phrase is added to the end of Section 3.1.A(4):

", provided that the Company shall not sell the Property without the consent of the Akridge Representative prior to October 24, 2007 (the "Debt Sunset Date").

(b) The following phrase is added to the LLC Agreement after the phrase "provided however" in the 4th line from the end of Section 3.1.A(7):

"prior to the Debt Sunset Date",

and the following phrase is added to the end of Section 3.1.A(7):

"and provided that without limiting any of the other rights the TFF Members or the Manager or the Company relating to financing or refinancing as provided herein, the currently outstanding first mortgage loan held by Metropolitan Life Insurance Company (as it may be modified as appropriate to accommodate the REIT Sale Closing herein, the "MetLoan") shall not, except in connection with a refinancing or modification in accordance with the terms hereof, be voluntarily prepaid in full prior to the Debt Sunset Date".

(c) The second paragraph after Section 3.1.A(15) is deleted.

(d) The following phrase is added to the LLC Agreement after the words "the Manager" in the third line of the penultimate paragraph after Section 3.1.A(15):

", until after December 31, 2011,"

(e) The last paragraph after Section 3.1.A(15) of the LLC Agreement is deleted and replaced with the following:

"Nothing in the immediately preceding paragraph shall (i) impose any liability of any nature or create any legal or equitable rights in the Original Partners unless the Manager intentionally acts in bad faith in carrying out the provisions of said paragraph, or (ii) in any way limit the Manager's rights, as the Manager of the Company, to cause the Company to sell (after the Debt Sunset Date) or to finance or refinance the Property in the Manager's sole discretion nor otherwise limit, restrict or otherwise affect any of the other provisions of this Agreement."

8. The first sentence of the first paragraph of Section 3.1.E of the LLC Agreement is deleted and replaced with the following:

> "Upon the REIT Sale Closing Date, the Washington REIT (Wells Washington Properties, Inc.) is and shall be the Manager unless and until replaced by a new Person designated at any time by TZO, in its capacity as a Member (and including herein any successor to TZO as a Member in the Company). TZO including its successors and assigns, in any such Person's capacity as a Member, shall have the sole and exclusive right to appoint the Manager and to remove the Manager at any time, with or without cause, and for any reason or for no reason."

9. Section 3.7.E of the LLC Agreement is hereby amended by deleting such provision in its entirety and replacing it by the following:

> "Notwithstanding the above or any other provision of this Agreement or the LLC Act, the Company shall not take any action which, in the sole judgment of the Manager (1) so long as Washington REIT or Wells or any Affiliate of TZO qualifies as a REIT (each of Washington REIT, Wells, and any such Affiliate of TZO an "Affiliated REIT"), and without limiting the right of any Affiliated REIT, in its sole discretion, to cease qualifying as a REIT, (a) would cause any income or receipts of the Company to be other than rents from real property, as defined in Section 856 of the Code and the Treasury Regulations thereunder, or other miscellaneous income or receipts which would not qualify under Section 856(c) of the Code and the Treasury Regulations thereunder, (b) could, in the judgment of the Manager, otherwise adversely affect the ability of any Affiliated REIT to continue to qualify as a REIT, or (c) could, in the judgment of the Manager, subject any Affiliated REIT to any additional taxes under Section 857 or Section 4981 of the Code, or (2) would violate any law or regulation of any governmental body or agency having jurisdiction over securities issued by TZO or any Affiliate of TZO. The Members acknowledge that the Company shall not take any action prohibited by the preceding sentence even if the taking of any such action might otherwise be advantageous to the Company or to some of the Members unless TZO specifically determines to take, or otherwise consents to the taking of, any such action, in its sole discretion. The provisions of this paragraph are solely for the benefit of TZO and of each Affiliate of TZO, and no other Person shall have the right to enforce, or be the beneficiary of, the provisions of this paragraph.
>
> Any action of the Manager on behalf of the Company or any decision of the Manager to refrain from acting on behalf of the Company undertaken in the good faith belief that such action or omission is necessary or advisable in order to comply with the provisions of the preceding paragraph and/or to minimize the receipt of income so as to allow any Affiliated REIT to avoid incurring any liability for taxes under Section 857 or Section 4981 of the Code is expressly authorized under this Agreement, even if taking such action or omission was not otherwise in the best interests of the Company or any of its Members, so long as,

in any such event, the Manager acted in good faith and such action or omission was believed by the Manager to be within the scope of the purposes of the Company."

10. Section 6.1.A is amended by changing all references to "Partially Adjusted Capital Accounts" to "Adjusted Capital Accounts", changing all references to "Partner" to "Member", and changing all references to "Partner's" to "Member's".

11. Section 6.2.C is amended by added the word "not" after the word "consent" and before the phrase "to be unreasonably withheld" in the penultimate line of that section

12. Section 8.1.B of the LLC Agreement is hereby modified and amended to delete from that section each of the following phrases "or a breach of Section 10.7" and the phrase "or an order is entered requiring compliance with Section 10.7 of this Agreement where it had been alleged that there had been a failure to so comply and the court found that there had been such a failure to comply".

13. Section 9.2 of the LLC Agreement is amended as follows:

(a) The parenthetical in the second sentence of Section 9.2 is hereby deleted and replaced by the following:

"(without limiting the rights of the Manager pursuant to the immediately following sentence as to elections under Section 754 of the Code)".

(b) The following new sentence is hereby added at the end of, and as part of, Section 9.2:

"The Manager shall have the right to cause the Company to make an election under Section 754 of the Code, all as the Manager may determine."

14. In the second sentence of the last paragraph of Section 10.2.B of the LLC Agreement, replace the phrase "membership interests in a Beacon Member, limited partner interests in Beacon or in Beacon Capital Strategic Partners II, L.P., or shares in BCSP" with the phrase, "shares, membership interests, partnership interests or other form of equity interests in any TZO or any Entity directly or indirectly owning any equity interest in TZO".

15. Section 10.2.E of the LLC Agreement is hereby amended as follows:

(a) By replacing the phrase "transfer tax" in the existing last sentence of Section 10.2.E with the following: "Transfer Tax".

(b) By adding the following after the words “Economic Interests Reporting Act” in the existing last sentence of Section 10.2.E: “(as such may be hereafter amended, and including any successor law, the “Transfer Tax”)”.

16. Section 10.7 of the LLC Agreement is deleted in its entirety.

16. Section 12.1.A of the LLC Agreement is amended to delete the notice parties and addresses for TZO and replace them with the following:

Wells Operating Partnership, L.P.
6200 Corners Parkway, Suite 250
Norcross, Georgia 30092
Attn: Jeff Gilder, Director

With a copy to:

Alston & Bird, LLP
One Atlantic Center
201 West Peachtree Street
Atlanta, GA 30309-3424
Attn: William O’Callaghan, Esq.
Facsimile: 404-881-7777

17. The following changes are hereby made in the “Definitions” attached to, and which are part of, the LLC Agreement:

(a) Replace the definition of “Accountants” with the accounting firm selected from time to time by TZO.

(b) Delete the definitions of BCSP, Beacon, and Beacon Members and add a new definition: “TZO Members” means TZO, the holder of any Interests acquired pursuant to the Option Agreements, and their respective successors and assigns.”

(c) In the definition of “Book Value”, add the following to the end of paragraph (a) of clause (ii): “, taking into account the Members’ intentions that their respective Capital Accounts should at all times be proportionate to their Percentage Interests”.

(d) In the definition of “Capital Contribution”, add the following to the end thereof: “A Member’s Capital Contributions shall not be reduced by any distribution made to a Member even if, pursuant to other provisions of this Agreement or otherwise, such distributions are treated as a return of capital for any purpose. In the event of a Transfer of an Interest permitted under this Agreement, the transferee shall succeed to the Capital Contributions of the transferor to the extent attributable to the transferred Interest.”

(e) In the definition of “Option Agreements”, add to the end of such definition: “as such agreements may be amended or modified from time to time.”

(f) Delete the definition of "Percentage Interest" in its entirety and replace it with the following: ""Percentage Interest' shall be determined as follows: Until an Interest is acquired pursuant to one of the Option Agreements, a Member's Percentage Interests shall be determined based on their relative Capital Contributions. If an Interest is acquired pursuant to either or both of the Option Agreements, thereafter the Percentage Interest of any Person(s) acquiring an Interest pursuant to an Option Agreement shall be determined in accordance with Schedule A of the Option Agreements, and the Percentage Interests of each other Member shall be determined based on the following formula:

(100% - Percentage Interests of Members acquiring Interests pursuant to Option Agreements) x (Other Member's Capital Contributions ÷ Sum of other Members' Capital Contributions)

(g) Delete the reference to Section 5.1G in the definitions of "Special Distribution" and "Special Distribution Amount" and replace it with "Section 5.1H".

18. Exhibit A of the LLC Agreement shall be modified by replacing the heading "Restated Capital Account (after the Special Distribution)" with "Capital Contributions."

19. (a) Each Original Partner hereby certifies to each of Beacon, TZO, Wells OP, and Wells as follows:

(i) That there is no default by such Member or, by TZO, the Company, or Beacon under the LLC Agreement, any Subordinate Loan document, or the Master Transaction Agreement.

(ii) Since September 27, 2002, such Original Partner has not Transferred, agreed to transfer or granted any person any option to acquire any Interest or any portion of any Interest in the Company, and no direct or indirect interest of any Person in such Member has been Transferred since September 27, 2002.

(b) Each Original Partner acknowledges that upon the consummation of the REIT Sale on the REIT Sale Closing Date, among other things, Wells OP (or an affiliate of Wells) shall acquire the common stock of the Washington REIT and each Original Partner shall and does hereby fully release Washington REIT, TZO and the Company from any and all liability and/or obligations any of them may have under the LLC Agreement, any Subordinate Loan document, and/or the Master Transaction Agreement, and agrees not to sue, make any claim against or otherwise pursue Washington REIT, TZO and the Company, in all events as to any and all events and/or any other matters, actions and/or omissions to act arising and/or occurring prior to the REIT Sale Closing Date, and by its joinder herein below, Beacon shall and does hereby assume any and all liability and obligations that any of Washington REIT, TZO and the Company may have under the LLC Agreement, any Subordinate Loan document, and/or the Master Transaction Agreement as to any and all events and/or any other matters, actions and/or omissions to act arising and/or occurring prior to the REIT Sale Closing Date. The release (if such occurs) of Washington REIT, TZO and the Company pursuant to this provision shall not affect any liability or obligations which Beacon may have pursuant to assumption of liability pursuant to the immediately preceding sentence or otherwise have as to events arising and/or occurring prior to the REIT Sale Closing Date even if such liability occurs and/or arises or results due to or in connection with actions or omissions of Washington REIT, TZO and the Company occurring or arising prior to the REIT Sale Closing.

20. Each Original Partner hereby certifies to each of Washington REIT, TZO, Wells OP, and each Affiliate of Wells OP (each a "Wells Party"), that no Wells Party has any surviving liability or obligations of any type or nature under the Master Transaction Agreement, and that any liability of Beacon or any Affiliate of Beacon is not transferred to, or in any assumed by, or deemed assumed by, any Wells Party and no Wells Party has, or is deemed to have, any liability or obligation of any type or nature under the Master Transaction Agreement by virtue of its acquisition of Washington REIT and its indirect acquisition of TZO or by having an Interest in the Company or otherwise for any reason.

21. Except as expressly amended and modified hereby, the LLC Agreement shall remain in full force and effect and is hereby ratified and confirmed by the parties.

22. This First Amendment may be executed and delivered in any number of counterparts. Each such counterpart shall be considered an original for all purposes. All such counterparts shall, together, constitute one and the same instrument. In making proof of this First Amendment, it shall not be necessary to produce or account for more than one such counterpart.

23. Without affecting the binding effect of this First Amendment or otherwise changing the terms of this First Amendment, the parties agree to restate the Limited Liability Company Agreement solely to incorporate the above changes (and the appropriate and necessary conforming changes).

[PAGE ENDS HERE]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the date first written above.

1201 EQUITY LLC,
a Delaware limited liability company

By: Beacon Capital Strategic Partners II, L.P.,
a Delaware limited partnership, its sole member

By: BCP Strategic Partners II, LLC,
a Delaware limited partnership, its general partner

By: Beacon Capital Partners, LLC,
a Delaware limited liability company, its manager

By: /s/ William A. Bonn, Esq.

Name: William A. Bonn, Esq.
Title: Senior Vice President
and General Counsel

1215 ESGP, LLC,
a Delaware limited liability company

By: JACo Eye Street Development, Inc.,
its Sole member

By: /s/ Thomas W. Wilbur

Thomas W. Wilbur
Vice President

/s/ John E. Akridge, III

John E. Akridge, III, Individually

/s/ D. Steven Akridge

D. Steven Akridge, Individually

[SIGNATURE PAGE FOR 1201 EYE STREET, N.W. ASSOCIATES
FIRST AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT
(1201 Eye Street, N.W., Washington, D.C.)]
[CONTINUED]

ALTOONA INVESTORS, INC.

By: /s/ Henry E. Bowden

Henry E. Bowden, President

CC ASSOCIATES LIMITED PARTNERSHIP

By: /s/ Robert L. Cohen

Robert L. Cohen,
its General Partner

ONE FRANKLIN PLAZA, LLC

By: JACo Manager, Inc.,
its Managing Member

By: /s/ Thomas W. Wilbur

Thomas W. Wilbur
Vice President

/s/ Thomas W. Wilbur

Thomas W. Wilbur, Individually

[SIGNATURE PAGE FOR 1201 EYE STREET, N.W. ASSOCIATES
FIRST AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT
(1201 Eye Street, N.W., Washington, D.C.)]
[CONTINUED]

For purposes of acknowledging and agreeing to Section 19(b) hereof:

BEACON CAPITAL STRATEGIC PARTNERS II, L.P., a
Delaware limited partnership

By: BCP Strategic Partners II, LLC,
a Delaware limited partnership,
its general partner

By: Beacon Capital Partners, LLC,
a Delaware limited liability company,
its manager

By: /s/ William A. Bonn, Esq.

Name: William A. Bonn, Esq.

Title: Senior Vice President
and General Counsel

[SIGNATURE PAGE FOR 1201 EYE STREET, N.W. ASSOCIATES
FIRST AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT
(1201 Eye Street, N.W., Washington, D.C.)]

EXHIBIT 10.121

LIMITED LIABILITY COMPANY AGREEMENT FOR 1225 EYE STREET, N.W. ASSOCIATES, LLC

LIMITED LIABILITY COMPANY AGREEMENT

OF

1225 EYE STREET, N.W. ASSOCIATES LLC

1225 Eye Street, N.W.
Washington, D.C.
September 27, 2002

LIMITED LIABILITY COMPANY AGREEMENT
OF
1225 EYE STREET, N.W. ASSOCIATES LLC

TABLE OF CONTENTS

ARTICLE 1 - ORGANIZATIONAL MATTERS 2

Section 1.1 Formation; LLC Act; Certificate 2
Section 1.2 Name 4
Section 1.3 Registered Office and Agent; Principal Office 4
Section 1.4 Purposes 5
Section 1.5 Powers 5
Section 1.6 Term 5
Section 1.7 Title to Company Assets; Nature of Company Interests 5
Section 1.8 Members and Percentage Interests 6
Section 1.9 Incorporation 6
Section 1.10 Representation and Warranties 6
Section 1.11 Entity Characterization 7

ARTICLE 2 - CAPITAL ACCOUNTS; CAPITAL CONTRIBUTIONS 8

Section 2.1 Capital Accounts 8
Section 2.2 Initial Capital Contributions of the Members; Special Loan 9
Section 2.3 Additional Funding Needs 9
Section 2.4 Additional Capital Contributions 11
Section 2.5 Return of Capital; No Withdrawal 13
Section 2.6 No Other Contributions 13
Section 2.7 Liability of Members; No Management of Company 13
Section 2.8 No Third Party Beneficiaries 14

ARTICLE 3 - MANAGEMENT AND OPERATIONS OF BUSINESS 15

Section 3.1 Management 15
Section 3.2 Binding the Company 20
Section 3.3 Officers and Agents; Reliance 21
Section 3.4 Compensation of Manager and Members 22
Section 3.5 Contracts with Members or Affiliates 22
Section 3.6 Indemnification 23
Section 3.7 Other Matters Concerning the Manager 25

ARTICLE 4 - FISCAL MATTERS 30

Section 4.1 Records and Accounting 30
Section 4.2 Fiscal Year 30
Section 4.3 Reports 30
Section 4.4 Confidentiality 30

Section 4.5 Bank Accounts; Company Funds 31
Section 4.6 Additional Information 31

ARTICLE 5 - DISTRIBUTIONS 32

Section 5.1 Requirement and Characterization of Distributions 32
Section 5.2 Withholding 34

ARTICLE 6 - ALLOCATIONS OF PROFIT AND LOSS 36

Section 6.1 Allocations of Profits and Losses 36
Section 6.2 Required and Special Allocations 37

ARTICLE 7 - RIGHTS, LIABILITIES AND OBLIGATIONS OF MEMBERS 43

Section 7.1 Limited Liability 43
Section 7.2 Outside Activities of Members 43
Section 7.3 Duties to Other Members 44

ARTICLE 8 - MEMBERS' SPECIAL LIABILITY 45

Section 8.1 Member's Special Liability 45
Section 8.2 Certain Limitations on Specified Liability Provisions Liability 46
Section 8.3 Additional Remedies 47

ARTICLE 9 - TAX MATTERS 49

Section 9.1 Preparation of Tax Returns 49
Section 9.2 Tax Elections 49
Section 9.3 Tax Matters Partner 49

ARTICLE 10 - TRANSFERS AND WITHDRAWALS; RIGHT OF FIRST OFFER 52

Section 10.1 Transfer 52
Section 10.2 Members' Rights to Transfer 52
Section 10.3 General Restrictions on All Transfers 54
Section 10.4 Substitute Members 58
Section 10.5 General Provisions 58
Section 10.6 Acquisition of Interest by Subordinate Lender 59
Section 10.7 Right of First Offer 59

ARTICLE 11 - DISSOLUTION, LIQUIDATION AND TERMINATION 64

Section 11.1 Dissolution 64
Section 11.2 Winding Up 64
Section 11.3 Notice of Dissolution 66
Section 11.4 Termination of Company and Cancellation of Certificate of the Company 66
Section 11.5 Deemed Distribution and Recontribution 67
Section 11.6 Liability of Liquidator 67

ARTICLE 12 - GENERAL PROVISIONS 68
Section 12.1 Addresses and Notice; Time Computation 68
Section 12.2 Titles and Captions 69
Section 12.3 Pronouns and Plurals; Word Meanings 69
Section 12.4 Waiver of Partition and Certain Other Rights 70
Section 12.5 Binding Effect 70
Section 12.6 No Third Party Rights 70
Section 12.7 Waivers 70
Section 12.8 Counterparts 71
Section 12.9 Applicable Law 71
Section 12.10 Invalidity of Provisions 71
Section 12.11 Entire Agreement; Amendments 71
Section 12.12 Additional Documents and Acts 72
Section 12.13 Prevailing Party; Attorney's Fees 72
Section 12.14 Legal Counsel 73
Section 12.15 Power Of Attorney 74
Section 12.14 Investor's Limited Liability 74
Section 12.16 Survival of Certain Provisions 75

DEFINITIONS

EXHIBITS

Exhibit A Members; Restated Capital Accounts; Percentage Interests

Exhibit B Property Description

Schedule 1 Articles and Plan of Merger and Conversion

LIMITED LIABILITY COMPANY AGREEMENT
OF
1225 EYE STREET, N.W. ASSOCIATES LLC

THIS LIMITED LIABILITY COMPANY AGREEMENT OF 1225 EYE STREET, N.W. ASSOCIATES LLC (this “Agreement”), dated as of September 27, 2002, is entered into by and among 1225 EQUITY LLC, a Delaware limited liability company, (“TTF” or, in its capacity as the initial Manager, the “Manager”), and each of the parties listed in Exhibit A attached hereto, other than TTF (such parties, and including herein TTF, are sometimes collectively referred to as the “Members” and individually as a “Member”, and each of such parties other than TTF are herein referred to individually as an “Original Partner” and collectively as the “Original Partners,” even if such reference is to an Original Partner’s status as a Member).

RECITALS:

A. The Company was previously formed on August 28, 2002 by the filing of its Certificate of Formation in the office of the Secretary of State of the State of Delaware.

B. The Members, other than TTF, are currently all of the partners, general and limited, in 1225 Eye Street, N.W. Associates Limited Partnership, a District of Columbia limited partnership (the “Partnership”), an Entity presently governed by that certain Second Amended and Restated Agreement of Limited Partnership of 1225 Eye Street, N.W. Associates Limited Partnership, dated November 11, 1999, as amended by a First Amendment thereto dated of even date herewith (as so amended, the “Predecessor Agreement.” As contemplated by that certain Master Transaction Agreement, dated as of September 25, 2002, among the Partnership and other parties relating to the Partnership and other Entities and other matters, and by those certain Consent and Agreements entered into by each of the Original Partners which is a limited partner in the Partnership, in its separate capacity as a limited partner in the Partnership (collectively, the “Master Transaction Agreement”), the Members are entering into this Agreement as part of the transactions contemplated by the Master Transaction Agreement (the “MTA Transactions”) so as to have this Agreement in existence for the completion of the Closing under, and as such term is defined in the Master Transaction Agreement, and for the conversion of the Partnership to a limited liability company formed under and governed by Delaware law by the merger (the “Merger”) of the Partnership into the Company.

C. The Company was formed by TTF in contemplation of the aforesaid contemplated conversion and merger and prior hereto engaged in no activities;

prior hereto all the interests in the Company were held by TTF solely to enable the Partnership to have a shell Delaware limited liability company in existence in order to proceed with the MTA Transactions effectuate the Merger. In connection with the potential occurrence of the Merger the Members are entering into this Agreement to govern the affairs and the conduct of the business of 1225 Eye Street, N.W. Associates LLC (the "Company") as a limited liability company pursuant to the provisions of the Delaware Limited Liability Company Act (the "LLC Act"), and to provide for, among other matters, the management of the business and affairs of the Company, the allocation of profits and losses among the Members and the making of distributions among the Members, the respective rights and obligations of the Members to each other and to the Company, the governance of the Company, and otherwise as to the relationships among the Members and the Manager, as to each in such stated capacity, in and as to the Company.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE 1
ORGANIZATIONAL MATTERS

Section 1.1 Formation; LLC Act; Certificate.

A. The Company was previously formed pursuant to and in accordance with the LLC Act by the filing of the Certificate with the Secretary of State of the State of Delaware on the date hereof (the "Effective Date"). Each Member hereby adopts, confirms and ratifies the filing of the Certificate and all acts taken by Eleanor Coleman in filing the Certificate. Each Member agrees to execute such documents and otherwise engage in such acts as are reasonably necessary to cause the conversion of the Partnership to the Company by the Merger of the Partnership into the Company, and the Members hereby authorize the Manager to file a Certificate of Conversion and such other certificates, documents and instruments as the Manager deems necessary or appropriate to accomplish such conversion.

The rights and liabilities of the Members in the Company and as between them as to the Company shall be determined pursuant to the LLC Act and this Agreement, but, to the extent permitted thereby, the Company shall not be governed by any amendments to the LLC Act which become effective subsequent to the date hereof and which would only be applicable to the Company absent a provision in this Agreement to the contrary unless such amendments are adopted as amendments to this Agreement. To the extent the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be under the LLC Act in the absence of any such provision, or even if this Agreement is inconsistent with the LLC Act, this Agreement shall control except to the extent the LLC Act prohibits any particular provision of the LLC Act to be waived or modified by the Members, in which event any contrary provisions hereof shall be valid to the extent permitted under the LLC Act, except where such partial validity is clearly inconsistent with the intent of the Members, in which event the entire contrary provision shall be invalid.

Each of the Members hereby acknowledges that on the Closing Date the Partnership will be converted into the Company by consummation of the Merger in accordance with, and as contemplated by the Master Transaction Agreement. Such conversion and merger will be accomplished by the Merger of the Partnership into the Company, and each Member hereby confirms and acknowledges that such Member hereby approve the Merger and the form of the Articles and Plan of Conversion and Merger attached hereto as Schedule 1. The Members hereby authorize the Manager to execute and deliver, on behalf of the Company, and, as appropriate, file or record, the Articles and Plan of Conversion and Merger, the Certificate of Merger for the State of Delaware, and the Articles of Merger for the District of Columbia, and the Members hereby further authorize the Manager to enter into, execute and deliver, on behalf of the Company and on behalf of all the Members, in each Member's capacity as a Member, and, as necessary, file and/or record, and otherwise to deal with, any of the aforesaid documents and all other documents, certificates and other instruments, and to engage in such other actions, all as the Manager determines to be necessary, desirable or convenient in order to effectuate the Merger, in such form and with such substance as the Manager determines to be appropriate, provided only that such are consistent with the intent of the Master Transaction Agreement.

B. The Manager shall cause to be filed such certificates and documents as are necessary to comply with the applicable requirements for the organization and operation of a limited liability company in accordance with the laws of the State of Delaware and of any other jurisdictions in which the Company shall conduct business, and shall continue to do so as long as the Company exists or, as the case may be, conducts business in any such jurisdiction. The Manager may have the Company establish places of business within and without the State of Delaware as and when required by its business and in furtherance of its purposes set forth in Section 1.4 hereof, and may appoint agents for service of process in all jurisdictions in which the Company shall conduct business. The Manager may cause the Company from time to time to change its resident agent for service of process, the location of its registered office and/or any other matter described in the Certificate; provided, however, that a change in the purposes of the Company shall require the unanimous consent of the Members. The Manager shall have no obligation to deliver or mail a copy of any amendment to the Certificate to the Members.

C. The Manager and any other Person(s) as may be designated from time to time by the Manager are hereby designated as authorized persons, within the meaning of the LLC Act, to execute, deliver and file the Certificate and any amendments or restatements of the Certificate and any other certificates and any amendments or restatements thereof necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business.

Section 1.2 Name. The name of the Company shall be 1225 Eye Street, N.W. Associates LLC. The Company's business and affairs may be conducted under any other name or names deemed necessary, advisable or desirable by the Manager, including the name of the Manager or any Affiliate thereof, and the Company may use wholly-owned subsidiary Entities to hold all or any of the Company's assets, all as determined by the Manager as it deems necessary or desirable.

The Manager may change the name of the Company at any time and from time to time, subject to compliance with the LLC Act. In the event of any such change, the Manager shall notify the Members in writing reasonably promptly after any such change.

Section 1.3 Registered Office and Agent; Principal Office. The address of the registered office of the Company in the State of Delaware and the name and address of the registered agent for service of process on the Company in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. The principal office of the Company shall be c/o Beacon Capital Partners, LLC, One Federal Street, 26th Floor, Boston, Massachusetts, 02110. The registered office and agent and/or the principal office may be changed by the Manager from time to time. but only upon compliance with the applicable provisions of the LLC Act and any applicable other state law requirements. Reasonably promptly after any such change the Manager shall provide written notice thereof to the other Members.

The Manager may establish additional places of business of the Company within and without the State of Delaware as and when required by the business of the Company and in furtherance of its purposes set forth in Section 1.4 hereof, and may appoint agents for service of process in any jurisdiction in which the Company shall conduct business.

Section 1.4 Purposes. The purpose and nature of the business to be conducted by the Company shall be limited to engaging in the following activities (conducted directly or indirectly through one or more wholly-owned subsidiary or lower tier Entities): (i) the acquisition, ownership, subdivision, rezoning, development, operation, maintenance, management, improvement, expansion, renovation, redevelopment, repair, leasing, encumbering, mortgaging, borrowing, financing and refinancing, and consistent with its holding of the Property for investment, selling, exchanging, transferring or conveying, and otherwise dealing with the Property and any other assets of the Company from time to time acquired by or contributed to the Company which are part of or are to be used in connection with, and any other assets which are incidental or related to the ownership of, the Property, (ii) engaging in and performing any and all other acts and activities as may be necessary, incidental or convenient to carry out the foregoing, (iii) to hold interests as a partner (general or limited), member, manager or otherwise in any Entities directly or indirectly holding title to any of said Property, (iv) to merge into or with any other entity or consolidate or reorganize, or divide or otherwise engage in any similar transaction, and (v) to contribute all or any part of the Company's assets to other Entities for interests in other Entities.

Section 1.5 Powers. Without limiting the generality of Section 1.4 hereof, the Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, incidental or convenient to or for the accomplishment and furtherance of the purposes set forth in Section 1.4, including, but not limited to, the full power and authority to sell, convey, lease, license, borrow, finance, mortgage, encumber, pledge or otherwise hypothecate any of the Property and other assets of the Company, and to make, execute, deliver, acknowledge and file any and all documents or instruments, and to enter into any kind of activity and to take any and all acts and actions as are necessary, convenient or incidental to the conduct, promotion and accomplishment of the purposes of the Company, so long as such activities may be lawfully carried on or performed by a limited liability company under the laws of the State of Delaware.

Section 1.6 Term. The term of the Company commenced on the date the Certificate was filed with the Secretary of State of the State of Delaware and shall continue in perpetuity unless and until the Company is dissolved pursuant to the provisions of Article 11 or as otherwise provided by law.

Section 1.7 Title to Company Assets; Nature of Company Interests. Title to the Company's assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Company as an Entity, and no Member, individually or collectively, shall have any ownership interest in any Company's assets or any portion thereof. All Company assets shall be recorded as the property of the Company in its books and records, irrespective of the name in which legal title to such Company assets is held.

The interests of each Member in the Company shall be personal property and shall not be a direct or indirect undivided or other interest in any of the Company's assets.

1.8 Members and Percentage Interests. The names, current addresses and Percentage Interests of the Members in the Company are as set forth in Exhibit A, as such may be amended or otherwise changed from time to time pursuant to the other provisions of this Agreement. A Member's change of address shall be made in the manner set forth in Section 12.1, and any such change shall be noted by the Manager in the Company's books and records, but Exhibit A shall not be amended solely to reflect any such change.

Section 1.9 Incorporation. The Definitions at the end of this Agreement and the Exhibits and Schedules attached hereto are incorporated herein and made a part hereof.

Section 1.10 Representation and Warranties. Each Member (including, without limitation, each Permitted Transferee as a condition to becoming a Member) represents and warrants to the Company, the Manager and each other Member that (i) if it is an Entity, it has all requisite power and authority to enter into and to perform its obligations under this Agreement, and this Agreement and all transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary corporate, other organizational or other necessary action, (ii) this Agreement and the performance by a Member of its covenants and obligations under this Agreement will not result in a breach or violation of, or a default under, its partnership or operating agreement, trust agreement, charter or by-laws, as the case may be, any material agreement by which such Member or any of such Member's properties, is or are bound, or any statute, regulation, order or other law to which such Member is or are subject, (iii) there are no governmental or client consents or approval necessary, or which have not already been obtained, for such Member to enter into and to perform its obligations under this Agreement, and (iv) such Member is neither a "foreign person" within the meaning of Code Section 1445(f) nor a "foreign partner" within the meaning of Code Section 1446(e). Each of the above representations and warranties of a Member shall be deemed remade as of the Closing Date upon the occurrence of the Merger

As of the occurrence of the Merger, each Original Partner which is a limited partner in the Partnership will be deemed to have remade the representations and warranties of such Original Partner made in the Consent and Agreement executed by such Original Partner, all as if said representations and warranties were set forth in this Agreement and were made on the Closing Date.

Section 1.11 Entity Characterization. It is the intention of the Members that the Company constitute a partnership for federal, state and local income tax purposes, and the Company shall make any election reasonably requested by any Member which is necessary or appropriate in order to ensure the treatment of the Company as a partnership for federal, state or local income tax purposes.

Section 1.12 Pre-Merger Activities. Until the Merger occurs, the Company shall engage in no activities nor take any actions other than such activities and actions as are necessary or appropriate for its organizational existence or as are necessary or appropriate in order to achieve the Closing under, and all other actions necessary or appropriate under, the Master Transaction Agreement, all as determined by the Manager in it sole discretion.

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ARTICLE 2
CAPITAL ACCOUNTS; CAPITAL CONTRIBUTIONS

Section 2.1 Capital Accounts. A separate Capital Account shall be maintained for each Member, including any Member who shall hereafter acquire an Interest in the Company. Capital Account shall mean a capital account maintained and adjusted for each Member in accordance with the Code and the Treasury Regulations, including the Treasury Regulations under Sections 704(b) and (c) of the Code. The Capital Account of each Member shall be:

(i) credited with all payments made to the Company by such Member on account of Capital Contributions (and as to any property other than cash or a promissory note of the contributing Member, the Book Value of such property), and by such Member's allocable share of Profits and items in the nature of income and gain of the Company;

(ii) charged with the amount of any distributions to such Member (and as to any distributions of property other than cash or a promissory note of a Member or the Company, by the agreed fair market value of such property, net of liabilities secured by such property and/or assumed by such Member or subject to which such distributed property is taken), and by such Member's allocable share of Losses and items in the nature of losses and deductions of the Company;

(iii) adjusted simultaneously with the making of any adjustment to the Book Value of the Company's assets pursuant to the definition thereof, to reflect the aggregate net adjustments to such Book Value as if the Company recognized Profit or Loss equal to the respective amount of such aggregate net adjustments immediately before the event causing such adjustments; and

(iv) otherwise appropriately adjusted to reflect transactions of the Company and the Members.

The provisions of this Section 2.1 relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Sections 1.704-1(b) and 1.704-2, and shall be interpreted and applied in a manner consistent with such Treasury Regulations. If the Manager determines that it is necessary or prudent to modify the manner in which the Capital Accounts are maintained in order to comply with such Treasury Regulations, the Manager may make such modification, provided that, notwithstanding any other provision in this Agreement, such modification will not have a material effect on the amounts distributable to any Member without such Member's consent. The Manager also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes, in accordance with Treasury Regulations Section 1.704-1(b) (2)(iv)(q), and (ii) make any appropriate modifications in the event that unanticipated events might otherwise cause this Agreement not to comply with Treasury Regulations Section 1.704-1(b) or Section 1.704-2.

Section 2.2 Initial Capital Contributions of the Members.

The Members of the Company are set forth in Exhibit A attached hereto. Until the consummation of the Merger, TTF shall own all the economic interests in the Company. Effective upon the consummation of the Merger, the Capital Account of each Member in the Company shall be its Capital Account in the Partnership on the effective date of the Merger of the Partnership into the Company, as the Capital Accounts of the Members were restated in the Partnership upon the admission of TTF to the Partnership. Effective upon the consummation of the Merger, the respective Percentage Interests of the Members will be as set forth in Exhibit A attached hereto. The Capital Accounts of the Members in the Partnership were restated based upon the Property having an agreed gross fair market value of $68,010,000, with the total (debt and equity) capitalization of the Partnership and the Company, including, however, additional costs and expenditures incurred in connection with the MTA transactions, all as further provided for in the Master Transaction Agreement. The restated Capital Accounts of the Original Partners on the Closing Date, totaling an aggregate amount of $410,000 after taking into account the making of Special Distribution, are herein referred to as the "Subordinate Capital Contributions" and the amount thereof of each Original Partner is set forth in Exhibit A.

No other Capital Contributions have previously been made by the Members, either in their capacities as Members or as partners in the Partnership, which have either not been previously returned or are not part of the determination of the initial Capital Accounts of the Members in the Company.

Section 2.3 Additional Funding Needs.

A. (i) If at any time the Company requires additional funds (any such requirement, a "Shortfall") (x) for the operating, capital or other financial needs of the Company for actions or other matters which are reasonably consistent with the purposes of the Company (all as determined by the Manager, including funds for the leasing, releasing, redevelopment or reconstruction of any portion of the Property, all as determined solely by the Manager), or (y) to meet the then current obligations, liabilities, expenditures or other needs of the Company (i.e., due within sixty (60) days) for any actions or other matters which are reasonably consistent with the purposes of the Company, or (z) if any Member or any Affiliate of any Member has made or is then currently obligated to make any payments on account of any obligation of the Company which any such Person has Guaranteed in furtherance of the purposes of the Company, whether or not such Member has provided the notification required under Section 2.3B (but without duplication of such amount if already included in either of the preceding clause (x) or (y)), the Manager shall request that the Members make additional Capital Contributions ("Additional Capital Contributions") in the amount of such Shortfall.

Notwithstanding the above, each of the Members other than TTF acknowledges that it does not currently intend to make any Additional Capital Contributions and therefore it is agreed that in the event the Manager is to make a capital call it need provide notice thereof only to the Beacon Members. However, if in the future a Member desires to make Additional Capital Contributions it may provide notice thereof to the Manager and in such event the Manager shall thereafter include any such Member as a Member who is to receive notice of future capital calls, provided, however, that if at any time thereafter such Member does not contribute its full share of any capital call for Additional Capital Contributions, the Manager shall thereafter no longer be required to provide notice to such Member of any capital calls. In the event the Manager fails to notify a Member of a capital call when the Manager is obligated pursuant to the above to provide such notice, the sole remedy of any such Member entitled to receive notice of capital calls shall be to contribute its share of any such capital call as to which it did not receive notice and as to which such Member was entitled to receive notice, such right to be exercisable only if exercised within thirty (30) days after such Member receives a quarterly, annual or other report which shows that during such period Additional Capital Contributions were made as to which such Member did not receive notice when it was entitled to such notice pursuant to the above.

(ii) Except as to a Shortfall (including, without limitation, debt service on any indebtedness of the Company and payments made by a Member or any Affiliate of a Member on account of any Guaranty) or as provided in Section 2.3.A (iii), no Member shall be required to make any Additional Capital Contribution without its consent nor shall any Member be permitted to make an Additional Capital Contribution other than for a Shortfall, unless as to any such matter the Manager has authorized either the making of such Additional Capital Contributions or has previously authorized the action or other matter which gave rise to the Shortfall or any other need for Additional Capital Contributions. The Manager shall also make a capital call upon request of a Member pursuant to Section 2.3.B

If requested by the Manager pursuant to the provisions of this Section 2.3.A to make an Additional Capital Contribution, each Member shall, within five (5) Business Days after such request or such other, later date as the Manager may have set in its notice (the relevant due date being the "Financial Needs Date"), contribute to the Company its pro rata share (in proportion to the Percentage Interests of the Members at the time of such request from the Manager) of the amount of the applicable Shortfall.

(iii) In addition to the above provisions of this Section 2.3.A, and notwithstanding anything in this Agreement to the contrary, if the Manager elects, on behalf of the Company, to exercise the Borrower's Special Prepayment Right under, and as such term is defined in the note evidencing the Subordinate Loan, TTF shall be obligated to make Capital Contributions to the Company in sufficient amounts so as to enable the Company to repay the amount of the Subordinate Loan elected by the Company to be so prepaid.

B. If a Member or an Affiliate of a Member has an outstanding Guaranty and demand is made on such Person for any amounts claimed due under any such Guaranty, such Member shall reasonably promptly after any such event notify the Manager of such event and of the amounts claimed due, and if it has not already made a capital call therefor, the Manager shall then make a capital call for the amount it reasonably believes is due.

Section 2.4 Additional Capital Contributions.

A. On or before the Financial Needs Date, each Member shall contribute to the Company, as an Additional Capital Contribution, an amount equal to the total amount specified in the capital call notice from the Manager multiplied by such Member's then Percentage Interest.

B. If any Member (a "Non-Contributing Member") fails to make all or any part of its Additional Capital Contributions under this Agreement by the Financial Needs Date therefor (such unfunded amount, a "Cash Deficiency"), each of the remaining Members (each a "Contributing Member"), in addition to funding such Contributing Member's own share, shall be entitled (but not required) to fund the Non-Contributing Member's share as an additional Capital Contribution by any such Contributing Member. If Contributing Members contribute, in the aggregate, more than the aggregate Cash Deficiencies, then the Contributing Members will be deemed to have contributed an amount equal to each such Contributing Member's Percentage Interest multiplied by the aggregate Cash Deficiencies, and any amounts contributed by a Contributing Member in excess of the amount so deemed to have been contributed shall be returned to each such Contributing Member.

The rights of the Contributing Members (or any of them) pursuant to the preceding paragraph (and the consequent effect on the Percentage Interests of the Members, as provided in Section 2.4.C) shall be the sole and exclusive remedy of the Members or the Company in the event of a failure by a Non-Contributing Member to make any Capital Contribution required under this Agreement.

C. Upon the making of any Capital Contributions pursuant to this Section 2.4 or pursuant to Section 2.3.A(iii), each Member's Percentage Interest shall thereafter be the ratio, expressed as a percentage, equal to such Member's total Capital Contributions over the aggregate Capital Contributions made by all Members to the Company.

The resulting reduction in the Percentage Interest of any Non-Contributing Member(s) and the simultaneous increase of the Percentage Interests of the Contributing Member(s) shall not effect any change in the Capital Accounts, Unrecovered Capital Contributions, Unrecovered Subordinate Capital Contributions, etc. of the Members, except as to the amount of the Capital Contributions made by the Contributing Member(s) pursuant to the above provisions of this Section 2.4 or pursuant to Section 2.3.A(iii).

Any adjustments in Percentage Interest pursuant to this Section 2.4.C. shall be automatic and without the necessity of any action beyond the making of a Capital Contribution by a Contributing Member. Notwithstanding the foregoing, however, the Members hereby agree to execute such documents and take such additional actions as may be necessary to effectuate or evidence any such adjustments to the Members' Percentage Interests. The failure to execute any such documents shall in no way affect the making of any adjustments in the Percentage Interests pursuant to the above provisions.

If the Percentage Interest of a Member is adjusted during a Fiscal Year pursuant to the above, the Profits and Losses from Operations shall be prorated on such basis as the Manager shall determine in its sole discretion which is a permitted method under the Code or the Treasury Regulations. For the period ending on the date of adjustment, Operating Cash Flow shall be distributed pursuant to the provisions of Article 5 according to the Percentage Interests in effect prior to the date of such adjustment, and Operating Cash Flow for the balance of such Fiscal Year shall be distributed pursuant to the provisions of said Article 5 according to the Percentage Interests of such Members as so adjusted. Any allocations and distributions due to a Capital Transaction shall be made based upon the date upon which such Capital Transaction actually occurs. However, any requirement under the Code or the Treasury Regulations which requires a different method of allocation of Profits and Losses shall control.

Section 2.5 Return of Capital; No Withdrawal. Except to the extent of distributions made pursuant to this Agreement, no Member shall be entitled to resign or withdraw from the Company or to the withdrawal or return of its Capital Contribution or any other distribution from the Company as a result of any such resignation or withdrawal (including, without limitation, pursuant to Section 18-604 of the LLC Act), and no Member shall have the right to demand a return of all or any part of its Capital Contributions or to demand and receive property of the Company in exchange for all or any portion of its Capital Contribution or Capital Account, or otherwise as to its Interest as a Member, nor may any Member otherwise have any right to demand or receive the return of its Capital Contributions to, or Capital Account in, the Company. Any return of the Capital Contributions of any Member shall be made solely from the assets of the Company and only in accordance with the terms of this Agreement, and no Manager or Member shall be liable for the return of any portion of the Capital Contribution of any (other) Member, and the return, if any, of any Member's Capital Contributions shall be made solely from Company assets.

Except as otherwise expressly provided in this Agreement, including any amendments hereto in accordance with the provisions hereof, no Member shall have priority over any other Member, either as to the return of Capital Contributions or as to profits, losses or distributions, nor shall any preferred return or interest accrue or be paid to any Member with respect to its Capital Contributions.

Section 2.6 No Other Contributions. Except as expressly required by this Article 2 or 6 or by the LLC Act, no Member shall have any obligation to make any Capital Contribution to the Company or to advance or loan any funds to the Company. No loan made to the Company by a Member shall constitute a Capital Contribution to the Company for any purpose.

Section 2.7 Liability of Members; No Management of Company.

A. No Member, in its capacity as a Member and/or as a Manager, shall have any liability to restore any negative balance in its Capital Account or to contribute to, or in respect of, the liabilities or the obligations of the Company, or to restore any amounts distributed from the Company, except as may be required under the LLC Act. In no event shall any Member, in its capacity as and by reason of being a Member and/or as a Manager, be personally liable for any liabilities or obligations of the Company, except as to any such liability of the Company a which Member, in its individual capacity, has separately guaranteed in such separate, individual capacity.

B. No Member which is not a Manager (and even then only in its capacity as a Manager) shall take part in the management or control of the business or other affairs of the Company or transact any business in the name of or on behalf of the Company.

Section 2.8 No Third Party Beneficiaries. The provisions of this Article 2 are not intended to be for the benefit of any creditor or other Person (other than a Member in its capacity as a Member) to whom any debts, liabilities or obligations are owed by (or who otherwise has any claim against) the Company or any of the Members. Moreover, notwithstanding anything contained in this Agreement, including specifically, but without limitation, this Article 2, no such creditor or other Person shall be entitled to rely upon or entitled to enforce the obligations of the Members under this Article 2 or obtain any other rights under this Agreement or shall, by reason of this Agreement, make any claim in respect of any debt, liability or obligation (or otherwise) against the Company or any Member.

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ARTICLE 3
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 3.1 Management; Successor Manager.

A. The management of the business and affairs of, and the conduct of all of the business of, the Company are and shall be exclusively vested in the Manager, and no Member which is not the Manager shall have any right to vote upon or otherwise participate in or exercise control or management power over the business and affairs of the Company. In addition to the powers granted to or permitted to be exercised by a "manager" under the LLC Act, the Manager shall be entitled to exercise the broadest of powers and rights which may be exercised as a "manager" under the LLC Act or which are granted to the Manager under any other provision of this Agreement. The Manager shall have full power and authority to do all things deemed necessary or desirable by it, to conduct the business of the Company and to exercise, without the vote or participation of any of the Members, all powers which the Company may legally possess to effectuate the purposes set forth in Section 1.4 hereof, including, without limitation:

(1) the making of any expenditures, and the incurring of any obligations necessary or desirable in connection with the Company's business and activities;

(2) the use of the assets of the Company (including, without limitation, cash on hand) for any purpose consistent with the general purposes of the Company;

(3) the making, negotiation, execution, and performance of any contracts, leases, waivers, releases, agreements or other instruments in writing as necessary or appropriate that the Manager considers useful or necessary to the conduct of the Company's operations or the implementation of the Manager's powers under this Agreement, including, without limitation, contracting with contractors, developers, consultants, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation out of the Company's assets;

(4) subject to compliance with Section 10.7, the sale, conveyance, assignment, exchange or other disposition of any part of the Property or any other real estate, personal property or other assets of the Company;

(5) borrowing money and issuing evidences of indebtedness (including, without limitation, borrowing from a Member or an Affiliate of a Member) in furtherance of any or all of the purposes of the Company and to secure the same by deed of trust, mortgage or other lien on the Property or any other assets of the Company;

(6) entering into covenants, easements, rights or way, utility, or other agreements necessary or desirable (i) for the redevelopment, operation or use of the Property (or any portion thereof) or (ii) to permit access over, through, and across the Property or any portion thereof (to serve adjoining properties, for vehicular and pedestrian access, utility installations maintenance, or for any other purposes);

(7) prepaying, in whole or in part, refinancing, recasting, increasing, reducing, modifying, or extending any promissory note, loan agreement, deed of trust or mortgage affecting any asset of the Company or any other indebtedness of the Company, including, without limitation, all such matters as to the Subordinate Loan or, subject to the first paragraph of Section 3.5, with any other Affiliate of the Manager, and in connection with any of the above, to execute any extensions, renewals, or modifications of such other indebtedness, notes, loan agreements, deeds of trust, and/or mortgages, provided, however, that any change in the interest rate or participation features of, or a shortening of the stated maturity date of, the Subordinate Loan shall require the consent of the Akridge Representative;

(8) holding reserves and other cash balances and investing such sums in interest bearing accounts and investments and other similar forms of investments, without, however, being in the business of lending money;

(9) the exercise of the Company’s interest in any matters affecting the rights and obligations of the Company, including the settlement, compromise, submission to arbitration or any other form of dispute resolution, or abandonment of, any claim, cause of action, liability, debt or damages, due or owing to or from the Company, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitration or other forms of dispute resolution, and the representation of the Company in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute

resolution, the incurring of legal expense, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(10) the opening and closing of bank accounts, and the distribution of Company cash or other Company assets in accordance with this Agreement;

(11) holding, managing, investing and reinvesting cash and other assets of the Company;

(12) the collection and receipt of revenues and income of the Company;

(13) the establishment of one or more divisions of the Company, the selection and dismissal of employees of the Company (including, without limitation, employees having titles such as “president,” “vice president,” “secretary” and “treasurer” of the Company), and agents, outside attorneys, accountants, consultants and contractors of the Company, and the determination of their compensation and other terms of employment or hiring;

(14) the maintenance of such insurance for the benefit of the Company and the Manager and Members and other Persons as the Manager deems necessary or appropriate; and

(15) taking or causing to be taken all actions or to causing to be performed all functions necessary, desirable or otherwise appropriate to promote the business of the Company or to realize and carry out its purposes.

Nothing herein shall be deemed to allow the Company to enter into any contract or agreement which would be recourse to or impose liability on any Member, in said Member’s capacity as a Member in the Company, for any liabilities or obligations of the Company, except such as are specifically consented to or entered into in writing by any such Member.

In connection with any potential Taxable Disposition, the Manager agrees to reasonably cooperate with the Original Partners to attempt to structure, if possible, a tax deferral in lieu of what would otherwise be a Taxable Disposition, provided, however, that any such cooperation and any such attempt to structure a tax deferral shall not be required if and to the extent such cooperation or attempt to structure a tax deferral inhibits or otherwise in any manner affects the potential

Taxable Disposition in any manner (including, without limitation, the timing for entering into an agreement for, or the closing of, such transaction, the price and/or terms of payment, additional representations and warranties and/or indemnities, additional closing conditions or requirements, additional transactional costs, etc.), all as determined by the Manager, in its sole discretion. If a tax deferral structure proposed by the Original Partners is not acceptable to the Manager solely due to a monetary deficiency in the amount of money it and other Beacon Members would receive under such alternative structure, but has no other adverse impacts, as determined by the Manager in its sole discretion, the Original Partners shall be entitled to proceed to attempt to close such alternative structure (within such time as the Manager shall designate consistent with the timing for the closing of a potential sale of the Property) provided that (i) the Beacon Members receive any such deficiency in addition to all other amounts they would have received so that in the aggregate the Beacon Members receive not less than the amount they would have received had the Property been sold, with the form of consideration being all cash unless any prospective transaction for the sale of the Property then being considered by the Manager would provide for other than cash consideration, and in such event amounts and type of consideration consistent with any such other prospective transaction, and (ii) the type of income under the Code which the Beacon Members would receive is the same type of income they would have received had the Property been sold by the Company. In determining the amounts pursuant to clause (i) of the preceding sentence, it shall be assumed that no amount would be payable by the Company upon a sale of the Property on account of the D.C. Franchise Tax if none would have been payable upon a sale based on the Company liquidating at the time of a sale of the Property by the Company (and thus the gain being passed out to the Members of the Company, if such is then permissible or required under applicable law), and after deducting one-half of the then applicable real estate transfer tax if none is incurred in the actual transaction or if and to the extent the Beacon Members do not bear such tax. The failure or inability by the Original Partners to structure or otherwise obtain a tax deferral for themselves pursuant to the preceding sentence shall in no way limit the Manager's rights as the Manager of the Company to cause the Company to engage in a Taxable Disposition, subject only to Section 10.7.

In connection with the refinancing of any indebtedness of the Company which for purposes of the Code and the Treasury Regulations is "non-recourse indebtedness" of the Company, the Manager agrees to use commercially reasonable efforts to obtain replacement indebtedness that is the lesser of such amount as would not reduce the amount of non-recourse indebtedness outstanding at the time of any such refinancing, or financing that is not greater than a 65% loan to value ratio, as determined by a prospective lender(s), or, if there is to be a reduction, to use commercially reasonable efforts to obtain for the Original Partners the right to provide to the relevant prospective lender(s) so-called “bottom-up” guarantees. However, notwithstanding the preceding sentence, in all events, the Original Partners acknowledge and agree that the amount and all other terms of any financing obtained by the Manager on behalf of the Company (including, without limitation, the obtaining of the right to provide “bottom-up” guarantees) shall be determined in the sole discretion of the Manager (including, without limitation, obtaining financing from Affiliates of the Manager where the Manager deems such to be necessary or appropriate) and that nothing in this paragraph shall in any way limit the Manager’s rights as to any financings or refinancings of the Company.

Nothing in the two immediately preceding paragraphs shall (i) impose any liability of any nature or create any legal or equitable rights in the Original Partners unless the Manager acts in bad faith in carrying out the provisions of said two paragraphs, or (ii) in any way limit the Manager’s rights, as the Manager of the Company, to cause the Company to sell or refinance the Property in the Manager’s sole discretion (subject, in the event of a sale of the Property, only to Section 10.7), nor otherwise limit, restrict or otherwise affect any of the other provisions of this Agreement.

B. The Manager shall devote, and shall cause its partners, members, officers, directors and employees, if any, to devote such time to the affairs of the Company as the Manager, in its sole discretion, determines is necessary for performance by the Manager of its duties hereunder. It is understood that neither the Manager nor any of the aforesaid Persons shall be required to devote full time to the business and affairs of the Company and that all such Persons are engaged in, and intend in the future to engage in, other activities.

C. The Manager is authorized to execute, deliver and perform any and all agreements, filings, arrangements, transactions and other activities on behalf of the Company without any act, approval or vote of any of the Members. The execution, delivery or performance by the Manager or the Company of any agreement or activity authorized or permitted under this Agreement shall not constitute a breach by the Manager of any duty that the Manager may owe the Company or the Members or any other Persons under this Agreement or of any duty stated or implied by law or equity.

D. No Member who is not also a Manager, and then only in such Member’s capacity as a Manager, shall be allowed to take part in the management or control of the Company’s business (excluding the exercise of any power granted to such Member by this Agreement or which is mandated by the LLC Act and which cannot be waived or modified by agreement among the Members) or to sign for or bind the Company, such power being vested solely and exclusively in the Manager, all as further provided in this Article 3.

E. TTF or any of its permitted successors shall have the right to designate any Affiliate of TTF or, as the case may be, any Affiliate of its then permitted successor, as a replacement and successor Manager to the then Manager. Any such replacement or successor Manager need not be a Member. In the event of any change in the Manager, the prior or successor Manager shall notify the Akridge Representative of any such change, which notice shall include the name of the new Manager and its mailing address.

Any successor Manager may be removed and/or replaced by TZO at any time and for any, or for no reason, all as it shall decide in its sole discretion. Any Manager designated by TZO shall file a written acceptance of such designation with the Company. A Manager need not join in this Agreement but in all events shall be entitled to the rights and protections provided for in this Agreement for a Manager and, by the filing with the Company of its acceptance of designation as a Manager, shall be deemed to have accepted the role and responsibilities of a Manager under this Agreement.

Section 3.2 Binding the Company.

Any action taken by, or the execution of any agreement, contract document or other written instrument by, the Manager, as the Manager of the Company, shall, as against third parties, bind the Company, and shall be the valid and binding action of the Company. Third parties transacting business with the Company may rely on the actions of the Manager as being on behalf of the Company as being in all situations the valid action of the Company, and the execution of any documents or the taking of any action by the Manager shall be conclusive evidence of the authority of such Manager and the Company with respect thereto, and no third party need look to any other evidence or require joinder or consent of any other Manager, if there is at any time more than one, or any other Member.

Each Member hereby waives for itself and for the Company any and all defenses or other remedies which may be available against such third party Person to contest, negate or disaffirm any action of the Manager in connection with any such dealing. In no event shall any Person dealing with the Manager or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the Manager or its representatives. Each and every certificate, document or other instrument executed on behalf of the Company by the Manager or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect; (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Company; and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Company.

Section 3.3 Officers and Agents; Reliance.

A. The Manager shall have the power to appoint agents to act for the Company with such titles as the Manager deems appropriate and to delegate to such agents such of the powers as are granted to the Manager hereunder, including the power to execute documents on behalf of the Company, all as the Manager may in its sole discretion determine, provided any such appointment shall be in writing; provided further, however, that no such delegation by the Manager shall cause the Manager to cease to be the Manager of the Company within the meaning of the LLC Act nor expand the powers of the Manager. The agents so appointed may include persons holding titles such as Chairperson, Chief Executive Officer, President, Vice President, Chief Operating Officer, Chief Financial Officer, Treasurer or Controller. Unless the authority of the agent designated as the officer in question is limited in the document appointing such officer, any officer so appointed shall have the same authority to act for the Company, subject to the terms of this Agreement, as a corresponding officer of a Delaware corporation would have to act for a Delaware corporation; provided, however, that unless such power is specifically delegated in writing by the Manager to the officer in question either for a specific transaction or generally, no such officer shall have the power to lease or acquire real property, to borrow money, to issue notes, debentures, securities, equity or other interests of or in the Company, to make investments in (other than the investment of surplus cash in the ordinary course of business) or to acquire securities of any Person, to give guarantees or indemnities, to merge, liquidate or dissolve the Company or to sell or lease all or any substantial portion of the assets of the Company. The Manager, in its sole discretion, but subject to the other terms of this Agreement may by its written act, ratify any act previously taken by any agent acting on behalf of the Company.

B. Any Person dealing with the Company or the (or a) Manager may rely on a certificate signed by the (or a) Company's Manager:

(i) as to the existence or nonexistence of any fact or facts which constitute conditions precedent to acts by the Manager or are in any other manner germane to the affairs of the Company;

(ii) as to who is authorized to execute and deliver any instrument or document on behalf of the Company, and as to whether any approval, consent, or other action is necessary under this Agreement and/or as to whether any such action or consent has been obtained;

(iii) as to the authenticity of any copy of the Certificate, and as to the status of this Agreement and amendments hereto; or

(iv) as to any act or failure to act by the Company or as to any other matter whatsoever involving the Company or any Member.

Section 3.4 Compensation of Manager and Members. No payment shall be made by the Company to any Manager or Member for such Manager's or Member's services as a Manager or Member. The Manager, and each of them, if more than one, shall be entitled to reimbursement from the Company for all third-party expenses incurred by such Manager in managing and conducting the business and affairs of the Company. The Manager shall determine which expenses, if any, are allocable to the Company in a manner which is fair and reasonable to the Manager and the Company and customary in comparable arrangements, and if such allocation is made in good faith, it shall be conclusive in the absence of manifest error.

The Manager and its Affiliates shall be reimbursed on a monthly basis, or such other basis as the Manager may determine in good faith and in its reasonable discretion, for all expenses and expenditures that the Manager or any Affiliate of Manager incurs relating to the operation of, or for the benefit of, the Company.

Section 3.5 Contracts with Members or Affiliates. Notwithstanding anything in this Agreement to the contrary, the Manager and any of its Affiliates may engage in transactions with the Company, directly or indirectly, pursuant to any arrangements and on such terms thereof as are determined by the Manager to be comparable to the terms of any such arrangement had such arrangement been entered into by an unaffiliated third party.

Each Member acknowledges that the holder of the Subordinate Loan is an Affiliate of TTF. Each Member hereby acknowledges and agrees that notwithstanding anything this Agreement or at law or equity to the contrary, said Affiliate and/or its successor shall at all times have the right to exercise any and all of the rights and remedies of the holder of the Subordinate Loan without any limitation thereon, including, without limitation, any limitation in any way related to the fact that any of such Persons who are holders of the Subordinate Loan may be Affiliated in any manner whatsoever to TTF or to any other Member.

Section 3.6 Indemnification.

A. To the fullest extent permitted by applicable law, the Company shall indemnify and hold harmless the Manager, each Member, including the Tax Matters Member, each Representative, each such Person's direct and indirect members, managers, officers, directors, partners, shareholders, employees, and agents, and the employees, officers, and agents of the Company and any other Person serving at the request of, or on behalf of, the Company (all indemnified persons being referred to as "Indemnified Persons") from and against any and all losses, claims, obligations, damages, liabilities, joint or several, costs, expenses and disbursements (including, without limitation, reasonable attorneys fees and other legal fees and expenses and disbursements), judgments, fines, penalties, settlements, and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, arising from or by reason of any act performed or omitted to be performed by the Indemnified Person in connection with the business of the Company and from liabilities or obligations of the Company imposed on such Person by virtue of such Person's position with the Company, or that relate to the operations of the Company as set forth in this Agreement, in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise; provided, however, that indemnification shall not be paid hereunder with respect to any matter as to which any Indemnitee shall have been finally adjudicated in any such action, suit or other proceeding, or otherwise by a court of competent jurisdiction, to have committed willful malfeasance, bad faith, dishonesty or fraud in the conduct of its or their office.

The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 3.6.A. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the Indemnitee acted in a manner contrary to that specified in this Section 3.6.A. with respect to the subject matter of such proceeding.

Any Person who is within the definition of "Indemnified Person" at the time of any action or inaction in connection with the business of the Company shall be entitled to the benefits of this Section 3.6 as an "Indemnified Person" with respect thereto, regardless of whether such Person continues to be within the definition of "Indemnified Person" at the time of its claim for indemnification or exculpation hereunder.

Any indemnification pursuant to this Section 3.6 shall be made only out of the assets of the Company and any insurance proceeds from any insurance policies covering any Indemnitee and/or the Company, and no Member shall have any obligation to contribute to the capital of the Company, or otherwise provide funds, to enable the Company to meet its obligations under this Section 3.6.

B. The right to indemnification conferred by this Section 3.6 shall include the right to be paid or reimbursed by the Company for the reasonable expenses incurred in advance of the final disposition of a proceeding and without any determination as to the Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred in advance of the final disposition of a proceeding shall be made only upon delivery to the Company of a written affirmation by such Person of its good faith belief that it has met the standard of conduct necessary for indemnification under this Section 3.6 and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such Person is not entitled to be indemnified under Section 3.6 or otherwise.

C. The indemnification provided by this Section 3.6 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled to, or as a matter of law or equity or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity unless otherwise provided in a written agreement pursuant to which such Indemnitee is indemnified.

D. The Company may, but shall not be obligated to, purchase and maintain insurance, at its expense and in an amount determined by the Manager, on behalf of the Indemnitee and such other Persons as the Manager shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Company's activities, regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. The provisions of this Section 3.6 are for the benefit of each Indemnitee, its successors and assigns, and shall not be deemed to create any rights for the benefit of any other Persons. Any amendment, modification or repeal of this Section 3.6 or any provision hereof shall be prospective only and shall not in any way affect the Company's liability to any Indemnitee under this Section 3.6, as in effect immediately prior to such amendment, modification, or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

F. If any paragraph of this Section 3.6 or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Manager or any other Indemnitee as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Section 3.6 that shall not have been invalidated.

G. An Indemnitee shall not be denied indemnification in whole or in part under this Section 3.6 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

Section 3.7 Other Matters Concerning the Manager.

A. Notwithstanding anything to the contrary set forth in this Agreement, the Manager and its Affiliates shall not be liable for monetary or other damages to the Company or any Member for losses sustained or liabilities incurred as a result of errors in judgment or of any act or omission, provided that any such Person shall not have committed willful malfeasance, bad faith, dishonesty or fraud in performing its duties under this Agreement.

Whenever in this Agreement the Manager, a Member or an Indemnitee is permitted or required to make a decision or otherwise to take an action (including inaction) in good faith or in its discretion or sole discretion or under another express standard as to any such decision or other matter, such Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement, the LLC Act or any other applicable law or in equity. Notwithstanding anything at law or equity to the contrary, the Manager's sole duty to the Members in making decisions or otherwise taking actions on behalf of the Company and otherwise in managing the business and affairs of the Company is to not commit willful malfeasance, dishonesty or fraud, to not act in bad faith, and to not treat the Members differently from each other under this Agreement, except where such differential treatment is provided for under this Agreement, and in making any decisions or otherwise in managing the business and affairs of the Company, the Manager need not consider the separate interests of any Member. The Members hereby acknowledge the above and hereby waive any rights at law, equity or otherwise which they might otherwise have which would impose different duties of any nature whatsoever.

The Manager shall not have any obligations hereunder except to the extent that Company funds are reasonably available to it for the performance of such duties, and nothing herein contained shall be deemed to require the Manager, in its capacity as such or as it is a Member, to expend its individual funds for payment of, or to undertake any individual liability or obligation on behalf of the Company.

The Members expressly acknowledge that the Manager and each Member is acting for the benefit of the Company, the Members and, as to the Manager and any Member which is an Entity, such Person's members, partners, shareholders and other direct and indirect equity owners, (collectively "Upper Tier Equity Owners") and that neither the Manager nor any Member is under any obligation to give priority to the separate interests of the Members or to any Member's Upper Tier Equity Owners (including, without limitation, the tax consequences to Members or any Member's Upper Tier Equity Owners) in deciding whether to cause the Company to take (or decline to take) any actions, and neither the Manager nor any Member shall be liable to the Company or to any Member for monetary or any other damages for losses sustained, liabilities incurred, or benefits not derived by any other Member or any of any such Member's Upper Tier Equity Owners in connection with such decisions, unless such Manager or Member, as the case may be, has acted in bad faith or has acted outside the scope of such Person's rights or authority under this Agreement.

The Members further acknowledge that (i) the Manager and/or an Affiliate of the Manager may be liable for some of the indebtedness of the Company for which such Person would not otherwise be liable for if certain actions are taken by the Company or if the Company fails to take certain actions, and that in making a determination as to any such matter, the Members agree that the Manager, in its sole determination, may determine to take or may determine not to take actions so that said Manager or its Affiliates will not have any potential liability for any such indebtedness of the Company, even if the opposite from the action or non-action taken by the Manager would or might be more advantageous to the Company and/or some or all of the Members, and the Manager shall have no duty or liability to the Company or the Members arising from the consequences of any such decisions made by the Manager, and (ii) in determining to sell, refinance or otherwise take any actions under this Agreement, the Manager need not take into account the disparate tax or any other effect that such actions may have on some of the Members, including itself and its Affiliates, versus other Members, any other such disparate effect being hereby waived by each Member.

Except as provided in Article 8, a Member's, the Manager's and a Representative's duty of care in the discharge of, as the case may be, such Member's, Manager's or Representative's duties to the Company is limited to refraining from engaging in fraud, intentional misconduct, malfeasance or misfeasance. In discharging its duties, every Member, Manager, Representative or other Indemnified Person shall be fully protected in relying in good faith upon the records required to be maintained under this Agreement and upon such information, opinions, reports, or statements by any of its agents, or by any other Person, as to matters such Member or Manager, Representatives or other Indemnified Person, as the case may be, reasonably believes are within such other Person's professional or expert competence and who have been selected with reasonable care by or on behalf of the Company, including information, opinions, reports, or statements as to the value and amount of the assets, liabilities, profits, or losses of the Company or any other facts pertinent to the existence and amount of assets from which distributions to the Member might properly be paid.

Notwithstanding anything to the contrary set forth in this Agreement, neither any Member, the Manager, any Representative, nor any equity owners, managers, partners (general or limited), officers, directors, employees or agents, in any such Person's capacity so described above, shall be liable for any damages suffered by the Company for losses sustained or liabilities incurred as a result of errors in judgment or of any act or omission of any such Person if such Person acted in good faith or otherwise acted in accordance with, or as otherwise specifically permitted by, this Agreement, except that this Section 3.7 shall not eliminate or limit the liability of any Person described above to the extent such Person is found liable for an act or omission not in good faith or not otherwise in accordance with, or not otherwise specifically permitted by, this Agreement and that constitutes a material breach of duty of such Person or an act or omission that involves fraud, intentional misconduct of a knowing violation of the law.

B. The Manager may consult with legal counsel, accountants, appraisers, management consultants, investment bankers, architects, engineers, environmental consultants and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters which such Manager reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

C. Subject to its obligations and duties as Manager set forth herein, and as otherwise provided in this Agreement regarding arrangements with Affiliates, the Manager may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, including Affiliates of the Manager. The Manager shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the Manager so long as the Manager acted in good faith and was not grossly negligent in making any such appointment.

D. Any amendment, modification or repeal of this Section 3.7 or any provision hereof shall be prospective only and shall not in any way affect the limitations on any Indemnified Person's liability to the Company and the

Members under this Section 3.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted. In addition to the circumstances in which a Person is not liable as set forth in the preceding provisions of this Section 3.7, any such Person shall not be liable to the fullest extent permitted by any provision of the statutes and other laws of Delaware hereafter enacted that further limits the liability of a Person serving in the capacity stated..

E. Notwithstanding the above or any other provisions of this Agreement or the LLC Act, the Company shall not take any action which, in the sole judgment of the Manager (1) so long as BCSP qualifies as a REIT, and without limiting the right of BCSP, in its sole discretion, to cease qualifying as a REIT, (a) would cause any income or receipts of the Company to be other than rents from real property, as defined in Section 856 of the Code and the Treasury Regulations thereunder, or other miscellaneous income or receipts which would not qualify under Section 856(c) of the Code and the Treasury Regulations thereunder, (b) could, in the judgment of the Manager, otherwise adversely affect the ability of BCSP to continue to qualify as a REIT, or (c) could, in the judgment of the Manager, subject BCSP to any additional taxes under Section 857 or Section 4981 of the Code, or (2) if and so long as any direct or indirect holders of interests in the Manager are subject to the provisions of Section 511, et seq (the "UBTI Provisions") of the Code, could, in the Manager's judgment, cause the Company to incur any income which would give rise to unrelated business taxable income ("UBTI") under the UBTI Provisions as if the Company were subject thereto, or (3) could, in the Manager's judgment, violate any law or regulation of any governmental body or agency having jurisdiction over its, BCSP's or Beacon's securities. The Members acknowledge that the Company shall not take any action prohibited by the preceding sentence even if the taking of any such action might otherwise be advantageous to the Company or to some of the Members unless the Manager specifically determines to take, or otherwise consents to the taking of, any such action, in its sole discretion. The provisions of this paragraph are solely for the benefit of the Beacon Members and no other Person shall have the right to enforce, or be the beneficiary of, the provisions of this paragraph.

Any action of the Manager on behalf of the Company or any decision of the Manager to refrain from acting on behalf of the Company undertaken in the good faith belief that such action or omission is necessary or advisable in order to comply with the provisions of the preceding paragraph and/or to minimize the receipt of income so as to allow BCSP to avoid incurring any liability for taxes under Section 857 or Section 4981 of the Code, or to avoid or minimize the receipt of revenues or income which would give rise to UBTI if the Company or any direct or indirect owner of the Company were subject to the UBTI Provisions is expressly authorized under this Agreement, even if taking such action or omission was not otherwise in the best interests of the Company or any of its Members, so long as, in any such event, the Manager acted in good faith and such action or omission was reasonably believed by the Manager to be within the scope of the purposes of the Company.

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ARTICLE 4
FISCAL MATTERS

Section 4.1 Records and Accounting. The Manager shall keep or cause to be kept at the principal office of the Company those records and documents required to be maintained by the LLC Act and such other books and records deemed by the Manager to be appropriate with respect to the Company's business, including, without limitation, all books and records necessary to provide to the Members any information, lists and copies of documents required to be provided pursuant to Section 4.3 hereof. Any records maintained by or on behalf of the Company in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micrographics or any other information storage device. The books of the Company shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles, or such other basis as the Manager determines to be necessary or appropriate. Any Member shall have the right, for any purpose reasonably related to the Member's interest as a Member in the Company, during normal business hours and upon reasonable notice, to examine and copy (at such Member's own expense) the books and records of the Company. Such examination shall be held, at the Manager's determination, at the principal office of the Company or of the Manager or at the Property or at such other location in the greater Washington, D.C. metropolitan area where the relevant information is held. Nothing in this Section 4.1 shall be deemed to limit the provisions of Section 4.4. The Manager shall have the right to withhold any requested information to the extent permitted by Section 18-305(c) of the LLC Act.

Section 4.2 Fiscal Year. The fiscal year (a "Fiscal Year") of the Company shall be the calendar year.

Section 4.3 Reports. As soon as practicable, and using all reasonable efforts to cause such to be provided within ninety (90) days after the close of each Fiscal Year, the Manager shall cause to be provided to each Member as of the close of the Fiscal Year, annual financial statements of the Company for such Fiscal Year, prepared in accordance with generally accepted accounting principles, consistently applied, and audited by the Accountants.

Section 4.4 Confidentiality. The Members acknowledge that, from time to time, they may receive information from or regarding the Company in the nature of financial statements and information, marketing strategies, trade secrets or other information which is confidential or not generally available to the public, the release of which may be damaging to the Company, the Manager or its Affiliates or Persons with which the Company does business. Each Member agrees that, except with the consent of the Manager, all non-public information furnished to it or received by it pursuant to this Agreement will be kept confidential and will not be disclosed by such Member, or by any of its agents, representatives, or employees, in any manner whatsoever, in whole or in part (but not including herein information that a Member has also received from a source independent of the Company or its representatives), except that (i) each Member (and its equity holders) shall be permitted to disclose such information to those of its agents, representatives, and employees who need to be familiar with such information in connection with such Member's (or such equity holder's indirect) investment in the Company or such Member's tax returns or as required by securities laws or other legal obligations, (ii) each Member that is an Entity shall be permitted to disclose such non-public information of the Company as is reasonably necessary for the intended purpose of such disclosure to its partners, members, stockholders and other holders of equity interests and to any potential buyer of a Member's Interest or of the Company's assets or any potential lender to any Member, so long as any such Person agrees to keep such information confidential on the terms set forth herein, (iii) each Member that has entered into this Agreement as a nominee for another Person may disclose such information to such other Person so long as such other Person agrees to keep such information confidential on the terms set forth herein, (iv) each Member shall be permitted to disclose information to the extent required either (x) as part of any filings, reports or similar matters which it is obligated to file, or (y) otherwise by law or by order or requirement of any court, administrative or other judicial or quasi-judicial entity, provided that as to any matter under clause (y) such Member shall make reasonable attempts to first afford the Company with a reasonable opportunity to contest the necessity of disclosing such information, and (v) each Member shall be permitted to disclose information to the extent necessary for the enforcement of any right of such Member arising under this Agreement. The Members acknowledge that breach of the provisions of this Section 4.4 may cause irreparable injury to the Company for which monetary damages are inadequate, difficult to compute, or both. Accordingly, the Members agree that the provisions of this Section 4.4 may be enforced by specific performance without posting bond.

Section 4.5 Bank Accounts; Company Funds. Bank accounts and/or other accounts of the Company shall be kept separate and apart from the books and records and accounts of any other Person, and shall be maintained in such banking and/or other financial institution(s) as shall be selected by the Manager, and withdrawals shall be made and other activity conducted on such signature or signatures as the Manager may from time to time determine.

Section 4.6 Additional Information. In addition to the other rights specifically set forth in this Agreement, each Member is entitled to all information to which that Member is required to have access pursuant to a non-waivable provision of the LLC Act, under the circumstances and subject to the conditions therein stated.

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ARTICLE 5
DISTRIBUTIONS

Section 5.1 Requirement and Characterization of Distributions.

A. Prior to making any distributions to the Members pursuant to the following provisions of this Section 5.1, the Company shall first pay to any Member entitled thereto any then accrued and unpaid Guaranteed Payments, and as among Members entitled to any such payments in proportion to the aggregate amounts owed each such Member.

B. Operating Cash Flow shall be distributed to the Members at such times and with such frequency as the Manager shall determine, in its reasonable discretion. Capital Transaction Proceeds from other than a Terminating Capital Transaction shall be distributed by the Manager as soon as reasonably possible after the Capital Transaction giving rise thereto as the Manager, in its sole discretion, shall determine is appropriate. All Operating Cash Flow and all Capital Transaction Proceeds other than those from a Terminating Capital Transaction shall be distributed to the Members as follows:

(i) First: To the Beacon Members until their respective Unrecovered Capital Contributions are reduced to zero.

(ii) Second: To the Original Partners in proportion to their respective Percentage Interests, until each such Original Partner has received a cumulative, compounded return of fifteen percent (15%) per annum, compounded quarterly, on the Unrecovered Capital Contributions of each such Original Partner.

(iii) Third: To each Original Partner until each Original Partner's Unrecovered Subordinate Capital Contribution is reduced to zero.

(iv) Fourth: Any remaining amount to all the Members in proportion to their respective Percentage Interests.

C. Capital Transactions Proceeds from a Terminating Capital Transaction and amounts available upon dissolution, and after payment of, or adequate provisions for, the debts and obligations of the Company, and after liquidation of any remaining assets of the Company, shall be distributed and applied in the following priority:

(i) First, to fund reserves for liabilities not then due and owing and for contingent or unforeseen liabilities and obligations to the extent deemed appropriate by the Manager; and

(ii) Second, to the Members, an amount sufficient to reduce each Member's Capital Account to zero, in proportion to the positive balances in such Capital Accounts (after reflecting in such Capital Accounts all adjustments thereto necessitated by (A) all other Company transactions (distributions and allocations of Profits and Losses and items of income, gain, deduction, and loss) and (B) such Terminating Capital Transaction).

Upon the expiration of such period of time as the Manager shall deem advisable, the balance of any reserves established under clause (i) which are remaining after payment of any contingencies shall be distributed in the manner and in the priorities set forth above in Clause Second of this Section 5.1.C.

D. All Guaranteed Payments shall be "guaranteed payments" under and pursuant to Section 707(c) of the Code.

E. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to any Member if such distribution would violate the applicable provisions of the LLC Act or other applicable law.

F. If any assets of the Company shall be distributed in kind pursuant to this Article 5, such assets shall be distributed to the Members entitled thereto in the same proportion as the Members would have been entitled to cash distributions. The amount by which the fair market value of any property to be distributed in kind to the Members exceeds or is less than the adjusted book basis of such property shall, to the extent not otherwise recognized by the Company, be taken into account in determining Profits and Losses and determining the Capital Accounts of the Members as if such property had been sold at its fair market value.

G. Notwithstanding anything in this Agreement to the contrary, if any amounts are owed by an Original Partner to the Company under the Indemnity Agreement or under the Master Transaction Agreement, the Company shall have the right to apply any distributions or other payments otherwise to be made to a Member under this Agreement to any such amounts owed to the Company. If any such application is so made, it shall be treated for all purposes as if the distribution had been made to such Member and such Member had made a payment to the Company under the applicable agreement.

H. As contemplated by the Master Transaction Agreement, upon the occurrence of the Closing, certain loan proceeds, in an amount determined pursuant to the Master Transaction Agreement (the "Special Distribution Amount"), are to be retained by the Company and distributed to the Original Members; notwithstanding anything in this Agreement to the contrary, the Company, upon receipt of such amounts, shall promptly make a distribution (the "Special Distribution") to the Original Partners in an amount equal to the Special Distribution Amount, and as among the Original Partners in such amounts as the Akridge Representative shall direct at the time of the Closing. If the Manager makes the Special Distribution among the Original Partners in accordance with the instructions of the Akridge Representative, then the Manager shall have no liability to any Original Partner in the event the Special Distribution to an Original Partner is less than such Original Partner was entitled to (or which it believes it was entitled to), and such Original Partner's sole recourse in such event shall be against the Akridge Representative.

Section 5.2 Withholding.

A. Each Member hereby authorizes the Company to withhold from, or pay on behalf of or with respect to, such Member any amount of federal, state, local, or foreign taxes that the Manager determines that the Company is required to withhold or pay with respect to any amount distributable or allocable to such Member pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Company pursuant to Sections 1441, 1442, 1445, or 1446 of the Code. Any amount paid on behalf of or with respect to a Member shall constitute an advance by the Company to such Member, which advance shall be repaid by such Member within fifteen (15) days after notice from the Manager that such payment must be made unless (i) the Company withholds such payment from a distribution which would otherwise be made to the Member; or (ii) the Manager determines that such payment may be satisfied out of the available funds of the Company which would, but for such payment, be distributed to the Member. Any amounts withheld pursuant to the foregoing clauses (i) or (ii) shall be treated as having been distributed to such Member.

B. Any amounts payable by a Member hereunder shall bear interest at the lesser of (A) the Base Rate plus five (5) percentage points (i.e., 500 basis points), or (B) the maximum lawful rate of interest on such obligation, such interest to accrue from the date such amount is due (*i.e*., fifteen (15) days after demand) until such amount is paid in full. Each Member shall take such actions as the Company or the Manager shall request in order to perfect or enforce the security interest created hereunder.

C. For purposes of this Section 5.2, the Company may assume that any Member who fails to provide the Manager satisfactory evidence of its tax status for United States federal income tax purposes is, for purposes of the Code, a foreign person.

D. All amounts withheld pursuant to the Code or any provisions of any state or local tax law and Section 5.2 hereof with respect to any allocation, payment or distribution to a Member shall be treated as amounts distributed to such Member pursuant to Section 5.1 for all purposes under this Agreement.

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ARTICLE 6
ALLOCATIONS OF PROFIT AND LOSS

Section 6.1 Allocations of Profits and Losses.

A. Profits and Losses. Subject to Sections 6.1.B and C, and after giving effect to the special allocations, if any, provided in Sections 6.2.A and B, Profits and Losses, other than those attributable to a Terminating Capital Transaction, shall be allocated among the Members so as to make the Partially Adjusted Capital Account of each Partner equal to such Partner's Target Balance, to the extent possible.

In the event the amount of Profits or Losses allocable to the Members pursuant to this Section 6.1.A are insufficient to allow the Partially Adjusted Capital Account of each Member to equal each such Member's Target Balance, the Profits or Losses allocable pursuant to this Section 6.1.A shall be allocated among the Members first so as to achieve a proportion in the respective differences among (x) each Member's Target Balance and (y) such Member's Partially Adjusted Capital Account balance immediately prior to the allocation of Profits or Losses pursuant to this Section 6.1.A which is the same as the proportion of their Percentage Interests, and then in proportion to the remaining respective differences.

No Profits for any applicable period shall be allocated to a Member whose Target Balance is less than or equal to its Partially Adjusted Capital Account for such period, nor shall any Losses be allocated to a Member whose Target Balance is greater than or equal to its Partially Adjusted Capital Account for such period.

Profits and Losses prior to the Closing Date shall be allocated among the Original Partners in the manner provided for in the Predecessor Agreement.

B. Loss Limitation. Notwithstanding anything to the contrary in Section 6.1.A, no Losses shall be allocated to a Member if or to the extent such allocation would cause or increase a Member's Adjusted Capital Account Deficit. In the event any allocation of Losses would cause a Member to have an Adjusted Capital Account Deficit, then the amount of any such Losses which would cause or increase such Adjusted Capital Account Deficit of a Member shall be allocated, instead, to the other Members in proportion to the manner in which they would bear such Losses pursuant to the other provisions of this Agreement.

C. Profits and Losses From Terminating Capital Transaction. Notwithstanding anything contained in Sections 6.1.A and B hereof, after giving effect to the special allocations, if any, provided in Sections 6.2.A. and B. hereof, but in all events subject to Section 6.2.C., all items of Company Profits and Losses arising from a Terminating Capital Transaction shall be allocated among the Members so as to insure to the maximum extent possible that, after giving effect to the allocation of such Profits and Losses in the Capital Accounts of the Members, the Capital Account balance of each Member is positive in the amount of cash that such Member would receive if the Capital Transaction Proceeds from such Terminating Capital Transaction were distributed pursuant to Section 5.1.B.

Section 6.2 Required and Special Allocations.

A. Special Allocations. Except as otherwise provided in this Agreement, the following special allocations will be made in the following order and priority:

(1) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Article 6, if there is a net decrease in Minimum Gain during any tax year or other period for which allocations are made, the Members will be specially allocated items of Company income and gain for that period (and, if necessary, subsequent periods) in an amount equal to such Member's share of the net decrease in Minimum Gain during such tax year or other period determined in accordance with Treasury Regulations Section 1.704-2(g)(2). Allocations pursuant to the preceding sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Treasury Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2)(i). This Section 6.2.A.(1) is intended to comply with the minimum gain chargeback requirements set forth in Treasury Regulations Section 1.704-2(f) and shall be interpreted consistently therewith, including the exceptions to the minimum gain chargeback requirement set forth in Treasury Regulations Sections 1.704-2(f)(2) and (3).

(2) Partner Nonrecourse Debt Minimum Gain Chargeback. Notwithstanding any other provision of Section 6.1 or this Section 6.2 (other than Section 6.2.A(1), which shall be applied before this Section 6.2.B(2)), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any tax year or other period for which allocations are made, each Member with a share of Partner Nonrecourse Debt Minimum Gain determined in accordance with Treasury Regulations Section 1.704-2(i)(5) shall be specially allocated items of Company income and gain for that period (and, if

necessary, subsequent periods) in an amount equal to the Member's share of the net decrease in the Partner Nonrecourse Debt Minimum Gain determined in accordance with Treasury Regulation 1.704-2(i). The items to be so allocated shall be determined in accordance with Treasury Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii). This Section 6.2.A(2) is intended to comply with the minimum gain chargeback requirements of Treasury Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith, including the exceptions set forth in Treasury Regulations Section 1.704-(f)(2) and (3) to the extent such exception apply to Treasury Regulations Section 1.704-2(i)(4).

(3) Qualified Income Offset. A Member who unexpectedly receives any adjustment, allocation or distribution described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), respectively, will be specially allocated items of income and gain (consisting of a pro rata portion of each item of partnership income, including gross income, and gain for the relevant tax year) in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account Deficit of the Member as quickly as possible, provided that an allocation pursuant to this Section 6.2.A(3) shall be made only to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 6.2.A have been made in the first instance without regard to this Section 6.2.A(3).

(4) Nonrecourse Deductions. Nonrecourse Deductions for any Fiscal Year or other period shall be allocated among the Members in proportion to each Member's Percentage Interest. The items of Losses, deductions and Code Section 705(a)(2)(b) expenditures to be so allocated shall be determined in accordance with Treasury Regulation §1.704-2(j)(1)(ii).

(5) Partner Nonrecourse Deductions. Notwithstanding anything to the contrary in this Agreement, any Partner Nonrecourse Deductions for any taxable year or other period for which allocations are made will be allocated to the Member who bears the economic risk of loss with respect to the liability to which the Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i).

(6) Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company asset under Code Section 734(b) or 743(b) is required to be taken into account in determining Capital Accounts under Treasury Regulations Section 1.704-1(b)(2) (iv)(m), the amount of the adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset), and the gain or loss will be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted under Treasury Regulations Section 1.704-1(b)(2)(iv)(m).

(7) Depreciation Recapture. In the event there is any recapture of Depreciation or item of tax credit, the allocation thereof shall be made among the Members in the same proportion as the deduction for such Depreciation or item of tax credit was allocated.

B. Regulatory Compliance; Curative Allocations. The allocations set forth in Sections 6.2.A(1) through (5) hereof (the "Regulatory Allocations") are intended to comply with certain requirements of Treasury Regulations Sections 1.704-1(b) and 1.704-2, and shall be interpreted in a manner consistent with such Treasury Regulations. The Regulatory Allocations may not be consistent with the manner in which the Members intend to divide Company distributions. Accordingly, the Manager is hereby authorized to further allocate Profits, Losses, and other items among the Members in a reasonable manner so as to prevent the Regulatory Allocations from distorting the manner in which Company distributions would be divided among the Members under Section 5.1 hereof, but for application of the Regulatory Allocations. In general, such reallocation will be accomplished by specially allocating other Profits, Losses and items of income, gain, loss and deduction, to the extent they exist, among the Members so that the net amount of the Regulatory Allocations and the special allocations to each Member is zero. The Manager may accomplish this result in any reasonable manner that is consistent with Code Section 704 and the related Treasury Regulations.

C. Tax Allocations - Code Section 704(c).

(1) Notwithstanding anything contained in this Agreement to the contrary, taxable income, gain, loss, and deduction with respect to any Company property that is subject to Code Section 704(c), the Treasury Regulations thereunder and/or Treasury Regulations Section 1.704-1(b)(2)(iv)(f) (the "Section 704(c) Provisions") shall be determined and allocated among the Members

in accordance with such Code Section and/or the Treasury Regulations, as the case may be, and pursuant thereto, it is agreed that allocations under the Section 704(c) Provisions as to the Property shall be made under the so-called “traditional method” with a back-end curative allocation, as permitted by Treasury Regulation Section 1.704-3(C). As to any property other than the Property that may in the future be contributed to the Company, the Manager may elect any permissible method under the Section 704(c) Provisions, with the consent of the Akridge Representative, such consent to be unreasonably withheld.

(2) In the event the Book Value of any Company asset is adjusted pursuant to the other provisions of this Agreement (not including herein the initial booking of any asset contributed to the Company), subsequent allocations of taxable income, gain, loss and deduction with respect to such asset shall be determined and allocated among the Members, and the Capital Accounts of the Members shall be determined, so as to account for any Book-Tax Disparity arising from such adjustment in the same manner as would occur as to an asset contributed to the Company under Code Section 704(c) and the Treasury Regulations thereunder.

D. Other Allocation Rules. The following rules will apply to the calculation and allocation of Profits, Losses and other items:

(1) Unless otherwise determined by the Manager, for purposes of determining the Profits, Losses or any other item allocable to any period, Profits, Losses and other items will be determined on a daily basis under Code Section 706 and the related Treasury Regulations.

(2) Except as otherwise provided in this Agreement, all items of Company income, gain, loss, deduction, and other allocations not provided for in this Agreement will be divided among the Members in the same proportions as they share Profits and Losses, provided that any credits shall be allocated in accordance with Treasury Regulations Section 1.704-1(b)(4)(ii).

(3) For federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Members in the same manner as its correlative item of “book” income, gain, loss or deduction has been allocated pursuant to the other provisions this Article 6, except as otherwise provided in Section 6.2.C.

(4) Upon the admission of a new Member or the Transfer of an Interest, the new and old Members or the transferor and transferee shall be allocated shares of Profits and Losses and other allocations from the ongoing operations of the Company based on the actual portions of the Fiscal Year that the new or transferred Interest was held by the new and old Members, or the transferor and transferee, respectively. Profits and Losses and other allocations from Capital Transactions shall be allocated between any said parties based on the holder of the relevant Interest on the date of any such Capital Transactions. For the purpose of allocating Profits and Losses and other allocations, (i) such admission or Transfer shall be deemed to have occurred on the first day of the month in which it occurs, or if such date shall not be permitted for allocation purposes under the Code or the Treasury Regulations, on the nearest date otherwise permitted under the Code or the Treasury Regulations, and (ii) if required by the Code or the Treasury Regulations, the Company shall close its books on an interim basis on the last day of the previous calendar month.

(5) If any assets are sold in transaction in which, by reason of the provisions of Section 453 of the Code or any successor thereto, gain is realized but not recognized, such gain shall be taken into account when realized in computing gain or loss of the Company for purposes of allocation of Profit or Loss under this Article 6, and, if such sale(s) shall involve substantially all the assets of the Company, the Company shall be deemed to have been dissolved and terminated for purposes of making the aforesaid allocations notwithstanding any continuation of the Company for purposes of collecting the proceeds of such sales.

E. Effect of Treasury Regulations; Liquidation. In the event the Company is "liquidated" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to Section 5.1.C. If any Member has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations), such Member shall have no obligation to make any contribution to the capital of the Company. In the event the Company is "liquidated" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g) but there has been no dissolution of the Company, then the Company assets shall not be liquidated, the Company's liabilities shall not be paid or discharged and the Company's affairs shall not be wound up.

F. Closing of the Books; Prior Profits and Losses. As contemplated by the Master Transaction Agreement, it is agreed that the Company (as the successor to the Partnership for federal income tax purposes) will use the “interim closing of the books” method as of the end of day of the date of this Agreement, i.e., the date on which TTF was admitted to the Partnership. All profits, losses, deductions, credits and all items thereof (including, without limitation, any cancellation of indebtedness income) of the Partnership on or prior to (but including) the date of this Agreement and of the Company since its merger with the Partnership and on or prior to (but including) the date of this Agreement shall be allocated solely to the Original Partners, and among them in accordance with the Second Amended and Restated Limited Partnership Agreement. All profits, losses, deductions, credits and all items thereof of the Company commencing on the first day after the date of this Agreement shall be allocated to the Members in accordance with this Agreement.

G. Allocation of Nonrecourse Liabilities. Solely for purposes of determining each Member’s proportionate share of the “excess nonrecourse liabilities” of the Company within the meaning of Treasury Regulation §1.752-3(a)(3), to the extent permissible under the Code and the applicable Treasury Regulations thereunder, such excess nonrecourse liabilities shall first be allocated among the Original Partners so as to provide adequate basis for the negative capital account (for federal tax purposes) of each such Original Partner, and thereafter in accordance with each Member’s interest in the profits of the Company, and for the aforesaid purpose, each Member’s interest in the Profits of the Company shall be equal to its Percentage Interest in the Company.

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ARTICLE 7
RIGHTS, LIABILITIES AND OBLIGATIONS OF MEMBERS

Section 7.1 Limited Liability. No Member, in its capacity as such, shall, unless expressly agreed to in writing by such Member otherwise, be personally liable for any of the debts or other obligations or liabilities of the Company.

No Member with a negative balance in its Capital Account shall have any obligation to the Company or the other Member to restore such negative balance upon the dissolution or termination of the Company or otherwise, and any such deficit in the Capital Account of any Member shall not constitute an obligation of such Member to the Company or the other Member.

Section 7.2 Outside Activities of Members. No business or other opportunities other than those related to the Property shall be deemed to be the Property of, or belong to, the Company. Any Member, including the Manager, and any partner, member, shareholder, equity holder, officer, director, employee, agent, trustee, or Affiliate of any Member shall be entitled to and may have and own real property and other business interests and engage in business activities in addition to those relating to the Company, including real property and other business interests and activities that are contiguous, adjacent to or near the Property and/or in direct competition with the Property and/or the Company or that are directly or indirectly enhanced by the Property and/or business and activities of the Company. Neither the Company nor any Member nor any Affiliate of any Member nor any other Person shall have any rights by virtue of this Agreement or the Company relationship established hereby in any such or any other business ventures of any other Member or any of its Affiliates. No Member or such other Person shall have any obligation pursuant to this Agreement to offer any interest in any such business ventures to the Company, any Member or any such other Person, even if such opportunity is of a character which, if presented to the Company, any Member or such other Person, could be undertaken by such Person.

Each Member understands and acknowledges that the conduct of the business of the Company may involve business dealings with such other businesses or undertakings of a Member or its Affiliates. The creation of the Company and the assumption by each Member of its duties hereunder shall be without prejudice to the respective rights (or the rights of its Affiliates) to maintain such other interests and activities and to receive and enjoy profits or compensation therefrom, and each Member hereby waives any rights it might otherwise have to share or participate in such other interests or activities of any other Member or such Member's Affiliates.

Section 7.3 Duties to Other Members. The Members understand and acknowledge that each Member and the Manager may have contractual and statutory fiduciary and other duties to various direct and/or indirect investors in such Member and/or Manager, and further acknowledge and agree that the duties which the Member and the Manager have to each other are expressly subject to such other duties; provided, however, that each Member and the Manager shall at all times endeavor to conduct its affairs and make decisions in good faith and in a manner which does not treat any Member differently from any other Member except as is otherwise provided for or permitted by Article 5 of this Agreement.

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ARTICLE 8
MEMBERS' SPECIAL LIABILITY

Section 8.1 Members' Special Liability.

A. Each Member agrees that it will not interfere or attempt to interfere (and will cause its Affiliates, and all Persons claiming by or through any of them, not to interfere) directly or indirectly with (x) the conduct of the business of the Company by the Manager or the right of the Manager to control and manage the Company, the Company's business and the Property, or the taking or failure to take any action by the Manager under this Agreement, (y) any action taken under or other matter as to the Subordinate Loan or under the Option Agreement which action or other matter is otherwise permitted under the terms and provisions of said Subordinate Loan or Option Agreement.

B. The following, the "Specified Liability Provisions," are matters for which a Member shall have individual liability for, as the context requires, breach of, or liability for, but subject in any event to Section 8.2, and each Member acknowledges and agrees that it shall be such Member's fiduciary duty to all the other Members not to engage in any of the following:

(i) the commencement, institution or instigation of, or the joining in the prosecution of, or participation in, any claim, suit or legal proceeding, directly or indirectly, by a Member or any of its Affiliates as to any other business activity of and as to the Company, by the Manager or any of its Affiliates, which claim, suit or proceeding makes any claim inconsistent with the powers or rights of the Manager and its Affiliates under this Agreement;

(ii) any loss or liability arising from breach of any of its representations and warranties contained in Section 1.10;

(iii) the commencement or institution of, or the joining in the prosecution of, or participation in, any claims, suits or other legal proceedings, directly or indirectly, by a Member or any of its Affiliates (any of the above being referred to in this clause (iii) as a "Proceeding") which requests either an injunction, delay or other relief to prevent, delay or otherwise interfere with the Company from entering into or completing any financing or refinancing or the encumbrance or the sale, transfer or other disposition of any Property of the Company or of engaging in any other transaction or activity authorized by the Manager on behalf of the Company, or with any Transfer by any Beacon Member permitted by Article 10 of this Agreement (a "Delay"), or the making by a Member or any of its Affiliates of any threat or allegation to any other party to, or otherwise involved in, any such transaction to the effect that any such transaction is not permitted to be taken by the Manager on behalf of the Company under this Agreement or that such Member or Affiliate will involve any third party in litigation or in any other proceedings of any nature whatsoever because such transaction is not so permitted, except that it shall not be a breach of this clause (iii) as to the commencement or institution of a proceeding alleging the bad faith or willful malfeasance of the Manager or a Member or a breach of Section 10.7, but it shall be a breach for purposes of this clause (iii) unless the Member commencing or instituting any such a proceeding is both the prevailing party therein on any of the material matters alleged in such Proceeding and as to the material matter on which such Member prevailed the relief granted includes either an injunction, delay or other relief to prevent, delay or prohibit or modify in a material way the relevant proposed matter as to which the Proceeding was initiated or an order is entered requiring compliance with Section 10.7 of this Agreement where it had been alleged that there had been a failure to so comply and the court found that there had been such a failure to comply;

(iv) breach by a Member of the provisions of Article X or of Section 12.4;

(v) costs and expenses recoverable under Section 12.13; and

(vi) failure by a Member to make any payments required to be made to the Company pursuant to the Indemnity Agreement after notice thereof from the Company and a lapse of thirty (30) days after such notice is given.

Section 8.2 Certain Limitations on Specified Liability Provisions Liability.

A. Except as to any liability under Section 8.1.A and under clauses (i), (iii) and (vi) of Section 8.1.B, the liability of any Member under any Specified Liability Provision shall be for any direct damages suffered by any other Member or the Company as a result of the matter specified in Section 8.1, and shall in no event include, and, other than as to liability under Section 8.1.A and under clauses (i) and (iii) of Section 8.1.B, each Member hereby waives any rights to, any consequential or other damages, other than direct damages, as to any such matter included as a Specified Liability Provision.

Each Member acknowledges and agrees that in the event it breaches clause (i), (iii) or (vi) of Section 8.1.B and such breach interferes with or delays any prospective financing or refinancing by the Company or a sale of the Property or a Transfer of all or any portion of any Beacon Member's Interest and/or the Interest of any Affiliate of TTF in the Company, each other Member shall be entitled not only to direct damages but also to any consequential, special or other damages. In particular, in the event of any such prospective financing, refinancing, sale or a Transfer described immediately above affected by the breach of a Member, or by any of its Affiliates or any other Person claiming by through or under any such Member, of Section 8.1.A or under either clause (i) or (iii) of Section 8.1.B, consequential damages to which TTF and the Subordinate Lender, if it acquires Interests in the Company pursuant to the Option Agreement, and any other Beacon Member shall be entitled to include, without limitation, payment of such amounts, as consequential damages, as would allow such Person to obtain a so-called "internal rate of return" on such Person's investment which is no less than the internal rate of return which each such Person would have earned had any such proposed transaction affected by any such breach been consummated, due regard being given to the amount and timing of any later completed transaction and any tax differential treatment between any damages and the proceeds of a proposed transaction.

B. Subject to the provisions of Section 8.2.A, nothing contained above in this Article 8 or elsewhere in this Agreement shall be construed as limiting the liability of any Member with respect to obligations incurred from and after the date hereof by such Member or any liability of any such Member to the Company or any other Member: (1) under or as to any Specified Liability Provisions; or (2) for any liability or loss resulting from any act or failure to act arising out of, or in connection with fraud, willful misconduct or misappropriation of such Member.

Section 8.3 Additional Remedies. In the event of the breach or failure by (a) any Member or any of its Affiliates or any other Person claiming by through or under any such Member of either Section 8.1.A or clause (i) or (iii) of Section 8.1.B, such Member and every other Member which is an Affiliate of such breaching Member (collectively, when applicable, the "Defaulting Members"), or (b) in the event of a breach by any Member of clause (vi) of Section 8.1.B, all of the Members other than any Beacon Members (collectively, in any applicable situation, the "Defaulting Members"): (x) at the Manager's option, in its sole discretion, upon written demand from the Manager, each Defaulting Member shall escrow with the Company the amount of any such Defaulting Member's guaranty of any indebtedness of the Company (including, without limitation, any indebtedness owed to a Member or any Affiliate or a Member), and (y) each of TTF and Beacon shall have the right to purchase the Interest of any such Defaulting Member for an amount equal to the amount such Defaulting Member whose Interest is being purchased pursuant to this clause (y) would have received if the Property were sold for ninety two and one-half percent (92.5%) of its fair market value, with the agreed fair market value being equal to the net operating income of the Property for the last Full Fiscal Year prior to such breach, reduced by an amount equal to the amortization over five (5) years of the reasonably anticipated tenant improvements and leasing commissions to be incurred over the five (5) Fiscal Years following such last full Fiscal Year, with a 12% per annum return over such period of amortization, said difference then capitalized at nine percent (9%). Each of the aforesaid remedies, and any other remedies that may be available under this Agreement or at law or equity in the event of a breach by a Member of the provisions of Section 8.1, shall be non-exclusive and may be exercised consecutively and/or concurrently and in any order.

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ARTICLE 9
TAX MATTERS

Section 9.1 Preparation of Tax Returns. The Manager shall arrange for the preparation and timely (including valid extensions) filing of all similar federal, state and local income tax returns and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information required to be furnished to the Members for federal, state and local income tax reporting purposes. The Manager shall use reasonable efforts prior to filing to allow the Akridge Representative ten (10) days in which to review and comment on any such income tax returns, but such right shall not include any approval thereof, and the Manager shall have no obligation to make any changes or other modifications that may be requested by the Akridge Representative other than compliance with the provisions of Article 6.

Section 9.2 Tax Elections. The Manager shall determine all elections to be made by the Company pursuant to the Code, except that the Manager shall not make any election which would adversely affect either of the Members or cause the Company to be taxed as a corporation under the Code or under any state or local income tax law, and in any event the Manager shall make the election agreed upon pursuant to the last sentence of clause (1) of Section 6.2.C. Except as otherwise provided in this Agreement, the Manager shall have the right to seek to revoke any tax election it makes (including, without limitation, the election under Section 754 of the Code) upon the Manager's determination that such revocation is in the best interests of the Members.

Section 9.3 Tax Matters Partner.

A. The Manager shall be the "Tax Matters Partner" of the Company for federal income tax purposes. Pursuant to Section 6230(e) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Company, the Tax Matters Partner shall furnish the IRS with the name, address, taxpayer identification number, and profit interest of each of the Members and the Assignees; provided, however, that such information is provided to the Company by the Members and the Assignees. Notwithstanding anything herein to the contrary, the Tax Matters Partner shall, upon receipt of notice from the IRS, give notice of an administrative proceeding with respect to the Company to all Members in accordance with, and as if such Members were each a "notice partner" pursuant to, Section 6231(a)(8) of the Code.

B. The Tax Matters Member shall represent the Company, at the Company's expense, in connection with all examinations of the Company's affairs by tax authorities including any resulting administrative or judicial proceedings. Without limiting the generality of the foregoing, the Tax Matters Member is authorized, but not required:

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Company items required to be taken into account by a Member for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Members, except that such settlement agreement shall not bind any Member (i) who (within the time prescribed pursuant to the Code and Treasury Regulations) files a statement with the IRS providing that the Tax Matters Member shall not have the authority to enter into a settlement agreement on behalf of such Member; or (ii) who is a "notice partner" (as defined in Section 6231(a)(8) of the Code) or a member of a "notice group" (as defined in Section 6223(b)(2) of the Code);

(2) in the event that a notice of a final administrative adjustment at the Company level of any item required to be taken into account by a Member for tax purposes (a "Final Adjustment") is mailed to the tax matters partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court or the filing of a complaint for refund with the United States Claims Court or the District Court of the United States for the district in which the Company's principal place of business is located;

(3) to intervene in any action brought by any other Member for judicial review of a final adjustment;

(4) to file a request for an administrative adjustment with the IRS and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;

(5) to enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken account of by a Member for tax purposes, or an item affected by such item; and

(6) to take any other action on behalf of the Members or the Company in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The Tax Matters Member shall be entitled to incur such expenses as are reasonably necessary in fulfilling its role as Tax Matters Member. The provisions relating to indemnification of the Manager set forth in Section 3.6 of this Agreement shall be fully applicable to the Tax Matters Member in its capacity as such.

C. The Tax Matters Member shall receive no compensation for its services. The Company shall indemnify and reimburse the Tax Matters Member for all third party costs and expenses (including legal and accounting fees) reasonably incurred as Tax Matters Member in performing its duties pursuant to this Article 9 and in connection with any administrative or judicial proceeding with respect to any matter which is a “partnership tax item” under the Code. The payment of all such expenses shall be made before any distributions are made to the Members. Nothing herein shall be construed to restrict the Company from engaging an accounting, legal and/or other firm to assist the Tax Matters Member in discharging its duties hereunder, so long as the compensation paid by the Company for such services is reasonable.

D. The Tax Matters Member shall use its best efforts to keep each Member informed of any administrative and judicial proceedings for the adjustment at the Company level of any item required to be taken into account by a Member for income tax purposes or any extension of the period of limitations for making assessments of any tax against a Member with respect to any Company item, or of any agreement with the Internal Revenue Service that would result in any material change either in income or loss as previously reported.

E. Any Member that receives a notice of an administrative proceeding under Code Section 6233 relating to the Company shall promptly notify the Tax Matters Member of the treatment of any Company item on such Member’s federal income tax return that is or may be inconsistent with the treatment of that item on the Company’s return. Any Member that enters into a settlement agreement with the Secretary of the Treasury with respect to any Company item shall notify the Tax Matters Member of such agreement and its terms within 60 days after its date.

ARTICLE 10
TRANSFERS AND WITHDRAWALS; RIGHT OF FIRST OFFER

Section 10.1 Transfer.

A. The term “Transfer,” when used in this Agreement with respect to any Interest in the Company, shall mean (i) a transaction in which a Member assigns, absolutely, conditionally, as security or otherwise, all or any part of its Interest (legal and/or beneficial) to another Person, and includes any sale, assignment, gift, pledge, mortgage, exchange, hypothecation, encumbrance or other disposition, including any such matter occurring by operation of law (such as, but not limited to, a statutory merger) or otherwise, and (ii) any of the transactions described in clause (i) above as to any interest in any upper tier Entity which, directly or indirectly, holds an equity interest in a Member.

B. No Interest shall be Transferred, in whole or in part, except in accordance with the terms and conditions of this Agreement. Any Transfer or purported Transfer of an Interest not made in accordance with this Article 10 shall be null and void.

Section 10.2 Members’ Rights to Transfer.

A. Subject to the provisions of Section 10.2.E and Section 10.3, a Member may not Transfer all or any part of its Interest without the consent of the Manager except as follows:

(i) a Transfer to an Entity which directly or indirectly wholly owns and controls such Member (a “Member Parent”) or which directly or indirectly is wholly owned and controlled by such Member;

(ii) as part of a merger, consolidation or similar transaction involving a substantial portion of the assets owned by a Member Parent, or Transfers of or the issuance of interests or shares in a Member Parent;

(iii) Transfers of interests in a Member which is an Entity so long as there is no change in control of the Entity and so long as Persons presently holding, directly or indirectly, 51% of the interests in such Entity continue to own at least 51%.

(iv) to the transferee's Immediate Family or to a trust or other gift or estate planning vehicle whose sole beneficiaries are the Member and such Member's Immediate Family; or

(v) upon the death of a person, but only to the estate of such person.

B. Subject to the provisions of Section 10.2.E and Section 10.3, in addition to the provisions of Section 10.2.A, any Beacon Member may Transfer all or any part of its Interest without the consent of the Members as follows:

(i) to an Entity which is directly or indirectly wholly owned and controlled by TTF or Beacon, or

(ii) to any Person provided that such Person has sufficient net worth to reasonably support the obligations of the transferring Beacon Member under this Agreement.

In addition, any Beacon Member may Transfer all or any part of its Interest to any Person with the consent of the holders of a majority of the Percentage Interests in the Company not held by the Beacon Members. Furthermore, notwithstanding anything in this Article 10 to the contrary, the provisions of this Article 10, and the term Transfer, shall not include the transfers of or issuance of membership interests in a Beacon Member, limited partner interests in Beacon or in Beacon Capital Strategic Partners II, L.P., or shares in BCSP.

C. The Manager may prohibit any Transfer of an Interest by a Member if, in the opinion of legal counsel to the Company, such transfer would require filing of a registration statement under the Securities Act or would otherwise violate any federal or state securities laws or regulations applicable to the Company, or would cause a breach or default under any agreement or other instrument which the Company is a party to or which the Company or any of the Property is subject to.

D. No Transfer of any Interest may be made to a lender to the Company or any Person who is related (within the meaning of Section 1.752-4(b) of the Treasury Regulations) to any lender to the Company whose loan constitutes a Nonrecourse Liability, without in any such instance the written approval of the Manager made with the actual knowledge of the Manager that such relationship exists.

E. Except for Transfers permitted by Section 10.2.B, notwithstanding anything in this Agreement to the contrary, including, without limitation, Transfers otherwise permitted by Section's 10.2.A, no Transfer of any direct or indirect Interest or of any direct or indirect interest in a Member which is an Entity may be made if (i) such Transfer would be included in making calculations of transfers under the District of Columbia Economic Interests Reporting Act, and (ii) if such Transfer occurs or would occur prior to twelve months and one day after the later to occur of the rights of the Subordinate Lender under the Option Agreement having expired unexercised or the closing of the exercise of the last of such rights which can be exercised by the Subordinate Lender. If any Transfer is made of a direct or indirect Interest or of any direct or indirect interest in a Member in violation of the provisions of this Section 10.2E and as a result thereof, after taking into account any Transfers resulting from the exercise of the rights of the Subordinate Lender under the Option Agreement and any Capital Contributions made pursuant thereto and pursuant to Section 2.3.A(iii), whether made before or after any such initially described Transfer, a transfer tax is payable pursuant to the District of Columbia Economic Interests Reporting Act, then the Member which made any such prohibited Transfer or which had a direct or indirect interest in it Transferred in violation of the provisions of this Section 10.2E shall be liable for any transfer tax payable as a consequence thereof.

Section 10.3 General Restrictions on and Conditions to All Transfers.

A. Every Transfer of an Interest permitted by this Article 10 and every Transfer of an interest in any Entity which directly or indirectly holds an Interest in the Company which is permitted by this Article 10, shall nevertheless be subject to the following:

(i) No Transfer of any Interest may be made if such Transfer would cause or result in a breach of any agreement binding upon the Company or to which any of its property is subject, or of any then applicable rules and regulations of any governmental authority having jurisdiction over the Company or such Transfer;

(ii) Other than a Transfer pursuant to a merger or other statutory scheme under which, by operation of law, the surviving Entity succeeds to, and is deemed to have assumed, the obligations of the other Entity involved in such a Transaction, in the event of any Transfer of an Interest there shall be filed with the Company a duly executed and acknowledged counterpart of the instrument effecting such Transfer. In addition, in the event of any such Transfer, the transferee shall enter into a valid and binding agreement with the

Company and each of its Members the effect of which will be that the Interest so Transferred shall continue to remain subject to the provisions of this Agreement with the same force and effect as if such transferee had originally been a party hereto as to the interest so Transferred. Each transferee shall also execute such additional instruments as shall be reasonably required by the Manager. The Company need not recognize any Transfer for any purpose unless, and until, the foregoing provisions of this clause (iii) have been fully satisfied; and the Company shall have no obligation to admit a transferee as substitute Member except as expressly required by this Agreement;

(iii) No Transfer of an Interest (by conveyance, operation of law or otherwise) shall be effective to convey the subject matter thereof until the transferee executes all necessary certificates or other documents and performs all acts required in accordance with the laws of the State of Delaware and any other states in which the Company is then doing business and executes any and all documents as shall be required from time to time by the rules and regulations of any regulatory body or commission having jurisdiction over the Company or its properties, to the full extent that the same may be necessary to constitute such transferee a substitute Member;

(iv) Notwithstanding and in addition to all other provisions of this Agreement, including this Article 10, no Transfer of an Interest will be or remain a permitted Transfer, or be permitted pursuant to this Article 10, unless all of the following additional conditions are satisfied: (i) the Transferee is a single, legally existing Person owning the entire Interest transferred, or (ii) in the case of any Transferee that is an Entity, there will always be one or more officers, partners or trustees who are each designated by the owner of such Member’s Interest as the parties who can each, at all times, legally and validly act on behalf of and legally bind the Entity which owns such Interest who are expressly so designated and so authorized to act on all matters under this Agreement or otherwise on behalf of said Entity which owns such Interest;

(v) Notwithstanding anything contained herein to the contrary, no Interest as a Member of the Company shall be transferred if, by reason of such Transfer, the classification of the Company as a partnership for federal income tax purposes would be adversely affected or jeopardized, or if such Transfer would have any other substantial adverse effect for federal income tax purposes, all as determined by the Manager; provided, however, if a Transfer is precluded by this clause (v) all or portions of such Transfer shall be permitted at the earliest possible time that such Transfer will not result in any such adverse federal income tax effect; and

(vi) Notwithstanding any provisions hereof to the contrary, no Transfer shall be made pursuant to this Article 10 to any foreign Person unless and until the transferee agrees in writing in advance of the Transfer that (a) the transferee and the Company shall comply with all applicable Federal, state and local laws pertaining to the acquisition, ownership or disposition of United States real property (or of directly or indirectly held interests therein) by any foreign Person and with all Federal, state and local laws of similar import pertaining to foreign Persons; (b) the Company may comply with any and all income and other withholding obligations that may be imposed on the Company without regard to other provisions of this Agreement that may otherwise govern the transferee's right to its share of Company income and loss and to receive distributions from the Company; and (c) the transferee shall indemnify and hold the Company and the non-transferring Members harmless from and against any and all expense or liability that is or may be imposed on the Company or the non-transferring Members attributable to or arising out of such Transfer because of such status of the transferee. Any agreement of a transferee Member required by this clause (vi) shall be in such form and shall contain such additional provisions as the non-transferring Member, in the exercise of its reasonable discretion, shall request as a condition precedent to such Transfer.

(vii) Notwithstanding anything to the contrary contained in this Agreement, without the consent of the Manager, in no event shall any Member Transfer all or any portion of its Interest or any economic interest or other right in all or any portion of its Interest to (i) any "Qualified Organization" within the meaning of Section 514(c)(9)(C) of the Code (a "Qualified Organization") or (ii) to any entity in which a Qualified

Organization has at the time of such Transfer a direct (or, to the transferring Member's actual knowledge, indirect) beneficial interest if such entity is treated as a partnership or otherwise as a "pass-through entity" for federal income tax purposes if such Qualified Organization may receive a direct or indirect allocation that could cause the Company not to meet the requirements of Section 514(c)(9)(E) of the Code (including, without limitation, by reason of Section 514(c)(9)(D) of the Code) and the Treasury Regulations thereunder. The Manager shall have the right to request, from time to time, that the other Members confirm in writing their continued compliance with this clause (vii).

(viii) If the Company is required to pay any fee, cost or other payment to any third party lender to the Company as a result of any Transfer by a Member of all or any portion of its Interest or of any direct or indirect Interest in any such Member which is an Entity, then such Member shall reimburse the Company for any such payment.

B. A Transfer of an Interest in the Company to a Permitted Transferee under this Article 10 shall nonetheless be subject to such Transferee assuming its proportionate share of the obligations of the Member which is making such Transfer. Any Person who acquires in any manner whatsoever an Interest (or any part thereof) in the Company, whether or not such Person has accepted and assumed in writing the terms and provisions of this Agreement or been admitted into the Company as a Member as provided in Section 10.4, shall be deemed, by acceptance of the acquisition of any such Interest, to have agreed to be subject to and bound by, and shall be deemed to have assumed all of the obligations of this Agreement with respect to such Interest and shall be subject to the provisions of this Agreement with respect to any subsequent Transfer of such Interest.

C. Upon the admission or withdrawal of a Member (whether by reason of a Transfer or otherwise), this Agreement and the Certificate, to the extent required under the LLC Act, shall be amended appropriately to reflect the then existing names and addresses of the Members and other appropriate and necessary information.

D. Any Transfer in contravention of any of the provisions of this Agreement shall be null and void and ineffective to Transfer any Interest, and shall not bind, or be recognized by, or on the books of, the Company.

E. In the event any Member shall at any time Transfer an Interest in the Company in contravention of any of the provisions of this Agreement, then the Company and each other Member, in addition to the rights above and all other rights and remedies at law and equity, shall be entitled to a decree or order restraining and enjoining such transaction, and the offending Member shall not plead in defense thereto that there would be an adequate remedy at law; it being expressly hereby acknowledged and agreed that damages at law would be an inadequate remedy for a breach or threatened breach of the violation of the provisions concerning such transactions set forth in this Agreement.

F. The death, legal disability, bankruptcy or dissolution of a Member or the Transfer by any Member of all or any part of its Interest in the Company (whether or not in compliance with the terms of this Agreement) shall not dissolve the Company.

Section 10.4 Substitute Members.

A. Any Person to whom an Interest is Transferred pursuant to Section 10.2 and in compliance with Section 10.3, other than a Transfer under Section 10.2.A(iii), shall become a Substitute Member, and such substitution shall be a condition to any such otherwise permitted Transfer.

B. A transferee who has been admitted as a Substitute Member in accordance with this Article 10 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Member under this Agreement.

C. Upon the admission of a Substituted Member, this Agreement shall be appropriately amended to reflect the name, address, and Percentage Interest of such Substitute Member and to eliminate or adjust, if necessary, the name, address and interest of the predecessor of such Substitute Member. Substitute Members shall be added only on the first day a fiscal quarter unless the Manager, in its sole discretion, otherwise agrees.

Section 10.5 General Provisions.

A. No Member may withdraw from the Company other than as a result of a permitted Transfer of all of such Member's Company Interest in accordance with this Article 10.

B. Any Member who shall Transfer all of its Interest in the Company pursuant to this Article 10 shall cease to be a Member upon the admission of the assignee(s) of such Interest as a Substitute Member(s).

C. If any Interest is transferred or assigned during any portion of a Fiscal Year in compliance with the provisions of this Article 10 on any day other than the first day of a Fiscal Year, then Profits and Losses, each item thereof and all other items attributable to such interest for such Fiscal Year shall be divided and allocated between the transferor Member and the transferee Member or assignee by taking into account their varying interests during the Fiscal Year on such basis as the Manager may elect, provided that all Profits and Losses and items thereof and all other allocations attributable to a Capital Transaction shall be allocated to whichever of the transferor or the transferee is entitled to any distributions from such Capital Transaction, all of the above only if and to the extent such is permitted under the Code. All distributions of Operating Cash Flow attributable to such Interest before the date of such Transfer shall be made to the transferor Member, and all distributions of Operating Cash Flow thereafter attributable to such Interest shall be made to the transferee. Any distribution of Capital Transaction Proceeds shall be made based upon who was the Member when the Capital Transaction occurred.

Section 10.6 Acquisition of Interest by Subordinate Lender.

The Members acknowledge that the Subordinate Lender has the right to acquire an Interest as a Member in the Company pursuant to certain agreements between the Company and the Subordinate Lender, and they further acknowledge that the Members shall have no rights of any nature whatsoever as would restrict, limit or might otherwise affect the right of the Subordinate Lender to effectuate its rights under the aforesaid agreements. Without limiting the provisions of clause (iii) of the second paragraph of Section 12.11, each Member agrees to execute such documents as may be reasonably requested to enable the Subordinate Lender to consummate the exercise by it of the aforesaid right and option. No other provisions of this Article 10 are applicable to, or shall limit or otherwise affect, the Subordinate Lender's rights and option under the aforesaid agreements to become a Member in the Company.

Section 10.7 Right of First Offer.

Prior to the solicitation of third party offers or the written acceptance of an unsolicited third party offer for sale of the Property by the Company in a transaction that would be a taxable disposition under the Code, the Manager shall first notify the Akridge Representative in writing, of the price (the "Specified Selling Price") for the Property, provided that the provisions of Section 10.7 need not be complied with if at the time they would otherwise be applicable TTF and/or Beacon are exercising their rights under Section 8.3 against Members whose aggregate Percentage Interests are more than 33 $^1/_3$% of the aggregate Percentage Interests of all of the Original Partners or if at such time there has been failure to make any payments required to be made to the Company pursuant to the Indemnity Agreement after notice thereof from the Company and there has been a lapse of thirty (30) days since such notice was given. The Original Partners (among themselves in whatever proportions as they may determine) shall then have the right to purchase the Property at the Specified Selling Price set forth in the Manager's notice or to purchase the Interests of TTF and all of (but not less than all of) the other Beacon Members in the Company (the "Beacon Interests"), such right to be exercised, if exercised at all, by written notice from the Akridge Representative to the Manager given within thirty (30) days (the "Election Period") after the notice from the Manager given pursuant to above. Any such notice shall also include an election as to whether the purchase is of the Property or of the Beacon Interests. If no such designation is made, it shall be deemed that the Original Partners have elected to purchase the Beacon Interests. If the Original Partners exercise their rights under this paragraph, then the notice of such election shall be accompanied by, and shall be valid only if accompanied by, a non-refundable $2,000,000 cash deposit paid to an escrow agent designated by the Manager; such deposit shall be held by the escrow agent in an interest bearing account. If notice is not timely given or is not accompanied by the requisite deposit, the Original Partners shall be deemed to have elected not to purchase the Property. If the Original Partners purchase the Property or the Beacon Interests, as the case may be, the $2,000,000 shall be a credit against the purchase price.

During the Election Period, the Manager shall make the books and records of the Company available to the Original Partners and shall allow access to the Property during normal business hours for customary inspections by prospective purchasers of real property, subject, however, to delivery of confidentiality agreements and indemnities as to access comparable to those contained in the Master Transaction Agreement.

Any purchase of the Property or the Beacon Interests by the Original Partners under this Section 10.7 shall be consummated within sixty (60) days after the notice from the Original Partners of their election to purchase the Property or the Beacon Interests, as the case may be, shall be for all cash and shall require the repayment of all mortgage loans on the Property, including, without limitation, the Subordinate Loan, provided, however, if any third party loan is assumable or, as the case may be, is not callable or it is not a default thereunder as a result of the consummation of the purchase of the Beacon Interests, such loan may be assumed or, as the case may be, remain outstanding if such is not callable or a default or appropriate consent is received, provided that all fees and other costs and expenses for such assumption shall be paid by the purchasing Original Partners, and TTF, any other Beacon Member, Beacon and any of their Affiliates which have provided any guarantees or indemnities in connection with any such loan shall be released therefrom.

In the event the Beacon Interests are to be purchased, the purchase price for the Beacon Interests shall be the amount the Beacon Members owning the Beacon Interests would receive (and as among the Beacon Members, in the amount each such Beacon Member would receive) if the Property were sold for the Specified Selling Price, all indebtedness of the Company were discharged, all other assets of the Company other than cash and cash equivalents were sold for their respective Book Values and the Company then liquidated. If any then existing third party indebtedness of the Company remains outstanding after a purchase of the Beacon Interests, then the principal amount thereof on the Closing of any such purchase shall be deducted in determining the aforesaid purchase price. In determining the amount pursuant to clause (i) of the first sentence of this paragraph, it shall be assumed that no amount would be payable by the Company upon a sale of the Property on account of the D.C. Franchise Tax if none would have been payable upon a sale of the Property by the Company based on the Company liquidating at the time of a sale (and thus the gain being passed out to the Members of the Company, if such is then permissible or required under applicable law), and after deducting one-half of the then applicable real estate transfer tax if none is incurred in the actual transaction or if and to the extent the Beacon Members do not bear such tax.

For purposes of determining the amount due under the Subordinate Loan under the immediately preceding two paragraphs, it shall be deemed that the Property is sold for the Specified Selling Price.

If the Original Partners do not exercise, or are deemed not to have exercised, their right of purchase pursuant to the preceding provisions of this Section 10.7, the Manager shall thereafter be entitled to cause the Company to sell the Property, provided that any such sale is closed within two hundred and seventy (270) days after the expiration of the Election Period at a price which is not less than ninety-two and one-half percent (92.5%) of the Specified Selling Price. In the event the Property is not sold to a third party within the aforesaid two hundred and seventy (270) days period for the minimum price determined pursuant to this paragraph, then if the Manager thereafter desires to sell the Property or thereafter receives an unsolicited offer for the Property, the Manager shall be required to reinstate the aforesaid provisions of this Section 10.7.

In the event the Original Partners elect to purchase the Property or the Beacon Interests but fail to complete the purchase for any reason other than the Manager’s failure to cause the Company to convey the Property or any Beacon Member’s failure to convey its Interest or the failure to give the requisite representations and warranties provided for above, the aforesaid $2,000,000 deposit shall be retained by the Beacon Members as liquidated damages (as payments between Members and not as Company revenue or expenditure) and the Manager shall thereafter be free to cause the Company to sell the Property at any time and for any price and the provisions of this Section 10.7 shall thereafter be null and void and no longer applicable as to any future potential sale of the Property. The remedies under this paragraph shall be the sole and exclusive remedies in the event the Original Partners elect to purchase the Property or to purchase the Beacon Interests but thereafter fail to close.

Any conveyance of the Property by the Company to or as directed by the purchasing Original Partners shall be by standard conveyance documents, “as is”, and without any representations and warranties by the Company or the Beacon Members except that, subject to the proviso below, the Beacon Members shall make real estate representations as to rent roll, leases and operating contracts (but not any other real estate related representations) which the Beacon Members’ parent customarily makes when it sells real estate and due authorization and similar entity representations of the selling Entity, except that all matters occurring or existing prior to the Closing Date under the Master Transaction Agreement shall be excluded from any such representations, provided, however, if at such time the John A. Akridge Company or any Affiliate thereof or any Affiliate of any Original Partner (an “Akridge PM Affiliate”) is the property manager or the subproperty manager, then no real estate representations of any nature shall be made by the Company or the Beacon Members. Any conveyance of the Beacon Interests in the Company if there is a purchase of the Beacon Interests shall be by an Assignment of Member Interest with representations and warranties by the assigning Beacon Member of its authority to so convey and its ownership of the Interest being conveyed free and clear of all liens and other encumbrances other than those under this Agreement, as well as representations and warranties of the Beacon Members comparable to the Entity Representations contained in, and as such term is defined in, the Master Transaction Agreement for the period from the Closing Date until the closing of the purchase of the Beacon Interests. Any representations and warranties so provided shall have survival periods, floors and limits of liability and concepts of “deemed Buyer knowledge” which are the same as those set forth in the Master Transaction Agreement; as to “deemed Buyer knowledge”, the relevant individuals shall be such Persons as are agreed upon as between the Akridge Representative and the Manager, each acting reasonably, provided that in all events such individuals shall include the appropriate on-site manager, if any, or the person having a comparable off-site position, and the relevant senior supervisor of the Akridge PM Affiliate, if any. In all events, all representations and warranties shall exclude any matter in existence prior to the Closing Date under the Master Transaction Agreement and shall exclude all matters which were or are caused by any act or omission of any Original Partner or any Affiliate of any Original Partner Closing costs shall be apportioned as between, and normal prorations shall be made as between, the Company, as if it were a seller of real property, and the purchasing Original Partners in the customary manner for real estate transactions in the District of Columbia.

At the request of the Manager, upon a prospective sale of the Property, at any time from the initiation of the sale process therefor until the consummation of any sale, the Akridge Representative, on its own behalf and on behalf of all the other Original Partners, shall provide an Estoppel Certificate or other similar form of certification as to the compliance and satisfaction of the provisions of this Section 10.7, or if it believes such compliance has not occurred, stating the particulars of any non-compliance. Any such certification by the Akridge Representative shall be binding on all the Original Partners. If no such certification or statement of non-compliance is received within ten (10) Business Days after request therefor, then it shall be unrebuttably presumed that Section 10.7 has been complied with and such unrebuttable presumption shall be binding on all the Members, and any Person claiming by or through any Member.

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ARTICLE 11
DISSOLUTION, LIQUIDATION AND TERMINATION

Section 11.1 Dissolution. The Company shall not be dissolved by the admission of a Substitute Member or by the permitted withdrawal or any other matter as to a Member or the admission of a successor Manager in accordance with the terms of this Agreement. The Company shall dissolve, and its affairs shall be wound up, only upon the first to occur of any of the following (each a "Liquidating Event"):

A. an election to dissolve the Company made by the Manager with the unanimous consent of Members;

B. entry of a decree of judicial dissolution of the Company pursuant to the provisions of the LLC Act;

C. the sale of all or substantially all of the assets and properties of the Company, unless in connection therewith, and within 180 days thereof, there has been an exchange for other properties or assets; or

D. the Closing not have occurred for any reason by November 30, 2002. The filing of the Certificate of Merger with the Secretary of State of the State of Delaware on or before November 30, 2002 shall be conclusive evidence that the Closing timely occurred and that this Clause D is no longer a Liquidation Event.

Section 11.2 Winding Up.

A. Upon the occurrence of a Liquidating Event, the Company shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Members. No Member shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Company's business and affairs. The Manager or, in the event there is no remaining Manager, any Person elected by Members holding a majority of the Percentage Interests in the Company (the Manager or such other Person being referred to herein as the "Liquidator"), shall be responsible for overseeing the winding up and dissolution of the Company and shall take full account of the Company's liabilities and property and the Company property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (the "Terminating Capital Transaction Proceeds") shall be applied and distributed in the following order:

(1) First, to the payment and discharge of all of the Company’s debts and liabilities to creditors other than the Members (Affiliates of the Members shall not be considered “Members” for these purposes);

(2) Second, to the payment and discharge of all of the Company’s debts and liabilities to the Members, pro-rata among them; and

(3) Third, but subject to Paragraph D. below, the balance, if any, to the Members in accordance with and in proportion to their positive Capital Account balances, as determined after giving effect to all contributions, distributions and allocations for all periods.

A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Company and the liquidation of its assets pursuant to the other provisions of this Section 11.2 in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between the Members during the period of liquidation.

B. Notwithstanding the provisions of Section 11.2.A hereof which require liquidation of the assets of the Company, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Company the Liquidator determines that an immediate sale of part or all of the Company’s assets would be impractical or would cause undue loss to the Members, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Company (including to those Members and their Affiliates as creditors) and/or distribute to the Members, in lieu of cash, as tenants in common and in accordance with the provisions of Section 11.2.A hereof, undivided interests in such Company assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Members, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. In the event the Company is “liquidated” within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Article 11 to the Members and assignees that have positive Capital Accounts in compliance with Treasury Regulations Section 1.704-1(b)(2)(ii)(b)(2) to the extent of, and in proportion to, their positive Capital Account balances. If any Member has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such Member shall have no obligation to make any contribution to the capital of the Company with respect to such deficit, and such deficit shall not be considered a debt owed to the Company or to any other Person for any purpose whatsoever, provided that such withheld, or escrowed amount shall be distributed to the Members in the manner and order of priority set forth in Section 11.2.A. hereof as soon as practicable.

D. In the discretion of the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Members pursuant to clause (3) of Section 11.2.A. may be:

(1) distributed to a trust established for the benefit of the Manager and Members for the purposes of liquidating Company assets, collecting amounts owed to the Company, and paying any contingent or unforeseen liabilities or obligations of the Company arising out of or in connection with the Company. The assets of any such trust shall be distributed to the Members from time to time, in the reasonable discretion of the Liquidator, in the same proportions as the amount distributed to such trust by the Company would otherwise have been distributed to the Members pursuant to this Agreement; and/or

(2) withheld or escrowed to provide a reasonable reserve for Company liabilities (contingent or otherwise) or to reflect the unrealized portion of any installment obligations owed to the Company, provided that such withheld or escrowed amounts shall be distributed to the Members by the Liquidator in the manner and order of priority set forth in Section 11.2.A as soon as practicable, as determined by the Liquidator in its reasonable judgment.

Section 11.3 Notice of Dissolution. In the event a Liquidating Event occurs or an event occurs that would, but for the provisions of an election or objection by one or more Members pursuant to Section 11.1, result in a dissolution of the Company, the Manager shall, within thirty (30) days thereafter, provide written notice thereof to each of the Members.

Section 11.4 Termination of Company and Cancellation of Certificate of the Company. Upon the completion of the liquidation of the Company's assets, as provided in Section 11.2 hereof, the Company shall be terminated, a certificate of cancellation shall be filed, and all qualifications of the Company as a foreign limited liability company in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Company shall be taken.

Section 11.5 Deemed Distribution and Recontribution. Notwithstanding any other provision of this Article 11, in the event that the Company is liquidated within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g), but no Liquidating Event has occurred, the Company's property shall not be liquidated, the Company's liabilities shall not be paid or discharged and the Company's affairs shall not be wound up.

Section 11.6 Liability of Liquidator. The Liquidator shall be indemnified and held harmless by the Company from and against any and all claims, liabilities, costs, damages, and causes of action of any nature whatsoever arising out of or incidental to the Liquidator's taking of any action authorized under or within the scope of this Agreement; provided, however, that the Liquidator shall not be entitled to indemnification, and shall not be held harmless, where the claim, demand, liability, cost, damage or cause of action at issue arises out of (i) a matter entirely unrelated to the Liquidator's action or conduct pursuant to the provisions of this Agreement or (ii) the willful malfeasance, bad faith, dishonesty or fraud of the Liquidator.

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ARTICLE 12
GENERAL PROVISIONS

Section 12.1 Addresses and Notice; Time Computation.

A. All notices, elections, offers, acceptances, demands, consents, reports and other communications (collectively, “Notices”) given hereunder shall be in writing and shall be given to the Company, the Members or the other Members at the address set forth below or at such other address as the Company or either of the Members may hereafter designate by like notice.

If to TTF, to:

c/o Beacon Capital Partners, LLC
One Federal Street, 26th Floor
Boston, MA 02110
Attn: William Bonn, General Counsel
Telecopier No: (617) 457-0499

c/o Beacon Capital Partners, LLC
One Federal Street, 26th Floor
Boston, MA 02110
Attn: Jeffrey Brown
Telecopier No: (617) 457-0499

with a copy to:

Goulston & Storrs, P.C.
400 Atlantic Avenue
Boston, MA 02110-3333
Attn: Jordan Krasnow, Esq.
Telecopier No.: (617) 574-4112

If to any Member, at: its address set forth in Exhibit A

B. Except as otherwise provided in the last sentence of this paragraph, all Notices or other communications shall be (i) mailed by United States registered or certified mail, return receipt requested, postage prepaid, deposited in a United States post office or a depository for the receipt of mail regularly maintained by the post office, (ii) sent by any reputable overnight courier service (with all fees prepaid), or (iii) sent by telecopier or telefax. All Notices shall be deemed to have been given (and to be effective) (a) on the third business day following the date of such mailing, or (b) if sent by courier, on the date of delivery, or the date tendered for delivery if on a Business Day during normal business hours, or (c) if sent by telecopier, on the date sent. Notices may also be delivered by hand, in which case they shall be deemed to have been given (and to be effective) on the date of delivery.

C. By giving to the other parties at least ten (10) Business Days' prior written notice thereof, the parties hereto shall have the right from time to time and at any time during the term of this Agreement to change their respective addressees effective upon actual receipt (or tender otherwise valid and effective hereunder) by the other parties of such notice and each shall have the right to specify as its address any other address within the United States of America. A change in address of a Member shall not require an amendment of Exhibit A, and the official address of any Member shall be as shown on the books and records of the Company.

D. In computing any period of time under this Agreement, the day of the act, event or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is not a Business Day, in which event the period shall run until the next Business Day.

Section 12.2 Titles and Captions. All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

Section 12.3 Pronouns and Plurals; Word Meanings. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. The words such as "herein", "hereinafter", "hereof", and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires. References to a paragraph shall only be to the grammatical paragraph referred to unless there is a specific paragraph and/or Section designated. The use in this Agreement of the word "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not nonlimiting language (such as "without limitation", or "but not limited to", or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

Section 12.4 Waiver of Partition and Certain Other Rights. Except as set forth in Article 8, no Member shall have the right to terminate this Agreement or dissolve the Company by its express will or by withdrawal without the consent of all the other Members. In addition, each Member agrees that irreparable damage would be done to the Company if any Member brought an action in court to dissolve the Company or partition or apportion the assets of the Company. Accordingly, each Member agrees that it shall not, either directly or indirectly, take any action to require dissolution, partition or appraisement of the Company or of any of the assets of the Company or attempt to withdraw from the Company, and notwithstanding any provisions of this Agreement to the contrary, each Member accepts the provisions of the Agreement as its sole entitlement as to withdrawal by a Member and as to the termination, dissolution and/or liquidation of the Company, and hereby irrevocably waives any and all right to withdraw from the Company or to maintain any action for dissolution or partition or to compel any sale or other liquidation with respect to its interest, in or with respect to, the Company or any properties of the Company; and each Member agrees that it will not petition a court for the dissolution, termination or liquidation of the Company.

Section 12.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 12.6 No Third Party Rights. The provisions of this Agreement are for the benefit of the Company and the Members and the Manager, and no other Person, including creditors of the Company or any other Person, shall have any right or claim against the Company, the Manager or any Member by reason of this Agreement or any provision hereof or be entitled to enforce any provision of this Agreement. Moreover, notwithstanding anything contained in this Agreement, including specifically, but without limitation, Article 2, no such creditor or other Person shall obtain any rights under this Agreement or shall, by reason of this Agreement, make any claim in respect of any debt, liability or obligation (or otherwise) against the Company, the Manager or any Member.

Section 12.7 Waivers. The failure of any Member to at any time enforce any of the provisions of this Agreement, or any agreement or instrument delivered herewith, or to give any notice of default thereunder, shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Agreement, or any agreement or instrument delivered herewith, or any provision hereof or the right of either of the Members to thereafter enforce each and every provision of this Agreement, and each agreement and instrument delivered herewith. No waiver of any breach of any of the provisions of this Agreement, or any agreement or instrument delivered herewith, shall be effective unless set forth in a written instrument executed by the Member against which enforcement of such waiver is sought; and no waiver of any such breach shall be construed or deemed to be a waiver of any other or subsequent breach.

Section 12.8 Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party hereto shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 12.9 Applicable Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law. The Members hereby submit to personal jurisdiction in the State of Delaware for the enforcement of the provisions of this Agreement and waive any and all rights to object to such jurisdiction for purposes of litigation to enforce or interpret, or as to a dispute under or as to, this Agreement. The Members hereby consent to the jurisdiction of the United States District Court in for Delaware and to the Delaware Chancery Court in any action, suit, or proceeding with either or at any time wish to file in connection with this Agreement or any related matter. The Members hereby agree that any action, suit or proceeding to enforce this Agreement shall be brought in the first instance in either the federal court located in Delaware or in the Delaware Chancery Court, and hereby waive any objection which either may have to the laying of the venue of any such action, suit or proceeding in any such court; provided, however, that the provision of this paragraph shall not be deemed to preclude any party from filing any such action, suit or proceeding in any other appropriate forum if, but only if the courts above decline jurisdiction.

Section 12.10 Invalidity of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby, except as provided in Section 1.1.A.

Section 12.11 Entire Agreement; Amendments. This Agreement, together with any agreements and instruments delivered herewith, contains all of the understandings and agreements of whatsoever kind and nature existing between the parties hereto with respect to the matters dealt with in this Agreement and the rights, interests, understandings, agreements and obligations of the respective parties pertaining to the Company. Any and all other prior agreements between the parties with respect to such subject matter are hereby superseded. Notwithstanding anything in this Section 12.11 to the contrary, the parties hereby agree to cooperate reasonably and in good faith to amend this Agreement to the extent necessary and appropriate to allow the Company to qualify as a so-called "special purpose bankruptcy remote entity" in connection with any financing or refinancing of Property; provided, however, that no such amendment shall adversely affect the economic rights, or increase the obligations, of any Member.

No amendment of this Agreement shall be valid as against any party hereto unless such amendment has been executed by such Member, provided, however, that (i) any amendment to this Agreement and/or the Certificate to evidence a Transfer permitted pursuant to Section 10.2.B shall be valid as against all the Members if executed by the Manager and the transferee, (ii) any amendment to this Agreement to evidence any other Transfer permitted by Article 10 shall be valid if executed by the transferor and the transferee Members and by the Manager, and (iii) any amendment to this Agreement to allow the admission of the holder of the Subordinate Loan, such holder's designee, to the Company as a Member in accordance with, and with such interest in the Company as determined under, the Option Agreement between the Company and such holder shall be valid as against all Members if executed by the Manager and such holder or its designee.

Section 12.12 Additional Documents and Acts. In connection with this Agreement as well as all transactions contemplated by this Agreement, each Member agrees to from time to time, at the Manager's request, execute and deliver such additional documents and instruments, and perform such additional acts, as the Manager may deem to be reasonably necessary or desirable to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

Section 12.13 Prevailing Party; Attorney's Fees. A. In the event of the commencement of any judicial or other proceedings between the Manager and any of the Members or between or among any of the Members or any derivative action commenced by any Member as to the Company and/or this Agreement or the interpretation of any provision of this Agreement or as to any of the relationships, rights, duties, obligations and other matters covered by this Agreement, the prevailing party in any such proceeding shall be entitled to full and complete recovery of all legal and other fees, costs and expenses incurred by such prevailing party in and as a result of any such proceedings, and in the case of a derivative suit in which the Company is not the prevailing party, then the Member instituting such suit shall be liable as the non-prevailing party. For the purposes hereof, a party shall be the prevailing party if it obtains a judgment or other order such that it has prevailed on a substantially greater amount (as measured by claimed damages, not by the number of claims) of the material claims or denials as to the material issues in dispute compared to those as to which the other party has prevailed.

B. In addition to any other remedies available at law or in equity, any distributions under Article 5 to which a Member would otherwise be entitled to shall be first charged for any liability of such Member for any breach of any Specified Liability Provision or for any liability under this Section 12.13.

Section 12.14 Legal Counsel.

A. The Manager may select legal counsel ("Approved Member's Counsel") for a Member or any of its Affiliates (including, without limitation, counsel who represented a Member in connection with the negotiation of this Agreement) to represent the Company in connection with legal work or issues arising as part of the business of the Company (a "Matter").

B. Each Member recognizes and acknowledges that such Approved Member's Counsel will be acting as legal counsel for the Company with respect to each Matter and shall not be acting as the legal counsel of any individual Member. Each Member further recognizes and accepts that its interest with respect to any matter may be adverse to the interests of the other Members and the Company. Each Member nevertheless consents to the representation of the Company by such Approved Member's Counsel with respect to each Matter and waives for the benefit of each other Member and of such Counsel any potential or actual conflict of interest between or among such Members and between such Members and the Company.

C. Each Member understands that, in the course of the representation by such Approved Member's Counsel of the Company, such counsel may obtain access to confidential information of or concerning a Member or all Members and its or their business activities. Such Member's counsel will be instructed to take all reasonable steps to ensure that any confidential information concerning any Member shall remain strictly confidential except as to communications regarding a Matter as are necessary or appropriate to represent that Company or as required by applicable law.

D. Each Member acknowledges that in the event of any future dispute or litigation between or among the Members and/or between any of the Members and the Company, the Approved Member's Counsel may continue to represent its Member client, notwithstanding any such dispute and its prior representation of the Company.

Section 12.15 Power Of Attorney. Each Member hereby irrevocably constitutes and appoints the Manager as its true and lawful attorney-in-fact, in its name, place and stead with full power of substitution, to consent to, make, execute, sign, acknowledge, swear to, record and file, on behalf of such Member and/or on behalf of the Company, the following:

(a) any certificate of foreign limited liability company, any certificate of doing business under an assumed name, and any other certificates or instruments which may be required to be filed by the Company or such Member under the laws of the State of Delaware or any other jurisdiction the laws of which may be applicable;

(b) a certificate of cancellation of the Certificate of Formation of the Company upon a dissolution and termination of the Company in accordance with this Agreement and such other instruments or documents as may be deemed necessary or desirable by said attorneys upon the termination of the Company;

(c) any and all amendments or restatements of the documents described in subsections (a) and (b) above, provided such amendments are either required by law, or are necessary to correct statements herein or therein, or are consistent with this Agreement (including without limitation any amendments referred to in Sections 4.1 and 4.2); and

(d) any and all such other documents as may be deemed necessary or desirable by said attorney to carry out fully the provisions of this Agreement and as are consistent with the terms hereof.

The foregoing grant of authority: (i) is a special power of attorney coupled with an interest, is irrevocable and shall survive the death or incapacity of each Member and (ii) shall survive the delivery of an assignment by a Member of the whole or any portion of its Interest in the Company.

Section 12.16 Members' Limited Liability.

Except with respect to a Member's liabilities and obligations under Article 8, the liability of any Member under this Agreement shall be limited to the Interest of such Member in the Company, and neither the Company nor the other Member shall seek to enforce any judgment or other remedy against any other asset of any other Member. No Member nor the Manager, nor any other investment or asset of any Member or of the Manager, or any partner of, or other participant in or beneficiary of any Member or of the Manager, nor any trustee, beneficiary, employee, partner, member, stockholder, officer, director of a Member or of the Manager or any such other Person, whether disclosed or undisclosed, shall have any personal liability with respect to the liabilities and obligations of any such Member or of the Manager under this Agreement, and each Member hereby agrees that, except with respect to any liabilities or obligations under Article 8 of this Agreement, such Member will not seek to obtain any deficiency or any other money judgment against any Person hereinabove named or referred to as being exculpated from personal liability or from any other Person.

Section 12.17 Survival of Certain Provisions. The Members acknowledge and agree that this Agreement contains certain terms and conditions which are intended to survive the dissolution and termination of the Company, including, but without limitation, the provisions of Sections 3.6, 3.7, 12.13, 12.14, 12.15 and 12.16, and Article 8; provided that the provisions of this sentence shall not be interpreted to mean that assets of the Company, after distribution to a Member or Members, continue to be assets of the Company for purposes of Section 3.6 or any other provision of this Agreement. The Members agree that the provisions of this Agreement which by their terms require, given their context, that they survive the dissolution and termination of the Company so as to effectuate the intended purposes and agreements of the Members shall survive notwithstanding that such provisions had not been specifically identified as surviving and notwithstanding the dissolution and termination of the Company or the execution of any document terminating this Agreement, unless such termination document specifically provides for nonsurvival by reference to this Section 12.17 and to specific nonsurviving provisions.

[PAGE ENDS HERE]

IN WITNESS WHEREOF, the parties hereto have executed this Limited Liability Company Agreement of 1225 Eye Street, N.W. Associates, LLC as of the date first written above.

1225 EQUITY LLC
a Delaware limited liability company

By: Beacon Capital Strategic Partners II, L.P.,
a Delaware limited partnership
(its sole member)

By: BCP Strategic Partners II, LLC,
a Delaware limited liability company, its general partner

By: Beacon Capital Partners, LLC,
a Delaware limited liability company, its manager

By: /s/ William A. Bonn, Esq.

Name: William A. Bonn, Esq.
Title: Senior Vice President
and General Counsel

ONE FRANKLIN PLAZA, LLC

By: JACo Manager, Inc., its
Managing Member

By: /s/ Thomas W. Wilbur

Thomas W. Wilbur
Vice President

ALTOONA INVESTORS, INC.

By: /s/ Henry E. Bowden

Henry E. Bowden, President

[SIGNATURES CONTINUED ON NEXT PAGE]

SQUARE 285, LTD.

By: The John Akridge Company,
Inc., its General Partner

By: ____________________

Name: ____________________

Title: ____________________

JACO GENERAL PARTNERSHIP

By: /s/ John H. Akridge, III

John H. Akridge, III
its General Partner

1225 ESGP, LLC, a Delaware
limited liability company

By: JACo 1225 Eye Street Development, Inc., its Sole Member

By: /s/ Thomas W. Wilbur

Thomas W. Wilbur
Vice President

[SIGNATURE PAGE FOR 1225 EYE STREET, N.W.
ASSOCIATES LLC AGREEMENT
(1225 Eye Street, N.W., Washington, D.C.)]

/s/ John E. Akridge, III

John E. Akridge, III, individually

/s/ D. Steven Akridge

D. Steven Akridge, Individually

/s/ Thomas W. Wilbur

Thomas W. Wilbur, Individually

[SIGNATURE PAGE FOR 1225 EYE STREET, N.W.
ASSOCIATES LLC AGREEMENT
(1225 Eye Street, N.W., Washington, D.C.)]

DEFINITIONS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

“Accountants” means Beacon’s accountants at any relevant time to conduct the audits and perform the other functions as designated by the Manager under this Agreement, but if there shall be no such firm retained by the Company at any relevant time, the firm that shall have so prepared the Company’s most recent statements and reports, if any, or if none within the preceding twenty-four (24) month period, then the Accountant, who prepare the audited financial statements for Beacon.

“Adjusted Capital Account” means, with respect to any Member, such Member’s Capital Account maintained in accordance with Section 2.1 hereof, as of the end of the relevant Fiscal Year of the Company, after giving effect to the following adjustments:

A. credit to such Capital Account that portion of any deficit Capital Account balance that such Member is obligated to restore under the terms of this Agreement or any other document, such Member’s share of Minimum Gain determined in accordance with Treasury Regulations Section 1.704-2(g)(1), and such Member’s share of Partner Nonrecourse Debt Minimum Gain determined in accordance with Treasury Regulations Section 1.704-2(i)(5).

B. debit to such Capital Account the items described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

The foregoing definition of “Adjusted Capital Account” is intended to comply with the provisions of Treasury Regulations Sections 1.704-1(b)(2) and 1.704-2, and shall be interpreted consistently therewith.

“Adjusted Capital Account Deficit” means, with respect to any Member, the deficit balance, if any, in that Member’s Adjusted Capital Account as of the end of the relevant Fiscal Year of the Company.

“Affiliate” means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person; (ii) any Person beneficially, directly or indirectly, owning or controlling twenty percent (20%) or more of the outstanding voting interests of such Person; (iii) any Person of which such Person beneficially, directly or indirectly, owns or Controls twenty percent (20%) or more of the voting interests; or (iv) any officer, director, member, manager, partner or trustee in such Person or in any Person referred to in clauses (i), (ii), and (iii) above. For purposes of this definition, "control", as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Agreement" means this Limited Liability Company Agreement, as it may be amended, supplemented or restated from time to time.

"Akridge Representative" means One Franklin Plaza, LLC.

"Base Rate" means the annual rate of interest, determined daily and expressed as a percentage, from time to time announced by the Designated Bank as its so-called "base rate" or "prime rate" if the Company has any material indebtedness which is so-called floating rate debt based on a "prime" or "base" rate (but not if based on LIBOR or other similar measure) outstanding. In such event, the Designated Bank shall be the bank or banks or any other method used (e.g., by reference to The Wall Street Journal), as is designated in the relevant instruments evidencing such indebtedness. If there is no such indebtedness outstanding, the "Base Rate" shall be the "prime rate" as published by The Wall Street Journal for the relevant date or period. If there is not outstanding indebtedness of the Company of the type described above and The Wall Street Journal ceases to publish a "prime rate", then "Base Rate" shall mean a rate of interest, determined daily, which is three percentage points (3.0%) above the 14-day moving average closing trading price of 90-day Treasury bills.

"BCSP" means BCSP REIT II, Inc., a Maryland corporation, and any successor thereto by merger (of any type or form), reorganization, consolidation or otherwise.

"Beacon" means Beacon Capital Strategic Partners II, L.P., a Delaware limited partnership, and any successor by merger (of any type or form), reorganization, consolidation or other involving all or substantially all of Beacon's assets.

"Beacon Members" means TTF, the holder of any Interests acquired pursuant to the Option Agreement, and their respective successors and assigns.

"Book-Tax Disparity" means, as to any property (other than cash) contributed to the Company by a Member, as of the date of determination, the difference between the Book Value of such property and the adjusted basis of such property for federal income tax purposes, as such differential may change as a result of allocations of Profits and Losses and of taxable income and taxable loss pursuant to the provisions of this Agreement.

"Book Value" of any asset of the Company means such asset's adjusted basis for federal income tax purposes, except that:

(i) the initial Book Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset (not reduced for any liabilities to which it is subject or which the Company assumes), as such value is determined and for which credit is given to the contributing Member under this Agreement;

(ii) the Book Values of all assets of the Company shall be adjusted to equal their respective gross fair market values, as determined by the Manager, at and as of the following times:

(a) the acquisition of an additional or new interest in the Company by a new or existing Member in exchange for other than a de minimis Capital Contribution by such Member, if the Manager determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Members;

(b) the distribution by the Company to a Member of more than a de minimis amount of any asset of the Company (including cash or cash equivalents) as consideration for all or any portion of an interest in the Company, if the Manager determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Members; and/or

(c) the liquidation of the Company within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g);

and

(iii) the Book Value of the assets of the Company shall be increased (or decreased) to reflect any adjustment to the adjusted basis of such assets pursuant to Section 734(b) or Section 743(b) of the Code, but only to the extent such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m); provided, however, that Book Value shall not be adjusted pursuant to this clause (iii) to the extent that the Manager determines that an adjustment pursuant to clause (ii) hereof is necessary or appropriate in connection with the transaction that would otherwise result in an adjustment pursuant to this clause (iii).

If the Book Value of an asset has been determined or adjusted pursuant to the preceding clauses (i), (ii) or (iii), such Book Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses, and the amount of the adjustment shall thereafter be taken into account as gain or loss from the distribution of such asset for purposes of computing Profits or Losses.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in either Boston, Massachusetts or New York, New York are authorized or required by law to close.

"Capital Account" shall mean the capital account maintained for a Member pursuant to Section 2.1 hereof.

"Capital Contribution" means, with respect to any Member, the aggregate amount of cash and the gross fair market value of any property which such Member contributes or is deemed to contribute to the Company pursuant to Article 2 reduced by the amount of any liability assumed by the Company relating to any such property and any liability to which such property is subject, including the Capital Contributions of the Members reflected in Exhibit A attached hereto and any Capital Contributions made pursuant to Section 2.3.A(iii) and Section 2.4.

"Capital Transaction" means any of the following: (i) a sale, exchange, transfer, assignment or other disposition of all or any portion of any of the Property or other assets of the Company (but not including occasional sales of inventory, operating equipment or furniture, fixtures and equipment or non-material portions of the Property or any other non-material assets of the Company); (ii) any financing or refinancing of indebtedness of the Company; (iii) any condemnation or deed in lieu of condemnation of all or a portion of any property of the Company; (iv) any collection in respect of property, hazard or casualty insurance (but not rental interruption insurance); or (v) any other transaction the proceeds of which, in accordance with generally accepted accounting principles, are considered to be capital in nature. The receipt by the Company of Capital Contributions from the Members shall not constitute Capital Transactions.

"Capital Transaction Proceeds" means the net cash proceeds from a Capital Transaction after deducting all expenses incurred in connection with such Capital Transaction and after application of any proceeds as required by any obligations binding on the Company, or to which the Company is subject, and otherwise as determined by the Manager toward the payment of any indebtedness of the Company secured by the property that is the subject of a Capital Transaction or any other indebtedness of the Company, or for capital expenditures or the purchase of any improvements or an expansion of any Company property or the acquisition of additional assets by the Company, and after the establishment of such reserves as are deemed necessary or appropriate by the Manager, in its sole discretion, provided, however, that the Special Distribution Amount shall not be considered Capital Transaction Proceeds.

"Certificate" means the Certificate of Formation of the Company filed in the office of the Delaware Secretary of State, as amended from time to time in accordance with the terms of this Agreement and the LLC Act.

"Closing" has the meaning set forth in the Master Transaction Agreement.

"Closing Date" has the meaning set forth in the Master Transaction Agreement.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Company" means the limited liability company formed under the LLC Act pursuant to the Certificate, as constituted under the terms of this Agreement, as this Agreement may be amended and/or restated, and any successor thereto.

"Control" means the ability, directly or indirectly, whether through ownership of partnership interests, manager or member interests, of voting securities, or otherwise, to direct the policies and management of any business entity.

"D.C. Franchise Tax" means the District of Columbia Income and Franchise Tax Act of 1947, as amended.

"Defaulting Member" has the meaning set forth in Section 8.3.

"Depreciation" means, for each Fiscal Year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period for federal income tax purposes, except that if an asset has a Book-Tax Disparity at the beginning of such year or other period (as a result of property contributions or adjustments to such values), Depreciation shall be adjusted as necessary so as to be an amount which bears the same ratio to such beginning Book Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year or other period bears to the beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization or other cost recovery deduction for such year or other period is zero, Depreciation for such year or other period shall be determined with reference to such beginning Book Value using any reasonable method selected by the Manager.

"Entity" or "Entities" means any general partnership, limited partnership, limited liability company, corporation, trust, business trust, cooperative or association or any other form of incorporated or unincorporated entity which is a legal entity under applicable law.

"Financial Need Date" has the meaning set forth in Section 2.3.A.

"Fiscal Year" has the meaning set forth in Section 4.2.

"Guaranteed Payment" means, for any Fiscal Year or other measuring period, the product of the Guaranteed Return Rate and the average daily outstanding balance of the Unrecovered Capital Contributions of each Member, including any Capital Contributions made pursuant to Sections 2.3 and 2.4 and any Capital Contributions made by the holder of, and made under, the Option Agreement, but not including herein any Subordinate Capital Contributions.

"Guaranteed Return Rate" means a rate of fifteen percent (15%) per annum, compounded quarterly.

"Guaranty", "Guaranteed" and any similar capitalized grammatical variation thereof, means any guaranty, indemnity, suretyship or similar agreement made by any Member or an Affiliate of any Member to any third party guaranteeing, or otherwise providing assurances as to, the payment or performance of any of the Company's obligations, provided that (i) any such Guaranty has been approved by the Manager, and (ii) the right of subrogation against, or reimbursement from, the Company has not been waived. The term "Guaranty" shall in all events not include any title and other similar indemnities given to any Person on or before the Closing under the Master Transaction Agreement or given in connection with the transactions contemplated by the Master Transaction Agreement.

"Immediate Family" means with respect to any individual, his or her parents, spouse, issue (whether natural or adopted), or spouse of issue, and any trusts principally for the benefit of any of the foregoing; with respect to any trust, any beneficiary of such trust or any member, as described above, of the Immediate

Family of any such beneficiary; and any entity or entities all of the beneficial owners of which are any one or more of such individuals and trusts described immediately above.

"Indemnitee" has the meaning set forth in Section 3.6.

"Indemnity Agreement" means that certain Indemnity Agreement to be executed on the Closing Date among the Company and all the Original Partners, as contemplated by Section 6.4 of the Master Transaction Agreement.

"Interest" means an ownership interest in the Company representing a Capital Contribution by a Member and includes any and all legal and economic benefits and other attributes to which the holder of such Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement.

"IRS" means the Internal Revenue Service, which administers the internal revenue laws of the United States.

"LLC Act" means the Limited Liability Company Act of the State of Delaware at Del. Code. Ann. Tit 6 §§18-101, et. seq., as amended and in effect from time to time.

"Liquidating Events" has the meaning set forth in Section 11.1.

"Liquidator" has the meaning set forth in Section 11.2.

"Manager" means TTF, in its capacity as the Manager of the Company, or its successors as Manager of the Company.

"Master Transaction Agreement" has the meaning set forth in Recital B.

"MTA Transactions" has the meaning set forth in Recital B.

"Member" shall mean each of the Members from time to time admitted to the Company in any such Person's capacity as a Member of the Company, or its successors as the Members of the Company, or any Substitute Member, in such Person's capacity as a Member of the Company.

"Merger" has the meaning set forth in Recital B.

"Minimum Gain" shall have the meaning of such term as set forth in Treasury Regulations Section 1.704-2(d), and shall generally mean the amount by which the nonrecourse liabilities secured by any assets of the Company exceed the adjusted tax basis of such assets as of the date of determination. A Member's share of Minimum Gain (and any net decrease thereof) at any time shall be determined in accordance with Treasury Regulations Section 1.704-2(g).

"Nonrecourse Liability" has the meaning set forth in Treasury Regulations Section 1.752-1(a)(2).

"Operating Cash Flow" " means, for any Fiscal Year or any other relevant period, the excess, if any, of Operating Revenue over Operating Expenses.

"Operating Expenses" means

(i) all expenses of the Company and of the Manager, in its capacity as the Manager (on a cash basis, but otherwise determined in accordance with generally accepted accounting principles) incurred in connection with the ownership and operation of the Property or the performance of other aspects of the Company business, other than any expense not involving a cash expenditure, such as any amount charged for depreciation or amortization, and other than any interest or other payments on account of any indebtedness of the Company, but in any event including reserves for normal periodic payments such a real estate taxes and insurance;

(ii) regular installments of interest and principal on account of any loans made to the Company or secured by any of the Property;

(iii) sums expended by the Company for replacement of personal property or capital improvements (and not withdrawn from a reserve fund established for such purpose or available from insurance or condemnation proceeds), unless and to the extent such amounts are paid from Company borrowings or Capital Contributions;

(iv) a reserve for working capital items of the Company, as determined by the Manager, in its sole discretion, and

(v) a reserve for the replacement of capital items of the Company and/or for any other potential expenditures by the Company, all as determined by the Manager, in its sole discretion.

"Operating Revenues" means all cash receipts of the Company from the leasing of space with the Property, whether in the form of rent, reimbursements, additional rent, fees, charges or otherwise (other than security deposits unless and until the same are applied to rent), interest from deposits (unless required to be returned to, or such is the property of, tenants), tax refunds, reserves previously created from Operating Revenues, revenue from parking, the proceeds of any business or rental interruption insurance (but not any other type of insurance), and any other incidental income attributable to or resulting from the operations and leasing of the Property or the use of the assets of the Company. Operating Revenues do not include any receipts from a Capital Transaction, Capital Contributions to the Company, insurance proceeds (other than business or rental interruption insurance proceeds), condemnation awards, security deposits (unless and until applied to rent), title insurance proceeds, and any other item the proceeds of which are, under generally accepted accounting principles, attributable to capital.

Notwithstanding the foregoing, after commencement of the dissolution and liquidation of the Company, Operating Revenues shall not include any cash received or reductions in reserves thereafter occurring, or take into account any disbursements thereafter made or reserves thereafter established.

"Option Agreement" means that certain Option Agreement of even date herewith between the Company and the Subordinate Lender pursuant to which the Subordinate Lender has certain options to acquire Interests in the Company.

"Original Partners" has the meaning therefor set forth in the Preamble, and shall include any heirs, executors, successors or assigns of any Original Partner.

"Partner Nonrecourse Debt" shall have the meaning of such term set forth in Treasury Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" shall have the meaning of such term set forth in Treasury Regulations Section 1.704-2(i).

"Partner Nonrecourse Deductions" shall have the meaning for such term set forth in Treasury Regulations Section 1.704-2(i). Subject to the immediately preceding sentence, Partner Nonrecourse Deductions shall consist of, with respect to any partner nonrecourse debt (as such term is defined in Treasury Regulations Section 1.704-2(b)(4)), the increase in Partner Nonrecourse Debt Minimum Gain during the tax year plus any increase in Partner Nonrecourse Debt Minimum Gain for a prior tax year which has not previously generated a Partner Nonrecourse Deduction hereunder. The determination of which Company items constitute Partner Nonrecourse Deductions shall be made in a manner consistent with the manner in which Company Nonrecourse Deductions are determined hereunder.

"Percentage Interest" for each Member is initially as set forth in Exhibit A, subject to adjustments as a result of any Transfers and pursuant to Section 2.4.C. In calculating Percentage Interests pursuant to those provisions of Section 2.4.C providing for such calculation to be based on Capital Contributions made, such amount (i.e., Capital Contributions made) shall not be reduced by any distributions made to a Member even if, pursuant to other provisions of this Agreement, such distributions are treated as a return of capital for any purpose.

"Permitted Transferee" means any Person to whom a Transfer may be made pursuant to Section 10.2.

"Person" means a natural person or any Entity.

"Predecessor Agreement" has the meaning therefor set forth in Recital B.

"Profits and Losses" means, for each Fiscal Year or other period, an amount equal to the Company's taxable income or loss (as the case may be) for such year or period, determined in accordance with Code Section 703(a) (for this period, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(1) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition shall be added to such taxable income or loss;

(2) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this definition, shall be subtracted from such taxable income or loss (including amounts paid or incurred to organize the Company (unless an election is made pursuant to Code Section 709(b)) or to promote the sale of interests in the Company and by treating deductions for any losses incurred in connection with the sale or exchange of Company property disallowed pursuant to Section 267(a)(1) or Section 707(b) of the Code as expenditures described in Section 705(a)(2)(B) of the Code);

(3) Gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Book Value of the property disposed of notwithstanding that the adjusted tax basis of such property differs from such Book Value;

(4) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year or other period, computed in accordance with the definition of "Depreciation" herein;

(5) In the event that any item of income, gain, loss or deduction that has been included in the initial computation of Profit or Loss is subject to the special allocation rules of Section 6.2. of this Agreement, Profit or Loss shall be recomputed without regard to such item; and

(6) In the event of an adjustment of the Book Value of any Company asset which requires that the Capital Accounts of the Company be adjusted pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(e), (f) and (m), the amount of such adjustment is to be taken into account as additional Profits or Losses pursuant to Section 6.1 hereof.

Guaranteed Payments accruing during any Fiscal Year shall be expenditures of the Partnership, payable to a Member not in its capacity as a member in the Company, as provided for in Section 707(c) of the Code, and shall be expensed, capitalized, depreciated and/or amortized as otherwise provided for in the Code.

If the Company's taxable income or loss for such Fiscal Year, as adjusted in the manner provided above, is a positive amount, such amount shall be the Company's Profits for such Fiscal Year; and if negative, such amount shall be the Company's Losses for such Fiscal Year.

"Property" means the property generally known as 1225 Eye Street, N.W., Washington, D.C., more particularly described in Exhibit B attached hereto, together with all buildings, structures and improvements located thereon, and all personal property, fixtures and equipment required or beneficial for the operation thereof as the Company from time to time shall own, either directly or, if otherwise permitted pursuant to this Agreement, through interests in one or more other Entities.

"Qualified Organization" has the meaning set forth in Section 10.3A(vii).

"Recapture Income" means any gain recognized by the Company (computed without regard to any adjustments under Sections 734, 743 and 754 of the Code) upon the disposition of any property or asset of the Company, which gain is characterized as ordinary income or is taxed at a different rate from other gain because it represents the recapture of deductions previously taken with respect to such property or asset.

"Regulatory Allocations" has the meaning set forth in Section 6.2.B.

"REIT" means a real estate investment trust qualifying under Code Section 856, or any successor provision thereto.

"SEC" means the Securities and Exchange Commission.

"Section 704(c) Provisions" had the meaning set forth in Section 6.2.C.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Shortfall" has the meaning set forth in Section 2.3.A.

"Special Distribution" has the meaning set forth in Section 5.1.G.

"Special Distribution Amount" has the meaning set forth in Section 5.1.G.

"Specified Liability Provisions" has the meaning set forth in Section 8.1.B.

"Subordinate Capital Contributions" has the meaning set forth in Section 2.2.

"Subordinate Lender" means TTF Lending LLC, a Delaware limited liability company.

"Subordinate Loan" means that certain second deed of trust loan to be made by the Subordinate Lender to the Company as contemplated by the Master Transaction Agreement.

"Substitute Member" means a Person who is admitted as a Member to the Company pursuant to Section 10.4.

"Target Balance" means, as to each Member, as of the end of the applicable period for which the calculation is to be made, a balance in such Member's Capital Account equal to the amount such Member would receive in liquidation of the Company if all the assets of the Company were sold (on the last day of the applicable period) for their respective Book Values and the proceeds of such sale, including any cash on hand, were applied pursuant to Section 5.1.B (herein referred to as a "Hypothetical Liquidation Event"), said balance then reduced by the amount of income, loss and gain, or items thereof, that would be allocated to such Member pursuant to Sections 6.2.A and B upon the occurrence of a Hypothetical Liquidation Event. In addition, in calculating the Target Balance upon a Hypothetical Liquidation Event, in satisfying any liabilities of the Partnership which are either Nonrecourse Liabilities or Partner Nonrecourse Debt, such liability satisfaction shall be limited to the Book Value of the assets securing each such liability.

"Taxable Disposition" means a voluntary sale or other disposition by the Company of the Property (or any successor property or properties acquired in a non-taxable transaction) or a merger, consolidation, reorganization or other similar type of transaction, in any such instance in a transaction which causes taxable income to be recognized pursuant to the Section 704(c) Provisions.

"Terminating Capital Transaction" means any sale or other disposition of all or substantially all of the assets of the Company or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Company.

"Transfer," and any grammatical variation thereof shall refer to any sale, conveyance, exchange, issuance, redemption, assignment, distribution, encumbrance, hypothecation, gift, bequest, device, pledge, retirement, resignation, transfer or other withdrawal, disposition or alienation in any way as to any direct or indirect interest in the Company or in any Entity which directly or indirectly owns an interest in the Company. Transfer shall specifically, without limitation of the above, include assignments and distributions resulting from death, incompetency, an Event of Bankruptcy, liquidation and dissolution; however, the term "Transfer" shall not include the matters excluded pursuant to the last sentence of the last paragraph of Section 10.2B.

"Treasury Regulations" means and includes all temporary and final regulations promulgated under the Code, as in effect from time to time, and the corresponding sections of any regulations subsequently issued that amend or supersede any such promulgations.

"UBTI" means any Company income which qualifies as unrelated business taxable income based on the provisions set forth in Section 511, et seq. of the Code and Treasury Regulations.

"UBTI Provisions" means those provisions set forth in Section 511, et seq. of the Code and Treasury Regulations.

“Unrecovered Capital Contributions” of a Member shall mean the aggregate amount of all Capital Contributions made by such Member, other than the Subordinate Capital Contributions, reduced by distributions made to such Member pursuant to Clause First of Section 5.1.B.

“Unrecovered Subordinate Capital Contributions” of any Original Partner shall mean the amount of the Subordinate Capital Contributions of such Original Partner, as a Member in the Company, as set forth in Exhibit A on the date of this Agreement, reduced by distributions made to such Member pursuant to Clause Third of Section 5.1.B.

EXHIBIT A
TO
1225 Eye Street, N.W. Associates LLC
LIMITED LIABILITY COMPANY AGREEMENT

Members	Restated Capital Account (after the Special Distribution)	Percentage Interest	Address
1225 Equity LLC	$ 401,881.00	49.500000%	c/o Beacon Capital Partners, LLC One Federal Street Boston, Massachusetts 02110
John E. Akridge, III	$ 2,028.88	0.249899%	28181 Harleigh Lane Oxford, MD 21654
D. Steven Akridge	$ 291.65	0.035921%	6421 Edgewater Drive Falls Church, VA 22041
Altoona Investors, Inc.	$ 582.45	0.071740%	c/o Henry Bowden 4338 Forest Lane, NW Washington, DC 20007
JACo General Partnership	$ 85.37	0.010515%	c/o The John Akridge Company 601 13th Street, NW, Suite 300 North Washington, DC 20005
One Franklin Plaza, LLC	$ 405,858.00	49.989950%	c/o The John Akridge Company 601 13th Street, NW, Suite 300 North Washington, DC 20005
Square 285, Ltd.	$ 820.00	0.101001%	601 13th Street, NW, Suite 300 North Washington, DC 20005
Thomas W. Wilbur	$ 291.65	0.035921%	3503 Patterson Street, NW Washington, DC 20015
1225 ESGP, LLC	$ 41.00	0.005050%	c/o The John Akridge Company 601 13th Street, NW, Suite 300 North Washington, DC 20005

EXHIBIT 10.122

FIRST AMENDMENT TO LIMITED LIABILITY COMPANY ASSOCIATES FOR 1225 EYE STREET, N.W. ASSOCIATES, LLC

FIRST AMENDMENT
TO
LIMITED LIABILITY COMPANY AGREEMENT
OF
1225 EYE STREET, N.W. ASSOCIATES LLC

This FIRST AMENDMENT to LIMITED LIABILITY COMPANY AGREEMENT of 1225 EYE STREET, N.W. ASSOCIATES LLC, (this "First Amendment") made and effective as of ___________, 2003 (the "Effective Date"), is entered into by and among the parties listed in Schedule A attached hereto.

RECITALS

A. 1225 Eye Street, N.W. Associates LLC, a Delaware limited liability company (the "Company") was formed on August 28, 2002 by the filing of its Certificate of Formation in the offices of the Secretary of State of the State of Delaware.

B. As of the date hereof, the parties listed in the Schedule A attached hereto are all of the Members of the Company and are all the parties to, and the Company is currently governed by, that certain Limited Liability Company Agreement of 1225 Eye Street, N.W. Associates LLC, dated September 27, 2002 (the "LLC Agreement").

C. 1225 Equity LLC ("TTF"), a Member of the Company, is wholly owned by BCSP II Washington Properties, Inc., a Maryland corporation that is taxed as a REIT ("Washington REIT"). Beacon Capital Strategic Partners II, L.P. ("Beacon") owns all of the common stock of Washington REIT. Wells Operating Partnership, L.P. is a Delaware limited partnership ("Wells OP"). The general partner of Wells OP is Wells Real Estate Investment Trust, Inc., a Maryland corporation that is taxed as a REIT ("Wells"). Beacon Capital Strategic Partners II, L.P. proposes to sell all the common stock of Washington REIT to Wells OP and thereafter change the legal name of Washington REIT to Wells Washington Properties, Inc. (the "REIT Sale"). The date of the consummation of the REIT Sale, if it occurs, is herein referred to as the "REIT Sale Closing Date".

D. The Members are willing to make certain clarifications and changes to the LLC Agreement, and the Members desire to set forth herein their agreement as to all such clarifications, changes and other matters.

E. Capitalized terms not defined herein shall have the meanings set forth therefore in the LLC Agreement.

NOW THEREFORE, in consideration of the promises hereinafter set forth and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. The Recitals are incorporated herein and made a part hereof.

2. The LLC Agreement is amended, unless otherwise provided herein, by replacing each instance of the following words in the Agreement:

(a) Replacing the words “Beacon Member” with “TTF Member”.

(b) Replacing the words “Beacon Members” with “TTF Members”.

(c) Replacing the words “Beacon Member’s” with “TTF Member’s”.

(d) Replacing the word “Beacon” with “TTF and each Affiliate of TTF”.

(e) Replacing the words “Beacon Interests” with “TTF Interests”.

3. Section 1.3 of the LLC Agreement is hereby modified and amended by deleting the second sentence in the first paragraph and replacing it with:

“The principal office of the Company shall be c/o Wells Operating Partnership, L.P., 6200 Corners Parkway, Suite 250, Norcross, Georgia 30092.”

4. Section 2.1 of the LLC Agreement is amended by adding to the end thereof the following:

“In the event of a Transfer of an Interest permitted under this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent attributable to the transferred Interest.”

5. Notwithstanding Section 2.3 of the LLC Agreement or any other provision of the LLC Agreement, after the date of this First Amendment, LLC, the TTF Members shall have the right to make the full amount of any Capital Contributions called by the Manager.

6. Section 2.4 of the LLC Agreement is hereby modified and amended as follows:

(a) Section 2.4.C is amended by deleting in their entirety the first two paragraphs thereof, deleting “this Section 2.4.C” in the third paragraph thereof and replacing it with “this Agreement”, deleting “pursuant to the above” in the fourth paragraph thereof and replacing it with “in connection with a Capital Contribution”, and replacing the first two paragraphs with the following:

“Upon the making of any Capital Contributions pursuant to this Section 2.4 or Section 5.3 or in connection with any prepayment of the Subordinate Loans or pursuant to the Option Agreements, each Member’s Percentage Interest shall be recalculated.

The resulting adjustments to the Percentage Interests of the Members shall not affect any change in the Capital Accounts of the Members except to reflect the additional Capital Contributions."

7. Section 3.1.A of the LLC Agreement is hereby modified and amended as follows:

(a) The following phrase shall be deleted from Section 3.1.A(4) "subject to compliance with Section 10.7" and the following phrase is added to the end of Section 3.1.A(4):

", provided that the Company shall not sell the Property without the consent of the Akridge Representative prior to October 24, 2007 (the "Debt Sunset Date").

(b) The following phrase is added to the LLC Agreement after the phrase "provided however" in the 4th line from the end of Section 3.1.A(7):

"prior to the Debt Sunset Date",

and the following phrase is added to the end of Section 3.1.A(7):

"and provided that without limiting any of the other rights the TFF Members or the Manager or the Company relating to financing or refinancing as provided herein, the currently outstanding first mortgage loan held by Metropolitan Life Insurance Company (as it may be modified as appropriate to accommodate the REIT Sale Closing herein, the "MetLoan") shall not, except in connection with a refinancing or modification in accordance with the terms hereof, be voluntarily prepaid in full prior to the Debt Sunset Date".

(c) The second paragraph after Section 3.1.A(15) is deleted.

(d) The following phrase is added to the LLC Agreement after the words "the Manager" in the third line of the penultimate paragraph after Section 3.1.A(15):

", until after December 31, 2011,"

(e) The last paragraph after Section 3.1.A(15) of the LLC Agreement is deleted and replaced with the following:

"Nothing in the immediately preceding paragraph shall (i) impose any liability of any nature or create any legal or equitable rights in the Original Partners unless the Manager intentionally acts in bad faith in carrying out the provisions of said paragraph, or (ii) in any way limit the Manager's rights, as the Manager of the Company, to cause the Company to sell (after the Debt Sunset Date) or to finance or refinance the Property in the Manager's sole discretion nor otherwise limit, restrict or otherwise affect any of the other provisions of this Agreement."

8. The first sentence of the first paragraph of Section 3.1.E of the LLC Agreement is deleted and replaced with the following:

> "Effective upon the REIT Sale Closing Date, the Washington REIT (Wells Washington Properties, Inc.) is and shall be the Manager unless and until replaced by a new Person designated at any time by TTF, in its capacity as a Member (and including herein any successor to TTF as a Member in the Company). TTF including its successors and assigns, in any such Person's capacity as a Member, shall have the sole and exclusive right to appoint the Manager and to remove the Manager at any time, with or without cause, and for any reason or for no reason."

9. The first two sentences of the second paragraph of Section 3.1.E of the LLC Agreement is deleted and replaced with the following:

> "Any successor Manager may be removed and/or replaced by TTF at anytime and for any, or for no reason, all as it shall decide in its sole discretion. Any Manager designated by TTF shall file a written acceptance of such designation with the Company."

10. Section 3.7.E of the LLC Agreement is hereby amended by deleting such provision in its entirety and replacing it by the following:

> "Notwithstanding the above or any other provision of this Agreement or the LLC Act, the Company shall not take any action which, in the sole judgment of the Manager (1) so long as Washington REIT or Wells or any Affiliate of TTF qualifies as a REIT (each of Washington REIT, Wells, and any such Affiliate of TTF an "Affiliated REIT"), and without limiting the right of any Affiliated REIT, in its sole discretion, to cease qualifying as a REIT, (a) would cause any income or receipts of the Company to be other than rents from real property, as defined in Section 856 of the Code and the Treasury Regulations thereunder, or other miscellaneous income or receipts which would not qualify under Section 856(c) of the Code and the Treasury Regulations thereunder, (b) could, in the judgment of the Manager, otherwise adversely affect the ability of any Affiliated REIT to continue to qualify as a REIT, or (c) could, in the judgment of the Manager, subject any Affiliated REIT to any additional taxes under Section 857 or Section 4981 of the Code, or (2) would violate any law or regulation of any governmental body or agency having jurisdiction over securities issued by TTF or any Affiliate of TTF. The Members acknowledge that the Company shall not take any action prohibited by the preceding sentence even if the taking of any such action might otherwise be advantageous to the Company or to some of the Members unless TTF specifically determines to take, or otherwise consents to the taking of, any such action, in its sole discretion. The provisions of this paragraph are solely for the benefit of TTF and of each Affiliate of TTF, and no other Person shall have the right to enforce, or be the beneficiary of, the provisions of this paragraph.

Any action of the Manager on behalf of the Company or any decision of the Manager to refrain from acting on behalf of the Company undertaken in the good faith belief that such action or omission is necessary or advisable in order to comply with the provisions of the preceding paragraph and/or to minimize the receipt of income so as to allow any Affiliated REIT to avoid incurring any liability for taxes under Section 857 or Section 4981 of the Code is expressly authorized under this Agreement, even if taking such action or omission was not otherwise in the best interests of the Company or any of its Members, so long as, in any such event, the Manager acted in good faith and such action or omission was believed by the Manager to be within the scope of the purposes of the Company."

11. Section 6.1.A is amended by changing all references to "Partially Adjusted Capital Accounts" to "Adjusted Capital Accounts", changing all references to "Partner" to "Member", and changing all references to "Partner's" to "Member's".

12. Section 6.2.C is amended by adding the word "not" after the word "consent" and before the phrase "to be unreasonably withheld" in the penultimate line of that section.

13. Section 8.1.B of the LLC Agreement is hereby modified and amended to delete from that section each of the following phrases "or a breach of Section 10.7" and the phrase "or an order is entered requiring compliance with Section 10.7 of this Agreement where it had been alleged that there had been a failure to so comply and the court found that there had been such a failure to comply".14.Section 9.2 of the LLC Agreement is amended as follows:

(a) The parenthetical in the second sentence of Section 9.2 is hereby deleted and replaced by the following:

"(without limiting the rights of the Manager pursuant to the immediately following sentence as to elections under Section 754 of the Code)".

(b) The following new sentence is hereby added at the end of, and as part of, Section 9.2:

"The Manager shall have the right to cause the Company to make an election under Section 754 of the Code, all as the Manager may determine."

14. In the second sentence of the last paragraph of Section 10.2.B of the LLC Agreement, replace the phrase "membership interests in a Beacon Member, limited partner interests in Beacon or in Beacon Capital Strategic Partners II, L.P., or shares in BCSP" with the phrase, "shares, membership interests, partnership interests or other form of equity interests in any TTF or any Entity directly or indirectly owning any equity interest in TTF".

15. Section 10.2.E of the LLC Agreement is hereby amended as follows:

(a) By replacing the phrase “transfer tax” in the existing last sentence of Section 10.2.E with the following: “Transfer Tax”.

(b) By adding the following after the words “Economic Interests Reporting Act” in the existing last sentence of Section 10.2.E: “(as such may be hereafter amended, and including any successor law, the “Transfer Tax”)”.

16. Section 10.7 of the LLC Agreement is deleted in its entirety.

17. Section 12.1.A of the LLC Agreement is amended to delete the notice parties and addresses for TTF and replace them with the following:

Wells Operating Partnership, L.P.
6200 Corners Parkway, Suite 250
Norcross, Georgia 30092
Attn: Jeff Gilder, Director

With a copy to:

Alston & Bird, LLP
One Atlantic Center
1201 West Peachtree Street
Atlanta, GA 30309-3424
Attn: William O’Callaghan, Esq.
Facsimile: 404-881-7777

18. The following changes are hereby made in the “Definitions” attached to, and which are part of, the LLC Agreement:

(a) Replace the definition of “Accountants” with the accounting firm selected from time to time by TTF.

(b) Delete the definitions of BCSP, Beacon, and Beacon Members and add a new definition: “TTF Members” means TTF, the holder of any Interests acquired pursuant to the Option Agreements, and their respective successors and assigns.”

(c) In the definition of “Book Value”, add the following to the end of paragraph (a) of clause (ii): “, taking into account the Members’ intentions that their respective Capital Accounts should at all times be proportionate to their Percentage Interests”.

(d) In the definition of “Capital Contribution”, add the following to the end thereof: “A Member’s Capital Contributions shall not be reduced by any distribution made to a Member even if, pursuant to other provisions of this Agreement or otherwise, such distributions are treated as a return of capital for any purpose. In the event of a Transfer of an Interest permitted under this Agreement, the transferee shall succeed to the Capital Contributions of the transferor to the extent attributable to the transferred Interest.”

(e) In the definition of "Option Agreements", add to the end of such definition: "as such agreements may be amended or modified from time to time."

(f) Delete the definition of "Percentage Interest" in its entirety and replace it with the following: ""Percentage Interest' shall be determined as follows: Until an Interest is acquired pursuant to one of the Option Agreements, a Member's Percentage Interests shall be determined based on their relative Capital Contributions. If an Interest is acquired pursuant to either or both of the Option Agreements, thereafter the Percentage Interest of any Person(s) acquiring an Interest pursuant to an Option Agreement shall be determined in accordance with Schedule A of the Option Agreements, and the Percentage Interests of each other Member shall be determined based on the following formula:

(100% - Percentage Interests of Members acquiring Interests pursuant to Option Agreements) x (Other Member's Capital Contributions ÷ Sum of other Members' Capital Contributions)

(g) Delete the reference to Section 5.1G in the definitions of "Special Distribution" and "Special Distribution Amount" and replace it with "Section 5.1H".

19. Exhibit A of the LLC Agreement shall be modified by replacing the heading "Restated Capital Account (after the Special Distribution)" with "Capital Contributions."

20. (a) Each Original Partner hereby certifies to each of Beacon, TTF, Wells OP, and Wells as follows:

(i) That there is no default by such Member or, by TTF, the Company, or Beacon under the LLC Agreement, any Subordinate Loan document, or the Master Transaction Agreement.

(ii) Since September 27, 2002, such Original Partner has not Transferred, agreed to transfer or granted any person any option to acquire any Interest or any portion of any Interest in the Company, and no direct or indirect interest of any Person in such Member has been Transferred since September 27, 2002.

(b) Each Original Partner acknowledges that upon the consummation of the REIT Sale on the REIT Sale Closing Date, among other things, Wells OP (or an affiliate of Wells) shall acquire the common stock of the Washington REIT and each Original Partner shall and does hereby fully release Washington REIT, TTF and the Company from any and all liability and/or obligations any of them may have under the LLC Agreement, any Subordinate Loan document, and/or the Master Transaction Agreement, and agrees not to sue, make any claim against or otherwise pursue Washington REIT, TTF and the Company, in all events as to any and all events and/or any other matters, actions and/or omissions to act arising and/or occurring prior to the REIT Sale Closing Date, and by its joinder herein below, Beacon shall and does hereby assume any and all liability and obligations that any of Washington REIT, TTF and the Company may have under the LLC Agreement, any Subordinate Loan document, and/or the Master Transaction Agreement as to any and all events and/or any other matters, actions and/or omissions to act arising and/or occurring prior to the REIT Sale Closing Date. The release (if such occurs) of Washington REIT, TTF and the Company pursuant to this provision shall not affect any liability or obligations which Beacon may have pursuant to assumption of liability pursuant to the immediately preceding sentence or otherwise have as to events arising and/or occurring prior to the REIT Sale Closing Date even if such liability occurs and/or arises or results due to or in connection with actions or omissions of Washington REIT, TTF and the Company occurring or arising prior to the REIT Sale Closing.

21. Each Original Partner hereby certifies to each of Washington REIT, TTF, Wells OP, and each Affiliate of Wells OP (each a "Wells Party"), that no Wells Party has any surviving liability or obligations of any type or nature under the Master Transaction Agreement, and that any liability of Beacon or any Affiliate of Beacon is not transferred to, or in any assumed by, or deemed assumed by, any Wells Party and no Wells Party has, or is deemed to have, any liability or obligation of any type or nature under the Master Transaction Agreement by virtue of its acquisition of Washington REIT and its indirect acquisition of TTF or by having an Interest in the Company or otherwise for any reason.

22. Except as expressly amended and modified hereby, the LLC Agreement shall remain in full force and effect and is hereby ratified and confirmed by the parties.

23. This First Amendment may be executed and delivered in any number of counterparts. Each such counterpart shall be considered an original for all purposes. All such counterparts shall, together, constitute one and the same instrument. In making proof of this First Amendment, it shall not be necessary to produce or account for more than one such counterpart.

24. Without affecting the binding effect of this First Amendment or otherwise changing the terms of this First Amendment, the parties agree to restate the Limited Liability Company Agreement solely to incorporate the above changes (and the appropriate and necessary conforming changes).

[PAGE ENDS HERE]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the date first written above.

1225 EQUITY LLC,
a Delaware limited liability company

By: Beacon Capital Strategic Partners II, L.P.,
a Delaware limited partnership, its sole member

By: BCP Strategic Partners II, LLC,
a Delaware limited partnership, its general partner

By: Beacon Capital Partners, LLC,
a Delaware limited liability company, its manager

By: /s/ William A. Bonn, Esq.

Name: William A. Bonn, Esq.
Title: Executive Vice President
and General Counsel

1225 ESGP, LLC,
a Delaware limited liability company

By: JACo Eye Street Development, Inc.,
its Sole member

By: /s/ Thomas W. Wilbur

Thomas W. Wilbur
Vice President

/s/ John E. Akridge, III

John E. Akridge, III, Individually

/s/ D. Steven Akridge

D. Steven Akridge, Individually

[SIGNATURE PAGE FOR 1225 EYE STREET, N.W. ASSOCIATES
FIRST AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT
(1225 Eye Street, N.W., Washington, D.C.)]
[CONTINUED]

ALTOONA INVESTORS, INC.

By: /s/ Henry E. Bowden

Henry E. Bowden, President

JACo GENERAL PARTNERSHIP

/s/ John E. Akridge, III

By: John E. Akridge, III.,
Its Managing General Partner

ONE FRANKLIN PLAZA, LLC

By: JACo Manager, Inc.,
its Managing Member

By: /s/ Thomas W. Wilbur

Thomas W. Wilbur
Vice President

/s/ Thomas W. Wilbur

Thomas W. Wilbur, Individually

SQUARE 285, LTD.

By: The John Akridge Company, its General Partner

By: /s/ Matthew J. Klein

Matthew J. Klein,
Its President

[SIGNATURE PAGE FOR 1225 EYE STREET, N.W. ASSOCIATES
FIRST AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT
(1225 Eye Street, N.W., Washington, D.C.)]
[CONTINUED]

For purposes of acknowledging and agreeing to Section 20(b) hereof:

BEACON CAPITAL STRATEGIC PARTNERS II,
L.P., a Delaware limited partnership

By: BCP Strategic Partners II, LLC,
a Delaware limited partnership,
its general partner

By: Beacon Capital Partners, LLC,
a Delaware limited liability company,
its manager

By: /s/ William A. Bonn, Esq.
Name: William A. Bonn, Esq.
Title: Senior Vice President
and General Counsel

[SIGNATURE PAGE FOR 1225 EYE STREET, N.W. ASSOCIATES
FIRST AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT
(1225 Eye Street, N.W., Washington, D.C.)]

EXHIBIT 10.123

US PARK SERVICE LEASE AGREEMENT FOR A PORTION OF US PARK SERVICE BUILDING

STANDARD FORM 2
FEBRUARY 1965 EDITION
GENERAL SERVICES
ADMINISTRATION
FPR (41CFR) 1D16.601
DATE OF LEASE: 1/10/02 LEASE #GS-11B-_1482 "neg"

U.S. GOVERNMENT
LEASE FOR REAL PROPERTY

THIS LEASE, made entered into this date between whose address is:

1215 Eye Street, NW Associates Limited Partnership
c/o The John Akridge Company
601 13th Street, NW, Suite 300N
Washington, DC 20005
Attention: Asset Manager/1201 Eye

and whose interest in the property hereinafter described is that of OWNER, hereinafter called the LESSOR, and the UNITED STATES OF AMERICA, hereinafter called the Government.

* * * * *

WITNESSETH: The parties hereto for the considerations hereinafter mentioned, covenant and agree as follows:

* * * * *

1. The Lessor hereby leases to the Government the following described premises:

A total of approximately 219,750 BOMA rentable square feet (such yielding 192,000 ANSI/BOMA Office Area square feet (herein referred to as "usable square feet" of "USF"), located on full floor C1 (8,781 USF), partial floor 1 (9,134 USF), full floor 2 (14,285 USF), full floors 5-10 (20,048 USF each), and full floors 11-12 (19,756 USF each), plus five (5) reserved parking spaces for official Government vehicles, all in the building located at, and commonly known as, 1201 Eye Street, NW, Washington, DC 20005-5905,

to be used for SUCH PURPOSES AS DETERMINED BY THE GOVERNMENT consistent with applicable zoning requirements and the terms and provisions of this Lease.

* * * * *

2. TO HAVE AND TO HOLD the said premises with their appurtenances for the TEN YEAR FIRM term beginning on (see Paragraphs 6I and 6J below) and continuing through midnight on the day immediately prior to the tenth anniversary of such lease commencement date.

* * * * *

3. The Government shall pay the Lessor annual rent of:

For lease years 1– 4, the Government shall pay the Lessor annual rent of Eight Million Two Hundred Nine Thousand Nine Hundred Twenty and 00/100 Dollars ($8,209,920.00) (based on a rate of $42.76 per USF) payable at the rate of Six Hundred Eighty Four Thousand One Hundred Sixty and 00/100 Dollars ($684,160.00) per month in arrears. For lease years 5 though 7, the Government shall pay the Lessor annual rent of Eight Million Seven Hundred Eighty Five Thousand Nine Hundred Twenty and 00/100 Dollars ($8,785,920.00) (based on a rate of $45.76 per USF) payable at a rate of Seven Hundred Thirty Two Thousand One Hundred Sixty and 00/100 Dollars ($732,160.00) per month in arrears. For lease years 8 though 10, the Government shall pay the Lessor annual rent of Nine Million Three Hundred Sixty One Thousand Nine Hundred Twenty and 00/100 Dollars ($9,361,920.00) (based on a rate of $48.76 per USF) payable at a rate of Seven Hundred Eight Thousand One Hundred Sixty and 33/100 Dollars ($780,160.00) per month in arrears. In addition to the annual rent, the Government shall pay Operating Expense Adjustments and Tax Adjustments as provided in this SF2 and the attached Solicitation for Offers during the Lease term. If the term of the Lease commences on a day other than the first day of a month, rent for the first and last months shall be prorated. Rent checks shall be made payable to: 1215 Eye Street, NW Associates Limited Partnership, P.O. Box 890213, Charlotte, NC 28289-0213.

* * * * *

LESSOR /s/ Illegible GOV'T /s/ Illegible **EXCEPTION TO SF2 APPROVED GSA/IRMS 12D89**

6A. The Lessor shall furnish to the Government as part of the rental consideration, the following:

i. All services, utilities, alterations, repairs and maintenance, as well as any other rights and privileges, stipulated by this Lease and its Attachments to be a component of the rental consideration. With respect to any special equipment installed by or at the direction of the Government, including, but not limited to, dedicated/self-contained HVAC equipment, special storage systems, telecommunications equipment, emergency power systems and above SFO standard lighting, the Lessor shall submit a request for equitable adjustment for the costs to maintain, repair and replace, as well as for the cost for the utilities to operate, such special equipment. Such costs shall be added to the annual rent and operating expense base at such time and in the amount determined to be appropriate in accordance with the procedures set forth in paragraphs 32 and 33 of the General Clauses (GSA Form 3517) attached to and made a part of this Lease.

ii. A Tenant Improvement Allowance in the amount of $38.30 per USF. Such Allowance shall be made available within 45 days of lease award, but shall be held by the Lessor until directed by the Government on how the disbursement of funds shall occur. The Government shall have the sole discretion to direct disbursement of the Tenant Improvement Allowance funds in accordance with SFO Paragraph 1.10 "Tenant Improvements, and/or in SFO Paragraph 1.11 "Tenant Improvement Rental Adjustment." This Tenant Improvement Allowance is included in the rent, and has been amortized at a rate of 8% over the ten-year firm Lease Term. If a rental adjustment is selected, consistent with SFO Paragraph 1.11, the rent shall be adjusted downward using the 8% amortization rate on the unused portion of the Tenant Improvement Allowance. A mutually agreed upon Supplemental Lease Agreement (SLA) will be executed upon the Government's acceptance of the space. The SLA shall finalize the rent using the final Tenant Improvement costs as approved by the Government in accordance with the requirements of this Lease. The actual cost of the Tenant Improvements will be determined by the competition and cost proposal process as set forth in SFO Paragraph 3.17 "Delivery Schedule of Tenant Improvements", wish the understanding that bidding shall take place at the trade/subcontractor level. Any work items provided by the General Contractor, or for which there is not adequate competition at the trade/subcontractor level, shall be subject to the Government review of cost and pricing data.

6B. Pursuant to SFO Paragraph 1.10 "Tenant Improvements", it is agreed that the general contractor's overhead and general conditions shall be 4%, general contractor's profit shall be 3%, and Lessor's supervision and management fee shall be 5%. Therefore, the total fees in connection with the build-out of the leased space and for change orders in connection with the buildout of the leased space shall be equal to a total cumulative percentage of the cost of the tenant improvement work of 12.476%. Regulatory fees and permit costs shall be treated as a cost of the tenant improvement work. All of these fees will be paid for along with the cost of the design and construction of the tenant improvements out of the Tenant Improvement Allowance included in the rent, unless such costs exceed the Tenant Improvements Allowance of $38.30 per USF, in which case the excess will be paid lump sum by the Government.

6C. The Lessor shall be responsible for paying all brokerage commissions due in connection with the consummation of this Lease. A commission in the total amount of three percent (3%) of the gross aggregate value of the rental payments due pursuant to Paragraph 3 above under this Lease such commission amount being $2,618,496.00) shall be paid by the Lessor to Spaulding and Slye LLC ("S&S") who has acted as the Government's broker in connection with this transaction. The foregoing commission amount shall be paid 50% upon full and complete execution of the Lease and 50% upon full acceptance, occupancy and rent commencement under the Lease.

6D. Pursuant to SFO Paragraph 3.3 "Tax Adjustment" and SFO Paragraph 3.4 "Business Improvement Districts", the Government's percentage of occupancy within the subject building for the purpose of calculating future Tax Adjustments as provided by the Lease shall be 81.701%, based on the summary in Attachment 1.

6E. Pursuant to SFO Paragraph 3.6 "Operating Costs Base", the Operating Cost Base for purpose of calculating future Operating Cost Adjustments as provided by the Lease and its Attachments shall be $1,326,720.00 or $6.91 per USF.

6F. Pursuant to SFO Paragraph 3.9 "Common Area Factor", the Add-On Factor is determined to be 1.1445 based on the summary in Attachment 1.

6G. Pursuant to SFO Paragraph 3.13 "Adjustment for Vacant Premises", the Adjustment for Vacant Premises as defined by the Lease and its Attachments shall be $1.50 per USF for at least ½ of a leased floor; $2.00 per USF for at least 1 full leased floor or the entire space leased by the Government on a floor (if less than a full floor); or $2.50 per USF for the entire leased space. The reduction shall be effective 30 days after notice is provided to the Lessor. The adjustment will end if the contiguous vacant space is reduced below one half (^{1}/2) of one floor.

6H. Pursuant to Paragraph 3.1 "Unit Costs for Adjustments" the agreed upon unit costs are the following: (Note: Unit costs exclude architectural/engineering fees that may be necessary to complete work, which fees shall be the responsibility of the Government.)

1	The cost per floor mounted, 120-volt duplex electrical outlet.	$325.00/each
2	The cost per wall mounted, 120-volt duplex electrical outlet.	$ 70.00/each
3	The cost per floor mounted telephone outlet.	$225.00/each
4	The cost per wall mounted telephone outlet.	$ 55.00/each

6I. The tenant improvements to the leased space shall be constructed by the Lessor in accordance with the design and construction schedule to be prepared in accordance with SFO Paragraph 3.16 "Project Schedule." The start date for the initial task (Blocking and Stacking) shall commence upon the full execution of this Lease and the required substantial completion date shall be no later than September 1, 2002. The Lessor or the Government may accelerate the duration required to complete any item required of it on the schedule, and the entire schedule shall adjust accordingly, with the duration's of the remaining tasks remaining the same. Notwithstanding the September 1, 2002 date, the final agreed upon design and construction schedule that governs the delivery of the space and what is used to determine any delays and/or damages.

6J. Lease and rent commencement shall be subject to the Government's inspection and acceptance of the leased premises and SFO Paragraph 3.17 "Delivery Schedule of Tenant Improvements."

6K. Pursuant to Paragraph 7.3 "Overtime Usage", the rate for overtime HVAC service to the premises governed by this Lease shall be $30.00 per hour per floor during the first year of the Lease term. Such rate shall escalate each year during the lease term by the year-to-year percentage change in the CPI in the same manner as increases in operating expenses in accordance with SFO Paragraph 3.5 "Operating Costs." Notwithstanding the hours of HVAC service, the Government shall have the right to occupy and use the leased premises at any time on any day throughout the lease term. Such use/occupancy may include, but shall not be limited to, full access to the premises and appurtenant areas as well as the use of business machinery within the premises.

6L. The Lessor shall include in the parking operator's agreement the obligation to make available to the Government's employees on a first come first serve basis, the continuous right throughout the Lease term upon 30 days prior written notice to lease up to 156 parking permits on a month-to-month basis in the building's parking garage. Permits shall be available at an initial rate of not to exceed $310.00 per month. This rate shall escalate annually at a rate of 3.0%. Payment for such parking spaces shall be made by the Government or its employees separately from this Lease. The Lessor agrees to work with the Government to establish reasonable security procedures for the operation of the garage recognizing that such garage is available for the use of other tenants in the building and for public parking at all times. The Government at its cost and expense may establish a program to inspect vehicles with its own personnel upon entry into the building garage and at any time while they are present in the garage, provided that such inspection shall not unreasonably delay entry to the garage. Lessor provided security includes manning the parking garage during the hours of 6.30 a.m. until 7:00 p.m. Monday through Friday with uniformed parking attendants at all times during the posted operating hours and providing monthly passes to be displayed in vehicles upon entry and while in the garage. All monthly and daily parkers arriving to the facility will be permitted to self-park. Once all self-park spaces have been filled, any additional monthly or daily parkers will be required to stack park by the garage attendant. Every vehicle in the facility must at all times display a valid monthly or daily permit identifying the vehicle. All costs to implement or associated with such security program shall be borne by the Government, including costs of installation and operation of equipment, all security personnel costs and any increased maintenance costs resulting from compliance with such security procedures.

6M. The Government shall have the right to establish a building ID and visitor pass program for all persons entering the building and to administer and enforce such program. All Government personnel stationed in the building lobby shall be appropriately uniformed. In addition, the Government shall have the right to install magnetometers and x-ray machines in or adjacent to the building lobby and to require all visitors to be screened through such machines prior to entry. The Government's security personnel will be required to afford the employees and the visitors of non-Governmental tenants and of the landlord, or their agents, access to the privately leased premises and common areas in a manner equivalent to Government employees and Government visitors, or their agent. The security area shall be kept clean and uncluttered, as befitting a Class A office building. Equipment shall be kept in a clean and serviceable manner, with aesthetic screening wherever reasonable. The quality of desks, tables, and other fixtures provided by the Government for the use of the security personnel shall be of a design and quality matching the design of the lobby. All costs to implement or associated with such security program shall be borne by the Government, including costs of installation and operation of equipment, all badging and id costs, all security personnel costs and any increased maintenance costs resulting from compliance with such security procedures.

LESSOR /s/ Illegible GOV'T /s/ Illegible

6N. Lessor agrees to give a copy of its Occupant Emergency Plan to the Government agency assigned to occupy the leased space, and to reasonably cooperate with said agency in adapting the agency's plan to Lessor's Occupant Emergency Plan. If Lessor does not have an Occupant Emergency Plan, it agrees to promptly develop one and to reasonably cooperate with the Government agency assigned to occupy the leased space to make its Occupant Emergency Plan is reasonably compatible to the agency's plan. Lessor agrees to review its plan annually, and adopt changes to same as may be required by the Government, at no cost to the Lessor.

6O. With respect to any default by the Lessor under this Lease which may result in a termination of this Lease or an offset of the rent payable under this Lease in a amount in any month equal to or greater than $100,000.00, the Government shall provide written notice and a reasonable opportunity to cure to Bank America Real Estate (the Lessor's first trust lender) at 8300 Greensboro Drive, Suite 300, McLean, Virginia 22102, Attention: Richard Schoen, prior to instituting any action to remedy or cure such default. Such reasonable opportunity to cure shall not apply in the event of a default, which results in an immediate danger to life or health. Lessor shall provide written notice to the Government of any change in the identity or address of its first trust lender for the purpose of the foregoing notice.

6P. To the best of the Government's knowledge and belief, neither the Government nor any of its "affiliates" (within the meaning of Part V(c) of Prohibited Transaction Exemption 84-14, 49 Fed. Reg. 9494 (1984), as amended ("PTE 84-14")) has, or during the immediately preceding year has exercised, the authority to: (i) appoint or terminate Lessor or the Prudential Insurance Company of America ("Prudential") as investment manager over assets of any "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") invested in, or sponsored by, the Lessor or Prudential or, (ii) negotiated the terms of a management agreement (including renewals or modifications thereof) with Lessor or Prudential on behalf of such plan. The Government is not "related" to Lessor or Prudential (as determined under Part V9h of PTE 84-14). The Government has determined the terms of this Lease at arm's length, as such terms would be negotiated and determined by the Government with any unrelated third party. The Government is not an "employee benefit plan" as defined in Section 3(3) of ERISA, a "plan" as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended, or an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. Section 2510.3-101, of any such employee benefit plan or plan.

6Q. In the case of discrepancies between this SF2 and its attachments, this SF2 shall govern.

7. The following are attached and made a part hereof:

   A. Attachment 1 – ANSI/BOMA Office Area Summary and floor plans of the leased premises – 8 Pages

   B. Solicitation for Offers #02-003 Dated 11/20/01 (Revised to include Amendment #1) – 38 Pages

   C. GSA Form 3517B – 26 Pages

   D. GSA Form 3518 – 4 Pages

   E. GSA Form 1217 "Lessor's Annual Cost Statement" – 1 Page

   F. Fire Protection & Life Safety Evaluation – 11 Pages

8. The following changes were made in this lease prior to its execution:

   Paragraphs 4 and 5 have been deleted in their entirety.

IN WITNESS, WHEREOF, the parties hereto have hereunto subscribed their names as of the date first above written.

LESSOR: **1215 Eye Street, NW Associates Limited Partnership, a District of Columbia limited partnership, by: 1215 ESGP, LLC, a Delaware limited liability company, its General Partner, by: JACo Eye Street Development Inc., a Delaware Corporation, its Managing Member**

BY /s/ Matthew J. Klein

Matthew J. Klein, its President

IN PRESENCE OF /s/ Timothy L. Kissler ADDRESS 601 13th Street, NW, Washington, DC 20005

Timothy L. Kissler

UNITED STATES OF AMERICA, GENERAL SERVICES ADMINISTRATION

BY /s/ Monica R. Sias

MS. MONICA SIAS, CONTRACTING OFFICER

LESSOR /s/ Illegible GOV'T /s/ Illegible **EXCEPTION TO SF2 APPROVED GSA/IRMS 12D89**

hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government: **WHEREAS**, the parties hereto desire to amend the above lease to provide clarification on the Lessor's responsibility regarding Fire and Life Safety issues.

NOW THEREFORE, these parties for the considerations hereinafter mentioned covenant and agree that the said Lease is amended as follows.

The following is added to paragraph 6 of the Standard Form 2:

"6R. Lessor attests that at its sole cost and expanse it will comply with the following Findings and Recommendations noted by the GSA Fire Protection Engineering Section:

1. Provide one-hour fire rated vestibule (on the Government occupied floors), so that the stair remoteness meets BOCA and GSA requirements. The stairs must be separated by 1/4th of the long diagonal of the building. (See Exhibit A attached.)
2. Remove the interior door accessing the stair No.1 exit passageway to the Mailroom/Newspaper Rack room. The opening needs to be filled with two-hour fire rated construction.
3. Provide signage in each stair (on each floor landing) which indicates whether the stair accesses the roof, and which floor is the level of exit discharge.
4. Provide a 1.5-hour fire rated door assembly at door F-1/2 stair No.2 discharge door at lobby,"

All other terms and conditions of the Lease shall remain in force and in effect.

IN WITNESS WHEREOF, the parties subscribed there names as of the above date.

LESSOR: **1215 Eye Street, NW Associates Limited Partnership, a District of Columbia limited partnership, by: 1215 Eye ESGP, LLC, a Delaware limited liability company, its General Partner, by: JACo Eye Street Development Inc., a Delaware Corporation, its Managing Member**

BY /s/ Matthew J. Klein

Matthew J. Klein, its President

IN PRESENCE OF

/s/ Timothy L. Kissler

Timothy L. Kissler

Address 601 13th Street, NW, Washington, DC 20005

(Address)

UNITED STATES OF AMERICA, GENERAL SERVICES ADMINISTRATION

BY /s/ Monica R. Sias

Ms. Monica Sias, Contracting Officer

/s/ Illegible

(Title)

Initials: /s/ Illegible & /s/ Illegible

Lessor Gov't

STANDARD FORM 2
FEBRUARY 1965 EDITION
GENERAL SERVICES
ADMINISTRATION
FPR (41C_R) 1_16.601

U.S. GOVERNMENT
LEASE FOR REAL PROPERTY

DATE OF LEASE: LEASE #GS-11B-014_2 "neg"

THIS LEASE, made and entered into this date between whose address is:

1215 Eye Street, NW Associates Limited Partnership
c/o The John Akridge Company
601 13th Street, NW, Suite 300N
Washington, DC 20005
Attention: Asset Manager/1201 Eye

and whose interest in the property hereinafter described is that of OWNER, hereinafter called the LESSOR, and the UNITED STATES OF AMERICA, hereinafter called the Government.

* * * * *

WITNESSETH: The parties hereto for the considerations hereinafter mentioned, covenant and agree as follows:

* * * * *

1. The Lessor hereby leases to the Government the following described premises:

A total of approximately 219,750 BOMA rentable square feet (such yielding 192,000 ANSI/BOMA Office Area square feet (herein referred to as "usable square feet" or "USF"), located on full floor C1 (8,781 USF), partial floor 1 (9,134 USF), full floor 2 (14,285 USF), full floors 5-10 (20,048 USF each), and full floors 11-12 (19,756 USF each), plus five (5) reserved parking spaces for official Government vehicles, all in the building located at, and commonly known as, 1201 Eye Street, NW, Washington, DC 20005-5905,

to be used for SUCH PURPOSES AS DETERMINED BY THE GOVERNMENT consistent with applicable zoning requirements and the terms and provisions of this Lease.

* * * * *

2. TO HAVE AND TO HOLD the said premises with their appurtenances for the TEN YEAR FIRM term beginning on (see Paragraphs 6I and 6J below) and continuing through midnight on the day immediately prior to the tenth anniversary of such lease commencement date.

* * * * *

3. The Government shall pay the Lessor annual rent of:

For lease years 1 – 4, the Government shall pay the Lessor annual rent of Eight Million Two Hundred Nine Thousand Nine Hundred Twenty and 00/100 Dollars ($8,209,920.00) (based on a rate of $42.76 per USF) payable at the rate of Six Hundred Eighty Four Thousand One Hundred Sixty and 00/100 Dollars ($684,160.00) per month in arrears. For lease years 5 though 7, the Government shall pay the Lessor annual rent of Eight Million Seven Hundred Eighty Five Thousand Nine Hundred Twenty and 00/100 Dollars ($8,785,920.00) (based on a rate of $45.76 per USF) payable at a rate of Seven Hundred Thirty Two Thousand One Hundred Sixty and 00/100 Dollars ($732,160.00) per month in arrears. For lease years 8 though 10, the Government shall pay the Lessor annual rent of Nine Million Three Hundred Sixty One Thousand Nine Hundred Twenty and 00/100 Dollars ($9,361,920.00) (based on a rate of $48.76 per USF) payable at a rate of Seven Hundred Eight Thousand One Hundred Sixty and 33/100 Dollars ($780,160.00) per month in arrears. In addition to the annual rent, the Government shall pay Operating Expense Adjustments and Tax Adjustments as provided in this SF2 and the attached Solicitation for Offers during the Lease term. If the term of the Lease commences on a day other than the first day of a month, rent for the first and last months shall be prorated. Rent checks shall be made payable to: 1215 Eye Street, NW Associates Limited Partnership, P.O. Box 890213, Charlotte, NC 28289-0213.

* * * * *

LESSOR /s/ Illegible GOV'T /s/ Illegible **EXCEPTION TO SF2 APPROVED GSA/IRMS 12D89**

6A. The Lessor shall furnish to the Government as part of the rental consideration, the following:

i. All services, utilities, alterations, repairs and maintenance, as well as any other rights and privileges, stipulated by this Lease and its Attachments to be a component of the rental consideration. With respect to any special equipment installed by or at the direction of the Government, including, but not limited to, dedicated/self-contained HVAC equipment, special storage systems, telecommunications equipment, emergency power systems and above SFO standard lighting, the Lessor shall submit a request for equitable adjustment for the costs to maintain, repair and replace, as well as for the cost for the utilities to operate, such special equipment. Such costs shall be added to the annual rent and operating expense base at such time and in the amount determined to be appropriate in accordance with the procedures set forth in paragraphs 32 and 33 of the General Clauses (GSA Form 3517) attached to and made a part of this Lease.

ii. A Tenant Improvement Allowance in the amount of $38.30 per USF. Such Allowance shall be made available within 45 days of lease award, but shall be held by the Lessor until directed by the Government on how the disbursement of funds shall occur. The Government shall have the sole discretion to direct disbursement of the Tenant Improvement Allowance funds in accordance with SFO Paragraph 1.10 “Tenant Improvements, and/or in SFO Paragraph 1.11 “Tenant Improvement Rental Adjustment” This Tenant Improvement Allowance is included in the rent, and has been amortized at a rate of 8% over the ten-year firm Lease Term. If a rental adjustment is selected, consistent with SFO Paragraph 1.11, the rent shall be adjusted downward using the 8% amortization rate on the unused portion of the Tenant Improvement Allowance. A mutually agreed upon Supplemental Lease Agreement (SLA) will be executed upon the Government’s acceptance of the space. The SLA shall finalize the rent using the final Tenant Improvement costs as approved by the Government in accordance with the requirements of this Lease. The actual cost of the Tenant Improvements will be determined by the competition and cost proposal process as set forth in SFO Paragraph 3.17 “Delivery Schedule of Tenant Improvements”, with the understanding that bidding shall take place at the trade/subcontractor level. Any work items provided by the General Contractor, or for which there is not adequate competition at the trade/subcontractor level, shall be subject to the Government review of cost and pricing data.

6B. Pursuant to SFO Paragraph 1.10 “Tenant Improvements”, it is agreed that the general contractor’s overhead and general conditions shall be 4%, general contractor’s profit shall be 3%, and Lessor’s supervision and management fee shall be 5%. Therefore, the total fees in connection with the build-out of the leased space and for change orders in connection with the buildout of the leased space shall be equal to a total cumulative percentage of the cost of the tenant improvement work of 12.476%. Regulatory fees and permit costs shall be treated as a cost of the tenant improvement work. All of these fees will be paid for along with the cost of the design and construction of the tenant improvements out of the Tenant Improvement Allowance included in the rent, unless such costs exceed the Tenant Improvements Allowance of $38.30 per USF, in which case the excess will be paid lump sum by the Government.

6C. The Lessor shall be responsible for paying all brokerage commissions due in connection with the consummation of this Lease. A commission in the total amount of three percent (3%) of the gross aggregate value of the rental payments due pursuant to Paragraph 3 above under this Lease (such commission amount being $2,618,496.00) shall be paid by the Lessor to Spaulding and Slye LLC (“S&S”) who has acted as the Government’s broker in connection with this transaction. The foregoing commission amount shall be paid 50% upon full and complete execution of the Lease and 50% upon full acceptance, occupancy and rent commencement under the Lease.

6D. Pursuant to SFO Paragraph 3.3 “Tax Adjustment” and SFO Paragraph 3.4 “Business Improvement Districts”, the Government’s percentage of occupancy within the subject building for the purpose of calculating future Tax Adjustments as provided by the Lease shall be 81.701%, based on the summary in Attachment 1.

6E. Pursuant to SFO Paragraph 3.6 “Operating Costs Base”, the Operating Cost Base for purpose of calculating future Operating Cost Adjustments as provided by the Lease and its Attachments shall be $1,326,720.00 or $6.91 per USF.

6F. Pursuant to SFO Paragraph 3.9 “Common Area Factor”, the Add-On Factor is determined to be 1.1445 based on the summary in Attachment 1.

6G. Pursuant to SFO Paragraph 3.13 “Adjustment for Vacant Premises”, the Adjustment for Vacant Premises as defined by the Lease and its Attachments shall be $1.50 per USF for at least ½ of a leased floor; $2.00 per USF for at least 1 full leased floor or the entire space leased by the Government on a floor (if less than a full floor); or $2.50 per USF for the entire leased space. The reduction shall be effective 30 days after notice is provided to the Lessor. The adjustment will end if the contiguous vacant space is reduced below one half (½) of one floor.

6H. Pursuant to Paragraph 3.1 “Unit Costs for Adjustments” the agreed upon unit costs are the following: (Note: Unit costs exclude architectural/engineering fees that may be necessary to complete work, which fees shall be the responsibility of the Government.)

1	The cost per floor mounted, 120-volt duplex electrical outlet.	$325.00/each
2	The cost per wall mounted 120-volt duplex electrical outlet.	$ 70.00/each
3	The cost per floor mounted telephone outlet.	$225.00/each
4	The cost per wall mounted telephone outlet.	$ 55.00/each

6I. The tenant improvements to the leased space shall be constructed by the Lessor in accordance with the design and construction schedule to be prepared in accordance with SFO Paragraph 3.16 “Project Schedule.” The start date for the initial task (Blocking and Stacking) shall commence upon the full execution of this Lease and the required substantial completion date shall be no later than September 1, 2002. The Lessor or the Government may accelerate the duration required to complete any item required of it on the schedule, and the entire schedule shall adjust accordingly, with the duration’s of the remaining tasks remaining the same. Notwithstanding the September 1, 2002 date, the final agreed upon design and construction schedule that governs the delivery of the space and what is used to determine any delays and/or damages.

6J. Lease and rent commencement shall be subject to the Government’s inspection and acceptance of the leased premises and SFO Paragraph 3.17 “Delivery Schedule of Tenant Improvements.”

6K. Pursuant to Paragraph 7.3 “Overtime Usage”, the rate for overtime HVAC service to the premises governed by this Lease shall be $30.00 per hour per floor during the first year of the lease term. Such rate shall escalate each year during the lease term by the year-to-year percentage change in the CPI in the same manner as increases in operating expenses in accordance with SFO Paragraph 3.5 “Operating Costs,” Notwithstanding the hours of HVAC service, the Government shall have the right to occupy and use the leased premises at any time on any day throughout the lease term. Such use/occupancy may include, but shall not be limited to, full access to the premises and appurtenant areas as well as the use of business machinery within the premises.

6L. The Lessor shall include in the parking operator’s agreement the obligation to make available to the Government’s employees on a first come first serve basis, the continuous right throughout the Lease term upon 30 days prior written notice to lease up to 156 parking permits on a month-to-month basis in the building’s parking garage. Permits shall be available at an initial rate of not to exceed $310.00 per month. This rate shall escalate annually at a rate of 3.0%. Payment for such parking spaces shall be made by the Government or its employees separately from this Lease. The Lessor agrees to work with the Government to establish reasonable security procedures for the operation of the garage recognizing that such garage is available for the use of other tenants in the building and for public parking at all times. The Government at its cost and expense may establish a program to inspect vehicles with its own personnel upon entry into the building garage and at any time while they are present in the garage, provided that such inspection shall not unreasonably delay entry to the garage. Lessor provided security includes manning the parking garage during the hours of 6:30 a.m. until 7:00 p.m. Monday through Friday with uniformed parking attendants at all times during the posted operating hours and providing monthly passes to be displayed in vehicles upon entry and while in the garage. All monthly and daily parkers arriving to the facility will be permitted to self-park. Once all self-park spaces have been filled, any additional monthly or daily parkers will be required to stack park by the garage attendant. Every vehicle in the facility must at all times display a valid monthly or daily permit identifying the vehicle. All costs to implement or associated with such security program shall be borne by the Government, including costs of installation and operation of equipment, all security personnel costs and any increased maintenance costs resulting from compliance with such security procedures.

6M. The Government shall have the right to establish a building ID and visitor pass program for all persons entering the building and to administer and enforce such program. All Government personnel stationed in the building lobby shall be appropriately uniformed. In addition, the Government shall have the right to install magnetometers and x-ray machines in or adjacent to the building lobby and to require all visitors to be screened through such machines prior to entry. The Government’s security personnel will be required to afford the employees and the visitors of non-Governmental tenants and of the landlord, or their agents, access to the privately leased premises and common areas in a manner equivalent to Government employees and Government visitors, of their agents. The security area shall be kept clean and uncluttered, as befitting a Class A office building. Equipment shall be kept in a clean and serviceable manner, with aesthetic screening wherever reasonable. The quality of desks, tables, and other fixtures provided by the Government for the use of the security personnel shall be of a design and quality matching the design of the lobby. All costs to implement or associated with such security program shall be borne by the Government, including costs of installation and operation of equipment, all badging and id costs, all security personnel costs and any increased maintenance costs resulting from compliance with such security procedures.

6N. Lessor agrees to give a copy of its Occupant Emergency Plan to the Government agency assigned to occupy the leased space, and to reasonably cooperate with said agency in adapting the agency's plan to Lessor's Occupant Emergency Plan. If Lessor does not have an Occupant Emergency Plan, it agrees to promptly develop one and to reasonably cooperate with the Government agency assigned to occupy the leased space to make its Occupant Emergency Plan is reasonably compatible to the agency's plan. Lessor agrees to review its plan annually, and adopt changes to same as may be required by the Government, at no cost to the Lessor.

6O. With respect to any default by the Lessor under this Lease which may result in a termination of this Lease or an offset of the rent payable under this Lease in a amount in any month equal to or greater than $100,000.00, the Government shall provide written notice and a reasonable opportunity to cure to Bank America Real Estate (the Lessor's first trust lender) at 8300 Greensboro Drive, Suite 300, McLean, Virginia 22102, Attention: Richard Schoen, prior to instituting any action to remedy or cure such default. Such reasonable opportunity to cure shall not apply in the event of a default, which results in an immediate danger to life or health. Lessor shall provide written notice to the Government of any change in the identity or address of its first trust lender for the purpose of the foregoing notice.

6P. To the best of the Government's knowledge and belief, neither the Government nor any of its "affiliates" (within the meaning of Part V(c) of Prohibited Transaction Exemption 84-14, 49 Fed. Reg. 9494 (1984), as amended ("PTE 84-14")) has, or during the immediately preceding year has exercised, the authority to: (i) appoint or terminate Lessor or the Prudential Insurance Company of America ("Prudential") as investment manager over assets of any "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") invested in, or sponsored by, the Lessor or Prudential or, (ii) negotiated the terms of a management agreement (including renewals or modifications thereof) with Lessor or Prudential on behalf of such plan. The Government is not "related" to Lessor or Prudential (as determined under Part V9h of PTE 84-14). The Government has determined the terms of this Lease at arm's length, as such terms would be negotiated and determined by the Government with any unrelated third party. The Government is not an "employee benefit plan" as defined in Section 3(3) of ERISA, a "plan" as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended, or an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. Section 2510.3-101, of any such employee benefit plan or plan.

6Q. In the case of discrepancies between this SF2 and its attachments, this SF2 shall govern.

7. The following are attached and made a part hereof:

A. Attachment 1 – ANSI/BOMA Office Area Summary and floor plans of the leased premises – 8 Pages

B. Solicitation for Offers #02–003 Dated 11/20/01 (Revised to include Amendment #1) – 38 Pages

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8. The following changes were made in this lease prior to its execution:

Paragraphs 4 and 5 have been deleted in their entirety.

IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their names as of the date first above written.

LESSOR: **1215 Eye Street, NW Associates Limited Partnership, a District of Columbia limited partnership, by: 1215 ESGP, LLC, a Delaware limited liability company, its General Partner, by: JACo Eye Street Development Inc., a Delaware Corporation, Its Managing Member**

BY /s/ Matthew J. Klein

Matthew J. Klein, its President

IN PRESENCE OF /s/ Timothy L. Kissler

Timothy L. Kissler

ADDRESS 601 13th Street, NW, Washington, DC 20005

UNITED STATES OF AMERICA, GENERAL SERVICES ADMINISTRATION

BY

MS. MONICA SIAS, CONTRACTING OFFICER

LESSOR /s/ Illegible GOV'T /s/ Illegible **EXCEPTION TO SF2 APPROVED GSA/IRMS 12D89**

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE
SUPPLEMENTAL LEASE AGREEMENT

SUPPLEMENTAL AGREEMENT NO. 01 DATE 1/11/__
TO LEASE NO: GS-11B-01482

ADDRESS OF PREMISES 1201 Eye Street, NW, Washington, DC, 20005-5905

THIS AGREEMENT, made and entered into this date by and between 1215 Eye Street, NW Associates Limited Partnership

whose address is **c/o The John Akridge Company**
601 13th Street, NW, Suite 300N
Washington, DC 20005
Attention: Asset Manager/1201 Eye

hereinafter called the Lessor, and the **UNITED STATES OF AMERICA,** hereinafter called the Government: **WHEREAS,** the parties hereto desire to amend the above lease to provide clarification on the Lessor's responsibility regarding Fire and Life Safety issues.

NOW THEREFORE, these parties for the considerations hereinafter mentioned covenant and agree that the said Lease is amended as follows.

The following is added to paragraph 6 of the Standard Form 2:

"6R, Lessor attests that at its sole cost and expense it will comply with the following Findings and Recommendations noted by the GSA Fire Protection Engineering Section:

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3. Provide signage in each stair (on each floor landing) which indicates whether the stair accesses the roof, and which floor is the level of exit discharge.
4. Provide a 1.5-hour fire rated door assembly at door F-1/2 stair No.2 discharge door at lobby."

All other terms and conditions of the Lease shall remain in force and in effect.

IN WITNESS WHEREOF, the parties subscribed there names as of the above date.

LESSOR: **1215 Eye Street, NW Associates Limited Partnership, a District of Columbia limited partnership, by: 1215 Eye ESGP, LLC, a Delaware limited liability company, Its General Partner, by: JACo Eye Street Development Inc., a Delaware Corporation, its Managing Member**

BY /s/ Matthew J. Klein

Matthew J. Klein, its President

IN PRESENCE OF

/s/ Timothy L. Kissler

Timothy L. Kissler

Address 601 13th Street, NW, Washington, DC 20005

(Address)

UNITED-STATES OF AMERICA, GENERAL SERVICES ADMINISTRATION

BY /s/ Monica R. Sias

Ms. Monica Sias, Contracting Officer

/s/ Illegible

(Title)

Initials: /s/ Illegible & /s/ Illegible

Lessor Gov't

[GRAPHIC]

SOLICITATION FOR OFFERS

THE GENERAL SERVICES ADMINISTRATION

FOR

US NATIONAL PARK SERVICE

SPACE REQUIREMENT FOR A MAXIMUM OF 221,000 BOMA RENTABLE SQUARE FEET OF SPACE LOCATED IN WASHINGTON, DC

BROKER:	SPAULDING AND SLYE LLC
CONTRACTING OFFICER:	MONICA SIAS

The information collection requirements contained in this Solicitation/Contract, that are not required by the regulation, have been approved by the Office of Management and Budget pursuant to the Paperwork Reduction Act and assigned the OMB Control No. 3090-0163.

INITIALS:	/s/ Illegible	&	/s/ Illegible
	LESSOR		GOV’T

TABLE OF CONTENTS

1.0 SUMMARY 4
1.1 AMOUNT AND TYPE OF SPACE (SEP 2000) 4
1.2 AREA OF CONSIDERATION 4
1.3 LOCATION: CITY CENTER (SEP 2000) 5
1.4 UNIQUE REQUIREMENTS 5
1.5 LEASE TERM (SEP 2000) 5
1.6 OFFER DUE DATE 5
1.7 OCCUPANCY DATE (SEP 2000) 5
1.8 HOW TO OFFER (SEP 2000) 6
1.9 BUILDING SHELL REQUIREMENTS (SEP 2000) 7
1.10 TENANT IMPROVEMENTS (SEP 2000) 8
1.11 TENANT IMPROVEMENT RENTAL ADJUSTMENT (SEP 2000) 8
1.12 PLANS WITH OFFER (SEP 2000) 9
1.13 NEGOTIATIONS (SEP 2000) 9
1.14. BROKERAGE FEES 9
1.15 PRICE EVALUATION (PRESENT VALUE) (SEP 2000) 9
1.16 HISTORIC PREFERENCE, GSAR 552.270-2 (VARIATION) (SEP 1999) 10
1.17 AWARD (JAN 1997) 10
1.18 LABOR STANDARDS (SEP 2000) 11

2.0 AWARD FACTORS 11
2.1 ACCESSIBILITY AND SEISMIC SAFETY (SEP 2000) 11
2.2 AWARD BASED ON PRICE (SEP 2000) 13

3.0 MISCELLANEOUS 13
3.1 UNIT COSTS FOR ADJUSTMENTS 13
3.2 SUBSEQUENT TENANT IMPROVEMENTS $100,000 OR LESS (SEP 2000) 14
3.3 TAX ADJUSTMENT (SEP 2000) 14
3.4 BUSINESS IMPROVEMENT DISTRICTS (B.I.D.) 15
3 5 OPERATING COSTS (SEP 2000) 15
3.6 OPERATING COSTS BASE (SEP 2000) 16
3.7 RENTABLE SPACE (SEP 2000) 16
3.8 ANSI/BOMA OFFICE AREA SQUARE FEET (SEP 2000) 16
3.9 COMMON AREA FACTOR (SEP 2000) 16
3.10 APPURTENANT AREAS 16
3.11 LIQUIDATED DAMAGES, GSAR 552.270-15 (SEP 1999) 16
3.12 VENDING FACILITIES (SEP 2000) 16
3.13 ADJUSTMENT FOR VACANT PREMISES, GSAR 552.270-16 (VARIATION) (SEP 1999) 16
3.14 RELOCATION ASSISTANCE ACT 17
3.15 EVIDENCE OF CAPABILITY TO PERFORM (SEP 2000) 17
3.16 PROJECT SCHEDULE 17
3.17 DELIVERY SCHEDULE OF TENANT IMPROVEMENTS (SEP 2000) 17
3.18 PROGRESS REPORTS (SEP 2000) 20
3.19 CONSTRUCTION INSPECTIONS 20

4.0 GENERAL ARCHITECTURE 20
4.1 QUALITY AND APPEARANCE OF BUILDING EXTERIOR (SEP 2000) 20
4.2 CONSTRUCTION WASTE MANAGEMENT (SEP 2000) 20
4.3 EXISTING FIT-OUT, SALVAGED, OR RE-USED BUILDING MATERIAL (SEP 2000) 21
4.4 INDOOR AIR QUALITY DURING CONSTRUCTION (SEP 2000) 21
4.5 WORK PERFORMANCE (SEP 2000) 22
4.6 BUILDING SYSTEMS (JAN 1997) 22
4.7 SPACE EFFICIENCY (SEP 2000) 22
4.8 FLOOR PLANS AFTER OCCUPANCY 22
4.9 CAD AS-BUILT FLOOR PLANS (SEP 2000) 22
4.10 FLOORS AND FLOOR LOAD (SEP 2000) 22
4.11 EXITS AND ACCESS (SEP 1991) 22
4.12 WINDOWS (SEP 2000) 22
4.13 ACCESSIBILITY (SEP 2000) 22
4.14 LANDSCAPING (SEP 2000) 22

5.0 ARCHITECTURAL FINISHES 23
5.1 RECYCLED CONTENT PRODUCTS (COMPREHENSIVE PROCUREMENT GUIDELINES) (SEP 2000) 23
5.2 ENVIRONMENTALLY PREFERABLE BUILDING PRODUCTS AND MATERIALS (SEP 2000) 23
5.3 LAYOUT, FINISHES, AND COLORBOARDS (SEP 2000) 23
5.4 WOOD PRODUCTS (SEP 2000) 23
5.5 ADHESIVES AND SEALANTS (SEP 2000) 24

5.6 INSULATION: THERMAL, ACOUSTIC, AND HVAC (SEP 2000) 24
5.7 CEILINGS (SEP 2000) 24
5.8 WALL COVERINGS (SEP 2000) 24
5.9 PAINTING (SEP 2000) 25
5.10 DOORS: EXTERIOR (SEP 2000) 25
5.11 DOORS: SUITE ENTRY (SEP 2000) 25
5.12 DOORS: INTERIOR (SEP 2000) 25
5.13 DOORS: HARDWARE (SEP 2000) 25
5.14 DOORS: IDENTIFICATION (SEP 2000) 26
5.15 PARTITIONS: GENERAL (SEP 2000) 26
5.16 PARTITIONS: PERMANENT (SEP 2000) 26
5.17 PARTITIONS: SUBDIVIDING (SEP 2000) 26
5.18 FLOOR COVERING AND PERIMETERS (SEP 2000) 26
5.19 CARPET TILE (SEP 2000) 27
5.20 ACOUSTICAL REQUIREMENTS (SEP 2000) 27
5.21 WINDOW COVERINGS (SEP 2000) 28
5.22 BUILDING DIRECTORY (SEP 2000) 28
5.23 FLAG POLE (SEP 2000) 28

6.0 MECHANICAL, ELECTRICAL, PLUMBING 28
6.1 MECHANICAL, ELECTRICAL, PLUMBING: GENERAL (SEP 2000) 28
6.2 ENERGY COST SAVINGS (SEP 2000) 28
6.3 DRINKING FOUNTAINS (SEP 2000) 29
6.4 TOILET ROOMS (SEP 2000) 29
6.5 TOILET ROOMS: FIXTURE SCHEDULE (SEP 2000) 29
6.6 JANITOR CLOSETS (SEP 2000) 30
6.7 HEATING AND AIR CONDITIONING (SEP 2000) 30
6.8 VENTILATION (SEP 2000) 31
6.9 VENTILATION: TOILET ROOMS (DEC 1993) 31
6.10 ELECTRICAL: GENERAL (SEP 2000) 31
6.11 ELECTRICAL: DISTRIBUTION (SEP 2000) 31
6.12 TELECOMMUNICATIONS: DISTRIBUTION AND EQUIPMENT (SEP 2000) 32
6.13 TELECOMMUNICATIONS: LOCAL EXCHANGE ACCESS (SEP 2000) 32
6.14 DATA DISTRIBUTION (SEP 2000) 32
6.15 ELECTRICAL, TELEPHONE, DATA FOR SYSTEMS FURNITURE (SEP 2000) 33
6.16 ELEVATORS (MAR 2001) 33
6.17 LIGHTING: INTERIOR AND PARKING (SEP 2000) 34

7.0 SERVICES, UTILITIES, MAINTENANCE 34
7.1 SERVICES, UTILITIES, MAINTENANCE: GENERAL 34
7.2 NORMAL HOURS 34
7.3 OVERTIME USAGE (SEP 2000) 34
7.4 UTILITIES 34
7.5 JANITORIAL SERVICES (SEP 2000) 34
7.6 SCHEDULE OF PERIODIC SERVICES 35
7.7 LANDSCAPE MAINTENANCE 35
7.8 FLAG DISPLAY 36
7.9 SECURITY (SEP 2000) 36
7.10 SECURITY: ADDITIONAL REQUIREMENTS 36
7.11 MAINTENANCE AND TESTING OF SYSTEMS (SEP 2000) 36

8.0 SAFETY AND ENVIRONMENTAL MANAGEMENT 36
8.1 OCCUPANCY PERMIT (SEP 2000) 36
8.2 FIRE AND LIFE SAFETY (SEP 2000) 36
8.3 SPRINKLER SYSTEM (SEP 2000) 37
8.4 MANUAL FIRE ALARM SYSTEMS (SEP 2000) 37
8.5 OSHA REQUIREMENTS (SEP 2000) 37
8.6 ASBESTOS (SEP 2000) 37
8.7 INDOOR AIR QUALITY (SEP 2000) 37
8.8 RADON IN AIR (SEP 2000) 38
8.9 RADON IN WATER (SEP 2000) 38
8.10 HAZARDOUS MATERIALS (OCT 1996) 38
8.11 RECYCLING (SEP 2000) 38

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LESSOR GOV'T

1.0 SUMMARY

1.1 AMOUNT AND TYPE OF SPACE (SEP 2000)

A. The General Services Administration (GSA) is interested in leasing a maximum of 221,000 BOMA rentable square feet of office and related space, available for use by tenant for personnel, furnishings and equipment. The space must yield a minimum of 185,000 to a maximum of 192,000 ANSI/BOMA Office Area square feet (Usable square feet "USF") of floor area. A minimum of 152,000 to 156,000 ANSI/BOMA Office Area square feet must be contiguous (meaning adjacent floors). The remainder of the space may be located on other non-contiguous floors of the building. Additionally, the Government requires 5 on-site parking spaces for Official Government Vehicles that will be included in the rent. Refer to the "ANSI/BOMA Office Area Square Feet" paragraph in the MISCELLANEOUS section of this Solicitation for Offers (SFO).

B. The Offer shall 1) be for space located in a quality building of sound and substantial construction as described in this SFO, 2) have a potential for efficient layout, 3) be within the square footage range to be considered, and 4) be in compliance with all of the Government's minimum requirements set forth herein. For purposes of this SFO, the definition of ANSI/BOMA Office Area square feet is in the "ANSI/BOMA Office Area Square Feet" paragraph in the MISCELLANEOUS section of this SFO.

D. Unless otherwise noted, all references in this SFO to square feet shall mean ANSI/BOMA Office Area square feet.

1.2 AREA OF CONSIDERATION

A. All properties that are offered to the Government in conjunction with this requirement must be located within the Central Employment Area (CEA).

B. The CEA is the core area of the District of Columbia where the greatest concentration of employment in the city and region is encouraged.

C. The Central Employment Area's boundaries are as follows: Beginning at Dupont Circle, southeast along Massachusetts Avenue, NW, to 9th Street, NW, north along 9th Street, NE, to N Street, NW, east along N Street, NW, to 7th Street, NW, south along 7th Street, NW, to New York Avenue, NW, east along New York Avenue, NW to 5th Street, NW, south along 5th Street, NW to K Street, NW, east along K Street, NW to 3rd Street, NW, south along 3rd Street, NW to Massachusetts Avenue, east along Massachusetts Avenue, NW, to H Street, NW, east along H Street, NW to North Capitol Street, north along North Capitol Street to Florida Avenue, NE, and southeast along Florida Avenue, NE, to 4th Street, NE, on the north; south along 4th Street, NE, to M Street, NE, west along M Street, NE, to 3rd Street, NE, south along 3rd Street, NE, to K Street, NE, west along K Street, NE, to 2nd Street, NE, south along 2nd Street, NE, to the northeast corner of lot 855, square 725, west along the northern boundary of lot 855 to the northwest corner of lot 855, south along the westerly boundary of lot 855 to Constitution Avenue, NE, west along Constitution Avenue, NE, to 1st Street, NE, south on 1st Street, NW, to Maryland Avenue, NE, east on Maryland Avenue, NE, to 2nd Street, NE, south on 2nd Street, NE, and 2nd Street, SE, to C Street, SE, west on C Street, SE, to New Jersey Avenue, SE, south on New Jersey Avenue, SE, to D Street, SE, west on D Street, SE, to South Capitol Street, south on South Capitol Street to E Street, SE, east on E Street, SE, to New Jersey Avenue, SE, south on New Jersey Avenue, SE, to the Southeast Freeway, east on the Southeast Freeway to 2nd Street, SE, south along 2nd Street, SE, to M Street, SE, and east along M Street, SE, to the 11th Street Freeway on the east; south on the 11th Street Freeway to the northbound 11th Street, SE, bridge, south along this bridge to 13th Street, SE, south along 13th Street, SE, to Good Hope Road, SE, west along the rear property lines of properties fronting on the south side of Good Hope Road, SE, to Martin Luther King, Jr. Avenue, SE, south along the rear property lines of properties fronting on the east side of Martin Luther King, Jr. Avenue, SE to Chicago Street, SE, west along the rear property lines of properties fronting on the north side of Chicago Street, SE, to the Baltimore and Ohio Railroad right-of-way, south along the Baltimore and Ohio Railroad right of way to the rear property line of property fronting on Howard Rd., SE, east along the rear property line of property fronting on Howard Road, SE to the rear property lines of properties fronting on the north side of Shannon Place, SE to Chicago Street, SE, east along Chicago Street, fronting on the north side of Shannon Place, SE to Chicago Street, SE, east along Chicago Street, SE to Martin Luther King, Jr. Avenue, SE, south along the rear property lines of properties fronting on the east side of Martin Luther King Jr. Avenue, SE to Howard Road, SE, west along Howard Road, SE to Firth Sterling Avenue, SE, south along Firth Sterling Avenue, SE to South Capitol Street, north along South Capitol Street and the Frederick

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LESSOR GOV'T

Douglass Memorial Bridge to the west bank of the Anacostia River, southwest along the west bank of the Anacostia River to 2ndStreet, SW, north along 2ndStreet, SW to Potomac Avenue, SW northeast along Potomac Avenue, SW to South Capitol Street north along South Capitol Street to the Southwest Freeway, west along the Southwest Freeway to 9th Street, SW, south along the east side of 9th Street, SW to where it intersects with the easyern property line of Lot 53 in Square 414, continuing south to Maine Avenue SW to the Southwest Freeway, west along the Southwest Freeway to 14th Street, SW, north along 14th Street SW, and 14th Street, NW, to Constitution Avenue, NW, and west along Constitution Avenue, NW, to Route 50 Expressway on the south; north on the Route 50 Expressway to the E Street Expressway and E Street, NW, east on the E Street Expressway, and E Street, NW, to 19th Street, NW to F Street, NW, west on F Street, NW, to 20th Street, NW to Pennsylvania Avenue, NW, west along Pennsylvania Avenue, NW, 21st Street,. NW, north along 21st Street, NW, to M Street, NW, east along M Street NW, to 20thStreet, NW, to New Hampshire, Avenue, NW, and northeast along New Hampshire Avenue, NW, to Dupont Circle on the west.

D. The Contracting Officer reserves the right to approve buildings/sites bordering on the CEA through the date of initial offers.

1.3 LOCATION; CITY CENTER (SEP 2000)

A. NEIGHBORHOOD:

Space shall be located in a prime commercial office district with attractive, prestigious, professional surroundings with a prevalence of modern design and/or tasteful rehabilitation in modern use. Streets and public sidewalks shall be well-maintained.

B. PARKING:

The parking-to-square-foot ratio available on-site shall at least meet current local code requirements, or in the absence of a local code requirement, on-site parking shall be available at a ratio of 1 space for every 1,500 rentable square feet of Government-demised area.

C. LOCATION AMENITIES:

A variety of inexpensive and moderately priced restaurants must be located within two (2) blocks of the offered building. Other employee services such as retail shops, cleaners, banks, etc. shall be located within two (2) blocks of the offered building.

1.4 UNIQUE REQUIREMENTS

The following is a complete list of the unique requirements to meet the Government's space needs:

A. The Building must be located within 3 city blocks of a currently operable Metro Station.

B. Tenant requires a minimum of 11,000 square feet of active storage space, requiring 120 to 150 pounds per square foot floor loading. The additional floor loading will be charged against the Government's Tenant Improvement Allowance. This space will be preferably located in non-windowed space and at least available in the following blocks: (1) approximately 2,500 USF for National Register filing, (2) approximately 2,000 USF for high-density filing, and (3) the remainder of the space in, preferably, a contiguous block of space. These spaces need not be located adjacent to the contiguous block of space and is not included in the contiguous block of space, but it must be easily accessible.

C. Lobby space must be available for installation of a guard desk with magnetometer and x-ray machine for visitor and employee screening (estimated at approximately 300 USF). In the event that the Government is the major tenant in the building, the Government reserves the right to require the Lessor to institute reasonable security procedures in the operating of the garage. [SEE PARAGRAPH 6L OF THE SF-2 FOR THE AGREEMENT OF THE PARTIES REGARDING GARAGE SECURITY.]

D. A mailroom (estimated at approximately 3,600 USF) must be located immediately adjacent to the loading dock with direct access to the loading dock. Space must be contiguous and located on the same floor as the loading dock. The space shall be preferably located at the perimeter of the building.

E. A computer room and UPS (estimated at approximately 3,915 USF) do not have preferred building locations but space shall have no water pipes located in the ceiling above.

F. The elevators (including freight and parking) must have the ability to control access to floors using an electronic key card. The tenant requires daily use of the freight elevator for movement of mail, packages, supplies, etc.

G. The Government requires approximately 1,000 USF of 1st floor space with a separate entrance from the street or the lobby.

H. The Government shall have the no-cost right to install equipment on the roof of the building, including but not limited to: antenna(s), satellite dishes, HVAC components, generator(s), and other equipments as tenants may require. Government shall retain right to access the roof for such installation and maintenance as needed.

1.5 INTENTIONALLY DELETED

1.6 OFFER DUE DATE

Offers are due by 12:00 p.m., November 29, 2001 and shall remain open until award (which is estimated for January 2002).

1.7 OCCUPANCY DATE (SEP 2000) SEE PARAGRAPH 61 OF THE SF-2

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1.8 HOW TO OFFER (SEP 2000)

A. Two copies of each offer shall be submitted and delivered to the following:

Marcy A. Owens / Scott Johnston
Spaulding & Slye Colliers
1717 Pennsylvania Avenue, NW
Suite 1000 Washington, DC 20006
Phone: 202-478-2300
Fax: 202-204-0360

B. The following documents, properly executed, shall be submitted no later than the close of business on the offer due date:

1. SFO.
2. GSA Form 1364, Proposal to Lease Space.
3. GSA Form 1217, Lessor's Annual Cost Statement.
4. GSA Form 3517, General Clauses.
5. GSA Form 3518, Representatives and Certifications.
6. First generation blue-line plans of the space offered, scaled, at 1/8_ = 1'-0_ (preferred) or larger and CAD disks of the same. (Black line drawings may be submitted if approved by the Contracting Officer.) CAD disks shall be provided consistent with Paragraph 1.12 "Plans with Offer."
   a. All architectural features of the space shall be accurately shown. If conversion or renovation of the building is planned, alterations to meet this SFO shall be indicated. If requested, more informative plans shall be provided within 3 days.
   b. Plans shall reflect corridors in place or the proposed corridor pattern for both a typical full (single-tenant) floor and/or partial (multi-tenant) floor. The corridors in place or proposed corridors shall meet local code requirements for issuance of occupancy permits.
   c. GSA will review the corridors in place and/or proposed corridor pattern to make sure that these achieve an acceptable level of safety as well as to ensure that these corridors provide public access to all essential building elements. The Offeror will be advised of any adjustments that are required to the corridors for the purpose of determining the ANSI/BOMA Office Area space. The required corridors may or may not be defined by ceiling-high partitions. Actual corridors in the approved layout for the successful Offeror's space may differ from the corridors used in determining the ANSI/BOMA Office Area square footage for the lease award.
7. An hourly overtime rate for overtime use of heating and cooling. Refer to the "Overtime Usage" paragraph in the SERVICES, UTILITIES, MAINTENANCE section of this SFO. If proposed rate is different than recommended by an independent Government estimate, the Offeror may be required to submit worksheets justifying overtime energy usage and rates.
8. Any other information (such as a fact sheet, 5" wide x 3" high or larger color photograph, site plan, location map, and tax parcel map) in case of multiple tax parcels for an offered building, etc., in order for the Government to perform a complete and adequate analysis of the offered property. Such information may also be requested by the Government, and in such circumstances, shall be submitted by the Offeror within 5 working days of the request.
9. Written acknowledgement and permission to represent other owners for the same SFO if a leasing agent or owner's representative is presenting buildings for multiple ownership groups.
10. If applicable, the agents' disclosure and authorization from each ownership entity to offer in this SFO and/or represent multiple buildings with different ownerships, which may have conflicting interests. Owners and agents in conflicting interest situations are advised to exercise due diligence with regard to ethics, independent pricing, and Government procurement integrity requirements. In such cases, the Government reserves the right to negotiate with the owner directly.
11. Documents supporting evidence of capability to perform. Refer to the "Evidence of Capability to Perform" paragraph in the MISCELLANEOUS section of this SFO.
12. A list of unit costs as requested in the "Unit Costs for Adjustment" paragraph in the MISCELLANEOUS section of this SFO.
13. The offeror's proposed amortization rate for tenant alterations, General Contractor's general conditions, overhead and profit for the initial tenant alterations and change orders, any other overhead and profit or management fee that will be added to the tenant alterations or change orders, and architectural and engineering fees for the Tenant Improvements.
14. SFO Attachment 'Fire Protection & Life Safety Evaluation' must be completed by a Certified Fire Protection Engineer.

C. Refer to GSA Form 3516, Solicitation Provisions, for additional instructions. If additional information is needed, the Contracting Officer (or the Contracting Officer's designated representative) should be contacted.

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D. There will be no public opening of offers, and all offers will be confidential until the lease has been awarded. However, the Government may release proposals outside the Government to a Government-support contractor to assist in the evaluation of offers. Such Government contractors shall be required to protect the data from unauthorized disclosure. The Offeror who desires to maximize protection of information in the offer may apply the restriction notice to the offer as described in GSA Form 3516, Solicitation Provision, 552.270-1 (d), *Restriction on Disclosure and Use of Data*.

E. IMPORTANT CLARIFICATIONS TO OFFER REQUIREMENTS:

1. Rate structure required from subparagraph B shall include the following:

a. A lease rate per ANSI/BOMA Office Area square foot for the building shell rental, fully serviced. It is the intent of the Government to lease a building shell with a Tenant Improvement Allowance. All improvements in the base building, lobbies, common areas, and core areas shall be provided by the Lessor, at the Lessor's expense. This rate shall include, but not limited to, property financing (exclusive of Tenant Improvement), insurance, taxes, management, profit, etc., for the building. The building shell rental rate shall also include all basic building systems and common area buildout, including base building lobbies, common areas, and core areas, etc., exclusive of the ANSI/BOMA Office Area space offered as required in this SFO.

b. The annual cost per ANSI/BOMA Office Area Square foot for the cost of services and utilities. This equals line 27 of GSA Form 1217, Lessor's Annual Cost Statement, divided by the space offered (shown on the top of both GSA Form 1364, Proposal to Lease Space, and Form 1217).

c. An annualized percentage interest rate to be used by the Lessor to amortize the cost of the Tenant Improvement Allowance over the firm term of the lease.

d. The annual amortized cost of the Tenant Improvement Allowance. Such amortization shall be expressed as a cost per ANSI/BOMA Office Area square foot per year. Tenant Improvements shall be all alterations for the Government-demised area above the building shell buildout. The Tenant Improvement Allowance shall be up to $40.00 per ANSI/BOMA Office Area square foot. Such alterations shall be described and identified in the drawings used to construct the Government-demised area. The Tenant Improvement Allowance shall be made available to the Government upon lease award.

e. A fully-serviced lease rate per ANSI/BOMA Office Area square foot as a summation of the amounts broken out in the subparagraphs a, b, and d above for the lease.

f. The Lessor shall submit to the Government a proposal for architectural-engineering fees for all tenant alterations. This will be negotiated and agreed upon prior to the award for the subject improvements.

1.9 BUILDING SHELL REQUIREMENTS (SEP 2000)

A. The Lessor's buildout obligations in providing a building shell (at the Lessor's expense) are the following:

1. Base structure and building enclosure components shall be complete. All common areas accessible by the Government, such as lobbies, fire egress corridors and stairwells, elevators, garages, and services areas, shall be complete. Restrooms shall be complete and operational. All newly installed building shell components, including but not limited to, heating, ventilation, and air conditioning (HVAC), electrical (power and lights), ceilings, sprinklers, etc., shall be furnished, installed, and coordinated with Tenant Improvements.

2. *Accessibility Requirements.* Accessibility to persons with disabilities shall be required throughout the common areas accessible to Government tenants in accordance with both the ADAAG and the UFAS and shall be installed and coordinated with Tenant Improvements. Refer to the "Accessibility" paragraph in the GENERAL ARCHITECTURE section of this SFO.

3. *Ceilings.* A complete acoustical ceiling system (which includes grid and lay-in tiles) throughout the Government-demised area and all common areas accessible to Government tenants shall be required in accordance with the "Ceilings" paragraph in the ARCHITECTURAL FINISHES section of this SFO. The acoustical ceiling system shall be furnished, installed, and coordinated with Tenant Improvements.

4. *Doors.* Exterior building doors and doors necessary to the lobbies, common areas, and core areas shall be required. This does not include suite entry or interior doors specific to Tenant Improvements. Related hardware shall be installed in accordance with the "Doors: Hardware" paragraph and the "Doors: Exterior" paragraph in the ARCHITECTURAL FINISHES section of this SFO.

5. *Partitions.* Permanent, perimeter, fire/life safety required and demising slab-to-slab partitions (including all columns) finished with paint and base shall be required in accordance with the "Partitions: General" paragraph and the "Partitions: Permanent" paragraph in the ARCHITECTURAL FINISHES section of this SFO.

6. *Flooring.* All building common areas shall have finished floors in accordance with the "Floor Covering and Perimeters" paragraph in the ARCHITECTURAL FINISHES section of this SFO. The offeror shall provide a broom clean concrete floor slab, with level floor not varying more than ¼" over ten (10) foot horizontal run in accordance with American Concrete Institute (ACI) Standards.

7. *Plumbing.* The Offeror shall include cost of plumbing in common areas, such as for toilet rooms and janitor closets as part of the building shell cost. Hot and cold water risers and domestic waste and vent risers, installed and ready for connections that are required for Tenant Improvements, shall be included in the shell rent.

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8. *HVAC.* Central HVAC systems shall be installed and operational, including, as appropriate, main and branch lines, VAV boxes, dampers, ducts, and diffusers, for an open office layout, including all building common areas. Conditioned air through medium pressure ductwork at a rate of .75 cubic feet per minute per ANSI/BOMA Office Area square foot shall be provided.

9. *Electrical.* Electrical power distribution panels and circuit breakers shall be available in an electrical closet, with capacity at 277/480 volt (V) and 120/208 V, 3-phase, 4-wire system providing 7 watts (W) per ANSI/BOMA Office Area square foot.

10. *Lighting.* Ergolight fixtures (Product: Ledalite Suspended 3T8 or equal) shall be suspended from the ceiling grid for an open office plan at the rate of 1 fixture per workstation or 1 fixture per 150 BOMA rentable square feet, whichever is greater number of fixtures. Building standard lighting as necessary shall be provided in all building common areas in accordance with the "Lighting: Interior and Parking" paragraph in the MECHANICAL, ELECTRICAL, PLUMBING section of this SFO.

11. *Safety and Environmental Management.* Complete safety and environmental management shall be provided throughout the building in accordance with federal, state, and local codes and laws including, but not limited to, such items as fire detection and alarms, emergency building power for life safety systems, etc., and shall be in accordance with both the ADAAG and the UFAS. Where sprinklers are required in the Government-demised area, sprinkler mains and distribution piping in a "protection" layout (open plan) with heads turned down with an escutcheon or trim plate shall be provided.

12. *Telephone Rooms.* Building telecommunication rooms on each floor shall be completed, operational, and ready for Tenant Improvements. The telephone closets shall be outfitted with sufficient electrical power for Government equipment and have telephone backboards on all walls. Sufficient sized rooms shall be provided for the size of the floor plate.

13. All of the above improvements are described in more detail hereinafter in this SFO.

14. Any alterations necessary for the building shell to meet the SFO requirements shall be included in the building shell rate.

15. All architectural and engineering costs associated with the building shell requirements shall be included in the building shell rate.

1.10 TENANT IMPROVEMENTS (SEP 2000)

A. The Government, at its sole discretion, shall make all decisions as to the usage of the Tenant Improvement Allowance. All Tenant Improvements required by the Government for occupancy shall be performed by the Lessor and all improvements shall meet the quality standards and requirements of this SFO and GSA Form 3517, General Clauses.

B. The Tenant Improvement Allowance shall be used to pay for general contractor fees, subcontractor's profit and overhead costs, Offeror's profit and overhead, design fees, and other associated project fees necessary for construction of the Tenant Improvements. It is the successful Offeror's responsibility to prepare all documentation (working drawings, etc.) required to receive construction permits. **NO COSTS ASSOCIATED WITH THE BUILDING SHELL SHALL BE INCLUDED IN THE TENANT IMPROVEMENT PRICING**.

1.11 TENANT IMPROVEMENT RENTAL ADJUSTMENT (SEP 2000)

A. All Tenant Improvements shall be identified after award of the contract in accordance with the provisions established in the "Design Intent Drawings" subparagraph in the "Construction Schedule of Tenant Improvements" paragraph in the MISCELLANEOUS section of this SFO.

1. The Government, at its sole discretion, shall make all decisions as to the usage of the Tenant Improvement Allowance. The Government may use all or part of the Tenant Improvement Allowance. The Government may return to the Lessor any unused portion of the Tenant Improvement Allowance in exchange for free rent or a decrease in rent according to the amortization rate over the firm term. The method of refund shall be at the Government's discretion.

2. The Government reserves the right to make cash payments for any or all work performed by the Lessor. Prior to occupancy, the Government, at its sole discretion, may choose to pay lump sum for any or all of the Tenant Improvement Allowance. If, prior to occupancy, the Government elects to make a lump sum payment for any portion of the Tenant Improvement Allowance, the payment of the Tenant Improvement Allowance by the Government will result in a decrease in the rent. At any time after occupancy, the Government, at its sole discretion, may choose to pay lump sum for any part or all of the remaining unpaid amortized balance of the Tenant Improvement Allowance. If the Government elects to make a lump sum payment for the Tenant Improvement Allowance after occupancy, the payment of the Tenant Improvement Allowance by the Government will result in a decrease in the rent according to the amortization rate over the firm term of the lease.

3. If it is anticipated that the Government will spend more than the allowance identified above, the Government reserves the right to 1) reduce the Tenant Improvement requirements, 2) pay lump sum for the overage upon completion and acceptance of the improvements, or 3) increase the rent according to the negotiated amortization rate over the firm term of the lease provided it stays within the prospectus limitation.

4. Payment will not be made by the Government in instances where the Government accepts fixtures and/or other Tenant Improvements already in place. However, the Lessor will be reimbursed for costs to repair or improve the fixture(s) and/or any other improvements already in place.

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1.12 PLANS WITH OFFER (SEP 2000)

All plans submitted for consideration shall have been generated by a Computer Aided Design (CAD) program which is compatible with the latest release of AutoCAD. The required file extension is DWG. Clean and purged files shall be submitted on 3-1/2-inch double-sided, high density diskettes, or, if approved by the Contracting Officer on CD-ROM or OIC (1/4 inch cartridge) tape. All submissions shall be accompanied with a written matrix indicating the layering standard to ensure that all information is recoverable. Plans shall include a proposed corridor pattern for typical floors and/or partial floors. All architectural features of the space shall be accurately shown.

1.13 NEGOTIATIONS (SEP 2000) INTENTIONALLY DELETED

A. Any negotiations will be conducted on behalf of the Government by the Contracting Officer (or the Contracting Officer's designated representative). The Contracting officer is named on the cover of this SFO. GSA may negotiate rental price for the initial term and any other aspect of the offer as deemed necessary.

B. The Offeror shall not enter into negotiations concerning the space leased or to be leased with representatives of federal agencies other than the Contracting Officer or designee.

C. The Contracting Officer may conduct oral or written negotiations with all Offerors that are within the competitive range. If needed, the competitive range will be established by the Contracting Officer on the basis of cost or price and other factors (if any) that are stated in the SFO and will include all of the most highly used proposals, unless the range is further reduced for purposes of efficiency

D. The Government reserves the right to make an award based on initial offers without negotiations. If the Government elects not to make an award as such, all Offerors will be provided a reasonable opportunity to submit any cost or price, technical or other revisions to their offer that may result from the negotiations. Negotiations will be closed with submission of final proposal revisions ("Best and Final" offers).

1.14. SEE PARAGRAPH 6C OF THE SF-2

1.15 PRICE EVALUATION(PRESENT VALUE) (SEP2000)

A. If annual CPI adjustments in operating expenses are included, the Offeror shall be required to submit the offer with the total "gross" annual price per ANSI/BOMA Office Area square foot and a breakout of the "base" price per ANSI/BOMA Office Area square foot for services and utilities (operating expenses) to be provided by the Lessor. The "gross" price shall include the "base" price.

B. The Offeror shall be required to submit plans and any other information to demonstrate that the rentable space yields ANSI/BOMA Office Area space within the required ANSI/BOMA Office Area range. The Government will verify the amount of ANSI/BOMA Office Area square footage and will convert the rentable prices offered to ANSI/BOMA Office Area prices, which will subsequently be used in the price evaluation.

C. If the offer includes annual adjustments in operating expenses, the base price per ANSI/BOMA Office Area square foot from which adjustments are made will be the base price for the term of the lease.

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D. Evaluation of offered prices will be on the basis of the annual price per ANSI/BOMA Office Area square foot. The Government will perform present value price evaluation by reducing the prices per ANSI/BOMA Office Area square foot to a composite annual ANSI/BOMA Office Area square foot price, as follows:

1. Parking and wareyard areas will be excluded from the total ANSI/BOMA Office square footage but not from the price. For different types of space, the gross annual ANSI/BOMA Office Area per square foot price will be determined by dividing the total annual rental by the total ANSI/BOMA Office Area square footage excluding parking and wareyard areas.

2. If annual adjustments in operating expenses will not be made, the gross annual per square foot price will be discounted annually at 5.4 percent to yield a gross present value cost (PVC) per square foot.

3. If annual adjustments in operating expenses will be made, the annual per square foot price, minus the base cost of operating expenses, will be discounted annually at 5.4 percent to yield a net PVC per square foot. The operating expenses will be both escalated at 2.2 percent compounded annually and discounted annually at 5.4 percent, then added to the net PVC to yield the gross PVC.

4. To the gross PVC will be added:

   a. The cost of Government-provided services or other Government incurred expenses not included in the rental escalated at 2.2 percent compounded annually and discounted annually at 5.4 percent.

   b. The annualized (over the full term) per ANSI/BOMA Office Area square foot cost of any items, which are to be reimbursed in a lump sum payment. (The cost of these items is present value; therefore, it will not be discounted.)

   c. The estimated Government-incurred costs for any relocation to new space, including telecommunications and information technology related expenses per usable square foot. (The cost of these items is present value; therefore, it will not be discounted.)

   d. The total cost of markups using the General Contractor's general conditions and GC's and Lessor's overhead and profit and fees numbers against the Tenant Improvement Allowance of up to $40.00 per ANSI/BOMA Office Area square foot projected budget and the cost of the architectural and engineering fees.

5. The sum of either (2) and (4) or (3) and (4) above, less the per ANSI/BOMA Office Area square foot amount of the proposed cooperating brokerage commission, will be the per ANSI/BOMA Office Area square foot present value cost of the offer for price evaluation purposes.

6. After initial offer evaluations are completed, the Government will establish a competitive range of the offers. Offerors will be notified if they are not within the competitive range, and offerors will be encouraged to either modify their offer so as to be within the competitive range or to withdraw from the competition.

1.16 HISTORIC PREFERENCE, GSAR 552.270-2 (VARIATION) (SEP 1999)

Preference will be given to Offerors of space in buildings in, or formally listed as eligible for inclusion in, the National Register of Historic Places, and to historically-significant buildings in historic districts listed in the National Register. Such preference will be extended to historic buildings and will result in award if:

1. The offer for space meets the terms and conditions of this SFO as well as any other offer received (it is within the discretion of the Contracting Officer to accept alternative to certain architectural characteristics and safety features defined elsewhere in this SFO to maintain the historical integrity of the building, such as high ceilings, wooden floors, etc.) and

2. The rental is no more than 10 percent higher, on a total annual square foot (ANSI/BOMA Office Area) cost to the Government, than the lowest otherwise acceptable offer.

1.17 AWARD (JAN 1997)

A. After conclusion of negotiations, the Contracting Officer will require the Offeror selected for award to execute the proposed lease prepared by GSA, which reflects the proposed agreement of the parties. The apparent successful offer will be reviewed to ensure that it qualifies as an operating lease pursuant to the Office of Management and Budget Circular A-11.

B. The proposed lease shall consist of:

1. Standard Form 2 (or GSA Form 3626) U.S. Government Lease for Real Property,

2. required clauses,

3. required certifications and representations,

4. the pertinent provisions of the offer, including floor plans of the Government leased area on sized to 8 ½" x 11" paper, and

5. the pertinent provisions of the SFO.

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LESSOR GOV'T

C. The acceptance of the offer and award of the lease by the Government occurs upon notification of unconditional acceptance of the offer or execution of the lease by the Contracting Officer and mailing or otherwise furnishing written notification or the executed lease to the successful Offeror.

1.18 LABOR STANDARDS (SEP 2000)

A. If an Offeror proposes to satisfy the requirements of this SFO through the construction of new building or the complete rehabilitation or reconstruction of an existing building, and the Government will be the sole or predominant tenant such that any other use of the building will be functionally or quantitatively incidental to the Government's use and occupancy, the following Federal Acquisition Regulation (FAR) clauses shall apply to work performed in preparation for occupancy and use of the building by the Government. Full text versions of these clauses are available upon request from the Contracting Officer. Full text versions are also available at the following web site: *http:/www._met.gov/_ar/*

52.222-4	Contract Work Hours and Safety Standards Act—Overtime Compensation
52.222-6	Davis-Bacon Act
52.222-7	Withholding of Funds
52.222-8	Payrolls and Basic Records
52.222-9	Apprentices and Trainees
52.222-10	Compliance with Copeland Act Requirements
52.222-11	Subcontracts (Labor Standards)
52.222-12	Contract Termination-Debarment
52.222-13	Compliance with Davis-Bacon and Related Act Regulations
52.222-14	Disputes Concerning Labor Standards
52.222-15	Certification of Eligibility

2.0 AWARD FACTORS

2.1 ACCESSIBILITY AND SEISMIC SAFETY (SEP 2000)

A. All offers received in response to this SFO will be evaluated to determine whether the offers fully meet National Institute of Standards and Technology (NIST) NISTIR 5382, Interagency Committee on Seismic Safety in Construction (ICSSC) RP 4, *Standards of Seismic Safety for Existing Federally Owned or Leased Buildings,* as modified below, and the accessibility requirements for new construction of the Americans With Disabilities Act Accessibility Guidelines (ADAAG) (Code of Federal Regulations 36 CFR Part 1191, App. A) and the Uniform Federal Accessibility Standards (UFAS) (Federal Register vol.49, No. 153, August 7, 1984, reissued as FED. STD. 795, dated April 1, 1988, and amended by Federal Property Management Regulations CFR 41, Subpart 101-19.6, Appendix A, 54 FR 12628, March 28,1989). Where standards conflict, the more stringent shall apply. If any offers are received which fully meet accessibility and seismic safety requirements, then other offers, which do not fully meet these requirements, will not be considered.

B. The following UFAS provisions are clearly more stringent than the ADAAG:

1. *Work Areas.* The UFAS requires that alt areas be accessible where there may be employment of persons with disabilities. The ADAAG requires only that people with disabilities be able to approach, enter, and exit a work area. [UFAS 4.1.4; ADAAG 4.1.1(3)]

2. *Work Surface Scoping.* The UFAS requires that 5 percent of all fixed or built-in employee work surfaces be accessible. The ADAAG does not require work surfaces in work areas to be accessible. Both the UFAS and the ADAAG require that 5 percent of fixed tables in public or common use areas be accessible. [UFAS 4.1.2(17) and 4.32; ADAAG 4.1.1(3) and 4.1.3(18)]

3. *No Elevator Exception.* The UFAS has no exception to the elevator requirement in all multi-story buildings and facilities. The ADAAG provides an exception to the elevator requirement in certain buildings that are under three stories or have less than 3,000 square feet per story. [UFAS 4.1.2(5); ADAAG 4.1.3(5) Exception 1]

4. *Entrances in Multi-Grade Buildings.* The UFAS requires at least one principle entrance at each grade floor to a building to be accessible. The ADAAG requires that 1) at least 50 percent of all public entrances be accessible and 2) the number of exits required by the applicable building/fire code be used in determining the total number of accessible entrances required in a building or facility. The UFAS requires more accessible entrances in certain multi-grade buildings. [UFAS 4.1.2.(8); ADAAG 4.1.3(8)]

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LESSOR GOV'T

5. *Elevator Controls.* The UFAS requires elevator controls to be mounted no higher than 48 inches "unless there is a substantial increase in cost," in which case 54 inches is allowed. The ADAAG allows 54 inches whenever a parallel approach is provided. [UFAS 4.10.12(3); ADAAG 4.10.12(3)]

C. FULL COMPLIANCE:

1. "Fully meets" as used herein with regard to the accessibility requirements means the offer fully complies with both the ADAAG and the UFAS requirements for new construction, including but not limited to: Parking and Passenger Loading Zones, Accessible Route, Entrance and Egress, Ramps, Stairs, Handrails, Doors, Elevators, Telephones, Controls, Signage, Alarms, Drinking Fountains, Storage Facilities, Seating and Workstations, Assembly Areas, and Toilet Rooms. Where standards conflict, the more stringent shall apply.

2. "Fully meets" as used herein with regard to the seismic safety requirements means that the Offeror has provided a written certification (example available for the Contacting Officer) from a licensed structural engineer certifying that both the building design and construction are in full compliance with the life-safety performance level of NISTIR 5382, ICSSC RP 4, *Standards of Seismic Safety for Existing Federally Owned or Leased Buildings,* **AS MODIFIED HEREIN:**

a. FEMA-178, *NEHRP Handbook for the Seismic Evaluation of Existing Buildings,* shall be replaced with FEMA-310, *Handbook for the Seismic Evaluation of Buildings: A Prestandard.*

b. Section 1.3.1, Post-Benchmark Buildings (Table 1: Advisory Benchmark Years) shall be replaced with the below table.

BENCHMARK BUILDINGS (Table 3-1 of FEMA-310)

BUILDING TYPE[1]	**Model Building Seismic Design Provisions**		
	BOCA_	**SBCCI1_**	**UBC1_**
Wood Frame, Wood Shear Panels (Type W1 and W2)[2]	1992	1993	1976
Wood Frame, Wood Shear Panels (Type W1A)	1992	1993	1976
Steel Moment Resisting Frame (Type S1 and S1A)	**	**	1994[4]
Steel Braced Frame (Type S2 and S2A)	1992	1993	1988
Light Metal Frame (Type S3)	*	*	*
Steel Frame w/Concrete Shear Walls (Type S4)	1992	1993	1976
Reinforced Concrete Moment Resisting Frame (Type C1)[3]	1992	1993	1976
Reinforced Concrete Shear Walls (Type C2 and C2A)	1992	1993	1976
Steel Frame with URM Infill (Type S5 and S5A)	*	*	*
Concrete Frame with URM Infill (Type C3 and C3A)	*	*	*
Till-up Concrete (Type PC1 and PC1A)	*	*	1997
Precast Concrete (Type PC2 and PC2A)	*	*	*
Reinforced Masonry (Type RM1)	*	*	1997
Reinforced Masonry (Type RM2)	1992	1993	1976
Unreinforced Masonry (Type URM)[5]	*	*	1991_
Unreinforced Masonry (Type URMA)	*	*	*

[1] Building Type refers to one of the Common Building Types defined in Table 2-2 of FEMA-310.

[2] Buildings on hillside sites shall not be considered Benchmark Buildings.

[3] Flat Slab Buildings shall not be considered Benchmark Buildings.

[4] Steel Moment-Resisting Frames shall comply with Section 2213.7.1.2 of the Uniform Building Code.

[5] URM buildings evaluated using the ABK Methodology (ABK, 1984) may be considered Benchmark Buildings.

[6] Refers to the UBCB Section of the UBC.

— Only buildings designed and constructed or evaluated in accordance with FEMA-310 and being evaluated to the Life-Safety Performance level may be considered Benchmark Buildings.

* No Benchmark year; building shall be evaluated using FEMA-310.

** Local provisions shall be compared with the UBC.

BOCA Building Officials and Code Administrators, *National Building Code.*

SBCCI Southern Building Code Congress International, *Standard Building Code.*

UBC International Conference of Building Officials, *Uniform Building Code.*

c. Section 1.3.2, Leased Buildings, shall be revised as follows:

i. Buildings leased by the federal Government are exempt from these standards if both of the following apply:

(a) The leased space is less than 10,000 square feet **AND**

(b) The building is located in Regions of Low Seismicity in accordance with FEMA-310. According to FEMA-310, buildings located on sites for which the design short-period response acceleration, S_s, is less than 0.167 gravity (g), or for which the design one-second period response acceleration, ______ is less than 0.067 g, shall be considered to be located within Regions of Low Seismicity.

d. FEMA-310, *Handbook for the Seismic Evaluation of Buildings: A Prestandard,* can be obtained by calling the Federal Emergency Management Agency (FEMA) Distribution Center at (800) 480-2520.

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e. NISTIR 5382, ICSSC RP 4, *Standards of Seismic Safety for Existing Federally Owned or Leased Buildings,* can be obtained from the Building and Fire Research Laboratory, National Institute of Standards and Technology, Gaithersburg, MD 20899.

D. SUBSTANTIAL COMPLIANCE:

1. In accordance with both the ADAAG and the UFAS, if no offer is received which fully meets accessibility requirements for new construction, but an offer(s) is received which substantially meets these requirements, then other offers which do not substantially meet these requirements will not be considered. “Substantially meets” as used herein with regard to the accessibility requirements means the offer fully complies with both the ADAAG and the UFAS requirements for Parking and Passenger Loading Zones, Accessible Route, Entrance and Egress, Doors, Drinking Fountains, Toilet Rooms.

2. “Substantially meets” as used herein with regard to the seismic safety requirements will be determined by the Government based upon the Offeror’s evaluation by a licensed structural engineer that specifically describes all exceptions to full compliance with the Model Building Seismic Design Provisions as shown in the Benchmark Buildings table above. The Offeror shall evaluate the building by using FEMA-310 and shall identify all deficiencies. Based upon the evaluation, the Contracting Officer will make an award to the Offeror which best meets both the seismic safety requirements and the other requirements of this SFO. Documentation of this evaluation shall be made available to the Government.

E. LESS THAN SUBSTANTIAL COMPLIANCE:

In accordance with both the ADAAG and the UFAS, if no offer is received which either fully or substantially meets the accessibility requirements of new construction, consideration will be given only to offers which meet the following minimum requirements.

1. At least one accessible route shall be provided from an accessible entrance to the leased space and all required accessible areas. At least one interior means of vertical access shall be provided. Elevators shall have complying Controls and Signage.

2. If parking is provided, then accessible spaces shall be included.

3. Accessible toilet rooms shall be provided as follows:

   a. Where more than one toilet room for each sex is provided on a floor on which the Government leases space, at least one toilet room for each sex on that floor shall be accessible.

   b. Where only one toilet room for each sex is provided on a floor on which the Government leases space, either one unisex toilet room or one toilet room for each sex on that floor shall be accessible.

   c. Where only one toilet room is provided in a building where the Government leases space, one unisex toilet room shall be accessible.

   d. In a qualified historic building where the Advisory Council on Historic Preservation determines that providing the above minimum accessible toilet facilities would threaten or destroy the historic integrity of the space, accessible unisex toilet room(s) shall be provided in the building.

F. If no offer is received which meets the minimum accessibility requirements described above, offers will not be considered unless a waiver of accessibility requirements is requested by the Contracting Officer and granted by the GSA Public Buildings Service Commissioner.

2.2 AWARD BASED ON PRICE (SEP 2000)

The lease will be awarded to the responsible Offeror whose offer conforms to the requirements of this SFO and is the lowest priced offer submitted. Refer to the “Price Evaluation” paragraph in the SUMMARY section of this SFO.

3.0 MISCELLANEOUS

3.1 UNIT COSTS FOR ADJUSTMENTS

A. The Offeror is required to state in the offer or in an attachment units prices for the items listed below. Prices shall be quoted as fully installed and finished. The unit prices may be used, upon acceptance by GSA, during the first year of the lease to price alterations costing $100,000 or less. These prices may be indexed or renegotiated to apply to subsequent years of the lease upon mutual agreement of the Lessor and the Government.

1. The cost per linear foot of office subdividing ceiling-high partitioning.

2. The cost per linear foot of finished, slab-to-stab partitioning.

3. The cost per floor-mounted duplex electrical outlet.

4. The cost per wall-mounted duplex electrical outlet.

5. The cost per floor-mounted fourplex (double duplex) electrical outlet.

6. The cost per wall-mounted fourplex (double duplex) electrical outlet.

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LESSOR GOV’T

7. The cost per dedicated clean electrical computer receptacle.

8. The cost per floor-mounted telephone outlet.

9. The cost per wall-mounted telephone outlet.

10. The cost per interior door.

11. The cost per square yard of carpet.

12. The cost per square foot of resilient flooring.

3.2 SUBSEQUENT TENANT IMPROVEMENTS $100.000 OR LESS (SEP 2000)

A. The Lessor may be requested to provide alterations during the term of the lease. Alterations will be ordered by issuance of GSA Form 276, Supplemental Lease Agreement, GSA Form 300, Order for Supplies or Services, or a Tenant Agency-approved form. The two clauses from GSA Form 3517. General Clauses. 552.232-25, *Prompt Payment* (Deviation FAR 52.232-25), and 552.232-70, *Invoice Requirements,* apply to orders for alterations. All orders are subject to the terms and conditions of this lease.

B. Orders may be placed in writing by the 1) Contracting Officer, 2) GSA Buildings Manager, or 3) Tenant Agency officials when specifically authorized to do so by the Contracting Officer. The Contracting Officer will provide the Lessor with a list of Tenant Agency officials authorized to place orders and will specify any limitations on the authority delegated to Tenant Agency officials. The Tenant Agency officials are not authorized to deal with the Lessor on any other matters.

C. Payments for alterations ordered by the Tenant Agency will be made directly by the Tenant Agency placing the order.

3.3 TAX ADJUSTMENT (SEP 2000)

A. Real estate taxes, as referred to in this paragraph, are only those taxes which are assessed against the building and/or the land upon which the building is located, without regard to benefit to the property, for the purpose of funding general Government services. Real estate taxes shall not include, without limitation, general and/or special assessments, business improvement district assessments, or any other present or future taxes or governmental charges that are imposed upon the Lessor of assessed against the building and/or the land upon which the building is located.

B. Base year taxes as referred to in this paragraph are 4) the real estate taxes for the first 12-month period coincident with full assessment.

C. The term “full assessment” as referred to in this paragraph means that the taxing jurisdiction has considered all contemplated improvements to the assessed property in the valuation of the same. Partial assessments for newly constructed projects or for projects under construction, conversion, or renovation will not be used for establishing the Government’s base year for taxes.

D. The Lessor shall furnish the Contracting Officer with copies of all notices which may affect the valuation of said land and buildings for real estate taxes thereon, as well as all notices of a tax credit, all tax bills, and all paid tax receipts, or where tax receipts are not given, other similar evidence of payment acceptable to the Contracting Officer (hereinafter, evidence of payment), and a proper invoice (as described in GSA Form 3517, General Clauses, 552.232-75, *Prompt Payment*) of the tax adjustment including the calculation thereof, for each year that real estate taxes are incurred during the lease term or any extension thereof. All such documents are due within 10 calendar days of receipt except that the proper invoice and evidence of payment shall be submitted within 60 calendar days after the date the tax payment is due from the Lessor to the taxing authority. **FAILURE TO SUBMIT THE PROPER INVOICE AND EVIDENCE OF PAYMENT WITHIN SUCH TIME FRAME SHALL BE A WAIVER OF THE RIGHT TO RECEIVE PAYMENT RESULTING FROM AN INCREASED TAX ADJUSTMENT UNDER THIS PARAGRAPH.**

E. The Government shall 1) make a single annual lump sum payment to the Lessor for its share of any increase in real estate taxes during the lease term over the amount established as the base year taxes or 2) receive a rental credit or lump sum payment for its share of any decreases in real estate taxes during the lease term below the amount established as the base year taxes. The amount of lump sum payment or rental credit shall be based upon evidence of valuation and payment submitted by the Lessor to the Contracting Officer in accordance with subparagraph D.

1. In the event of an increase in taxes over the base year, the Lessor shall submit a proper invoice of the tax adjustment including the calculation thereof together with evidence of payment to the Contracting Officer. **THE GOVERNMENT SHALL BE RESPONSIBLE FOR PAYMENT OF ANY TAX INCREASE OVER THE BASE YEAR TAXES ONLY IF THE PROPER INVOICE AND EVIDENCE OF PAYMENT IS SUBMITTED BY THE LESSOR WITHIN 60 CALENDAR DAYS AFTER THE DATE THE TAX PAYMENT IS DUE FROM THE LESSOR TO THE TAXING AUTHORITY.** The due date for making payment shall be the 30th calendar day after receipt of evidence of payment by the Contracting Officer or the 30th calendar day after the anniversary date of the lease, whichever is later. If the lease terminates before the end of a tax year, payment for the tax increase due as a result of this section for the tax year will be prorated based on the number of days that the Government occupied the space. No increase will be paid, due, or owing unless all evidence of valuation and payment has been previously submitted to the Contracting Officer. The Government’s payment for its share of real estate taxes shall not include any late charges, interest, or penalties imposed by the taxing authority as a result of the Lessor’s delinquency in paying such taxes or charges.

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2. In the event of a decrease in taxes from the base year, or in the event of any refund or tax deduction, the Lessor shall notify the Contracting Officer in accordance with subparagraph D. The Government shall be entitled to, and shall receive a credit for, the prorata reduction in taxes applicable to the premises encumbered by this lease, regardless of whether the Government has made a tax payment for that year. The Government's share of the credit will be determined in accordance with subparagraph F and shall be taken as a deduction from the rent. Any credit due the Government after the expiration or earlier termination of the lease (including, but not limited to, credits resulting from a decrease in taxes pursuant to a tax credit due the Lessor; a reduction in the tax assessment; or a tax appeal proceeding for a year of the lease, or portion thereof) shall be made by a lump sum payment to the Government or as a rental credit to any succeeding lease as determined by the Contracting Officer. The Lessor shall remit any lump sum payment to the Government within 15 calendar days of payment by the taxing authority to the Lessor or the Lessor's designee. If the credit due to the Government is not paid by the due date, interest shall accrue on the late payment at the rate established by the Secretary of the Treasury under Section 12 of the Contract Disputes Act of 1978 (United States Code 41 USC 611) that is in effect on the day after the due date. The interest penalty shall accrue daily on the amount of the credit and shall be compounded in 30-day increments inclusive from the first day after the due date through the payment date. The Government shall have the right to pursue the outstanding balance of any tax credit using all such collection methods as are available to the United States to collect debts. Such collection rights shall survive the expiration of this lease.

F. The Government shall pay its share of tax increases or shall receive its share of any tax decrease based on the ratio of the rentable square feet occupied by the Government to the total rentable square feet in the building or complex (percentage of occupancy). The block and lot/parcel or other identification numbers for the property, building(s), and parking areas(s) occupied under this lease is Square 285, Lot 48.

G. The Government may direct the Lessor upon reasonable notice to initiate a tax appeal, or the Government may decide to contest the tax assessment on behalf of the Government and the Lessor or for the Government alone. The Lessor shall furnish to the Government information necessary for appeal of the tax assessment in accordance with the filing requirements of the taxing authority. If the Government decides to contest the tax assessment on its own behalf or on behalf of the Government and the Lessor, the Lessor shall cooperate and use all reasonable efforts including, but not limited to, affirming the accuracy of the documents, executing documents required for any legal proceeding, and taking such other actions as may be required. If the Lessor initiates an appeal on behalf of the Government, the Government and the Lessor will enter into an agreement to establish a method for sharing expenses and tax savings.

3.4 BUSINESS IMPROVEMENT DISTRICTS (B.I.D.)

(a) For purposes of this solicitation:

(1) "BID" means a Business Improvement District, Special Improvement District, or other specifically defined geographical area within a taxing jurisdiction, organized and registered pursuant to enabling legislation promulgated by a State or local government, within which properties are assessed, charged or taxed solely by virtue of their location within the given area and in support of services or projects located solely within the area.

(2) "Building" means the building(s) within which space is provided to the Government under the Lease, together with the land upon which the building is located.

(3) "Lessor's BID Assessment" means charges, assessments or taxes levied against Lessor and/or a Building, expressed as a fixed sum per Building, solely by virtue of the Building being located within a BID.

(b) The Government agrees, when applicable, to make a single annual lump sum payment to the Lessor for its share of increases in Lessor's BID Assessment over the agreed upon base year. For purposes of this clause, the agreed upon base year amount of Lessor's BID Assessment is $32,275.00 (enter N/A if the Building is not located within the boundaries of a BID).

(c) The Government's share of increases in Lessor's BID Assessment shall be based upon the ratio of the BOMA Rentable square feet occupied by the Government to the total BOMA Rentable square feet of office and retail space in the Building (percentage of occupancy). Square footage related to parking will not be included in determining the Government's percentage of occupancy.

(d) The Lessor shall furnish the Government with copies of all bills reflecting Lessor's BID Assessment and evidence of payment of such Lessor's BID Assessment by the Lessor. Evidence of payment must be submitted to the Government within 60 calendar days of the date that payment is due. Failure by Lessor to submit evidence of payment as provided in this paragraph Shall act as a waiver of Lessor's right to receive payment under this clause.

3.5 OPERATING COSTS (SEP 2000)

A. Beginning with the second year of the lease and each year thereafter, the Government shall pay adjusted rent for changes in costs for cleaning services, supplies, materials, maintenance, trash removal, landscaping, water, sewer charges, heating, electricity, and certain administrative expenses attributable to occupancy. Applicable costs listed on GSA Form 1217, Lessor's Annual Cost Statement, when negotiated and agreed upon, will be used to determine the base rate for operating costs adjustment.

B. The amount of adjustment will be determined by multiplying the base rate by the percent of change in the Cost of Living Index. The percent change will be computed by comparing the index figure published in the month of the lease commencement date with

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LESSOR GOV'T

the index figure published in the month which begins each successive 12-month period. For example, a lease which commences in June of 1995 would use the index published in June of 1995, and that figure would be compared with the index published in June of 1996, June of 1997, and so on. to determine the percent change. The Cost of Living Index will be measured by the Department of Labor revised Consumer Price Index for wage earners and clerical workers. U.S, city average, all items figure, (1982 to 1984 = 100) published by the Bureau of Labor Statistics, Payment will be made with the monthly installment of fixed rent Rental adjustments will be effective on the anniversary date of the lease.

C. In the event of any decreases in the Cost of Living Index occurring during the term of the occupancy under the lease, the rental amount will be reduced accordingly. The amount of such reductions will be determined in the same manner as increases in rent provided under this paragraph.

3.6 OPERATING COSTS BASE (SEP 2000) SEE PARAGRAPH 6E OF THIS LEASE

3.7 RENTABLE SPACE (SEP 2000)

Rentable space is the area for which a tenant is charged rent. It is determined by the building owner and may vary by city or by building within the same city. The rentable space may include a share of building support/common areas such as elevator lobbies, building corridors, and floor service areas. Floor service areas typically include restrooms, janitor rooms, telephone closets, electrical closets, and mechanical rooms. The rentable space does not include vertical building penetrations and their enclosing walls, such as stairs, elevator shafts, and vertical ducts.

3.8 ANSI/BOMA OFFICE AREA SQUARE FEET (SEP 2000)

A. For the purposes of this SFO, the Government recognizes the American National Standards Institute/Building Owners and Managers Association (ANSI/BOMA) international standard (Z65.1 -1996) definition for Office Area, which means “the area where a tenant normally houses personnel and/or furniture, for which a measurement is to be computed.”

B. ANSI/BOMA Office Area square feel shall be computed by measuring the area enclosed by the finished surface of the room side of corridors (corridors in place as well as those required by local codes and ordinances to provide an acceptable level of safety and/or to provide access to essential building elements) and other permanent walls, the dominant portion (refer to Z65.1) of building exterior walls, and the center of tenant-separating partitions. Where alcoves, recessed entrances, or similar deviations from the corridor are present. ANSI/BOMA Office Area square feet shall be computed as if the deviation were not present.

3.9 COMMON AREA FACTOR (SEP 2000) SEE PARAGRAPH 6F OF THIS LEASE

If applicable, the Offeror shall provide the Common Area Factor (a conversion factor(s) determined by the building owner and applied by the owner to the ANSI/BOMA Office Area square feet o determine the rentable square feet for the offered space).

3.10 APPURTENANT AREAS

The non-exclusive right to use appurtenant areas and facilities is included. The Government reserves the right to post Government rules and regulations in the Government leased space.

3.11 LIQUIDATED DAMAGES, GSAR 552.270-15 (SEP 1999)

In case of failure on the part of the Lessor to complete the work within the time fixed in the lease contract or letter of award, the Lessor shall pay the Government as fixed and agreed liquidated damages, pursuant to this paragraph, the sum of $3000 for each and every calendar day that the delivery is delayed beyond the date specified for delivery of all the space ready for occupancy by the Government. This remedy is not exclusive and is in addition on to any other remedies, which may be available under this lease or at law.

3.12 VENDING FACILITIES (SEP 3000)

A. Approximately 250 square feet of the ANSI/BOMA Office Area space in the “Amount and Type of Space” paragraph of the SUMMARY section of this SFO will be used for the operation of a vending facility(ies) by the blind under the provisions of the Randolph-Sheppard Act (United States Code 20 USC 107 et. seq.). The Government will control the number, kind, and locations of vending facilities and will control and receive income from all automatic vending machines. The Lessor is required to provide necessary utilities and to make related alterations. The cost of the improvements will be negotiated, and payment will be made by the Government either on a lump-sum basis or a rental increase.

B. The Government will assure that the facility(ies) does riot compete with other facilities having exclusive rights in the building. The Offeror shall advise the Government if such rights exist.

3.13 ADJUSTMENT FOR VACANT PREMISES, GSAR 552.270-16 (VARIATION) (SEP 1999)

A. If the Government fails to occupy any portion of the leased premises or vacates the premises in whole or in part prior lo expiration of the term of the lease, the rental rate will be reduced.

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B. The rate will be reduced by that portion of the costs per ANSI/BOMA Office Area square foot of operating expenses not required to maintain the space. Said reduction shall occur after the Government gives 30 calendar days prior notice to the Lessor and shall continue in effect until the Government occupies the premises or the lease expires or is terminated.

C. The rate is determined to be the following, based on the amount of space vacated:

(1) $1.50 per ANSI/BOMA Office Area square foot for at least ½ of a leased floor.

(2) $2.00 per ANSI/BOMA Office Area square foot for at least 1 full leased floor or the entire space leased by the Government on a floor (if less than a full floor).

(3) $2.50 per ANSI/BOMA Office Area square foot for entire leased space.

3.14 RELOCATION ASSISTANCE ACT

If an improved site is offered and new construction will result in the displacement of individuals or businesses, the successful Offeror shall be responsible for payment of relocation costs for displaced persons in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and 49 CFR Part 24.

3.15 EVIDENCE OF CAPABILITY TO PERFORM (SEP 2000)

A. AT THE TIME Of SUBMISSION OF OFFERS, THE OFFEROR SHALL SUBMIT TO THE CONTRACTING OFFICER:

1. Satisfactory evidence of at least a conditional commitment of funds in an amount necessary to prepare the space. Such commitments shall be signed by an authorized bank officer and at a minimum shall state: amount of loan; term in years; annual percentage rate; and length of loan commitment.
2. The names of the proposed team, as well as evidence of each team member’s experience, competency, and performance capabilities with projects similar in scope to that which is required herein. In addition, copies of the licenses or certifications to practice in the state where the facility is located from the individual(s) and/or firm(s) providing architectural and engineering design services.
3. Compliance with local zoning laws or evidence of variances, if any, approved by the proper local authority.
4. Evidence of ownership or control of site.
5. Preliminary Design/Construction Schedule
6. Documentation to demonstrate signatory authority.

B. AFTER AWARD:

The successful Offeror/Lessor shall provide to the Contracting Officer evidence of:

(1) A firm commitment of funds in an amount sufficient to perform the work within 30 calendar days after award.

(2) Award of a construction contract for tenant improvements with a firm completion date within 2 weeks of receipt of Government’s Notice to Proceed.

(3) Issuance of a building permit covering construction of the tenant improvements within 6 weeks of Government’s approval of working-construction drawings.

3.16 PROJECT SCHEDULE

A. A detailed, finalized project schedule which coincides with the Government’s required occupancy shall be submitted no later than 7 days after award. Refer to the “Delivery Schedule of Tenant Improvements” paragraph below.

B. The schedule is to include timing for completion of design and construction milestones, including but not limited to, (1) blocking and stacking, (2) Government review and approval, (3) design intent drawings, (4) Government review, (5) working/construction drawings, (6) Government review, (7) construction bidding, (8) Government’s notice to proceed, (9) issuance of a building permit, (10) completion of principal categories of work, (11) final construction completion, and (12) space acceptance and move-in.

C. Final agreed upon design and construction schedule will be incorporated into the lease through a Supplemental Lease Agreement.

3.17 DELIVERY SCHEDULE OF TENANT IMPROVEMENTS (SEP 2000)

The delivery schedule shall commence upon lease award, unless otherwise expressly agreed by the Lessor and Government as stated in the lease. The following provides detail for phases of delivery: 1) the generation of the design intent drawings; 2) the Government’s approval of the design intent drawings; 3) the Lessor’s generation of the Government’s working/construction drawings; 4) the Government’s review of the working/construction drawings; 5) the Lessor’s construction of the subject leased area; and 6) the Government’s acceptance of the Lessor’s construction. Schedule is based upon calendar days unless otherwise specifically noted. References to “approval” shall mean such approval granted by the Contracting Officer. During the construction schedule, the Government may request regularly scheduled progress meetings and request that the Lessor keep meeting minutes of discussion topics and attendance. During design and construction, the Lessor may discover instances where the Government’s directives conflict. In such cases, the Lessor shall immediately notify the Contracting Officer so that the Government may issue a determination as to how to proceed beyond the building shell. Time is of the essence and schedule may be phased or expedited as approved by the Government.

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	LESSOR		GOV’T

A. BLOCKING AND STACKING DIAGRAM:

The Lessor shall prepare, blocking plans and a stacking diagram to meet with the Government's approval.

B. DESIGN INTENT DRAWINGS:

The Government recommends that the Lessor retain an architectural and engineering firm that is familiar with the prospective tenant's design criteria. If the Lessor retains an architectural and engineering firm that is not familiar with the prospective tenant's design criteria, the Government will require an additional 5 working days of review time at each review time period throughout the design schedule.

1. The Lessor shall prepare and provide to the Government, for the Government's approval, design intent drawings detailing the Tenant Improvements to be made by the Lessor within the Government-demised area. The Government shall use best efforts to coordinate the provision of such information and details as required by the Lessor's architect to complete such drawings in a timely manner. Design intent drawings, for the purposes of this lease, are defined as fully-dimensioned drawings of the leased space which include enough information to prepare construction drawings and shall consist of: 1) furniture locations, telephone and data outlet types and locations; 2) specifications necessary for calculation of electrical and HVAC loads; and 3) all finish/color/signage selections. Design intent drawings shall be due from the Lessor within 1 month from award.

2. *Review.* The Government retains the right to review, approve, and request modifications (if necessary) to the Lessor's design intent drawings prior to the Lessor's commencement of working/construction drawings. The Government's review and approval of the drawings is limited as to the drawings' conformance to the specific requirements of the SFO and the agency's needs as they apply to the specific leased space. The Government shall perform all reviews of design intent drawings within 5 working days of receipt of such from Lessor. Should the Government require that modifications be made to the Lessor's design intent drawings before approval can be granted, the Government shall state as such in writing to the Lessor, and the Lessor shall have 5 working days to cure all noted defects before returning the design intent drawings to the Government for a subsequent review. Upon approval of the design intent drawings, a notice to proceed shall be transmitted to the Lessor, and the Lessor shall commence working/construction drawings for the space. At the sole discretion of the Government, the Lessor may be required to submit a budget proposal, based on the Tenant Improvements and associated work as shown on the design intent drawings. This budget proposal shall be completed within 5 working days of the Government's request. Delay of receipt of such proposal shall result in a Lessor delay.

C. WORKING/CONSTRUCTION DRAWINGS:

The Lessor shall prepare, final working/construction drawings for the improvements illustrated on the Government-approved design intent drawings. The working/construction drawings shall include but is not limited to all mechanical, electrical, plumbing, fire safety, lighting, structural, and architectural improvements scheduled for inclusion into the Government-demised area. Working/construction drawings shall also be annotated with all applicable specifications. The resulting product shall reflect requirements, which are substantially the same as that specified by the Government-approved design intent drawings and shall incorporate neither extraneous additions nor deletions of requirements. The Lessor's working/construction drawings shall be due to the Government within 15 working days of receipt of the Design Intent Drawings. Working/construction drawings shall clearly identify 1) Tenant Improvements already in place and 2) the work to be done by the Lessor or others. The Government may also require at the time of submission of working/construction drawings that the Lessor submit a written price proposal along with adequate cost and pricing data for any costs or credits to the Government, which are beyond the scope of the original SFO and its attachments. Any work shown on the working/construction drawings, which is building shell, shall be clearly identified as such.

D. REVIEW OF WORKING/CONSTRUCTION DRAWINGS:

The Government retains the right to review, and request modifications (if necessary) to, the Lessor's working/construction drawings prior to the Lessor's commencement of interior construction. The Government's review of the working/construction drawings is limited to the working/construction drawings' conformance to the specific requirements of the SFO and to the approved design intent drawings. The Government shall perform all reviews of working/construction drawings within 5 working days of receipt of such from the Lessor. Should the Government require that modifications be made to the Lessor's working/construction drawings, the Government shall state such in writing to the Lessor, and the Lessor shall have up to 5 working days to cure all noted defects before returning the working/construction drawings to the Government for a subsequent review. The Government shall have 5 working days to review modified working/construction drawings prior to approval. Upon complete Government review for conformance of the working/construction drawings to the design intent drawings, a Notice of Proceed shall be transmitted to the Lessor, and the Lessor shall commence competitive bidding of the Tenant Improvements. Notwithstanding the Government's review of the working/construction drawings, the Lessor is solely responsible and liable for the technical accuracy of the working/construction drawings in meeting all requirements and provisions of the lease and the Government-approved design intent drawings.

E BIDDING PROCESS:

At the Government's sole discretion, the Lessor shall:

1. Provide cost and pricing data in conjunction with the tenant alterations as specified by the Government in Form 3517 per the terms and conditions noted therein or,

2. Provide a price based upon the results of a competitive bid proposal process as follows:

   (a) The scope of work includes the lease (including the SFO and all SFO attachments), the construction drawings/documents as prepared by the Lessor, and written specifications. **In cases of discrepancies, the lease shall govern over any other documents.** All differences will be resolved by the Contracting Officer in accordance with the terms and conditions of the lease.

   (b) No building shell items shall be included in the competitive proposal.

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LESSOR GOV'T

(c) A minimum of three qualified contractors must be invited to participate in the competitive proposal process. Each participant must compete independently in the process.

(d) Each submitted proposal must be reviewed by the Government. The Government reserves the right to determine if bids meet with the scope of work, that the price is reasonable, and that the offeror is qualified to perform the work.

(e) The Government may elect to be represented at all negotiation sessions between the Lessor and potential contractors.

(f) The Lessor must certify to the Government that best efforts have been made to obtain the most competitive prices possible, that the Lessor shall accept responsibility for all prices through direct contracts with all contractors, and that all performance specifications of the lease shall be met. A certification form, provided by the Government, shall accompany the final bid package.

(g) The Lessor shall complete the competition and the cost proposal process in 15 working days or less from the date of issuance of completed construction documents. The Lessor shall accompany the bids with a recommendation for selection and with a summary in spreadsheet formal comparing the bidders proposal and indicating the exceptions or variations proposed by the bidders.

(h) Once the Government determines that there is adequate competition, and upon the Government's acceptance of the Lessor's cost proposal based upon that competition (provided the Lessor selects the competition's lowest priced bid of a contractor qualified to perform the subject work), the Contracting Officer shall issue to the Lessor a Notice To Proceed within 10 working days for the subject work, provided the cost is within the Government's budget for subject work. The NTP may be a partial or a complete NTP, and/or in the event the Lessor's cost proposals for the tenant alteration work exceeds the Government's budget, the Government may elect to have the working drawings be value engineered by the Lessor's construction and design team to meet the Government's budget. The cost of these modifications shall be paid by the Government.

(i) The Lessor shall complete the work within the time frame requirements of the SFO.

F. CONSTRUCTION OF TENANT IMPROVEMENTS:

The Lessor shall construct all Tenant Improvements in accordance with 1) the Government reviewed working/construction drawings and 2) all terms and conditions of the SFO. The Lessor shall furnish a detailed construction schedule (such as Critical Path Method) to the Government within 5 working days of issuance of the notice to proceed. Such schedule shall also indicate the dates available for the Government contractors to install telephone/data lines or equipment. The Government reserves the right to access any space within the building during the conduct of interior construction for the purposes of performing inspections or for installing Government-furnished equipment. The Government shall coordinate with the Lessor the activity of Government contractors in order to minimize conflicts with, and disruption to, other contractors on site. Access shall not be denied to authorized Government officials including, but not limited to, Government contractors, subcontractors, or consultants acting on behalf of the Government with regard to this project. Total space shall be constructed within 20 weeks of the Lessor's receipt of the Government's Notice to Proceed

G. DELAYS:

Delays by the city or county in issuance of a building permit after Lessor has applied for a permit with all due diligence and delays by city or county inspectors in completing inspections necessary to issue the Certificate of Occupancy for the building will be considered excusable delay. Owner agrees to provide the Government a copy of the application for the permit. Delays caused by the failure of Lessor to receive long-lead items requested by the Government shall be considered excusable delay provided that the Lessor has ordered such items in a timely manner. Lessor, if requested by the Government, must provide necessary documentation related to purchase of long-lead items.

Should either the Government or the Lessor fail to discharge their responsibilities as defined herein within the time allocated under the agreed upon construction schedule, such shall constitute "delay". Delay caused by either party may be offset by the early completion of that party's other responsibilities within the schedule. The absolute value of the number of days of one party's delay minus the number of days of the remaining party's delay shall equal the total number of days of delay for a given stage of the schedule. Delay shall be attributable to the party having caused the greatest number of days of critical path delay and shall be termed either "Government Delay" or "Lessor Delay" as appropriate.

If Government delay occurs, then the rent commencement date shall be the same number of days earlier than the acceptance date as the number of days of delay. Any rental paid by the Government prior to actual occupancy shall be less the cost for services and utilities (Base Cost of Services) of the vacant premises. In any event, the Government will not be required to accept space and commence rent prior to the original date as indicated in the "Occupancy Date" paragraph of the SFO, unless otherwise agreed to by the Government. Each day of Lessor Delay will increase the amount of free rent after occupancy by the Government on a day for day basis per subparagraph (G) "Delay" of this paragraph and the "Default in Delivery" paragraph of the GSA Form 3517.

H. ACCEPTANCE OF SPACE:

Seven days prior to the completion of interior construction, the Lessor shall issue written notice to the Government to inspect the space. The Government shall have seven days to inspect and to either accept or reject the subject space.

1. Substantially completed space will be accepted by the Government subject to the completion of minor punch list items. Space which is not substantially complete will not be accepted by the Government. Should the Government reject the

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	LESSOR		GOV'T

Lessor's space as not substantially complete as defined herein, the Lessor shall immediately undertake remedial action and when ready shall issue a subsequent notice to inspect to the Government.

2. A copy of the building permit and a copy of the Certificate of Occupancy shall be provided to the contracting officer immediately upon Lessor's receipt.

I. RENT COMMENCEMENT:

The rent commencement date shall be the date of space acceptance for the premises made by the Government, as set forth in GSA Form 3517, unless delays occur as specified in subparagraph (G) "Delays" above.

J. LEASE COMMENCEMENT:

The Government shall issue a GSA Form 276, Supplemental Lease Agreement, to establish the lease and rent commencement date after the acceptance of all space. In any case, the lease commencement date shall not be prior to the rent commencement date.

3.18 PROGRESS REPORTS (SEP 2000)

After lease award, at the Government's discretion, the successful Offeror shall submit to the Contracting Officer, written progress reports at intervals of 7 days. Each report shall include information as to 1) percentage of the work completed by phase and trade; 2) a statement as to expected completion and occupancy date; 3) changes introduced into the work; 4) general remarks on such items as material shortages, strikes, weather, etc.; and 5) updated CPM including construction (with original from design schedule phase). In addition, at the Government's discretion, the Lessor shall conduct weekly meetings to brief Government personnel and/or contractors regarding the progress of design and construction of the Government-demised area. Such meetings shall be held at a location to be designated by the Government.

3.19 CONSTRUCTION INSPECTIONS

A. Construction inspections will be made periodically by the Contracting Officer and/or designated technical representatives to review compliance with the SFO requirements and the final working drawings.

B. Periodic reviews, tests, and inspections by the Government are not to be interpreted as resulting in any approval of the Lessor's apparent progress toward meeting the Government's objectives but are intended to discover any information which the Contracting Officer may be able to call to the Lessor's attention to prevent costly misdirection of effort. The Lessor shall remain completely responsible for designing, constructing, operating, and maintaining the building in full accordance with the requirements of this SFO.

4.0 GENERAL ARCHITECTURE

4.1 QUALITY AND APPEARANCE OF BUILDING EXTERIOR (SEP 2000)

The space offered shall be located in a modern office building with a facade of stone, marble, brick, stainless steel, aluminum, or other permanent materials in good condition acceptable to the Contracting Officer. If not in a new office building, the space offered shall be in a building that has undergone, or will complete by occupancy, first class restoration or adaptive reuse for office space with modern conveniences. If the restoration work is underway or proposed, then architectural plans acceptable to the Contracting Officer shall be submitted as part of the offer. The building shall be compatible with its surroundings. Overall, the building shall project a professional and aesthetically-pleasing appearance including an attractive front and entranceway. The building shall have energy-efficient windows or glass areas consistent with the structural integrity of the building, unless not appropriate for intended use. The facade, downspouts, roof trim, and window casing shall be clean and in good condition.

4.2 CONSTRUCTION WASTE MANAGEMENT (SEP 2000)

A. Recycling construction waste means providing all services necessary to furnish construction materials or wastes to organizations which will employ these materials or wastes in the production of new materials. Recycling includes required labor and equipment necessary to separate individual materials from the assemblies of which they form a part.

B. The Offeror shall submit to the Government a proposal to dispose of or recycle construction waste. Where the small quantity of material, the extraordinarily complex nature of the waste disposal method, or prohibitive expense for recycling would represent a genuine hardship, the Government may permit alternative means of disposal. This requirement shall also apply to subsequent alterations under the lease. The Government may permit alternative means of disposal only upon review and approval of a feasibility study provided by the Lessor to the Contracting Officer for a specific term.

C. The Lessor shall recycle the following items during both the demolition and construction phases of the project, subject to economic evaluation and feasibility:

1. ceiling grid and tile;
2. light fixtures, including proper disposal of any transformers, ballasts, and fluorescent light bulbs;
3. duct work and HVAC equipment;
4. wiring and electrical equipment;

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LESSOR GOV'T

5. aluminum and/or steel doors and frames;
6. hardware;
7. drywall;
8. steel studs;
9. carpet, carpet backing, and carpet padding;
10. wood;
11. insulation;
12. cardboard packaging;
13. pallets;
14. windows and glazing materials;
15. all miscellaneous metals (as in steel support frames for filing equipment); and
16. all other finish and construction materials.

D. If any waste materials encountered during the demolition or construction phase are found to contain lead, asbestos, polychlorinated biphenyls (PCB's) (such as fluorescent lamp ballasts), or other harmful substances, they shall be handled and removed in accordance with federal and state laws and requirements concerning hazardous waste.

E. In addition to providing "one-time" removal and recycling of large-scale demolition items such as carpeting or drywall, the Lessor shall provide continuous facilities for the recycling of incidental construction waste during the initial construction.

F. Construction materials recycling records shall be maintained and shall be accessible to the Contracting Officer. Records shall include materials recycled or landfilled. quantity, date, and identification of hazardous wastes.

4.3 EXISTING FIT-OUT, SALVAGED, OR RE-USED BUILDING MATERIAL (SEP 2000)

A. Items and materials existing in the offered space, or to be removed from the offered space during the demolition phase, are eligible for reuse in the construction phase of the project. The reuse of items and materials is preferable to recycling them; however, items considered for reuse shall be in refurbishable condition and shall meet the quality standards set forth by the Government in this SFO. In the absence of definitive quality standards, the Lessor shall ensure that the quality of the item(s) in question shall meet or exceed accepted industry or trade standards for first quality commercial grade applications.

B. The Lessor shall submit a reuse plan to the Contracting Officer. The Government will not pay for existing fixtures and other Tenant Improvements accepted in place. However, the Government will reimburse the Lessor, as part of the Tenant Improvement Allowance, the costs to repair or improve such fixtures or improvements identified on the reuse plan and approved by the Contracting Officer.

4.4 INDOOR AIR QUALITY DURING CONSTRUCTION (SEP 2000)

A. The Lessor shall provide to the Government material safety data sheets (MSDS) upon request for the following products prior to their installation or use: adhesives, caulking, sealants, insulating materials, fireproofing, or firestopping materials, paints, carpets, floor and wall patching or leveling materials, lubricants, clear finish for wood surfaces, and janitorial cleaning products.

B. The Contracting Officer may eliminate from consideration products with significant quantities of toxic, flammable, corrosive, or carcinogenic material and products with potential for harmful chemical emissions. Materials used often or in large quantities will receive the greatest amount of review.

C. All MSDS shall comply with Occupational Safety and Health Administration (OSHA) requirements. The Lessor and its agents shall comply with all recommended measures in the MSDS to protect the health and safety of personnel.

D. To the greatest extent possible, the Lessor shall sequence the installation of finish materials so that materials that are high emitters of volatile organic compounds (VOC) are installed and allowed to cure before installing interior finish materials, especially soft materials that are woven, fibrous, or porous in nature, that may adsorb contaminants and release them over time.

E. Where demolition or construction work occurs adjacent to occupied space, the Lessor shall erect appropriate barriers (noise, dust, odor, etc.) and take necessary steps to minimize interference with the occupants. This includes maintaining acceptable temperature, humidity, and ventilation in the occupied areas during window removal, window replacement, or similar types of work.

F. A final flush-out period of 48 hours to 72 hours shall be provided before occupancy. The Lessor shall ventilate with 100 percent outside air at the recommended air change rate during installation of materials and finishes. Refer to the latest edition of American Society of Heating, Refrigerating, and Air Conditioning Engineers, Inc. ANSI/(ASHRAE) Standard 62. *Ventilation for*

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LESSOR GOV'T

Acceptable Indoor Air Quality. If outside air would cause unacceptable inside temperature levels, humidity levels, and/or air quality, an alternate ventilation plan may be submitted to the Contracting Officer for approval.

4.5 WORK PERFORMANCE (SEP 2000)

All work in performance of this lease shall be done by skilled workers or mechanics and shall be acceptable to the Contracting Officer. The Contracting Officer retains the right to reject the Lessor's workers 1) if such are either unlicensed, unskilled, or otherwise incompetent or 2) if such have demonstrated a history of either untimely or otherwise unacceptable performance in connection with work carried out in conjunction with either this contract or other Government or private contracts.

4.6 BUILDING SYSTEMS (JAN 1997)

Whenever requested, the Lessor shall furnish at no cost to GSA a report by a registered professional engineer(s) showing that the building and its systems as designed and constructed will satisfy the requirements of this lease.

4.7 SPACE EFFICIENCY (SEP 2000)

The design of the space offered shall be conducive to efficient layout and good utilization as determined by the Government at its sole discretion.

4.8 FLOOR PLANS AFTER OCCUPANCY

Within 60 days after occupancy, as-built mylar reproducible full floor plans, scaled at 1/8" = 1'-0", showing the space under lease, as well as corridors, stairways, and core areas, shall be provided to the Contracting Officer.

4.9 CAD AS-BUILT FLOOR PLANS (SEP 2000)

Computer-Aided Design (CAD) files of as-built floor plans showing the space under lease, as well as corridors, stairways, and core areas, shall be provided to the Contracting Officer along with the mylar drawings required in the "Floor Plans After Occupancy" paragraph in the GENERAL ARCHITECTURE section of this SFO. The plans shall have been generated by a CAD program which is compatible with the latest release of AutoCAD. The required file extension is DWG. Clean and purged files shall be submitted on 3-1/2-inch double-sided, high density diskettes, or, if approved by the Contracting Officer, on CD-ROM or QIC (1/4-inch cartridge) tape. They shall be labeled with building name, address, list of drawing(s), date of the drawing(s), and Lessor's architect and phone number. The Lessor's operator shall demonstrate the submission on GSA equipment, if requested by the Contracting Officer.

4.10 FLOORS AND FLOOR LOAD (SEP 2000)

All adjoining floor areas shall be 1) of a common level not varying more than 1/4 inch over a 10-foot, 0-inch horizontal run in accordance with the American Concrete Institute standards, 2) non-slip, and 3) acceptable to the Contracting Officer. Underfloor surfaces shall be smooth and level. Office areas shall have a minimum live load capacity of 80 pounds per ANSI/BOMA Office Area square foot plus 20 pounds per ANSI/BOMA Office Area square foot for moveable partitions. Storage areas shall have a minimum live load capacity of 120 to 150 pounds per ANSI/BOMA Office Area square foot including moveable partitions. A report showing the floor load capacity, at no cost to the Government, by a registered professional engineer may be required. Calculations and structural drawings may also be required.

4.11 EXITS AND ACCESS (SEP 1991)

Vestibules shall be provided at public entrances and exits wherever weather conditions and heat loss are important factors for consideration. In the event of negative air pressure conditions, provisions shall be made for equalizing air pressure.

4.12 WINDOWS (SEP 2000)

A. Office space shall have windows in each exterior bay unless waived by the Contracting Officer.

B. All windows shall be weather-light. Operable windows that open shall be equipped with locks, Off-street, ground level windows and those accessible from fire escapes, adjacent roofs, and other structures that can be opened shall be fitted with a sturdy locking device.

4.13 ACCESSIBILITY (SEP 2000)

The building, leased space, and areas serving the leased space shall be accessible to persons with disabilities in accordance with both the ADAAG (36 CFR Part 1191, App. A) and the UFAS (41 CFR Part 101-19.6, App. A), Where standards conflict, the more stringent shall apply.

4.14 LANDSCAPING (SEP 2000)

A. Where conditions permit, the site shall be landscaped for low maintenance and water conservation with plants that are either native or well-adapted to local growing conditions.

B. Landscape management practices shall prevent pollution by:

1. employing practices which avoid or minimize the need for fertilizers and pesticides;

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LESSOR GOV'T

2. prohibiting the use of the 2,4-Dichlorophenoxyacelic Acid (2,4-D) herbicide and organophosphates; and

3. composting/recycling all yard waste.

C. The Lessor shall use landscaping products with recycled content as required by Environmental Protection Agency's (EPA's) Comprehensive Procurement Guidelines (CPG) for landscaping products. Refer to EPA's CPG web site, *www.epa.gov/cpg.*

D. The Contracting Officer shall approve the landscaping to be provided.

5.0 ARCHITECTURAL FINISHES

5.1 RECYCLED CONTENT PRODUCTS (COMPREHENSIVE PROCUREMENT GUIDELINES) (SEP 2000)

A. The Lessor shall comply to the extent feasible with the Resource Conservation and Recovery Act (RCRA), Section 6002, 1976. The Lessor shall use recycled content products as indicated in this SFO and as designated by the U.S. Environmental Protection Agency (EPA) in the Comprehensive Procurement Guidelines (CPG), 40 CFR Part 247, and its accompanying Recovered Materials Advisory Notice (RMAN). The CPG lists the designated recycled content products. EPA also provides recommended levels of recycled content for these products. The list of designated products, EPA's recommendations, and lists of manufacturers and suppliers of the products can be found at the *www.epa.gov/cpg/products.htm* web site. Lessor shall provide the Government with documentation of all products used with recycled content, noting percentage of recycled content.

B. The Offeror, if unable to comply with both the CPG and RMAN lists, shall submit a request for waiver for each material to the Contracting Officer with initial offers. A request for a waiver must be approved by the Contracting Officer before the offeror may substitute an alternative product. The request for waiver shall be based on the following criteria:

1. the cost of the recommended product is unreasonable;

2. inadequate competition exists;

3. items are not available within a reasonable period of time; and

4. items do not meet the SFO's performance standards.

5.2 ENVIRONMENTALLY PREFERABLE BUILDING PRODUCTS AND MATERIALS (SEP 2000)

A. The Lessor shall use environmentally preferable products and materials where economically feasible. Environmentally preferable products have a lesser or reduced effect on human health and the environment when compared to other products and services that serve the same purpose.

B. Refer to EPA's environmentally preferable products web site, *www.epa.gov/opptintr/epp.* In general, environmentally preferable products and materials do one or more of the following:

1. contain recycled material, are biobased, or have other positive environmental attributes;

2. minimize the consumption of resources, energy, or water;

3. prevent the creation of solid waste, air pollution, or water pollution; and

4. promote the use of non-toxic substances and avoid toxic materials or processes.

5.3 LAYOUT, FINISHES, AND COLORBOARDS (SEP 2000)

A. All building finishes shall be for first class, modern space.

B. The Lessor shall consult with the Contracting Officer prior to developing a minimum of 7 color boards to include coordinated samples of finishes for all interior elements such as paint, wall coverings, base coving, carpel, window treatments, laminates, and vinyl flooring. All samples provided shall be in compliance with specifications set forth elsewhere in this SFO. Required color boards shall be provided within 5 days of the request for such by the Contracting Officer. The color boards shall be approved by GSA. Upon review with the Tenant Agency(ies), the Government may select more than ONE color board. The selections shall be reflected in the Design Intent Drawings. No substitutes may be made by the Lessor after the color board is selected.

5.4 WOOD PRODUCTS (SEP 2000)

A. For all new installations of wood products, the Lessor is encouraged to use independently certified forest products. For information on certification and certified wood products, refer to the Forest Stewardship Council United States web site (*www.fscus.org/*) or the Certified Forest Products Council web site *(www.certifiedwood.org/).*

B. New installations of wood products used under this contract shall not contain wood from endangered wood species, as listed by the Convention on International Trade in Endangered Species. The list of species can be found at the following web site: *www.certifiedwood.org/Resources/CITES/CITESContent.html.*

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LESSOR GOV'T

C. Particle board, strawboard, and plywood materials shall comply with Department of Housing and Urban Development (HUD) standards for formaldehyde emission controls. Plywood materials shall not emit formaldehyde in excess of 0.2 parts per million (ppm), and particle board materials shall not emit formaldehyde in excess of 0.3 ppm.

5.5 ADHESIVES AND SEALANTS (SEP 2000)

All adhesives employed on this project (including, but not limited to, adhesives for carpel, carpet file, plastic laminate, wall coverings, adhesives for wood, or sealants) shall be those with the lowest possible VOC content below 20 grams per liter and which meet the requirements of the manufacturer of the products adhered or involved. The Lessor shall use adhesives and sealants with no formaldehyde or heavy metals.

5.6 INSULATION: THERMAL, ACOUSTIC, AND HVAC (SEP 2000)

A. All insulation products shall contain recovered materials as required by EPA's CPG and related recycled content recommendations.

B. No insulation installed with this project shall be material manufactured using chlorofluorocarbons (CFC's), nor shall CFC's be used in the installation of the product.

C. All insulation containing fibrous materials exposed to air flow shall be rated for that exposure or shall be encapsulated.

D. Insulating properties for all materials shall meet or exceed applicable industry standards. Polystyrene products shall meet American Society for Testing and Materials (ASTM) C578-91.

5.7 CEILINGS (SEP 2000)

A. Ceilings shall be at least 8 feet, 9 inches and no more than 12 feet, 0 inches measured from floor to the lowest obstruction. Areas with raised flooring shall maintain these ceiling height limitations above the finished raised flooring. Bulkheads and hanging or surface-mounted light fixtures which impede traffic ways shall be avoided. Ceilings shall be uniform in color and appearance throughout the leased space, with no obvious damage to files or grid.

B. Ceilings shall have a minimum noise reduction coefficient (NRC) of 0.60 throughout the Government-demised area.

C. Prior to closing the ceiling, the Lessor shall coordinate with the Government for the installation of any items above the ceiling.

D. Should the ceiling be installed in the Government-demised area prior to the Tenant Improvements, then the Lessor shall be responsible for all costs in regard to the disassembly, storage during alterations, and subsequent re-assembly of any of the ceiling components which may be required to complete the Tenant improvements. The Lessor shall also bear the risk for any damage to the ceiling or any components thereof during the alterations.

E. Ceilings shall be a flat plane in each room and shall be suspended with ample light fixtures and finished as follows unless an alternate equivalent is pre-approved by the Contracting Officer:

1. *Restrooms.* Plaster or pointed and taped gypsum board.
2. *Offices and Conference Rooms.* Mineral and acoustical tile or lay in panels with textured or patterned surface and regular edges or an equivalent pre-approved by the Contracting Officer. Tiles or panels shall contain recycled content.
3. *Corridors and Eating/Galley Areas.* Plaster or pointed and taped gypsum board or mineral acoustical tile.

5.8 WALL COVERINGS (SEP 2000)

A. BUILDING SHELL:

1. *Physical Requirements.*

   a. Prior to occupancy, all restrooms within the building common areas of Government-occupied floors shall have 1) ceramic tile in splash areas and 2) vinyl wall covering not less than 13 ounces per square yard as specified in Federal Specification (FS) CCC-W-408C on remaining wall areas or an equivalent pre-approved by the Contracting Officer.

   b. Prior to occupancy, all elevator areas which access the Government-demised area and hallways accessing the Government-demised area shall be covered with vinyl wall coverings not less than 22 ounces per square yard as specified in FS CCC-W-408C or an equivalent pre-approved by the Contracting Officer.

2. *Replacement.* All wall covering shall be maintained in "like new" condition for the life of the lease. Wall covering shall be replaced or repaired at the Lessor's expense any time during the Government's occupancy if it is torn, peeling or permanently stained; the ceramic tile in the restrooms shall be replaced or repaired if it is loose, chipped, broken, or permanently discolored. All repair and replacement work shall be done after working hours.

B. TENANT IMPROVEMENT INFORMATION:

1. In the event the Government chooses to install wall covering as part of the Tenant Improvement Allowance, the minimum standard is established as vinyl or polyolefin commercial wall covering weighing not less than 13 ounces per square yard as specified in FS CCC-W-408C or equivalent. The finish shall be pre-approved by the Contracting Officer.

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LESSOR GOV'T

2. All wall covering in the Government-demised area shall be maintained in "like new" condition for the life of the lease Repair or replacement of wall covering shall be at the Lessor's expense and shall include the moving and returning of furnishings, (except where wall covering has been damaged due to the negligence of the Government), any time during the occupancy by the Government if it is torn, peeling, or permanently stained. All repair and replacement work shall be done after working hours.

5.9 PAINTING (SEP 2000)

A. BUILDING SHELL:

1. The Lessor shall bear the expense for all painting associated with the building shell. These areas shall include all common areas. Exterior perimeter walls and interior core walls within the Government–demised area shall be spackled and prime painted with low VOC primer. If any building shell areas are already painted prior to Tenant Improvements, then the Lessor shall repaint, at the Lessor's expense, as necessary during Tenant Improvements.

2. Public areas shall be painted at least every 3 years.

3. Painted surfaces in the Government's demised space shall be repainted at the Lessor's expense, including the moving and returning of furnishings, any time during the occupancy by the Government if it is peeling or permanently stained, except where damaged due to the negligence of the Government. All work shall be done after normal working hours as defined elsewhere in this SFO.

B. TENANT IMPROVEMENT INFORMATION:

1. Prior to occupancy, all surfaces within the Government-demised area, which are designated by GSA for painting, shall be newly finished in colors acceptable to GSA.

2. Where feasible, reprocessed or consolidated latex paint with zero or low VOC shall be used in accordance with EPA's CPG on all painted surfaces. The type of paint shall be acceptable to the Contracting Officer. The Lessor shall follow the manufacturer's recommendations for the application and maintenance of all paint products.

3. It the Government desires cyclical repainting during the term of the lease, the cost will be borne by the Tenant Agency.

5.10 DOORS: EXTERIOR (SEP 2000)

A. BUILDING SHELL:

1. Exterior doors shall be provided at the Lessor's expense unless explicitly requested by the Government in addition to those provided by the Lessor. Exterior doors shall be weather-tight and shall open outward. Hinges, pivots, and pins shall be installed in a manner which prevents removal when the door s closed and locked.

2. These doors shall have a minimum clear opening of 32" wide x 80" high (per leaf). Doors shall be heavy-duty, flush, 1) hollow steel construction, 2) solid-core wood, or 3) insulated tempered glass. As a minimum requirement, hollow steel doors shall be fully insulated, flush, #16-gauge hollow steel. Solid-core wood doors and hollow steel doors shall be at least 1-3/4 inches thick. Door assemblies shall be of durable finish and shall have an aesthetically-pleasing appearance acceptable to the Contracting Officer. The opening dimensions and operations shall conform to the governing building, fire safety, accessibility for the disabled, and energy codes and/or requirements.

5.11 DOORS: SUITE ENTRY (SEP 2000)

A. TENANT IMPROVEMENT INFORMATION:

Suite entry doors shall be provided as part of the Tenant Improvements at the Government's expense and shall have a minimum clear opening of 32" wide x 84" high (per leaf). Doors shall meet the requirements of being a flush, solid-core, 1-3/4-inch thick, wood door with a natural wood veneer face or an equivalent pre-approved by the Contracting Officer. Hollow core wood doors are not acceptable. They shall be operable by a single effort and shall be in accordance with *National Building Code* requirements. Doors shall be installed in a metal frame assembly, finished with a semi-gloss oil based paint finish.

5.12 DOORS: INTERIOR (SEP 2000)

A. TENANT IMPROVEMENT INFORMATION:

Doors within the Government-demised area shall be provided as part of the Tenant Improvements at the Government's expense and shall have a minimum clear opening of 32" wide x 80" high. Doors shall meet the requirements of being a flush, solid-core, wood door with a natural wood veneer lace or an equivalent pre-approved by the Contracting Officer. Hollow core wood doors are not acceptable. They shall be operable with a single effort and shall be in accordance with *National Building Code* requirements. Doors shall be installed in a metal frame assembly primed and finished with a low VOC semi-gloss oil based paint with no formaldehyde.

5.13 DOORS: HARDWARE (SEP 2000)

A. BUILDING SHELL:

Doors shall have door handles or door pulls with heavy-weight hinges. All doors shall have corresponding door stops (wall- or floor-mounted) and silencers. All public use doors and toilet room doors shall be equipped with kick plates. Exterior doors and all common area doors shall have automatic door closers. All building exterior doors shall have locking devices installed to reasonably deter unauthorized entry. Properly rated and labeled fire door assemblies shall be installed on all fire egress doors.

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LESSOR GOV'T

B. TENANT IMPROVEMENT INFORMATION:

Doors shall have door handles or door pulls with heavy-weight hinges. All doors shall have corresponding door stops (wall- or floor-mounted) and silencers. All door entrances leading into the Government-demised area from public corridors and exterior doors shall have automatic door closers. Doors designated by the Government shall be equipped with 5-pin, tumbler cylinder locks, and strike plates. All locks shall be master keyed. The Government shall be furnished with at least two master keys for each lock.

5.14 DOORS: IDENTIFICATION (SEP 2000)

A. BUILDING SHELL:

All signage required in common areas unrelated to tenant identification shall be provided and installed at the Lessor's expense.

B. TENANT IMPROVEMENT INFORMATION:

Door identification shall be installed in approved locations adjacent to office entrances as part of the Tenant Improvement Allowance. The form of door identification shall be approved by the Contracting Officer.

5.15 PARTITIONS: GENERAL (SEP 2000)

A. BUILDING SHELL:

Partitions in public areas shall be marble, granite, hardwood, sheetrock covered with durable vinyl wall covering, or an equivalent pre-approved by the Contracting Officer.

5.16 PARTITIONS: PERMANENT (SEP 2000)

A. BUILDING SHELL:

Permanent partitions shall extend from the structural floor slab to the structural ceiling slab. They shall be provided by the Lessor at the Lessor's expense as necessary to surround the Government-demised area, stairs, corridors, elevator shafts, toilet rooms, all columns, and janitor closets. They shall have a flame spread rating of 25 or less and a smoke development rating of 50 or less (ASTM E-84), Stairs, elevators, and other floor openings shall be enclosed by partitions and shall have the fire resistance required by National Fire Protection Association (NFPA) Standard 101, *Life Safety Code.*

5.17 PARTITIONS: SUBDIVIDING (SEP 2000)

A. BUILDING SHELL:

Any demolition of existing improvements which is necessary to satisfy the Government's layout shall be done at the Lessor's expense.

B. TENANT IMPROVEMENT INFORMATION:

1. Office subdividing partitions shall comply with applicable building codes and local requirements and shall be provided at the expense of the Government. Partitioning shall extend from the finished floor to the finished ceiling and shall be designed to provide a sound transmission class (STC) of 37. Partitioning shall be installed by the Lessor at locations to be determined by the Government as identified in the design Intent drawings. They shall have a flame spread rating of 25 or less and a smoke development rating of 50 or less (ASTM E-84).
2. HVAC shall be rebalanced and lighting repositioned, as appropriate, after installation of partitions.
3. Partitioning requirements may be met with existing partitions if they meet the Government's standards and layout requirements.

5.18 FLOOR COVERING AND PERIMETERS (SEP 2000)

A. BUILDING SHELL:

1. Exposed interior floors in primary entrances and lobbies shall be marble, granite, terrazzo, or an equivalent pre-approved by the Contracting Officer. Exposed interior floors in secondary entrances, elevator lobbies, and primary interior corridors shall be high-grade carpet, marble, granite, terrazzo, durable vinyl composite tile, or an equivalent pre-approved by the Contracting Officer. Resilient flooring, or an equivalent pre-approved by the Contracting Officer, shall be used in telecommunications rooms. Floor perimeters at partitions shall have wood, rubber, vinyl, marble, carpet base, or an equivalent pre-approved by the Contracting Officer.
2. Terrazzo, unglazed ceramic tile, recycled glass tile, and/or quarry tile shall be used in all toilet and service areas unless another covering is pre-approved by the Contracting Officer.

B. CARPET – REPAIR OR REPLACEMENT:

1. Except when damaged by the Government, the Lessor shall repair or replace carpet at the Lessor's expense at any time during the lease term when:
   a. backing or underlayment is exposed;
   b. there are noticeable variations in surface color or texture; or
   c. tears and tripping hazards are present.

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LESSOR GOV'T

2. Repair or replacement shall include the moving and returning of furnishings. Work shall be performed after normal working hours as defined elsewhere in this SFO. All carpet used for repair and replacement shall be approved by the Contracting Officer,

C. RESILIENT FLOORING – REPAIR OR REPLACEMENT:

1. Except when damaged by the Government, the Lessor shall repair or replace resilient flooring at the Lessor's expense at any time during the lease term when:

   a. It has curls, upturned edges, or other noticeable variations in texture.

2. Repair or replacement shall include the moving and returning of furnishings. Work shall be performed after normal working hours as defined elsewhere in this SFO.

D. TENANT IMPROVEMENT INFORMATION:

1. Floor covering shall be either carpet or resilient flooring, as specified in the Government's design intent drawings. Floor perimeters at partitions shall have wood, rubber, vinyl, carpet base, or an equivalent pre-approved by the Contracting Officer.

2. The use of existing carpet may be approved by the Contracting Officer; however, existing carpet shall be repaired, stretched, and cleaned before occupancy and shall meet the static buildup requirement for new carpet.

3. If the Government requires restrooms and/or shower rooms in the Government-demised area, floor covering shall be terrazzo, unglazed ceramic tile, and/or quarry tile.

E. INSTALLATION:

Floor covering shall be installed in accordance with manufacturing instructions to lay smoothly and evenly.

5.19 CARPET TILE (SEP 2000)

A. Any carpet to be newly installed shall meet the following specifications:

1. *Pile Yam Content.* Pile yam content shall be staple filament or continuous filament branded by a fiber producer (e.g., Allied, DuPont, Monsanto, BASF). Soil -hiding nylon or polyethylene terephthalate (PET) resin.

2. *Environmental Requirements.* The Lessor shall use carpet that meets the "Green Label" requirements of the Carpet and Rug Institute unless an exception is granted by the Contracting Officer.

3. *Carpet Pile Construction.* Carpet pile construction shall be tufted level loop, level cut pile, or level cut/uncut pile.

4. *Pile Weight.* Pile weight shall be a minimum of 26 ounces per square yard for level loop and cut pile. Pile weight shall be a minimum of 32 ounces per square yard for plush and twist.

5. *Secondary Back.* The secondary back shall be polyvinyl chloride, ethylene vinyl acetate, polyurethane, polyethylene, bitumen, or olefinic hardback reinforced with fiberglass.

6. *Total Weight.* Total weight shall be a minimum of 130 ounces per square yard.

7. *Density.* The density shall be 100 percent nylon (loop and cut pile) with a minimum of 4,000; other fibers, including blends and combinations with a minimum of 4,500.

8. *Pile Height.* The minimum pile height shall be 1/8 inch. The combined thickness of the pile, cushion, and backing height shall not exceed 1/2 inch (13 mm).

9. *Static Buildup.* Static buildup shall be a maximum of 3.5 kilovolt, when tested in accordance with AATCC-134.

10. *Carpet Construction.* Carpet construction shall be a minimum of 64 tufts per square inch.

5.20 ACOUSTICAL REQUIREMENTS (SEP 2000)

A. BUILDING SHELL:

1. *Reverberation Control.* Ceilings in carpeted space shall have a noise reduction coefficient (NRC) of not less than 0.55 in accordance with ASTM C-423. Ceilings in offices, conference rooms, and corridors having resilient flooring shall have an NRC of not less than 0.65.

2. *Ambient Noise Control.* Ambient noise from mechanical equipment shall not exceed noise criteria curve (NC) 35 in accordance with the ASHRAE *Handbook of Fundamentals* in offices and conference rooms; NC 40 in corridors, cafeterias, lobbies, and toilets; NC 50 in other spaces.

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LESSOR GOV'T

3. *Noise Isolation.* Rooms separated from adjacent spaces by ceiling-high partitions (not including doors) shall not be less than the following noise isolation class (NIC) standards when tested in accordance with ASTM E-336:

a.	Conference rooms	NIC 40
b.	Offices	NIC 35

4. *Testing.*

a. The Contracting Officer may require, at no cost to the Government, test reports by a qualified acoustical consultant showing that acoustical requirements have been met.

b. The requirements of this paragraph shall take precedence over any additional specifications in this SFO if there is a conflict.

5.21 WINDOW COVERINGS (SEP 2000)

A. TENANT IMPROVEMENT INFORMATION:

1. *Window Blinds.* All exterior windows shall be equipped with window blinds in new or like new condition, which shall be provided as part of the Tenant Improvement Allowance. The blinds may be aluminum or plastic vertical blinds or horizontal blinds with aluminum slats of 1-inch width or less or an equivalent pre-approved by the Contracting Officer. The window blinds shall have non-corroding mechanisms and synthetic tapes. Color selection will be made by the Contracting Officer. The Government agrees to purchase mini-blinds for the windows in the leased space directly from the Lessor from building stock at the Lessor's cost for such blinds.

2. *Drapenes.* If draperies are required, the following minimum specifications shall apply:

a. Fabrics shall be lined with either white or off-white plain lining fabric suited to the drapery fabric weight. Draperies shall be either floor-, apron-, or silt-length, as specified by the Government, and shall be wide enough to cover window and trim. Draperies shall be hung with drapery hooks on well-anchored heavy duty traverse rods. Traverse rods shall draw from either the center, right, of left side.

b. Construction. Any draperies to be newly installed, shall be made as follows:

i. fullness of 100 percent, including overlap, side hems, and necessary returns;

ii. double headings of 4 inches turned over a 4-inch permanently finished stiffener;

iii. doubled side hems of 1-1/2 inches; 4-inch doubled and blind stitched bottom _______;

iv. three-fold pinch pleats;

v. safety stitched intermediate seams;

vi. matched patterns:

vii. tacked corners; and

viii. no raw edges or exposed seams.

c. Use of existing draperies must be approved by the Contracting Officer.

5.22 BUILDING DIRECTORY (SEP 2000)

A. BUILDING SHELL:

A tamper-proof directory with lock shall be provided in the building lobby listing the Government agency(ies). It must be acceptable to the Contracting Officer.

5.23 FLAG POLE (SEP 2000)

A. BUILDING SHELL:

If the Government is the sole occupant of the building, a flag pole shall be provided at a location to be approved by the Contracting Officer. The flag will be provided by the Government. This requirement may be waived if determined inappropriate by GSA.

6.0 MECHANICAL, ELECTRICAL, PLUMBING

6.1 MECHANICAL, ELECTRICAL, PLUMBING: GENERAL (SEP 2000)

A. BUILDING SHELL:

The Lessor shall provide and operate all building equipment and systems in accordance with applicable technical publications, manuals, and standard procedures. Mains, lines, and meters for ulilities shall be provided by the Lessor. Exposed ducts, piping, and conduits are not permitted in office space.

6.2 ENERGY COST SAVINGS (SEP 2000)

A. The Offeror is encouraged to use 1) Energy Savings Performance Contracts (ESPC) or 2) utility agreements to achieve, maintain, and/or exceed the ENERGY STAR Benchmark Score of 75. The Offeror is encouraged to include shared savings in the offer as a

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LESSOR GOV'T

result of energy upgrades where applicable. The ENERGY STAR Online Benchmark Tool can be found at the *www. epa.gov/energystar* web site.

B. All new construction shall make best efforts to achieve an ENERGY STAR Building Label within 1 year after reaching 95 percent occupancy and will continue to retain the ENERGY STAR Building Label if the level of performance is maintained.

C. The Offeror may obtain a list of energy service companies qualified under the Energy Policy Act to perform ESPC, as well as additional information on cost-effective energy efficiency, renewables, and water conservation. For the ESPC qualified list, refer to the *www.eren.doe.gov/femp* web site, or call the FEMP Help Desk at 1-800-566-2877.

6.3 DRINKING FOUNTAINS (SEP 2000)

A. BUILDING SHELL:

The Lessor shall provide, on each floor of office space, a minimum of one chilled drinking fountain per 150 feet of travel distance.

6.4 TOILET ROOMS (SEP 2000)

A. BUILDING SHELL:

1. Separate toilet facilities for men and women shall be provide on each floor occupied by the Government in the building. The facilities shall be located so that employees will not be required to travel more than 200 feet on one floor to reach the toilets. Each toilet room shall have sufficient water closets enclosed with modern stall partitions and doors, urinals (in men's loom), and hot (set in accordance with applicable building codes) and cold water. Water closets and urinals shall not be visible when the exterior door is open.

2. Each main toilet room shall contain the following equipment:

   a. a mirror above the lavatory;

   b. a toilet paper dispenser in each water closet stall, that will hold at least two rolls and allow easy, unrestricted dispensing;

   c. a coat hook on the inside face of the door to each water closet stall and on several wall locations by the lavatories;

   d. at least one modern paper towel dispenser, soap dispenser, and waste receptacle for every two lavatories;

   e. a coin-operated sanitary napkin dispenser in women's toilet rooms with a waste receptacle for each water closet stall;

   f. ceramic tile, recycled glass tile, or comparable wainscot from the floor to a minimum height of 4 feet, 6 inches;

   g. a disposable toilet seat cover dispenser; and

   h. a counter area of at least 2 feet in length exclusive of the lavatories (however, if may be attached to the lavatories) with a mirror above and a ground fault interrupt-type convenience outlet located adjacent to the counter area.

B. If newly installed, toilet partitions shall be made from recovered materials as listed in EPA's CPG.

6.5 TOILET ROOMS: FIXTURE SCHEDULE (SEP 2000)

A. BUILDING SHELL:

1. The toilet fixture schedule specified below shall be applied to each full floor based on one person for each 135 ANSI/BOMA Office Area square feet of office space in a ratio at 50 percent men and 50 percent women.

2. Refer to the schedule separately for each sex.

NUMBER OF MEN*/WOMEN	WATER CLOSETS	LAVATORIES
1 - 15	1	1
16 - 35	2	2
36 - 55	3	3
56 - 60	4	3
61 - 80	4	4
81 - 90	5	4
91 - 110	5	5
111 - 125	6	5
126 - 150	6	**
>150	***	

* In men's facilities, urinals may be substituted for 1/3 of the water closets specified.

** Add one lavatory for each 45 additional employees over 125.

*** Add one water closet for each 40 additional employees over 150.

3. For new installations:

   a. Water closets shall not use more than 1.6 gallons per flush.

   b. Urinals shall not use more than 1.0 gallons per flush.

   c. Faucets shall not use more than 2.5 gallons per minute at a flowing water pressure of 80 pounds per square inch.

6.6 JANITOR CLOSETS (SEP 2000)

A. BUILDING SHELL:

Janitor closets with service sink, hot and cold water, and ample storage for cleaning equipment, materials, and supplies shall be provided on all floors. Each janitor closet door shall be fitted with an automatic deadlocking latch bolt with a minimum throw of 1/2 inch.

6.7 HEATING AND AIR CONDITIONING (SEP 2000)

A. BUILDING SHELL:

1. Temperatures shall conform to local commercial at equivalent temperature levels and operating practices in order to maximize tenant satisfaction. These temperatures shall be maintained throughout the leased premises and service areas, regardless of outside temperatures, during the hours of operation specified in the lease.

2. During non-working hours, heating temperatures shall be set no higher than 55° Fahrenheit, and air conditioning shall not be provided except as necessary to return space temperatures to a suitable level for the beginning of working hours. Thermostats shall be secured from manual operation by key or locked cage. A key shall be provided to the GSA Field Office Manager.

3. Simultaneous heating and cooling are not permitted.

4. Areas having excessive heat gain or heat loss, or affected by solar radiation at different times of the day, shall be independently controlled.

5. *Equipment Performance.* Temperature control for office spaces shall be assured by concealed central heating and air conditioning equipment. The equipment shall maintain space temperature control over a range of internal load fluctuations of plus 0.5 W/sq.ft. to minus 1.5 W/sq.ft. from initial design requirements of the tenant.

6. *HVAC Use During Construction.* The permanent HVAC system may be used to move both supply and return air during the construction process only if the following conditions are met:

   a. a complete air filtration system with 60 percent efficiency fillers is installed and properly maintained;

   b. no permanent diffusers are used;

   c. no plenum-type return air system is employed;

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LESSOR GOV'T

d. the HVAC duct system is adequately sealed to prevent the spread of airborne particulate and other contaminants; and

e. following the building "flush-out," all duct systems are vacuumed with portable high-efficiency particulate arrestance (HEPA) vacuums and documented clean in accordance with National Air Duct Cleaners Association (NADCA) specifications.

7. *Ductwork Re-use and Cleaning.* Any ductwork to be reused and/or to remain in place shall be cleaned, tested, and demonstrated to be clean in accordance with the standards set forth by NADCA. The cleaning, testing, and demonstration shall occur immediately prior to Government occupancy to avoid contamination from construction dust and other airborne particulates.

8. *Insulation.* All insulation shall contain recovered materials as required by EPA's CPG and related recycled content recommendations.

9. The Lessor shall conduct HVAC system balancing after any HVAC system alterations during the term of the lease and shall make a reasonable attempt to schedule major construction outside of office hours.

B. TENANT IMPROVEMENT INFORMATION:

1. *Zone Control.* Individual thermostat control shall be provided for office space with control areas not to exceed 2,000 ANSI/BOMA Office Area square feet. Areas, which routinely have extended hours of operation, shall be environmentally controlled through dedicated heating and air conditioning equipment. Special purpose areas (such as photocopy centers, large conference rooms, computer rooms, etc.) with an internal cooling load in excess of 5 tons shall be independently controlled. Concealed package air conditioning equipment shall be provided to meet localized spot cooling of tenant special equipment. Portable space heaters are prohibited from use.

6.8 VENTILATION (SEP 2000)

A. During working hours in periods of heating and cooling, ventilation shall be provided in accordance with the latest edition of ANSI/ASHRAE Standard 62, *Ventilation for Acceptable Indoor Air Quality.*

B. Air filtration shall be provided and maintained with filters having a minimum efficiency rating as determined by ANSI/ASHRAE Standard 52.2, *Method of Testing General Ventilation Air Cleaning Devices for Removal Efficiency by Particle Size.* Pre-filters shall be 30 percent to 35 percent efficient. Final filters shall be 80 percent to 85 percent efficient for particles at 3 microns.

C. Conference rooms of 300 ANSI/BOMA office area square feet or greater shall be provided with dedicated source of ventilation or be fitted with air handling equipment with smoke/odor removing filters.

D. The Lessor shall conduct HVAC system balancing after all partition and HVAC alterations, and make a reasonable attempt to schedule major construction outside of office hours.

6.9 VENTILATION: TOILET ROOMS (DEC 1993)

Toilet rooms shall be properly exhausted, with a minimum of 10 air changes per hour.

6.10 ELECTRICAL: GENERAL (SEP 2000)

The Lessor shall be responsible for meeting the applicable requirements of local codes and ordinances. When codes conflict, the more stringent standard shall apply. Main service facilities shall be enclosed. The enclosure may not be used for storage or other purposes and shall have door(s) fitted with an automatic deadlocking latch bolt with a minimum throw of 1/2 inch. Distribution panels shall be circuit breaker type with 10 percent spare power load and circuits.

6.11 ELECTRICAL: DISTRIBUTION (SEP 2000)

A. BUILDING SHELL:

1. Main power distribution switchboards and distribution and lighting panel boards shall be circuit breaker type with copper buses that are properly rated to provide the calculated fault circuits. All power distribution panel boards shall be supplied with separate equipment ground buses. All power distribution equipment shall be required to handle the actual specified and projected loads plus 10 percent spare load capacity. Distribution panels are required to accommodate circuit breakers for the actual calculated needs plus 10 percent spare circuits that will be equivalent to the majority of other circuit breakers in the panel system. All floors shall have 120/208 V, 3-phase, 4-wire with bond, 60-hertz electric service available. The Lessor shall provide for an isolated ground panel if the Government chooses.

2. Main distribution for standard office occupancy shall be provided at the Lessor's expense. In no event shall such power distribution (not including lighting and HVAC) for the Government-demised area fall below 7 W per ANSI/BOMA Office Area square foot.

3. Convenience outlets shall be installed in accordance with NFPA Standard 70, *National Electrical Code*, or local code; whichever is more stringent.

B. TENANT IMPROVEMENT INFORMATION:

l. All electrical, telephone, and data outlets within the Government-demised area shall be installed by the Lessor at the expense of the Government in accordance with the design intent drawings. All electrical outlets shall be installed in accordance with NFPA Standard 70, or local code, whichever is more stringent.

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LESSOR GOV'T

2. All tenant outlets shall be marked and coded for ease of wire tracing; outlets shall be circuited separately from lighting. All floor or outlets shall be flush with the plane of the finished floor.

3. The Lessor shall ensure that outlets and associated wiring (for electricity, voice, and data) to the workstation(s) shall be safely concealed in partitions, ceiling plenums, in recessed floor ducts, under raised flooring, or by use of a method acceptable to the Contracting Officer. In any case, cable on the floor surface shall be minimized.

6.12 TELECOMMUNICATIONS: DISTRIBUTION AND EQUIPMENT (SEP 2000)

A. BUILDING SHELL:

1. Sufficient space shall be provided on the floor(s) where the Government occupies space for the purposes of terminating telecommunications service into the building. The building's telecommunications closets located on all floors shall be vertically stacked. Telecommunications switchrooms, wire closets, and related spaces shall be enclosed. The enclosure shall not be used for storage or other purposes and shall have door(s) fitted with an automatic door-closer and deadlocking latch bolt with a minimum throw of 1/2 inch. Access to these closets will be restricted to FTC. Closets shall be separate from electric closets and transformers.

2. Telecommunications switchrooms, wire closets, and related spaces shall meet applicable Telecommunications Industry Association (TIA) and Electronic Industries Alliance (EIA) standards. These standards include the following:

   a. TIA/EIA-568, *Commercial Building Telecommunications Cabling Standard,*

   b. TIA/EIA 569, *Commercial Building Standard for Telecommunications Pathways and Spaces,*

   c. TIA/EIA-570, *Residential and Light Commercial Telecommunications Wiring Standard, and*

   d. TIA/EIA-607, *Commercial Building Grounding and Bonding Requirements for Telecommunications Standard.*

3. Telecommunications switchrooms, wire closets, and related spaces shall meet applicable NFPA standards. Bonding and grounding shall be in accordance with NFPA Standard 70, *National Electrical Code,* and other applicable NFPA standards and/or local code requirements.

B. TENANT IMPROVEMENT INFORMATION:

Telecommunications floor or wall outlets shall be provided as required. At a minimum, each outlet shall house one 4-pair wire jack for voice and one 4-pair wire jack for data. The Lessor shall ensure that all outlets and associated wiring, copper, coaxial cable, optical fiber, or other transmission medium used to transmit telecommunications (voice, data, video, Internet, or other emerging technologies) service to the workstation shall be safely concealed under raised floors, in floor ducts, walls, columns, or molding. All outlets/junction boxes shall be provided with rings and pull strings to facilitate the installation of cable. Some transmission medium may require special conduit, inner duct, or shielding as specified by the Government.

6.13 TELECOMMUNICATIONS: LOCAL EXCHANGE ACCESS (SEP 2000)

A. BUILDING SHELL:

1. The Government reserves the right to contract its own telecommunications (voice, data, video, Internet or other emerging technologies) service in the space to be leased. The Government may contract with one or more parties to have inside wiring (or other transmission medium) and telecommunications equipment installed. If the Government selects its own vendors, the Lessor is obligated to coordinate with the Government's vendors for the installation of cabling and equipment during the construction period.

2. The Lessor shall allow the Government's designated telecommunications providers access to utilize existing building wiring to connect its services to the Government's space. If the existing building wiring is insufficient to handle the transmission requirements of the Government's designated telecommunications providers, the Lessor shall provide access from the point of entry into the building to the Government's floor space, subject to any inherent limitations in the pathway involved.

3. The Lessor shall allow the Government's designated telecommunications providers to affix telecommunications antennae (high frequency, mobile, microwave, satellite, or other emerging technologies), subject to weight and wind load conditions, to roof, parapet, or building envelope as required. Access from the antenna(e) to the leased space shall be provided.

4. The Lessor shall allow the Government's designated telecommunications providers to affix antennae and transmission devices throughout its leased space and in appropriate common areas frequented by the Government's employees so as to allow the use of wireless telephones and communications devices necessary to conduct business.

B. TENANT IMPROVEMENT INFORMATION:

Should the Government's security requirements require sealed conduit to house the telecommunications transmission medium, the Lessor shall provide such conduit at the expense of the Government.

6.14 DATA DISTRIBUTION (SEP 2000)

A. TENANT IMPROVEMENT INFORMATION:

The Government shall at its expense be responsible for purchasing and installing data cable, however the Government reserves the right to include the purchasing and installing of data cable in the Lessor's construction package. The Lessor shall ensure that data outlets and the associated wiring used to transmit data to workstations shall be safely concealed in floor ducts, walls, columns, or below access flooring. The Lessor shall provide outlets, which shall include rings and pull strings to facilitate the

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LESSOR GOV'T

installation of the data cable. When cable consists of multiple runs, the Lessor shall provide ladder-type cable trays to insure that Government-provided cable does not come into contact with suspended ceilings. Cable trays shall form a loop around the perimeter of the Government-demised area such that they are within a 30-foot, 0-inch horizontal distance of any single drop. If the Lessor purchases and installs the data cable, the Government will provide the Lessor will necessary technical specifications in sufficient time to coordinate installation of said cable with the remainder of the construction schedule

6.15 ELECTRICAL, TELEPHONE, DATA FOR SYSTEMS FURNITURE (SEP 2000)

A. TENANT IMPROVEMENT INFORMATION:

1. The Lessor shall provide as part of the Tenant Improvement Allowance separate data, telephone, and electric junction boxes for the base feed connections to Government-provided modular or systems furniture, when such feeds are supplied via wall outlets or floor penetrations. When overhead feeds are used, junction boxes shall be installed for electrical connections. Raceways shall be provided throughout the furniture panels to distribute the electrical, telephone, and data cable. The Lessor shall provide all electrical service wiring and connections to the furniture at designated junction points. Each electrical junction shall contain an 8-wire feed consisting of 3 general-purpose 120-V circuits with 1 neutral and 1 ground wire, and a 120-V isolated-ground circuit with 1 neutral and 1 isolated-ground wire. A 20-ampere circuit shall have no more than 8 general-purpose receptacles or 4 isolated-ground “computer” receptacles. The isolated and surge protected ground “computer” circuits shall be installed in accordance with the September 21, 1983 edition of Federal Information Processing Standards pub. 94.

2. The Government shall at its expense be responsible for purchasing data and telecommunications cattle. Said cable shall be installed and connected to systems furniture by the Lessor/contractor with the assistance and/or advice of the Government or computer vendor. The Lessor shall provide wall-mounted data and telephone junction boxes, which shall include rings and pull strings to facilitate the installation of the data and telecommunications cable. When cable consists of multiple runs, the Lessor shall provide ladder-type cable trays to insure that Government-provided cable does not come into contact with suspended ceilings. Cable trays shall form a loop around the perimeter of the Government-demised area such that they are within a 30-foot, 0-inch horizontal distance of any single drop. Said cable trays shall provide access to both telecommunications data closets and telephone closets.

3. The Lessor shall furnish and install suitably sized junction boxes in the vicinity of the “feeding points” of the furniture panels. All “feeding points” shall be shown on Government-approved design intent drawings. The Lessor shall temporarily cap off the wiring in the junction boxes until the furniture is installed during Phase 2. The Lessor shall make all connections in the power panel and shall keep the circuit breakers off. The Lessor shall identify each circuit with the breaker number and shall identify the computer hardware to be connected to it. The Lessor shall identify each breaker at the panel and identify the devices that it serves.

4. PHASE 2 involves the Lessor’s electrical contractor connecting power poles or base feeds in the junction boxes to the furniture electrical system and testing all pre-wired receptacles in the systems furniture. It also involves other Government contractors who will be installing the data cable in the furniture panels for the terminal and printer locations, installing the connectors on the terminal/printer ends of the cable, and continuity testing each cable. All Phase 2 work shall be coordinated and performed in conjunction with the furniture, telephone, and data cable installers. Much of this work may occur over a weekend on a schedule that require*s* flexibility and on-call visits.

6.16 ELEVATORS (MAR 2001)

A. The Lessor shall provide suitable passenger and freight elevator service to any Government-demised area not having ground level access. Service shall be available during the hours specified in the “Normal Hours” paragraph in the SERVICES, UTILITIES, and MAINTENANCE section of this SFO. However, one passenger and one freight elevator shall be available at all times for Government use. The freight elevator shall be accessible to the loading areas. When possible, the Government shall be given 24-hour advance notice if the service is to be interrupted for more than 1-1/2 hours. Normal service interruption shall be scheduled outside of the Government’s normal working hours. The Lessor shall also use best efforts to minimize the frequency and duration of unscheduled interruptions.

B. CODE:

In buildings being constructed or undergoing major modernization, the elevators shall conform to the current edition of the American Society of Mechanical Engineers ASME A17.1 Safety Code for Elevators and Escalators. Existing buildings shall conform to the current edition of ASME A17.3 Safety Code for Existing Elevators and Escalators. Elevator lobby smoke detectors shall activate the building fire alarm system, signal the fire department or central station and capture the elevators. The elevators shall be inspected and maintained in accordance with the current edition of ASME A17.2.1 or A17.2.2, Inspectors Manual for Electronic and Hydraulic Elevators. All elevators shall meet both the ADAAG and the UFAS requirements.

C. SAFETY SYSTEMS:

Elevators shall be equipped with a means of two-way voice communication (telephone, intercom, etc.) between the car and a readily accessible point outside the hoistway, which is available to emergency personnel 24 hours a day. An audible signaling device shall be provided. Both the two-way voice communication and audible signaling device need to be backed-up with a battery or emergency power source. The back up system shall be clearly identified.

D. SPEED:

The passenger elevators shall have the capacity to transport in 5 minutes 15 percent of the normal population of all upper floors (based on 200 rentable square feet of leased space for each person). Further the dispatch interval between elevators during the up-peak demand period shall not exceed 35 seconds.

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LESSOR GOV’T

E. INTERIOR FINISHES:

Elevator cab walls shall be hardwood, marble, granite, or an equivalent pre-approved by the Contracting Officer. Elevator cab floors shall be marble, granite, terrazzo, or an equivalent pre-approved by the Contracting Officer

6.17 LIGHTING: INTERIOR AND PARKING (SEP 2000)

A. BUILDING SHELL:

1. The Lessor shall provide interior lighting, as part of the building shell cost, in accordance with the following:

a. The Lessor shall provide Ergolights as specified in paragraph 1.9 "Building Shell Requirements."

b. Exterior parking areas, vehicle driveways, pedestrian walkways, and building perimeter shall have a minimum of 1 foot-candle of illumination and shall be designed based on Illuminating Engineering Society of North America (IESNA) standards. Exterior lighting and indoor parking shall be sufficient to accommodate security monitoring (i.e., closed circuit television camera). Indoor parking shall have a minimum of 10 foot-candles and shall be designed based on IESNA standards.

c. The Lessor shall provide occupancy sensors and/or scheduling controls through the building automation system to reduce the hours that the lights are on when the space is unoccupied. Daylight dimming controls shall be used in atriums or other space where daylight can contribute to energy savings.

d. Lighting shall be controlled by occupancy sensors arranged to control open areas, individual offices, conference rooms, toilet rooms within the Government-demised area, and all other programmed spaces or rooms within the leased space. The control system shall provide an optimal mix of infrared and ultrasonic sensors suitable for the configuration and type of space. Occupancy sensors shall be located so that they have a clear view of the room or area they are monitoring. No more than 1,000 ANSI/BOMA Office Area square feet of open space shall be controlled by occupancy sensor. All occupancy sensors shall have manual switches to override the light control. Such switches shall be located by door openings in accordance with both the ADAAG and the UFAS. If light switches are to be used instead of occupancy sensors or in combination with occupancy sensors, the Offeror shall notify the Government during the negotiation process.

7.0 SERVICES, UTILITIES, MAINTENANCE

7.1 SERVICES, UTILITIES, MAINTENANCE; GENERAL

Services, utilities, and maintenance shall be provided by the Lessor as part of the rental consideration. The Lessor shall have a building superintendent or a locally designated representative available to promptly correct deficiencies.

7.2 NORMAL HOURS

Services, utilities, and maintenance shall be provided daily, extending 6:00 a.m. to 6:00 p.m. Mondays through Fridays and 9:00 a.m. to 3:00 p.m. on Saturdays.

7.3 OVERTIME USAGE (SEP 2000)

A. The Government shall have access to the leased space at all times without additional payment, including the use, during other than normal hours, of necessary services and utilities such as elevators, toilets, lights, and electric power.

B. If heating or cooling is required on an overtime basis, such services will be ordered orally or in writing by the Contracting Officer or the GSA Buildings Manager. When ordered, services shall be provided at the hourly rate established in the contract. Costs for personal services shall only be included as authorized by the Government.

C. When the cost of service is $2,000 or less, the service may be ordered orally. An invoice shall be submitted to the official placing the order for certification and payment. Orders for services costing more than $2,000 shall be placed using GSA Form 300, Order for Supplies or Services. The two clauses from GSA Form 3517, General Clauses, 552.232-75, *Prompt Payment,* and 552.232-70, *Invoice Requirements (Variation),* apply to all orders for overtime services.

D. All orders are subject to the terms and conditions of this lease. In the event of a conflict between an order and this lease, the lease shall control.

7.4 UTILITIES

The Lessor shall ensure, subject to events or interuptions beyond the control of the Lessor, that utilities necessary for operation (including, but not limited to: sewer and water, electricity, natural gas, cable television, telephone service, and high-speed internet access) are provided to the building in which the leased premises are located and that all associated costs for sewer and water, electricity and natural gas are included as a part of the established rental rate.

7.5 JANITORIAL SERVICES (SEP 2000)

A. Cleaning shall be performed after tenant working hours unless daytime cleaning is specified as a special requirement elsewhere in this SFO.

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LESSOR GOV'T

B. SELECTION OF CLEANING PRODUCTS:

The Lessor shall make careful selection of janitorial cleaning products and equipment to:

1. use products that are packaged ecologically;
2. use products and equipment considered environmentally beneficial and/or recycled products that are phosphate-free, non-corrosive, non-flammable, and fully biodegradable; and
3. minimize the use of harsh chemicals and the release of irritating fumes.
4. Examples of acceptable products may be found at *htttp://pub. fss. gsa.gov/environ/clean-prod-catalog.html.*

C. SELECTION OF PAPER PRODUCTS:

The Lessor shall select paper and paper products (i.e., bathroom tissue and paper towels) with recycled content conforming to EPA's CPG.

D. The Lessor shall maintain the leased premises, including outside areas, in a clean condition and shall provide supplies and equipment. The following schedule describes the level of services intended. Performance will be based on the Contracting Officer's evaluation of results, not the frequency or method of performance.

1. *Daily.* Empty trash receptacles, and clean ashtrays. Sweep entrances, lobbies, and corridors. Spot sweep floors, and spot vacuum carpets. Clean drinking fountains. Sweep and damp mop or scrub toilet rooms. Clean all toilet fixtures, and replenish toilet supplies. Dispose of all trash and garbage generated in or about the building. Wash inside and out of steam clean cans used for collection of food remnants from snack bars and vending machines. Dust horizontal surfaces that are readily available and visibly require dusting. Spray buff resilient floors in main corridors, entrances, and lobbies. Clean elevators and escalators. Remove carpel stains. Police sidewalks, parking areas, and driveways. Sweep loading dock areas and platforms. Clean glass entry doors to the Government-demised area.
2. *Three Times a Week.* Sweep or vacuum stairs.
3. *Weekly.* Damp mop and spray buff all resilient floors in toilets and health units. Sweep sidewalks, parking areas, and driveways (weather permitting).
4. *Every Two Weeks.* Spray buff resilient floors in secondary corridors, entrance, and lobbies. Damp mop and spray buff hard and resilient floors in office space.
5. *Monthly.* Thoroughly dust furniture. Completely sweep and/or vacuum carpets. Sweep storage space. Spot clean all wall surfaces within 70 inches of the floor.
6. *Every Two Months.* Damp wipe toilet wastepaper receptacles, stall partitions, doors, window sills, and frames. Shampoo entrance and elevator carpets.
7. *Three Times* a *Year.* Dust wall surfaces within 70 inches of the floor, vertical surfaces and under surfaces. Clean metal and marble surfaces in lobbies. Wet mop or scrub garages.
8. *Twice* a *Year.* Wash all interior and exterior windows and other glass surfaces. Strip and apply four coats of finish to resilient floors in toilets. Strip and refinish main corridors and other heavy traffic areas.
9. *Annually.* Wash all venetian. blinds, and dust 6 months from washing. Vacuum or dust all surfaces in the building of 70 inches from the floor, including light fixtures. Vacuum all draperies in place. Strip and refinish floors in offices and secondary lobbies and corridors. Shampoo carpets in corridors and lobbies. Clean balconies, ledges, courts, areaways, and flat roofs.
10. *Every Two Years.* Shampoo carpets in all offices and other non-public areas.
11. *Every Five Years.* Dry clean or wash (as appropriate) all draperies.
12. *As Required.* Properly maintain plants and lawns. Remove snow and ice from entrances, exterior walks, and parking lots of the building. Provide initial supply, installation, and replacement of light bulbs, tubes, ballasts, and starters. Replace worn floor coverings (this includes the moving and returning of furnishings). Control pests as appropriate, using Integrated Pest Management techniques.

7.6 SCHEDULE OF PERIODIC SERVICES

Within 60 days after occupancy by the Government, the Lessor shall provide the Contracting Officer with a detailed written schedule of all periodic services and maintenance to be performed other than daily, weekly, or monthly.

7.7 LANDSCAPE MAINTENANCE

Performance will be based on the Contracting Officer's evaluation of results and not the frequency or the method of performance. Landscape maintenance shall be performed during the growing season on a weekly cycle and shall consist of watering, mowing, and policing the area to keep it free of debris. Pruning and fertilization shall be done on an as needed basis. In addition, dead or dying plants shall be replaced.

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LESSOR GOV'T

7.8 FLAG DISPLAY

The Lessor shall be responsible for flag display on all workdays and federal holidays. The Government will provide instructions when flags shall be flown at half-staff.

7.9 SECURITY (SEP 2000)

A. During non-duty hours, the Lessor shall provide an electronic key card perimeter security system which covers all building entrances which shall be independently monitored 24 hours a day by a GSA-approved, class A commercial monitoring station, and provide a level of security which reasonably deters unauthorized entry to the leased space.

B. The Lessor shall, upon request of the Contracting Officer, deter loitering or disruptive acts in and around the space leased during duty hours.

C. The Lessor must provide a detailed outline of the building standard security system.

D. In cases of a building emergency, or where building security has been compromised/breached, the GSA Buildings Manager and the GSA Federal protective service must be notified immediately by the Lessor and/or the Lessor's agent.

E. At the Government's expense, the Government retains the right to implement security requirements in accordance with the June 28, 1995, *Vulnerability Assessment of Federal Facilities* report of the U.S. Department of Justice.

7.10 SECURITY: ADDITIONAL REQUIREMENTS

A. The Government reserves the right to require the Lessor to submit completed fingerprint charts and personal history statements for each employee of the Lessor as well as employees of the Lessor's contractors or subcontractors who will provide building operating services of a continuing nature for the property in which the leased space is located. The Government may also require this information for employees of the Lessor, the Lessor's contractors, or subcontractors who will be engaged to perform alterations or emergency repairs for the property.

B. If required, the Contracting Officer shall furnish the Lessor with Form FD-258, Fingerprint Chart, and Form 176, Statement of Personal History, to be completed for each employee and returned by the Lessor to the Contracting Officer (or the Contracting Officer's designated representative) within 10 working days from the date of the written request to do so. Based on the information furnished, the Government will conduct security checks of the employees. The Contracting Officer will advise the Lessor in writing if an employee is found to be unsuitable or unfit for the employee's assigned duties. Effective immediately, such an employee cannot work or be assigned to work on the property in which the leased space is located. The Lessor shall be required to provide the same data within 10 working days from the addition of new employee(s) to the work force. In the event the Lessor's contractor/subcontractor is subsequently replaced, the new contractor/subcontractor is not required to submit another set of these forms for employees who were cleared through this process while employed by the former contractor/subcontractor. The Contracting Officer may require the Lessor to submit Form FD-258 and Form 176 for every employee covered by this paragraph on a 3-year basis.

7.11 MAINTENANCE AND TESTING OF SYSTEMS (SEP 2000)

A. The Lessor is responsible for the total maintenance and repair of the leased premises. Such maintenance and repairs include site and private access roads. All equipment and systems shall be maintained to provide reliable, energy-efficient service without unusual interruption, disturbing noises, exposure to fire or safety hazards, uncomfortable drafts, excessive air velocities, or unusual emissions of dirt. The Lessor's maintenance responsibility includes initial supply and replacement of all supplies, materials, and equipment necessary for such maintenance. Maintenance, testing, and inspection of appropriate equipment and systems shall be done in accordance with applicable codes, and inspection certificates shall be displayed as appropriate. Copies of all records in this regard shall be forwarded to the GSA Field Office Manager or a designated representative.

B. Without any additional charge, the Government reserves the right to require documentation of proper operations or testing prior to occupancy of such systems as fire alarm, sprinkler, emergency generator, etc. to ensure proper operation. These tests shall be witnessed by a designated representative of the Contracting Officer.

8.0 SAFETY AND ENVIRONMENTAL MANAGEMENT

8.1 OCCUPANCY PERMIT (SEP 2000)

The Lessor shall provide a valid occupancy permit for the intended use of the Government and shall maintain and operate the building in conformance with current local codes and ordinances. If the local jurisdiction does not issue occupancy permits, the officer shall consult the Contracting Officer to determine if other documentation may be needed.

8.2 FIRE AND LIFE SAFETY (SEP 2000)

A. Below-grade space to be occupied by Government and all areas in a building referred to as "hazardous areas" in NFPA Standard 101, *Life Safety Code,* or any successor standard thereto, shall be protected by an automatic sprinkler system or an equivalent level of safety.

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LESSOR GOV'T

B. If offered space is 3 stories or more above grade, the Offeror shall provide written documentation that the building meets egress and fire alarm requirements as established by NFPA Standard 101 or equivalent. However, if 1) offered space is 5 stories or less above grade, 2) the total Government-demised area in the building (all leases combined) will be less than 35,000 square feet, and 3) the building is sprinklered, this documentation is not required.

C. If offered space is 6 stories or more above grade, additional fire and life safety requirements may apply. Therefore, the Offeror shall advise GSA in its offer whether or not the offered space, or any part thereof, is on or above the sixth floor of the offered building.

D. All exits, stairs, corridors, aisles, and passageways that may be used by the Government shall comply with NFPA Standard 101, or local code, whichever is more stringent.

8.3 SPRINKLER SYSTEM (SEP 2000)

A. If any portion of the offered space is on or above the sixth floor, and lease of the offered space will result, either individually or in combination with other Government leases in the offered building, in the Government leasing more than 35,000 ANSI/BOMA Office Area square feet of space in the offered building, then the entire building shall be protected by an automatic sprinkler system or an equivalent level of safety.

B. If an Offeror proposes to satisfy any requirement of this paragraph by providing an equivalent level of safety, the Offeror shall submit, for Government review and approval, a fire protection engineering analysis, performed by a qualified fire protection engineer, demonstrating that an equivalent level of safety for the offered building exists. The Offeror shall contact the Contracting Officer for further information regarding Government review and approval of the “equivalent level of safety” analyses. Refer to 41 CFR Part 101-6.6 for guidance on conducting an equivalent level of safety analysis.

C. Definition: “Equivalent level of safety” means an alternative design or system (which may include automatic sprinkler systems), based upon fire protection engineering analysis, which achieves a level of safety equal to or greater than that provided by automatic sprinkler systems.

8.4 MANUAL FIRE ALARM SYSTEMS (SEP 2000)

Manual fire alarm systems shall be provided in accordance with NFPA Standard 101 (current as of the date of this SFO). Systems shall be maintained and tested by the Lessor in accordance with NFPA Standard 72, *National Fire Alarm Code,* The fire alarm system wiring and equipment shall be electrically supervised and shall automatically notify the local fire department (NFPA Standard 72) or approved central station. Emergency power shall be provided in accordance with NFPA Standard 70, *National Electrical Code,* and NFPA Standard 72.

8.5 OSHA REQUIREMENTS (SEP 2000)

The Lessor shall maintain buildings and space in a safe and healthful condition according to OSHA standards.

8.6 ASBESTOS (SEP 2000)

The leased space shall be free or all asbestos-containing materials, except undamaged asbestos flooring in the space or undamaged boiler or pipe insulation outside the space, in which case an asbestos management program conforming to EPA guidance shall be implemented.

8.7 INDOOR AIR QUALITY (SEP 2000)

A. The Lessor shall control contaminants at the source and/or operate the space in such a manner that the GSA indicator levels for carbon monoxide (CO), carbon dioxide (CO_2), and formaldehyde (HCHO) are not exceeded. The indicator levels for office areas shall be: CO - 9 ppm time-weighted average (TWA - 8-hour sample): CO_2 - 1,000 ppm (TWA): HCHO - 0.1 ppm (TWA).

B. The Lessor shall make a reasonable attempt to apply insecticides, paints, glues, adhesives, and HVAC system cleaning compounds with highly volatile or irritating organic compounds, outside of working hours. The Lessor shall provide at least 72 hours advance notice to the Government before applying noxious chemicals in occupied spaces and shall adequately ventilate those spaces during and after application.

C. The Lessor shall promptly investigate indoor air quality (IAQ) complaints and shall implement the necessary controls to address the complaint.

D. The Government reserves the right to conduct independent IAO assessments and detailed studies in space that it occupies, as well as in space serving the Government-demised area (e.g., common use areas, mechanical rooms, HVAC systems, etc.). The Lessor shall assist the Government in its assessments and detailed studies by 1) making available information on building operations and Lessor activities; 2) providing access to space for assessment and testing, if required; and 3) implementing corrective measures required by the Contracting Officer.

E. The Lessor shall provide to the Government material safety data sheets (MSOS) upon request for the following products prior to their use during the term of the lease: adhesives, caulking, sealants, insulating materials, fireproofing or firestopping materials, paints, carpets, floor and wall patching or leveling materials, lubricants, clear finish for wood surfaces, janitorial cleaning products, pesticides, rodenticides, and herbicides. The Government reserves the right to review such products used by the Lessor within 1) the Government-demised area; 2) common building areas; 3) ventilation systems and zones serving the leased space; and 4) the area above suspended ceilings and engineering space in the same ventilation zone as the leased space.

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8.8 RADON IN AIR (SEP 2000)

If space planned for occupancy by the Government is on the second floor above grade or lower, the Lessor shall, prior to occupancy, test the leased space for 2 days to 3 days using charcoal canisters or _____ chambers to ensure that radon in air levels are below EPA's action concentration of 4 picoCuries per liter. After the initial testing, a follow-up test for a minimum of 90 days using alpha track detectors or electret ion chambers shall be completed.

8.9 RADON IN WATER (SEP 2000)

A. The Lessor shall demonstrate that water provided in the leased space is in compliance with EPA requirements and shall submit certification to the Contracting Officer prior to the Government occupying the space.

B. If the EPA action level is reached or exceeded, the Lessor shall institute appropriate abatement methods which reduce the radon levels to below this action level.

8.10 HAZARDOUS MATERIALS (OCT 1996)

The leased space shall be free of hazardous materials according to applicable federal, state, and local environmental regulations.

8.11 RECYCLING (SEP 2000)

Where state and/or local law, code, or ordinance require recycling programs for the space to be provided pursuant to this SFO, the successful Offeror shall comply with such state and/or local law, code, or ordinance in accordance with GSA Form 3517, General Clauses, 552.270-8, *Compliance with Applicable Law.* In all other cases, the successful Offeror shall establish a recycling program in the leased space where local markets for recovered materials exist. The Lessor agrees, upon request, to provide the Government with additional information concerning recycling programs maintained in the building and in the leased space.

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LESSOR GOV'T

GENERAL CLAUSES
(Acquisition of Leasehold Interests in Real Property)

CATEGORY	Clause No.	48 CFR Ref.	Clause Title
DEFINITIONS	1	552.270-4	Definitions
GENERAL	2	552.270-5	Subletting and Assignment
	3	552.270-11	Successors Bound
	4	552.270-23	Subordination, Nondisturbance and Attornment
	5	552.270-24	Statement of Lease
	6	552.270-25	Substitution of Tenant Agency
	7	552.270-26	No Waiver
	8	552.270-27	Integrated Agreement
	9	552.270-28	Mutuality of Obligation
PERFORMANCE	10	552.270-17	Delivery and Condition
	11	552.270-18	Default in Delivery - Time Extensions (Variation)
	12	552.270-19	Progressive Occupancy
	13	552.270-21	Effect of Acceptance and Occupancy
	14	552.270-6	Maintenance of Building and Premises-Right of Entry
	15	552.270-10	Failure in Performance
	16	552.270-22	Default by Lessor During the Term
	17	552.270-7	Fire and Casualty Damage
	18	552.270-8	Compliance with Applicable Law
	19	552.270-12	Alterations
	20	552.270-29	Acceptance of Space
INSPECTION	21	552.270-9	Inspection-Right of Entry
PAYMENT	22	552.232-75	Prompt Payment
	23	552.232-76	Electronic Funds Transfer Payment (Variation)
	24	552.232-70	Invoice Requirements
	25	52.232-23	Assignment of Claims
	26	552.270-20	Payment (Variation)
STANDARDS OF	27	552.203-5	Covenant Against Contingent Fees
CONDUCT	28	52.203-7	Anti-Kickback Procedures
	29	52.223-6	Drug-Free Workplace
ADJUSTMENTS	30	552.203-70	Price Adjustment for Illegal or Improper Activity
	31	52.215-10	Price Reduction for Defective Cost or Pricing Data
	32	552.270-13	Proposals for Adjustment
	33	552.270-14	Changes (Variation)
AUDITS	34	552.215-70	Examination of Records by GSA
	35	52.215-2	Audit and Records—Negotiation
DISPUTES	36	52.233-1	Disputes

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LESSOR GOVERNMENT

LABOR STANDARDS	37	52.222-26	Equal Opportunity
	38	52.222-24	Preaward On-Site Equal Opportunity Compliance Evaluation
	39	52.222-21	Prohibition of Segregated Facilities
	40	52.222-35	Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era
	41	52.222-36	Affirmative Action for Workers with Disabilities
	42	52.222-37	Employment Reports on Disabled Veterans and Veterans of the Vietnam Era
SUBCONTRACTING	43	52.209-6	Protecting the Government's Interest When Subcontracting With Contractors Debarred, Suspended, or Proposed for Debarment
	44	52.215-12	Subcontractor Cost or Pricing Data
	45	52.219-8	Utilization of Small Business Concerns
	46	52.219-9	Small Business Subcontracting Plan
	47	52.219-16	Liquidated Damages - Subcontracting Plan

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LESSOR GOVERNMENT

GENERAL CLAUSES
(Acquisition of Leasehold Interests in Real Property)

1. 552.270-4 - DEFINITIONS (SEP 1999)

The following terms and phrases (except as otherwise expressly provided or unless the context otherwise requires) for all purposes of this lease shall have the respective meanings hereinafter specified:

(a) "Commencement Date" means the first day of the term.

(b) "Contract" and "Contractor" means "Lease" and "Lessor," respectively.

(c) "Contracting Officer" means a person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. The term includes certain authorized representatives of the Contracting Officer acting within the limits of their authority as delegated by the Contracting Officer.

(d) "Delivery Date" means the date specified in or determined pursuant to the provisions of this lease for delivery of the premises to the Government, improved in accordance with the provisions of this lease and substantially complete, as such date may be modified in accordance with the provisions of this lease.

(e) "Delivery Time" means the number of days provided by this lease for delivery of the premises to the Government, as such number may be modified in accordance with the provisions of this lease.

(f) "Excusable Delays" mean delays arising without the fault or negligence of Lessor and Lessor's subcontractors and suppliers at any tier, and shall include, without limitation, (1) acts of God or of the public enemy, (2) acts of the United States of America in either its sovereign or contractual capacity, (3) acts of another contractor in the performance of a contract with the Government, (4) fires, (5) floods, (6) epidemics, (7) quarantine restrictions, (8) strikes, (9) freight embargoes, (10) unusually severe weather, or (11) delays of subcontractors or suppliers at any tier arising from unforeseeable causes beyond the control and without the fault or negligence of both the Lessor and any such subcontractor or supplier.

(g) "Lessor" means the sub-lessor if this lease is a sublease.

(h) "Lessor shall provide" means the Lessor shall furnish and install at Lessor's expense.

(i) "Notice" means written notice sent by certified or registered mail, Express Mail or comparable service, or delivered by hand. Notice shall be effective on the date delivery is accepted or refused.

(j) "Premises" means the space described on the Standard Form 2, U.S. Government Lease for Real Property, of this lease.

(k) "Substantially complete" and "substantial completion" means that the work, the common and other areas of the building, and all other things necessary for the Government's access to the premises and occupancy, possession, use and enjoyment thereof, as provided in this lease, have been completed or obtained, excepting only such minor matters as do not interfere with or materially diminish such access, occupancy, possession, use or enjoyment.

(l) "Work" means all alterations, improvements, modifications, and other things required for the preparation or continued occupancy of the premises by the Government as specified in this lease.

2. 552.270-5 - SUBLETTING AND ASSIGNMENT (SEP 1999)

The Government may sublet any part of the premises but shall not be relieved from any obligations under this lease by reason of any such subletting. The Government may at any time assign this lease, and be relieved from all obligations to Lessor under this lease excepting only unpaid rent and other liabilities, if any, that have accrued to the date of said assignment. Any assignment shall be subject to prior written consent of Lessor, which shall not be unreasonably withheld.

3. 552.270-11 SUCCESSORS BOUND (SEP 1999)

This lease shall bind, and inure to the benefit of, the parties and their respective heirs, executors, administrators, successors, and assigns.

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LESSOR GOVERNMENT

4. 552.270-23 - SUBORDINATION, NONDISTURBANCE AND ATTORNMENT (SEP 1999)

(a) Lessor warrants that it holds such title to or other interest in the premises and other property as is necessary to the Government's access to the premises and full use and enjoyment thereof in accordance with the provisions of this lease. Government agrees, in consideration of the warranties and conditions set forth in this clause, that this lease is subject and subordinate to any and all recorded mortgages, deeds of trust and other liens now or hereafter existing or imposed upon the premises, and to any renewal, modification or extension thereof. It is the intention of the parties that this provision shall be self-operative and that no further instrument shall be required to effect the present or subsequent subordination of this lease. Government agrees, however, within twenty (20) business days next following the Contracting Officer's receipt of a written demand, to execute such instruments as Lessor may reasonably request to evidence further the subordination of this lease to any existing or future mortgage, deed of trust or other security interest pertaining to the premises, and to any water, sewer or access easement necessary or desirable to serve the premises or adjoining property owned in whole or in part by Lessor if such easement does not interfere with the full enjoyment of any right granted the Government under this lease.

(b) No such subordination, to either existing or future mortgages, deeds of trust or other lien or security instrument shall operate to affect adversely any right of the Government under this lease so long as the Government is not in default under this lease. Lessor will include in any future mortgage, deed of trust or other security instrument to which this lease becomes subordinate, or in a separate nondisturbance agreement, a provision to the foregoing effect. Lessor warrants that the holders of all notes or other obligations secured by existing mortgages, deeds of trust or other security instruments have consented to the provisions of this clause, and agrees to provide true copies of all such consents to the Contracting Officer promptly upon demand.

(c) In the event of any sale of the premises or any portion thereof by foreclosure of the lien of any such mortgage, deed of trust or other security instrument, or the giving of a deed in lieu of foreclosure, the Government will be deemed to have attorned to any purchaser, purchasers, transferee or transferees of the premises or any portion thereof and its or their successors and assigns, and any such purchasers and transferees will be deemed to have assumed all obligations of the Lessor under this lease, so as to establish direct privity of estate and contract between Government and such purchasers or transferees, with the same force, effect and relative priority in time and right as if the lease had initially been entered into between such purchasers or transferees and the Government; provided, further, that the Contracting Officer and such purchasers or transferees shall, with reasonable promptness following any such sale or deed delivery in lieu of foreclosure, execute all such revisions to this lease, or other writings, as shall be necessary to document the foregoing relationship.

(d) None of the foregoing provisions may be deemed or construed to imply a waiver of the Government's rights as a sovereign.

5. 552.270-24 - STATEMENT OF LEASE (AUG 1999)

(a) The Contracting Officer will, within thirty (30) days next following the Contracting Officer's receipt of a joint written request from Lessor and a prospective lender or purchaser of the building, execute and deliver to Lessor a letter stating that the same is issued subject to the conditions stated in this clause and, if such is the case, that (1) the lease is in full force and effect; (2) the date to which the rent and other charges have been paid in advance, if any; and (3) whether any notice of default has been issued.

(b) Letters issued pursuant to this clause are subject to the following conditions:

(1) That they are based solely upon a reasonably diligent review of the Contracting Officer's lease file as of the date of issuance;

(2) That the Government shall not be held liable because of any defect in or condition of the premises or building;

(3) That the Contracting Officer does not warrant or represent that the premises or building comply with applicable Federal, State and local law; and

(4) That the Lessor, and each prospective lender and purchaser are deemed to have constructive notice of such facts as would be ascertainable by reasonable prepurchase and precommitment inspection of the Premises and Building and by inquiry to appropriate Federal, State and local Government officials.

6. 552.270-25 - SUBSTITUTION OF TENANT AGENCY (SEP 1999)

The Government may, at any time and from time to time, substitute any Government agency or agencies for the Government agency or agencies, if any, named in the lease.

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	LESSOR		GOVERNMENT

7. 552.270-26 - NO WAIVER (SEP 1999)

No failure by either party to insist upon the strict performance of any provision of this lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial rent or other performance by either party during the continuance of any such breach shall constitute a waiver of any such breach of such provision.

8. 552.270-27 - INTEGRATED AGREEMENT (SEP 1999)

This Lease, upon execution, contains the entire agreement of the parties and no prior written or oral agreement, express or implied, shall be admissible to contradict the provisions of the Lease.

9. 552.270-28 - MUTUALITY OF OBLIGATION (SEP 1999)

The obligations and covenants of the Lessor, and the Government's obligation to pay rent and other Government obligations and covenants, arising under or related to this Lease, are interdependent. The Government may, upon issuance of and delivery to Lessor of a final decision asserting a claim against Lessor, set off such claim, in whole or in part, as against any payment or payments then or thereafter due the Lessor under this lease. No setoff pursuant to this clause shall constitute a breach by the Government of this lease.

10. 552.270-17 - DELIVERY AND CONDITION (SEP 1999)

(a) Unless the Government elects to have the space occupied in increments, the space must be delivered ready for occupancy as a complete unit. The Government reserves the right to determine when the space is substantially complete.

(b) If the premises do not in every respect comply with the provisions of this lease the Contracting Officer may, in accordance with the Failure in Performance clause of this lease, elect to reduce the rent payments.

11. 552.270-18 - DEFAULT IN DELIVERY - TIME EXTENSIONS (SEP 1999) (VARIATION)

(a) With respect to Lessor's obligation to deliver the premises substantially complete by the delivery date, time is of the essence. If the Lessor fails to work diligently to ensure its substantial completion by the delivery date or fails to substantially complete the work by such date, the Government may by notice to the Lessor terminate this lease. Such termination is effective when received by Lessor. The Lessor and the Lessor's sureties, if any, are jointly and severally liable for any damages to the Government resulting from such termination, as provided in this clause. The Government shall be entitled to the following damages:

(1) The Government's aggregate rent and estimated real estate tax and operating cost adjustments for the firm term and all option terms of its replacement lease or leases, in excess of the aggregate rent and estimated real estate tax and operating cost adjustments for the term. If the Government procures replacement premises for a term (including all option terms) in excess of this term, the Lessor is not liable for excess Government rent or adjustments during such excess lease term.

(2) All administrative and other costs the Government incurs in procuring a replacement lease or leases.

(3) Other, additional relief provided for in this lease, at law, or in equity.

(b) Damages to which the Government is entitled to under this clause are due and payable thirty (30) days following the date Lessor receives notice from the Contracting Officer specifying such damages.

(c) Delivery by Lessor of less than the minimum ANSI/BOMA Office Area square footage required by this lease shall in no event be construed as substantial completion, except as the Contracting Officer permits.

(d) The Government shall not terminate this lease under this clause nor charge the Lessor with damages under this clause, if (1) the delay in substantially completing the work arises from excusable delays and (2) the Lessor within 10 days from the beginning of any such delay (unless extended in writing by the Contracting Officer) provides notice to the Contracting Officer of the causes of delay. The Contracting Officer shall ascertain the facts and the extent of delay. If the facts warrant, the Contracting Officer shall extend the delivery date, to the extent of such delay at no additional costs to the Government. A time extension is the sole remedy of the Lessor.

12. 552.270-19 - PROGRESSIVE OCCUPANCY (SEP 1999)

The Government shall have the right to elect to occupy the space in partial increments prior to the substantial completion of the entire leased premises, and the Lessor agrees to schedule its work so

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	LESSOR		GOVERNMENT

as to deliver the space incrementally as elected by the Government. The Government shall pay rent commencing with the first business day following substantial completion of the entire leased premise unless the Government has elected to occupy the leased premises incrementally. In case of incremental occupancy, the Government shall pay rent pro rata upon the first business day following substantial completion of each incremental unit. Rental payments shall become due on the first workday of the month following the month in which an increment of space is substantially complete, except that should an increment of space be substantially completed after the fifteenth day of the month, the payment due date will be the first workday of the second month following the month in which it was substantially complete. The commencement date of the firm lease term will be a composite determined from all rent commencement dates.

13. 552.270-21 - EFFECT OF ACCEPTANCE AND OCCUPANCY (SEP 1999)

Neither the Government's acceptance of the premises for occupancy, nor the Government's occupancy thereof, shall be construed as a waiver of any requirement of or right of the Government under this Lease, or as otherwise prejudicing the Government with respect to any such requirement or right.

14. 552.270-6 - MAINTENANCE OF BUILDING AND PREMISES - RIGHT OF ENTRY (SEP 1999)

Except in case of damage arising out of the willful act or negligence of a Government employee Lessor shall maintain the premises, including the building, building systems, and all equipment fixtures, and appurtenances furnished by the lessor under this lease, in good repair and condition so that they are suitable in appearance and capable of supplying such heat, air conditioning, light, ventilation, safety systems, access and other things to the premises, without reasonably preventable or recurring disruption, as is required for the Government's access to, occupancy, possession, use and enjoyment of the premises as provided in this lease. For the purpose of so maintaining the premises, the Lessor may at reasonable times enter the premises with the approval of the authorized Government representative in charge.

15. 552.270-10 - FAILURE IN PERFORMANCE (SEP 1999)

The covenant to pay rent and the covenant to provide any service, utility, maintenance, or repair required under this lease are interdependent. In the event of any failure by the Lessor to provide any service, utility, maintenance, repair or replacement required under this lease the Government may, by contract or otherwise, perform the requirement and deduct from any payment or payments under this lease, then or thereafter due, the resulting cost to the Government, including all administrative costs. If the Government elects to perform any such requirement, the Government and each of its contractors shall be entitled to access to any and all area of the building, access to which is necessary to perform any such requirement, and the Lessor shall afford and facilitate such access. Alternatively, the Government may deduct from any payments under this lease, then or thereafter due, an amount which reflects the reduced value of the contract requirement not performed. No deduction from rent pursuant to this clause shall constitute a default by the Government under this lease. These remedies are not exclusive and are in addition to any other remedies which may be available under this lease or at law.

16. 552.270-22 - DEFAULT BY LESSOR DURING THE TERM (SEP 1999)

(a) Each of the following shall constitute a default by Lessor under this lease:

(1) Failure to maintain, repair, operate or service the premises as and when specified in this lease, or failure to perform any other requirement of this lease as and when required provided any such failure shall remain uncured for a period of thirty (30) days next following Lessor's receipt of notice thereof from the Contracting Officer or an authorized representative.

(2) Repeated and unexcused failure by Lessor to comply with one or more requirements of this lease shall constitute a default notwithstanding that one or all such failures shall have been timely cured pursuant to this clause.

(b) If a default occurs, the Government may, by notice to Lessor, terminate this lease for default and if so terminated, the Government shall be entitled to the damages specified in the Default in Delivery-Time Extensions clause.

17. 552.270-7 - FIRE AND CASUALTY DAMAGE (SEP 1999)

If the entire premises are destroyed by fire or other casualty, this lease will immediately terminate. In case of partial destruction or damage, so as to render the premises untenantable, as determined by the Government, the Government may terminate the lease by giving written notice to the Lessor within 15 calendar days of the fire or other casualty; if so terminated, no rent will accrue to the Lessor after such partial destruction or damage; and if not so terminated, the rent will be reduced proportionately by supplemental agreement hereto effective from the date of such partial destruction or damage. Nothing in this lease shall be construed as relieving Lessor from liability for

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LESSOR GOVERNMENT

damage to or destruction of property of the United States of America caused by the willful or negligent act or omission of Lessor.

18. 552.270-8 - COMPLIANCE WITH APPLICABLE LAW (SEP 1999)

Lessor shall comply with all Federal, state and local laws applicable to the Lessor as owner or lessor, or both, of the building or premises, including, without limitation, laws applicable to the construction, ownership, alteration or operation of both or either thereof, and will obtain all necessary permits, licenses and similar items at Lessor's expense. The Government will comply with all Federal state and local laws applicable to and enforceable against it as a tenant under this lease; provided that nothing in this lease shall be construed as a waiver of any sovereign immunity of the Government. This lease shall be governed by Federal law.

19. 552.270-12 - ALTERATIONS (SEP 1999)

The Government shall have the right during the existence of this lease to make alterations, attach fixtures, and erect structures or signs in or upon the premises hereby leased, which fixtures, additions or structures so placed in, on, upon, or attached to the said premises shall be and remain the property of the Government and may be removed or otherwise disposed of by the Government. If the lease contemplates that the Government is the sole occupant of the building, for purposes of this clause, the leased premises include the land on which the building is sited and the building itself. Otherwise, the Government shall have the right to tie into or make any physical connection with any structure located on the property as is reasonably necessary for appropriate utilization of the leased space.

20. 552.270-29 - ACCEPTANCE OF SPACE (SEP 1999)

(a) When the Lessor has completed all alterations, improvements, and repairs necessary to meet the requirements of the lease, the Lessor shall notify the Contracting Officer. The Contracting Officer or designated representative shall promptly inspect the space.

(b) The Government will accept the space and the lease term will begin after determining that the space is substantially complete and contains the required ANSI/BCMA Office Area square footage as indicated in the paragraph of this solicitation entitled "Amount and Type of Space."

21. 552.270-9 - INSPECTION - RIGHT OF ENTRY (SEP 1999)

(a) At any time and from time to time after receipt of an offer (until the same has been duly withdrawn or rejected), after acceptance thereof and during the term, the agents, employees and contractors of the Government may, upon reasonable prior notice to Offeror or Lessor, enter upon the offered premises or the premises, and all other areas of the building access to which is necessary to accomplish the purposes of entry, to determine the potential or actual compliance by the Offeror or Lessor with the requirements of the solicitation or this lease, which purposes shall include, but not be limited to: (1) inspecting, sampling and analyzing of suspected asbestos-containing materials and air monitoring for asbestos fibers; (2) inspecting the heating, ventilation and air conditioning system, maintenance records, and mechanical rooms for the offered premises or the premises; (3) inspecting for any leaks, spills, or other potentially hazardous conditions which may involve tenant exposure to hazardous or toxic substances; and (4) inspecting for any current or past hazardous waste operations, to ensure that appropriate mitigative actions were taken to alleviate any environmentally unsound activities in accordance with Federal, State and local law.

(b) Nothing in this clause shall be construed to create a Government duty to inspect for toxic materials or to impose a higher standard of care on the Government than on other lessees. The purpose of this clause is to promote the ease with which the Government may inspect the building. Nothing in this clause shall act to relieve the Lessor of any duty to inspect or liability which might arise as a result of Lessor's failure to inspect for or correct a hazardous condition.

22. 552.232-75 - PROMPT PAYMENT (SEP 1999)

The Government will make payments under the terms and conditions specified in this clause. Payment shall be considered as being made on the day a check is dated or an electronic funds transfer is made. All days referred to in this clause are calendar days, unless otherwise specified.

(a) Payment due date,

(1) Rental payments. Rent shall be paid monthly in arrears and will be due on the first workday of each month, and only as provided for by the lease.

(i) When the date for commencement of rent fails on the 15th day of the month or earlier, the initial monthly rental payment under this contract shall become due

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LESSOR GOVERNMENT

on the first workday of the month following the month in which the commencement of the rent is effective.

(ii) When the date for commencement of rent falls after the 15th day of the month, the initial monthly rental payment under this contract shall become due on the first workday of the second month following the month in which the commencement of the rent is effective.

(2) Other payments. The due date for making payments other than rent shall be the later of the following two events:

(i) The 30th day after the designated billing office has received a proper invoice from the Contractor.

(ii) The 30th day after Government acceptance of the work or service. However, if the designated billing office fails to annotate the invoice with the actual date of receipt, the invoice payment due date shall be deemed to be the 30th day after the Contractor's invoice is dated, provided a proper invoice is received and there is no disagreement over quantity, quality, or Contractor compliance with contract requirements.

(b) Invoice and inspection requirements for payments other than rent.

(1) The Contractor shall prepare and submit an invoice to the designated billing office after completion of the work. A proper invoice shall include the following items:

(i) Name and address of the Contractor.

(ii) Invoice date.

(iii) Lease number.

(iv) Government's order number or other authorization.

(v) Description, price, and quantity of work or services delivered.

(vi) Name and address of Contractor official to whom payment is to be sent (must be the same as that in the remittance address in the lease or the order.)

(vii) Name (where practicable), title, phone number, and mailing address of person to be notified in the event of a defective invoice.

(2) The Government will inspect and determine the acceptability of the work performed or services delivered within 7 days after the receipt of a proper invoice or notification of completion of the work or services unless a different period is specified at the time the order is placed. If actual acceptance occurs later, for the purpose of determining the payment due date and calculation of interest, acceptance will be deemed to occurs on the last day of the 7-day inspection period. If the work or service is rejected for failure to conform to the technical requirements of the contract, the 7 days will be counted beginning with receipt of a new invoice or notification. In either case, the Contractor is not entitled to any payment or interest unless actual acceptance by the Government occurs.

(c) Interest Penalty.

(1) An interest penalty shall be paid automatically by the Government, without request from the Contractor, if payment is not made by the due date.

(2) The interest penalty shall be at the rate established by the Secretary of the Treasury under Section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) that is in effect on the day after the due date. This rate is referred to as the "Renegotiation Board Interest Rate," and it is published in the Federal Register semiannually on or about January 1 and July 1. The interest penalty shall accrue daily on the payment amount approved by the Government and be compounded in 30-day increments inclusive from the first day after the due date through the payment date.

(3) Interest penalties will not continue to accrue after the filing of a claim for such penalties under the clause at 52.233-1, Disputes, or for more than 1 year. Interest penalties of less than $1.00 need not be paid.

(4) Interest penalties are not required on payment delays due to disagreement between the Government and Contractor over the payment amount or other issues involving contract compliance or on amounts temporarily withheld or retained in accordance with the terms of the contract. Claims involving disputes, and any interest that may be payable, will be resolved in accordance with the clause at 52.233-1, Disputes.

23. 552.232-76 - ELECTRONIC FUNDS TRANSFER PAYMENT (SEP 1999) (Variation)

(a) The Government will make payments under this lease by electronic funds transfer (EFT). After award, but no later than 30 days before the first payment, the Lessor shall designate a financial institution for receipt of EFT payments, and shall submit this designation to the Contracting Officer or other Government official, as directed.

(b) The Lessor shall provide the following information:

(1) The lease number to which this notice applies.

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LESSOR GOVERNMENT

(2) The American Bankers Association 9-digit identifying number for wire transfers of the financing institution receiving payment if the institution has access to the Federal Reserve Communications System.

(3) Number of account to which funds are to be deposited.

(4) Type of depositor account ("C" for checking, "S" for savings).

(5) If the Lessor is a new enrollee to the EFT system, a completed "Payment Information Form," SF 3881.

(c) In the event the Lessor, during the performance of this contract, elects to designate a different financial institution for the receipt of any payment made using EFT procedures, notification of such change and the required information specified in (b), above must be received by the appropriate Government official no later than 30 days prior to the date such change is to become effective.

(d) The documents furnishing the information required in this clause must be dated and contain the signature, title, and telephone number of the Lessor or an authorized representative designated by the Lessor, as well as the Lessor's name and lease number.

(e) Lessor failure to properly designate a financial institution or to provide appropriate payee bank account information may delay payments of amounts otherwise properly due.

24. 552.232-70 - INVOICE REQUIREMENTS (VARIATION) (SEP 1999)

(This clause applies to payments other than rent.)

(a) Invoices shall be submitted in an original only, unless otherwise specified, to the designated billing office specified in this contract or order.

(b) Invoices must include the Accounting Control Transaction (ACT) number provided below or on the order.

ACT Number (to be supplied on individual orders)

(c) If information or documentation in addition to that required by the Prompt Payment clause of this contract is required in connection with an invoice for a particular order, the order will indicate what information or documentation must be submitted.

25. 52.232-23 - ASSIGNMENT OF CLAIMS (JAN 1986)

(a) The Contractor, under the Assignment of Claims Act, as amended, 31 USC 3727, 41 USC 15 (hereafter referred to as the "the Act"), may assign its rights to be paid amounts due or to become due as a result of the performance of this contract to a bank, trust company, or other financing institution, including any Federal lending agency. The assignee under such an assignment may thereafter further assign or reassign its right under the original assignment to any type of financing institution described in the preceding sentence.

(b) Any assignment or reassignment authorized under the Act and this clause shall cover all unpaid amounts payable under this contract, and shall not be made to more than one party, except that an assignment or reassignment may be made to one party as agent or trustee for two or more parties participating in the financing of this contract.

(c) The Contractor shall not furnish or disclose to any assignee under this contract any classified document (including this contract) or information related to work under this contract until the Contracting Officer authorizes such action in writing.

26. 552.270-20 - PAYMENT (SEP 1999) (VARIATION)

(a) When space is offered and accepted, the ANSI/BOMA Office Area square footage delivered will be confirmed by:

(1) the Government's measurement of plans submitted by the successful Offeror as approved by the Government, and an inspection of the space to verify that the delivered space is in conformance with such plans or

(2) a mutual on-site measurement of the space, if the Contracting Officer determines that it is necessary.

(b) Payment will not be made for space which is in excess of the amount of ANSI/BOMA Office Area square footage stated in the lease.

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LESSOR GOVERNMENT

(c) If it is determined that the amount of ANSI/BOMA Office Area square footage actually delivered is less than the amount agreed to in the lease, the lease will be modified to reflect the amount of Usable space delivered and the annual rental will be adjusted as follows:

Usable square feet not delivered multiplied by the ANSI/BOMA Office Area square foot (USF) rate equals the reduction in annual rent. The rate per USF is determined by dividing the total annual rental by the Usable square footage set forth in the lease.

USF Not Delivered X Rate per USF = Reduction in Annual Rent.

27. 552.203-5 - COVENANT AGAINST CONTINGENT FEES (FEB 1990)

(Applies to leases which exceed $100,000.)

(a) The Contractor warrants that no person or agency has been employed or retained to solicit or obtain this contract upon an agreement or understanding for a contingent fee, except a bona fide employee or agency. For breach or violation of this warranty, the Government shall have the right to annul this contract without liability or, in its discretion, to deduct from the contract price or consideration, or otherwise recover the full amount of the contingent fee.

(b) “Bona fide agency,” as used in this clause, means an established commercial or selling agency (including licensed real estate agents or brokers), maintained by a Contractor for the purpose of securing business, that neither exerts nor proposes to exert improper influence to solicit or obtain Government contracts nor holds itself out as being able to obtain any Government contract or contracts through improper influence.

“Bona fide employee,” as used in this clause, means a person, employed by a Contractor and subject to the Contractor’s supervision and control as to time, place, and manner of performance, who neither exerts nor purposes to exert improper influence to solicit or obtain Government contracts nor holds out as being able to obtain any Government contract or contracts through improper influence.

“Contingent fee,” as used in this clause, means any commission, percentage, brokerage, or other fee that is contingent upon the success that a person or concern has in securing a Government contract.

“Improper influence,” as used in this clause, means any influence that induces or tends to induce a Government employee or officer to give consideration or to act regarding a Government contract on any basis other than the merits of the matter.

28. 52.203-7 - ANTI-KICKBACK PROCEDURES (JUL 1995)

(Applies to leases which exceed $100,000 average net annual rental, including option periods.)

(a) Definitions.

“Kickback,” as used in this clause, means any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind which is provided, directly or indirectly, to any prime Contractor, prime Contractor employee, subcontractor, or subcontractor employee for the purpose of improperly obtaining or rewarding favorable treatment in connection with a prime contract or in connection with a subcontract relating to a prime contract.

“Person,” as used in this clause, means a corporation, partnership, business association of any kind, trust, joint-stock company, or individual.

“Prime contract,” as used in this clause, means a contract or contractual action entered into by the United States for the purpose of obtaining supplies, materials, equipment, or services of any kind.

“Prime Contractor,” as used in this clause, means a person who has entered into a prime contract with the United States.

“Prime Contractor employee,” as used in this clause, means any officer, partner, employee, or agent of a prime Contractor.

“Subcontract,” as used in this clause, means a contract or contractual action entered into by a prime Contractor or subcontractor for the purpose of obtaining supplies, materials, equipment, or services of any kind under a prime contract.

“Subcontractor,” as used in this clause, (1) means any person, other than the prime Contractor, who offers to furnish or furnishes any supplies, materials, equipment, or services of any kind under a prime contract or a subcontract entered into in connection with such prime contract, and (2) includes any person who offers to furnish or furnishes general supplies to the prime Contractor or a higher tier subcontractor.

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LESSOR GOVERNMENT

"Subcontractor employee," as used in this clause, means any officer, partner, employee, or agent of a subcontractor.

(b) The Anti-Kickback Act of 1986 (41 U.S.C. 51-58) (the Act), prohibits any person from—

(1) Providing or attempting to provide or offering to provide any kickback;

(2) Soliciting, accepting, or attempting to accept any kickback; or

(3) Including, directly or indirectly, the amount of any kickback in the contract price charged by a prime Contractor to the United States or in the contract price charged by a subcontractor to a prime Contractor or higher tier subcontractor.

(c) (1) The Contractor shall have in place and follow reasonable procedures designed to prevent and detect possible violations described in paragraph (b) of this clause in its own operations and direct business relationships.

(2) When the Contractor has reasonable grounds to believe that a violation described in paragraph (b) of this clause may have occurred, the Contractor shall promptly report in writing the possible violation. Such reports shall be made to the inspector general of the contracting agency, the head of the contracting agency if the agency does not have an inspector general, or the Department of Justice.

(3) The Contractor shall cooperate fully with any Federal agency investigating a possible violation described in paragraph (b) of this clause.

(4) The Contracting Officer may (i) offset the amount of the kickback against any monies owed by the United States under the prime contract and/or (ii) direct that the Prime Contractor withhold from sums owed a subcontractor under the prime contract, the amount of the kickback. The Contracting Officer may order that monies withheld under subdivision (c)(4)(ii) of this clause be paid over to the Government unless the Government has already offset those monies under subdivision (c)(4)(i) of this clause. In the either case, the Prime Contractor shall notify the Contracting Officer when the monies are withheld.

(5) The Contractor agrees to incorporate the substance of this clause, including subparagraph (c)(5) but excepting subparagraph (c)(1), in all subcontracts under this contract which exceed $100,000.

29. 52.223-6 DRUG-FREE WORKPLACE (JAN 1997)

(a) Definitions. As used in this clause —

"Controlled substance" means a controlled substance _n schedules I through V of Section 202 of the Controlled Substances Act (21 U.S.C. 812) and as further defined in regulation at 21 CFR 1308.11 - 1308.15.

"Conviction" means a finding of guilt (including a plea of no lo contendre) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes.

"Criminal drug statute" means a Federal or non-Federal criminal statue involving the manufacture, distribution, dispensing, possession, or use of any controlled substance.

"Drug-free workplace" means the site(s) for the performance of work done by the Contractor in connection with a specific contract at which employees of the Contractor are provided from engaging in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance.

"Employee" means an employee of a Contractor directly engaged in the performance of work under a Government contract. "Directly engaged" is defined to include all direct cost employees and any other Contractor employee who has other than a minimal Impact or involvement in contract performance.

"Individual" means an offeror/contractor that has no more than one employee including the offeror/contractor.

(b) The Contractor, if other than an individual, shall—within 30 days alter award (unless a longer period is agreed to in writing for contracts of 30 days or more performance duration), or as soon as possible for contracts of less than 30 days performance duration—

(1) Publish a statement notifying its employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substate is prohibited in the Contractor's workplace and specifying the actions that will be taken against employees for violations of such prohibition;

(2) Establish an ongoing drug-free awareness program to inform such employees about —

(i) The dangers of drug abuse in the workplace;

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LESSOR GOVERNMENT

(ii) The Contractor's policy of maintaining a drug-free workplace;

(iii) Any available drug counseling, rehabilitation, and employee assistance programs; and

(iv) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;

(3) Provide all employees engaged in performance of the contract with a copy of the statement required by subparagraph (b)(1) of this clause;

(4) Notify such employees in writing in the statement required by subparagraph (b)(1) of this clause that, as a condition of continued employment on this contract, the employee will—

(i) Abide by the terms of the statement; and

(ii) Notify the employer in writing of the employee's conviction under a criminal drug statute for a violation occurring in the workplace no later than 5 days after such conviction.

(5) Notify the Contracting Officer in writing within 10 days after receiving notice under subdivision (b)(4)(ii) of this clause, from an employee or otherwise receiving actual notice of such conviction. The notice shall include the position title of the employee;

(6) Within 30 days after receiving notice under subdivision (b)(4)(ii) of this clause of a conviction, take one of the following actions with respect to any employee who is convicted of a drug abuse violation occurring in the workplace:

(i) Taking appropriate personnel action against such employee, up to and including termination; or

(ii) Require such employee to satisfactorily participate in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency, and

(7) Make a good faith effort to maintain a drug-free workplace through implementation of subparagraphs (b)(l) though (b)(6) of this clause.

(c) The Contractor, if an individual, agrees by award of the contract or acceptance of a purchase order, not to engage in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance white performing this contract.

(d) In addition to other remedies available to the Government, the Contractor's failure to comply with the requirements of paragraph (b) or (c) of this clause may, pursuant to FAR 23,506. render the Contractor subject to suspension of contract payments, termination of the contract for default, and suspension or debarment.

30. 552.203-70 - PRICE ADJUSTMENT FOR ILLEGAL OR IMPROPER ACTIVITY (SEP 1999)

(Applies to leases which exceed $100,000.)

(a) If the head of the contracting activity (HCA) or his or her designee determines that there was a violation of subsection 27(a) of the Office of Federal Procurement Policy Act, as amended (41 U.S.C. 423), as implemented in the Federal Acquisition Regulation, the Government, at its election, may—

(1) Reduce the monthly rental under this lease by 5 percent of the amount of the rental for each month of the remaining term of the lease, including any option periods, and recover 5 percent of the rental already paid;

(2) Reduce payments for alterations not included in monthly rental payments by 5 percent of the amount of the alterations agreement; or

(3) Reduce the payments for violations by a Lessor's subcontractor by an amount not to exceed the amount of profit or fee reflected in the subcontract at the time the subcontract was placed.

(b) Prior to making a determination as set forth above, the HCA or designee shall provide to the Lessor a written notice of the action being considered and the basis therefor. The Lessor shall have a period determined by the agency head or designee, but not less than 30 calendar days after receipt of such notice, to submit in person, in writing, or through a representative, information and argument in opposition to the proposed reduction. The agency head or designee may, upon good cause shown, determine to deduct less than the above amounts from payments.

(c) The rights and remedies of the Government specified herein are not exclusive, and are in addition to any other rights and remedies provided by law or under this lease.

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LESSOR GOVERNMENT

31. 52.215-10-PRICE REDUCTION FOR DEFECTIVE COST OR PRICING DATA (OCT 1997)

(Applies when cost or pricing data are required for work or service exceeding $500,000.)

(a) If any price, including profit or fee, negotiated in connection with this contract, or any cost reimbursable under this contract, was increased by any significant amount because—

(1) The Contractor or a subcontractor furnished cost or pricing data that were not complete, accurate, and current as certified in its Certificate of Current Cost or Pricing Data;

(2) A subcontractor or prospective subcontractor furnished the Contractor cost or pricing data that were not complete, accurate, and current as certified in the Contractor's Certificate of Current Cost or Pricing Data; or

(3) Any of these parties furnished data of any description that were not accurate, the price or cost shall be reduced accordingly and the contract shall be modified to reflect the reduction.

(b) Any reduction in the contract price under paragraph (a) of this clause due to defective data from a prospective subcontractor that was not subsequently awarded the subcontract shall be limited to the amount, plus applicable overhead and profit markup, by which (1) the actual subcontract or (2) the actual cost to the Contractor, if there was no subcontract, was less than the prospective subcontract cost estimate submitted by the Contractor; *provided,* that the actual subcontract price was not itself affected by defective cost or pricing data.

(c) (1) If the Contracting Officer determines under paragraph (a) of this clause that a price or cost reduction should be made, the Contractor agrees not to raise the following matters as a defense:

(i) The Contractor or subcontractor was a sole source supplier or otherwise was in a superior bargaining position and thus the price of the contract would not have been modified even if accurate, complete, and current cost or pricing data had been submitted.

(ii) The Contracting Officer should have known that the cost or pricing data in issue were defective even though the Contractor or subcontractor look no affirmative action to bring the character of the data to the attention of the Contracting Officer.

(iii) The contract was based on an agreement about the total cost of the contract and there was no agreement about the cost of each item procured under the contract.

(iv) The Contractor or subcontractor did not submit a Certificate of Current Cost or Pricing Data.

(2) (i) Except as prohibited by subdivision (c)(2)(ii) of this clause, an offset in an amount determined appropriate by the Contracting Officer based upon the facts shall be allowed against the amount of a contract price reduction if—

(A) The Contractor certifies to the Contracting Officer that, to the best of the Contractor's knowledge and belief, the Contractor is entitled to the offset in the amount requested; and

(B) The Contractor proves that the cost or pricing data were available before the "as of" date specified on its Certificate of Current Cost or Pricing Data, and that the data were not submitted before such date.

(ii) An offset shall not be allowed if—

(A) The understated data were known by the Contractor to be understated before the "as of" date specified on its Certificate of Current Cost or Pricing Data; or

(B) The Government proves that the facts demonstrate that the contract price would not have increased in the amount to be offset even if the available data had been submitted before the "as of" date specified on its Certificate of Current Cost or Pricing Data.

(d) If any reduction in the contract price under this clause reduces the price of items for which payment was made prior to the date of the modification reflecting the price reduction, the Contractor shall be liable to and shall pay the United States at the time such overpayment is repaid—

(1) Simple interest on the amount of such overpayment to be computed from the date(s) of overpayment to the Contractor to the date the Government is repaid by the Contractor at the applicable underpayment rate effective for each quarter prescribed by the Secretary of the Treasury under 26 U.S.C. 6621(a)(2); and

(2) A penalty equal to the amount of the overpayment, if the Contractor or subcontractor knowingly submitted cost or pricing data that were incomplete, inaccurate, or noncurrent.

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LESSOR GOVERNMENT

32. 552.270-13-PROPOSALS FOR ADJUSTMENT (SEP 1999)

(a) The Contracting Officer may, from time to time during the term of this lease, require changes to be made in the work of services to be performed and in the terms or conditions of this lease. Such changes will be required under the Changes clause.

(b) If the Contracting Officer makes a change within the general scope of the lease, the Lessor shall submit, in a timely manner, an itemized cost proposal for the work to be accomplished or services to be performed when the cost exceeds $100,000. The proposal, including all subcontractor work, will contain at least the following details—

(1) Material quantities and unit costs;

(2) Labor costs (identified with specific item or material to be placed or operation to be performed;

(3) Equipment costs;

(4) Worker's compensation and public liability insurance;

(5) Overhead;

(6) Profit; and

(7) Employment taxes under FICA and FUTA.

(c) The following Federal Acquisition Regulation (FAR) provisions also apply to all proposals exceeding $500,000 in cost—

(1) The Lessor shall provide cost or pricing data including subcontractor cost or pricing data (48 CFR 15.403-4) and

(2) The Lessor's representative, all Contractors, and subcontractors whose portion of the work exceeds $500,000 must sign and return the "Certificate of Current Cost or Pricing Data" (48 CFR 15.406-2).

(d) Lessors shall also refer to 48 CFR Part 31, Contract Cost Principles, for information on which costs are allowable, reasonable, and allocable in Government work.

33. 552.270-14-CHANGES (SEP 1999) (VARIATION)

(a) The Contracting Officer may at any time, by written order, make changes within the general scope of this lease in any one or more of the following:

(1) Specifications (including drawings and designs);

(2) Work or services;

(3) Facilities or space layout; or

(4) Amount of space, provided the Lessor consents to the change.

(b) If any such change causes an increase or decrease in Lessor's cost of or the time required for performance under this lease, whether or not changed by the order, the Contracting Officer shall modify this lease to provide for one or more of the following:

(1) A modification of the delivery date;

(2) An equitable adjustment in the rental rate;

(3) A lump sum equitable adjustment; or

(4) An equitable adjustment of the annual operating costs per ANSI/BOMA Office Area square foot specified in this lease.

(c) The Lessor shall assert its right to an adjustment under this clause within 30 days from the date of receipt of the change order and shall submit a proposal for adjustment. Failure to agree to any adjustment shall be a dispute under the Disputes clause. However, nothing in this clause shall excuse the lessor from proceeding with the change as directed.

(d) Absent such written change order, the Government shall not be liable to Lessor under this clause.

34. 552.215-70-EXAMINATION OF RECORDS BY GSA (FEB 1996)

The Contractor agrees that the Administrator of General Services, or any duly authorized representative shall, until the expiration of 3 years after final payment under this contract, or of the time periods for the particular records specified in Subpart 4.7 of the Federal Acquisition Regulation (48 CFR 4.7), whichever expires earlier, have access to and the right to examine any books, documents, papers, and records of the Contractor involving transactions related to this contract or compliance with any clauses thereunder. The Contractor further agrees to include in all its subcontracts hereunder a provision to the effect that the subcontractor agrees that the Administrator of General Services, or any duly authorized representatives shall, until the expiration of 3 years after final payment under the subcontract, or of the time periods for the particular records specified in Subpart 4.7 of the Federal Acquisition Regulation (48 CFR 4.7), whichever expires earlier, have access to and the right to examine any books, documents, papers, and records of such subcontractor, involving transactions related to the subcontract or compliance with any clauses thereunder. The term "subcontract" as used in this clause excludes (a) purchase orders not exceeding $100,000 and (b) subcontracts or purchase orders for public utility services at rates established for uniform applicability to the general public.

35. 52.215-2-AUDIT AND RECORDS—NEGOTIATION (JUN 1999)

(a) As used in this clause, "records" includes books, documents, accounting procedures and practices, and other data, regardless of type and regardless of whether such items are in written form, in the form of computer data, or in any other form.

(b) Examination of costs, if this is a cost-reimbursement, incentive, time-and-materials, labor-hour, or price redeterminable contract, or any combination of these, the Contractor shall maintain and the Contracting Officer, or an authorized representative of the Contracting Officer, shall have the right to examine and audit all records and other evidence sufficient to reflect properly all costs claimed to have been incurred or anticipated to be incurred directly or indirectly in performance of this contract. This right of examination shall include inspection at all reasonable times of the Contractor's plants, or parts of them, engaged in performing the contract.

(c) Cost or pricing data. If the Contractor has been required to submit cost or pricing data in connection with any pricing action relating to this contract, the Contracting Officer, or an authorized representative of the Contracting Officer, in order to evaluate the accuracy, completeness, and currency of the cost or pricing data, shall have the right to examine and audit all of the Contractor's records, including computations and projections, related to—

(1) The proposal for the contract, subcontract, or modification;

(2) The discussions conducted on the proposal(s), including those related to negotiating;

(3) Pricing of the contract, subcontract, or modification; or

(4) Performance of the contract, subcontract or modification.

(d) Comptroller General—

(1) The Comptroller General of the United States, or an authorized representative, shall have access to and the right to examine any of the Contractor's directly pertinent records involving transactions related to this contract or a subcontract hereunder.

(2) This paragraph may not be construed to require the Contractor or subcontractor to create or maintain any record that the Contractor or subcontractor does not maintain in the ordinary course of business or pursuant to a provision of law.

(e) Reports. If the Contractor is required to furnish cost, funding, or performance reports, the Contracting Officer or an authorized representative of the Contracting Officer shall have the right to examine and audit the supporting records and materials, for the purpose of evaluating—

(1) The effectiveness of the Contractor's policies and procedures to produce data compatible with the objectives of these reports; and

(2) The data reported.

(f) Availability. The Contractor shall make available at its office at all reasonable times the records, materials, and other evidence described in paragraphs (a), (b), ©, (d), and (e) of this clause, for examination, audit, or reproduction, until 3 years after final payment under this contract or for any shorter period specified in Subpart 4.7, Contractor Records Retention, of the Federal Acquisition Regulation (FAR), or for any longer period required by statute or by other clauses of this contract. In addition—

(1) If this contract is completely or partially terminated, the Contractor shall make available the records relating to the work terminated until 3 years after any resulting final termination settlement; and

(2) The Contractor shall make available records relating to appeals under the Disputes clause or to litigation or the settlement of claims arising under or relating to this contract until such appeals, litigation, or claims are finally resolved.

(g) The Contractor shall insert a clause containing all the terms of this clause, including this paragraph (g), in all subcontracts under this contract that exceed the simplified acquisition threshold, and—

(1) That are cost reimbursement, incentive, time–and–materials, labor–hour, or price–redeterminable type or any combination of these;

(2) For which cost or pricing data are required; or

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	LESSOR		GOVERNMENT

(3) That require the subcontractor to furnish reports as discussed in paragraph (e) of this clause.

The clause may be altered only as necessary to identify properly the contracting parties and the Contracting Officer under the Government prime contract.

36. 52.233-1-DISPUTES (DEC 1998)

(a) This contract is subject to the Contract Disputes act of 1978, as amended (41 U. S. C 601-613

(b) Except as provided in the Act, all disputes arising under or relating to this contract shall be resolved under this clause.

(c) "Claim," as used in this clause, means a written demand of written assertion by one of the contracting parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to this contract. A claim arising under a contract, unlike a claim relating to that contract, is a claim that can be resolved under a contract clause that provides for the relief sought by the claimant. However, a written demand or written assertion by the Contractor seeking the payment of money exceeding $100,000 is not a claim under the Act until certified as required by subparagraph (d)(2) of this clause. A voucher, invoice, or other routine request for payment that is not in dispute when submitted is not a claim under the Act. The submission may be converted to a claim under the Act, by complying with the submission and certification requirements of this clause, if it is disputed either as to liability or amount or is not acted upon in a reasonable time.

(d) (1) A claim by the Contractor shall be made in writing and, unless otherwise stated in this contract, submitted within 6 years after accrual of the claim to the Contracting Officer for a written decision. A claim by the Government against the Contractor shall be subject to a written decision by the Contracting Officer.

(2) (i) The Contractor shall provide the certification specified in paragraph (d)(2)(iii) of this clause when submitting any claim exceeding $100,000.

(ii) The certification requirement does not apply to issues in controversy that have not been submitted as all or part of a claim.

(iii) The certification shall state as follows: "I certify that the claim is made in good faith; that the supporting data are accurate and complete to the best of my knowledge and belief; that the amount requested accurately reflects the contract adjustment for which the Contractor believes the Government is liable; and that I am duly authorized to certify the claim on behalf of the Contractor."

(3) The certification may be executed by any person duly authorized to bind the Contractor with respect to the claim.

(e) For Contractor claims of $100,000 or less, the Contracting Officer must, if requested in writing by the Contractor, render a decision within 60 days of the request. For Contractor-certified claims over $100,000, the Contracting Officer must, within 60 days, decide the claim or notify the Contractor of the date by which the decision will be made.

(f) The Contracting Officer's decision shall be final unless the Contractor appeals or files a suit as provided in the Act.

(g) If the claim by the Contractor is submitted to the Contracting Officer or a claim by the Government is presented to the Contractor, the parties, by mutual consent, may agree to use alternative disputes resolution (ADR). If the Contractor refuses an offer for ADR, the Contractor shall inform the Contracting Officer, in writing, of the Contractor's specific reasons for rejecting the offer.

(h) The Government shall pay interest on the amount found due and unpaid from (1) the date that the Contracting Officer receives the claim (certified if required); or (2) the date that payment otherwise would be due, if that date is later, until the date of payment. With regard to claims having defective certifications, as defined in FAR 33.201, interest shall be paid from the date that the Contracting Officer initially receives the claim. Simple interest on claims shall be paid at the rate, fixed by the Secretary of the Treasury as provided in the Act, which is applicable to the period during which the Contracting Officer receives the claim and then at the rate applicable for each 6-month period as fixed by the Treasury Secretary during the pendency of the claim.

(i) The Contractor shall proceed diligently with performance of this contract, pending final resolution of any request for relief, claim, appeal, or action arising under the contract, and comply with any decision of the Contracting officer.

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LESSOR GOVERNMENT

37. 52.222-26-EQUAL OPPORTUNITY (FEB 1999)

(a) If, during any 12-month period (including the 12 months preceding the award of this contract), the Contractor has been or is awarded nonexempt Federal contracts and/or subcontracts that have an aggregate value in excess of $10,000, the Contractor shall comply with subparagraphs (b)(1) through (11) below. Upon request, the Contractor shall provide information necessary to determine the applicability of this clause.

(b) During performing this contract, the Contractor agrees as follows:

(1) The Contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. However, it shall not be a violation of this clause for the Contractor to extend a publicly announced preference in employment to indians living on or near an Indian reservation, in connection with employment opportunities on or near an Indian reservation, as permitted by 41 CFR 60-1.5.

(2) The Contractor shall take affirmative action to ensure the applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. This shall include, but not be limited to, (i) employment, (ii) upgrading, (iii) demotion, (iv) transfer, (v) recruitment or recruitment advertising, (vi) layoff or termination, (vii) rates of pay or other forms of compensation, and (viii) selection for training, including apprenticeship.

(3) The Contractor shall post in conspicuous places available to employees and applicants for employment the notices to be provided by the Contracting Officer that explain this clause.

(4) The Contractor shall, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(5) The Contractor shall send, to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, the notice to be provided by the Contracting Officer advising the labor union or workers' representative of the Contractor's commitments under this clause, and post copies of the notice in conspicuous places available to employees and applicants for employment.

(6) The Contractor shall comply with Executive Order 11246, as amended, and the rules, regulations, and orders of the Secretary of Labor.

(7) The Contractor shall furnish to the contracting agency all information required by Executive Order 11246, as amended, and by the rules, regulations, and orders of the Secretary of Labor. Standard Form 100 (EEO-1), or any successor form, as prescribed in 41 CFR part 60-1. Unless the Contractor has filed within the 12 months preceding the date of contract award, the Contractor shall, within 30 days after contract award, apply to either the regional Office of Federal Contract Compliance Programs (OFCCP) or the local office of the Equal Employment Opportunity Commission for the necessary forms

(8) The Contractor shall permit access to its premises, during normal business hours, by the contracting agency or the OFCCP for the purpose of conducting on-site compliance evaluations and complaint investigations. The Contractor shall permit the Government to inspect and copy any books, accounts, records (including computerized records), and other material that may be relevant to the matter under investigation and pertinent to compliance with Executive Order 11246, as amended, and rules and regulations that implement the Executive Order.

(9) If the OFCCP determines that the Contractor is not in compliance with this clause or any rule, regulation, or order of the Secretary of Labor, this contract may be canceled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts, under the procedures authorized in Executive Order 11246, as amended. In addition, sanctions may be imposed and remedies invoked against the Contractor as provided in Executive Order 11246, as amended, the rules, regulations, and orders of the Secretary of Labor, or as otherwise provided by law.

(10) The Contractor shall include the terms and conditions of subparagraph (b)(1) through (11) of this clause in every subcontract or purchase order that is not exempted by the rules, regulations, or orders of the Secretary of Labor issued under Executive Order 11246, as amended, so that these terms and conditions will be binding upon each subcontractor or vendor.

(11) The Contractor shall take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing these terms and conditions, including sanctions for noncompliance; provided, that if the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of any direction, the Contractor may request the United States to enter into the litigation to protect the interests of the United States.

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	LESSOR		GOVERNMENT

(c) Notwithstanding any other clause in this contract, disputes relative to this clause will be governed by the procedures in 41 CFR 60-1.1.

38. 52.222-24-PREAWARD ON-SITE EQUAL OPPORTUNITY COMPLIANCE EVALUATION (FEB 1999)

(Applies to leases which exceed $10,000,000.)

If a contract in the amount of $10 million or more will result from this solicitation, the prospective Contractor and its known first-tier subcontractors with anticipated subcontracts of $10 million or more shall be subject to a preaward compliance evaluation by the Office of Federal Contract Compliance Programs (OFCCP), unless, within the preceding 24 months, OFCCP has conducted an evaluation and found the prospective Contractor and subcontractors to be in compliance with Executive Order 11246.

39. 52.222-21-PROHIBITION OF SEGREGATED FACILITIES (FEB 1999)

(a) "Segregated facilities," as used in this clause, means any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees, that are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, sex, or national origin because of written or oral policies or employee custom. The term does not include separate or single-user rest rooms or necessary dressing or sleeping areas provided to assure privacy between the sexes.

(b) The Contractor agrees that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. The Contractor agrees that a breach of this clause is a violation of the Equal Opportunity clause in this contract.

(c) The Contractor shall include this clause in every subcontract and purchase order that is subject to the Equal Opportunity clause of this contract.

40. 52. 222-35-AFFIRMATIVE ACTION FOR DISABLED VETERANS AND VETERANS OF THE VIETNAM ERA (APR 1998)

(a) Definitions.

All employment openings includes all positions except executive and top management, those positions that will be filled from within the contractor's organization, and positions lasting 3 days or less. This term includes full-time employment, temporary employment of more than 3 days' duration, and part-time employment.

Appropriate office of the Stateemployment service system means the local office of the Federal-State national system of public employment offices with assigned responsibility to serve the area where the employment opening is to be filled, including the District of Columbia, Guam, the Commonwealth of Puerto Rico, and the Virgin Islands.

Positions that will be filled from *within the Contractor's organization* means employment openings for which no consideration will be given to persons outside the Contractor's organization (including any affiliates, subsidiaries, and the parent companies) and includes any openings that the Contractor proposes to fill from regularly establish "recall" lists. The exception does not apply to a particular opening once an employer decides to consider applicants outside of its organization.

Veteran of the Vietnam era means a person who—

(1) Served on active duty for a period of more than 180 days, any part of which occurred between August 5, 1964, and May 7, 1975, and was discharged or released therefrom with other than a dishonorable discharge; or

(2) Was discharged or released from active duty for a service-connected disability if any part of such active duty was performed between August 5, 1964, and May 7, 1975.

(b) General.

(1) Regarding any position for which the employee or applicant for employment is qualified, the Contractor shall not discriminate against the individual because the individual is a disabled veteran or veteran of the Vietnam era. The Contractor agrees to take affirmative action to employ, advance in employment, and otherwise treat

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LESSOR GOVERNMENT

qualified disabled veterans and veterans of the Vietnam era without discrimination based upon their disability or veterans' status in all employment practices such as—

(i) Employment;

(ii) Upgrading;

(iii) Demotion or transfer;

(iv) Recruitment;

(v) Advertising;

(vi) Layoff or termination;

(vii) Rates of pay or other forms of compensation; and

(viii) Selection for training, including apprenticeship.

(2) The Contractor agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor (Secretary) issued under the Vietnam Era Veterans' Readjustment Assistance Act of 1972 (the Act), as amended.

(c) Listing openings.

(1) The Contractor agrees to list all employment openings existing at contract award or occurring during contract performance, at an appropriate office of the State employment service system in the locality where the opening occurs. These openings include those occurring at any contractor facility, including one not connected with performing this contract. An independent corporate affiliate is exempt from this requirement.

(2) State and local government agencies holding Federal contracts of $10,000 or more shall also list all employment openings with the appropriate office of the State employment service.

(3) The listing of employment openings with the State employment service system is required at least concurrently with using any other recruitment source or effort and involves the obligations of placing a bona fide job order, including accepting referrals of veterans and nonveterans. This listing does not require hiring any particular job applicant or hiring from any particular group of job applicants and is not intended to relieve the Contractor from any requirements of Executive orders or regulations concerning nondiscrimination in employment.

(4) Whenever the Contractor becomes contractually bound to the listing terms of this clause, it shall advise the State employment service system, in each State where it has establishments, of the name and location of each hiring location in the State. As long as the Contractor is contractually bound to these terms and has so advised the State system, it need not advise the State system of subsequent contracts. The Contractor may advise the State system when it is no longer bound by this contract clause.

(d) Applicability. This clause does not apply to the listing of employment openings which occur and are filled outside the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, and the Virgin Islands.

(e) Postings.

(1) The Contractor agrees to post employment notices stating –

(i) The Contractor's obligation under the law to take affirmative action to employ and advance in employment qualified disabled veterans and veterans of the Vietnam era, and

(ii) The rights of applicants and employees.

(2) These notices shall be posted in conspicuous places that are available to employees and applicants for employment. They shall be in a form prescribed by the Deputy Assistant Secretary for Federal Contract Compliance Programs, Department of Labor (Deputy Assistant Secretary), and provided by or through the Contracting Officer.

(3) The Contractor shall notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the Contractor is bound by the terms of the Act, and is committed to take affirmative action to employ, and advance in employment, qualified disabled veterans and veterans of the Vietnam era.

(f) Noncompliance. If the Contractor does not comply with the requirements of this clause, appropriate actions may be taken under the rules, regulations, and relevant orders of the Secretary issued pursuant to the Act.

(g) Subcontracts. The Contractor shall include the terms of this clause in every subcontract or purchase order of $10,000 or more unless exempted by rules, regulations, or orders of the Secretary. The Contractor shall act as specified by the Deputy Assistant Secretary to enforce the terms, including action for noncompliance.

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LESSOR GOVERNMENT

41. 52.222-36-AFFIRMATIVE ACTION FOR WORKERS WITH DISABILITIES (JUN 1998)

(a) General.

(1) Regarding any position for which the employee or applicant for employment is qualified, the Contractor shall not discriminate against any employee or applicant because of physical or mental disability. The Contractor agrees to take affirmative action to employ, advance in employment and otherwise treat qualified individuals with disabilities without discrimination based upon their physical or mental disability in all employment practices such as—

(i) Recruitment, advertising, and job application procedures;

(ii) Hiring, upgrading, promotion, award of tenure, demotion, transfer, layoff, termination, right of return from layoff, and rehiring;

(iii) Rates of pay or any other form of compensation and changes in compensation;

(iv) Job assignments, job classifications, organizational structures, position descriptions, lines of progression, and seniority lists;

(v) Leaves of absence, sick leave, or any other leave;

(vi) Fringe benefits available by virtue of employment, whether or not administered by the Contractor;

(vii) Selection and financial support for training, including apprenticeships, professional meetings, conferences, and other related activities, and selection for leaves of absence to pursue training

(viii) Activities sponsored by the Contractor, including social or recreational programs; and

(ix) Any other term, condition, or privilege of employment.

(2) The Contractor agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor (Secretary) issued under the Rehabilitation Act of 1973 (29 USC 793) (the Act), as amended.

(b) Postings.

(1) The Contractor agrees to post employment notices stating (i) the Contractor's obligation under the law to take affirmative action to employ and advance in employment qualified individuals with disabilities and (ii) the rights of applicants and employees.

(2) These notices shall be posted in conspicuous places that are available to employees and applicants for employment. The Contractor shall ensure that applicants and employees with disabilities are informed of the contents of the notice (e.g., the Contractor may have the notice read to a visually disabled individual, or may lower the posted notice so that it might be read by a person in a wheelchair). The notices shall be in a form prescribed by the Deputy Assistant Secretary for Federal Contract Compliance of the U.S. Department of Labor (Deputy Assistant Secretary) and shall be provided by or through the Contracting Officer.

(3) The Contractor shall notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the Contractor is bound by the terms of Section 503 of the Act and is committed to take affirmative action to employ, and advance in employment, qualified individuals with physical or mental disabilities.

(c) Noncompliance. If the Contractor does not comply with the requirements of this clause, appropriate actions may be taken under the rules, regulations, and relevant orders of the Secretary issued pursuant to the Act.

(d) Subcontracts. The Contractor shall include the terms of this clause in every subcontract or purchase order in excess of $10,000 unless exempted by rules, regulations, or orders of the Secretary. The Contractor shall act as specified by the Director to enforce the terms, including action for noncompliance.

42. 52.222-37-EMPLOYMENT REPORTS ON DISABLED VETERANS AND VETERANS OF THE VIETNAM ERA (JAN 1999)

(a) Unless the Contractor is a State or local government agency, the Contractor shall report at least annually, as required by the Secretary of Labor, on:

(1) The number of disabled veterans and the number of veterans of the Vietnam era in the workforce of the contractor by job category and hiring location; and

(2) The total number of new employees hired during the period covered by the report, and of that total, the number of special disabled veterans, and the number of veterans of the Vietnam era.

(b) The above items shall be reported by completing the form entitled "Federal Contractor Veterans" Employment Report VETS-100."

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	LESSOR		GOVERNMENT

(c) Reports shall be submitted no later than September 30 of each year beginning September 30, 1988.

(d) The employment activity report required by paragraph (a)(2) of this clause shall reflect total hires during the most recent 12-month period as of the ending date selected for the employment profile report required by paragraph (a)(1) of this clause. Contractors may select an ending date: (1) As of the end of any pay period during the period January through March 1 of the year the report is due, or (2) as of December 31, if the Contractor has previous written approval from the Equal Employment Opportunity Commission to do so for purposes of submitting the Employer Information Report EEO-1 (Standard Form 100).

(e) The count of veterans reported according to paragraph (a) of this clause shall be based on voluntary disclosure. Each Contractor subject to the reporting requirements at 38 U.S.C. 4212 shall invite all special disabled veterans and veterans of the Vietnam era who wish to benefit under the affirmative action program at 38 U.S.C. 4212 to identify themselves to the Contractor. The invitation shall state that the information is voluntarily provided, that the information will be kept confidential, that disclosure or refusal to provide the information will not subject the applicant or employee to any adverse treatment, and that the information will be used only in accordance with the regulations promulgated under 38 U.S.C. 4212.

(f) Subcontracts. The Contractor shall include the terms of this clause in every subcontract or purchase order of $10,000 or more unless exempted by rules, regulations, or orders of the Secretary.

43. 52.209-6-PROTECTING THE GOVERNMENT'S INTEREST WHEN SUBCONTRACTING WITH CONTRACTORS DEBARRED, SUSPENDED, OR PROPOSED FOR DEBARMENT (JUL 1995)

(a) The Government suspends or debars Contactors to protect the Government's interests. Contractors shall not enter into any subcontract in excess of the small purchase limitation at FAR 13.000 with a Contractor that has been debarred, suspended, or proposed for debarment unless there is a compelling reason to do so.

(b) The Contractor shall require each proposed first-tier subcontractor, whose subcontract will exceed the small purchase limitation at FAR 13.000, to disclose to the Contractor, in writing, whether as of the time of award of the subcontract, the subcontractor, or its principals, is or is not debarred, suspended, or proposed for debarment by the Federal Government.

(c) A corporate officer or designee of the Contractor shall notify the Contracting Officer, in writing, before entering into a subcontract with a party that is debarred, suspended or proposed for debarment (See FAR 9.404 for information on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs). The notice must include the following:

(1) The name of the subcontractor,

(2) The Contractor's knowledge of the reasons for the subcontractor being on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs;

(3) The compelling reason(s) for doing business with the subcontractor notwithstanding its inclusion on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs;

(4) The systems and procedures the Contractor has established to ensure that it is fully protecting the Government's interests when dealing with such subcontractor in view of the specific basis for the party's debarment, suspension, or proposed debarment.

44. 52.215-12-SUBCONTRACTOR COST OR PRICING DATA (OCT 1997)

(Applies when the clause at FAR 52.215-10 is applicable.)

(a) Before awarding any subcontract expected to exceed the threshold for submission of cost or pricing data at FAR 15.403-4, on the date of agreement on price or the date of award, which ever is later; or before pricing any subcontract modification involving a pricing adjustment expected to exceed the threshold for submission of cost or pricing data at FAR 15.403-4, the Contractor shall require the subcontractor to submit cost or pricing data (actually or by specific identification in writing), unless an exception under FAR 15.403-1 applies.

(b) The Contractor shall require the subcontractor to certify in substantially the form prescribed in FAR 15.406-2 that, to the best of its knowledge and belief, the data submitted under paragraph (a) of this clause were accurate, complete, and current as of the date of agreement on the negotiated price of the subcontract or subcontract modification.

(c) In each subcontract that exceeds the threshold for submission of cost or pricing data at FAR 15.403-4, when entered into, the Contractor shall insert either—

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	LESSOR		GOVERNMENT

(1) The substance of this clause, including this paragraph (c), if paragraph (a) of this clause requires submission of cost or pricing data for the subcontract; or

(2) The substance of the clause at FAR 52.215-13, Subcontractor Cost or Pricing Data—Modifications.

45. 52.219-8-UTILIZATION OF SMALL BUSINESS CONCERNS (OCT 2000)

(Applies to leases which exceed $100,000 average net annual rental, including option periods.)

(a) It is the policy of the United States that small business concerns, veteran-owned small business concerns, service-disabled veteran-owned small business concerns, HUBZone small business concerns, small disadvantaged business concerns, and women-owned small business concerns shall have the maximum practicable opportunity to participate in performing contracts let by any Federal agency, including contracts and subcontracts for subsystems, assemblies, components, and related services for major systems. It is further the policy of the United States that its prime contractors establish procedures to ensure the timely payment of amounts due pursuant to the terms of their subcontracts with small business concerns, veteran-owned small business concerns, service-disabled veteran-owned small business concerns, HUBZone small business concerns, small disadvantaged business concerns, and women-owned small business concerns.

(b) The Contractor hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with efficient contract performance. The Contractor further agrees to cooperate in any studies or surveys as may be conducted by the United States Small Business Administration or the awarding agency of the United States as may be necessary to determine the extent of the Contractor's compliance with this clause.

(c) Definitions. As used in this contract -

HUBZone small business concern means a small business concern that appears on the List of Qualified HUBZone Small Business Concerns maintained by the Small Business Administration.

Service-disabled veteran-owned small business concern –

(1) Means a small business concern –

(i) Not less than 51 percent of which is owned by one or more service-disabled veterans or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one of more service-disabled veterans; and

(ii) The management and daily business operations of which are controlled by one or more service-disabled veterans or, in the case of a veteran with permanent and severe disability, the spouse or permanent caregiver of such veteran.

(2) Service-disabled veteran means a veteran, as defined in 38 U.S.C. 101(2), with a disability that is service-connected, as defined in 38 U.S.C. 101(16).

Small business concern means a small business as defined pursuant to Section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto.

Small disadvantaged business concern means a small business concern that represents, as part of its offer that –

(1) It has received certification as a small disadvantaged business concern consistent with 13 CFR part 124, Subpart B;

(2) No material change in disadvantaged ownership and control has occurred since its certification;

(3) Where the concern is owned by one or more individuals, the net worth of each individual upon whom the certification is based does not exceed $750,000 after taking into account the applicable exclusions set forth at 13 CFR 124.104(c)(2); and

(4) It is identified, on the date of its representation, as a certified small disadvantaged business in the database maintained by the Small Business Administration (PRO-Net).

"Veteran-owned small business concern" means a small business concern –

(1) Not less than 51 percent of which is owned by one or more veterans (as defined at 38 U.S.C. 101(2)) or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more veterans; and

(2) The management and daily business operations of which are controlled by one or more veterans

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LESSOR GOVERNMENT

"Women-owned small business concern" means a small business concern –

(1) That is at least 51 percent owned by one or more women, or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women; and

(2) Whose management and daily business operations are controlled by one or more women.

(d) Contractors acting in good faith may rely on written representations by their subcontractors regarding their status as a small business concern, a veteran-owned small business concern, a service-disabled veteran-owned small business concern, a HUBZone small business concern, a small disadvantaged business concern, or a women-owned small business concern.

46. 52.219-9-SMALL BUSINESS SUBCONTRACTING PLAN (OCT 2000)

(Applies to leases which exceed $500,000.)

(a) This clause does not apply to small business concerns.

(b) Definitions. As used in this clause–

"Commercial item" means a product or service that satisfies the definition of commercial item in section 2.101 of the Federal Acquisition Regulation.

"Commercial plan" means a subcontracting plan (including goals) that covers the offeror's fiscal year and that applies to the entire production of commercial items sold by either the entire company or a portion thereof (e.g., division, plant, or product line).

"Individual contract plan" means a subcontracting plan that covers the entire contract period (including option periods), applies to a specific contract, and has goals that are based on the offeror's planned subcontracting in support of the specific contract, except that indirect costs incurred for common or joint purposes may be allocated on a prorated basis to the contract.

"Master plan" means a subcontracting plan that contains all the required elements of an individual contract plan, except goals, and may be incorporated into individual contract plans, provided the master plan has been approved.

"Subcontract," means any agreement means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime Contractor or subcontractor calling for supplies or services required for performance of the contract or subcontract.

(c) The offeror, upon request by the Contracting Officer, shall submit and negotiate a subcontracting plan, where applicable, which separately addresses subcontracting with small business, veteran-owned small business, HUBZone small business concerns, small disadvantaged business, and women-owned small business concerns. If the offeror is submitting an individual contract plan, the plan must separately address subcontracting with small business, veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns, with a separate part for the basic contract and separate parts for each option (if any). The plan shall be included in and made a part of the resultant contract. The subcontracting plan shall be negotiated within the time specified by the Contracting Officer. Failure to submit and negotiate the subcontracting plan shall make the offeror ineligible for award of a contract.

(d) The offerer's subcontracting plan shall include the following:

(1) Goals, expressed in terms of percentages of total planned subcontracting dollars, for the use of small business, veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns as subcontractors. Service-disabled veteran-owned small business concerns meet the definition of veteran-owned small business concerns, and offerors may include them within the subcontracting plan goal for veteren-owned small business concerns. A separate goal for service-disabled veteran-owned small business concerns is not required. The offeror shall include all subcontracts that contribute to contract performance, and may include a proportionate share of products and services that are normally allocated as indirect costs.

(2) A statement of —

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LESSOR GOVERNMENT

(i) Total dollars planned to be subcontracted for an individual contract plan; or the offeror's total projected sales, expressed in dollars, and the total value of projected subcontracts to support the sales for a commercial plan;

(ii) Total dollars planned to be subcontracted to small business concerns;

(iii) Total dollars planned to be subcontracted to veteran-owned small business concerns;

(iv) Total dollars planned to be subcontracted to HUBZone small business concerns;

(v) Total dollars panned to be subcontracted to small disadvantaged business concerns; and

(vi) Total dollars planned to be subcontracted to women-owned small business concerns.

(3) A description of the principal types of supplies and services is be subcontracted, and an identification of the types planned for subcontracting to –

(i) Small business concerns,

(ii) Veteran-owned small business concerns;

(iii) HUBZone small business concerns;

(iv) Small disadvantaged business concerns; and

(v) Women-owned small business concerns.

(4) A description of the method used to develop the subcontracting goals in paragraph (d)(1) of this clause.

(5) A description of the method used to identify potential sources for solicitation purposes (e.g., existing company source lists, the Procurement Marketing and Access Network (PRO-Net) of the Small Business Administration (SBA), veterans service organizations, the National Minority Purchasing Council Vendor Information Service, the Research and Information Division of the Minority Business Development Agency in the Department of Commerce, or small, HUBZone, small disadvantaged, and women-owned small business trade associations). A firm may rely on the information contained in PRO-Net as an accurate representation of a concern's size and ownership characteristics for the purposes of maintaining a small, veteran-owned small, HUBZone small, small disadvantaged, and women-owned small business source list. Use of PRO-Net as its source list does not relieve a firm of its responsibilities (e.g., outreach, assistance, counseling, or publicizing subcontracting opportunities) in this clause.

(6) A statement as to whether or not the offeror included indirect costs in establishing subcontracting goals, and a description of the method used to determine the proportionate share of indirect costs to be incurred with –

(i) Small business concerns;

(ii) Veteran-owned small business concerns;

(ii) HUBZone small business concerns;

(iii) Small disadvantaged business concerns; and

(iv) Women-owned small business concerns.

(7) The name of the individual employed by the offeror who will administer the offeror's subcontracting program, and a description of the duties of the individual.

(8) A description of the efforts the offeror will make to assure that small business, veteran-owned small business, HUBZone small business, small disadvantaged and women-owned small business concerns have an equitable opportunity to compete for subcontracts.

(9) Assurances that the offeror will include the clause in this contract entitled "Utilization of Small Business Concerns" in all subcontracts that offer further subcontracting opportunities, and that the offeror will require all subcontractors (except small business concerns) that receive subcontracts in excess of $500,000 ($1,000,000 for construction of any public facility) to adopt a subcontracting plan that complies with the requirements of this clause.

(10) Assurances that the offeror will—

(i) Cooperate in any studies or surveys as may be required;

(ii) Submit periodic reports so that the Government can determine the extent of compliance by the offeror with the subcontracting plan;

(iii) Submit Standard Form (SF) 294, Subcontracting Report for Individual Contracts, and/or SF 295, Summary Subcontract Report, in accordance with paragraph (j) of this clause. The reports shall provide information on subcontract awards to small business concerns, veteran-owned small business concerns, service-disabled veteran-owned small business concerns, small disadvantaged business concerns, women-owned small business concerns, and Historically Black Colleges and Universities and Minority Institutions. Reporting shall be in accordance with the instructions on the forms or as provided in agency regulations.

(iv) Ensure that its subcontractors agree to submit Standard Forms 294 and 295.

(11) A recitation of the types of records the offeror will maintain concerning procedures that have been adopted to comply with the requirements and goals in the plan, including establishing source lists; and a description of the offeror's efforts to locate small business, veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns and award

subcontracts to them. The records shall include at least the following (on a plant-wide or company-wide basis, unless otherwise indicated):

(i) Source lists (e.g., PRO-Net), guides, and other data that identify small business, veteran-owned small business, HUBZone small business, small disadvantaged and women-owned small business concerns.

(ii) Organizations contacted in an attempt to locate sources that are small business, veteran-owned small business, HUBZone small business, small disadvantaged or women-owned small business concerns.

(iii) Records on each subcontract solicitation resulting in an award of more than $100,000, indicating –

(A) Whether small business concerns were solicited and if not, why not;

(B) Whether veteran-owned small business concerns were solicited and, if not, why not;

(C) Whether HUBZone small business concerns were solicited and if not, why not;

(D) Whether small disadvantaged business concerns were solicited and if not, why not;

(E) Whether women-owned small business concerns were solicited and if not, why not; and

(F) If applicable, the reason award was not made to a small business concern.

(iv) Records of any outreach efforts to contact –

(A) Trade associations;

(B) Business development organizations,

(C) Conferences and trade fairs to locate small, HUBZone small, small disadvantaged, and women-owned small business sources;

(D) Veterans service organizations.

(v) Records of internal guidance and encouragement provided to buyers through –

(A) Workshops, seminars, training, etc.; and

(B) Monitoring performance to evaluate compliance with the program's requirements.

(vi) On a contract-by-contract basis, records to support award data submitted by the offeror to the Government, including the name, address, and business size of each subcontractor. Contractors having commercial plans need not comply with this requirement.

(e) In order to effectively implement this plan to the extent consistent with efficient contract performance, the Contractor shall perform the following functions:

(1) Assist small business, veteran-owned small business, HUBZone small business, small disadvantaged and women-owned small business concerns by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation by such concerns. Where the Contractor's lists of potential small, veteran-owned small business, HUBZone small business, small disadvantaged and women-owned small business subcontractors are excessively long, reasonable efforts shall be made to give all such small business concerns an opportunity to compete over a period of time.

(2) Provide adequate and timely consideration of the potentialities of small, veteran-owned small business, HUBZone small business, small disadvantaged and women-owned small business concerns in all "make-or-buy" decisions.

(3) Counsel and discuss subcontracting opportunities with representatives of small, veteran-owned small business, HUBZone small business, small disadvantaged and women-owned small business firms.

(4) Provide notice to subcontractors concerning penalties and remedies for misrepresentations of business status as small, veteran-owned small business, HUBZone small business, small disadvantaged or women-owned small business for the purpose of obtaining a subcontract that is to be included as part or all of a goal contained in the Contractor's subcontracting plan.

(f) A master plan on a plant or division-wide basis that contains all the elements required by paragraph (d) of this clause, except goals, may be incorporated by reference as a part of the subcontracting plan required of the offeror by this clause; provided –

(1) The master plan has been approved;

(2) The offeror ensures that the master plan is updated as necessary and provides copies of the approved master plan, including evidence of its approval, to the Contracting Officer; and

(3) Goals and any deviations from the master plan deemed necessary by the Contracting Officer to satisfy the requirements of this contract are set forth in the individual subcontracting plan.

(g) A commercial plan is the preferred type of subcontracting plan for contractors furnishing commercial items. The commercial plan shall relate to the offeror's planned subcontracting

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LESSOR GOVERNMENT

generally, for both commercial and Government business, rather than solely to the Government contract. Commercial plans are also preferred for subcontractors that provide commercial items under a prime contract, whether or not the prime contractor is supplying a commercial item.

(h) Prior compliance of the offeror with other such subcontracting plans under previous contracts will be considered by the Contracting Officer in determining the responsibility of the offeror for award of the contract.

(i) The failure of the Contractor or subcontractor to comply in good faith with –

(1) The clause of this contract entitled "Utilization of Small Business Concerns," or

(2) An approved plan required by this clause, shall be a material breach of the contract.

(j) The Contractor shall submit the following reports:

(1) Standard Form 294, Subcontracting Report for Individual Contracts. This report shall be submitted to the Contracting Officer semiannually and at contract completion. The report covers subcontract award data related to this contract. This report is not required for commercial plans.

(2) Standard Form 295, Summary Subcontract Report. This report encompasses all the contracts with the awarding agency. It must be submitted semi-annually for contracts with the Department of Defense and annually for contracts with civilian agencies. If the reporting activity is covered by a commercial plan, the reporting activity must report annually all subcontract awards under that plan. All reports submitted at the close of each fiscal year (both individual and commercial plans) shall include a breakout, in the Contractor's format, of subcontract awards, in whole dollars, to small disadvantaged business concerns by North American Industry Classification System (NAICS) Industry Subsector. For a commercial plan, the Contractor may obtain from each of its subcontractors a predominant NAICS Industry Subsector and report all awards to that subcontractor under its predominant NAICS Industry Subsector.

47. 52.219-16 LIQUIDATED DAMAGES - SUBCONTRACTING PLAN (JAN 1999)

(a) *Failure to make a good faith effort to comply with the subcontracting plan,* as used in this clause, means a willful or intentional failure to perform in accordance with the requirements of the subcontracting plan approved under the clause in this contract entitled "Small Business Subcontracting Plan," or willful or intentional action to frustrate the plan.

(b) Performance shall be measured by applying the percentage goals to the total actual subcontracting dollars or, if a commercial plan is involved, to the pro rata share of actual subcontracting dollars attributable to Government contracts covered by the commercial plan. If, at contract completion or, in the case of a commercial plan, at the close of the fiscal year for which the plan is applicable, the Contractor has failed to meet its subcontracting goals and the Contracting Officer decides in accordance with paragraph (c) of this clause that the Contractor failed to make a good faith effort to comply with its subcontracting plan, established in accordance with the clause in this contract entitled "Small Business Subcontracting Plan," the Contractor shall pay the Government liquidated damages in an amount stated. The amount of probable damages attributable to the Contractor's failure to comply shall be an amount equal to the actual dollar amount by which the Contractor failed to achieve each subcontract goal.

(c) Before the Contracting Officer makes a final decision that the Contractor has failed to make such good faith effort, the Contracting Officer shall give the Contractor written notice specifying the failure and permitting the Contractor to demonstrate what good faith efforts have been made and to discuss the matter. Failure to respond to the notice may be taken as an admission that no valid explanation exists. If, after consideration of all the pertinent data, the Contracting Officer finds that the Contractor failed to make a good faith effort to comply with the subcontracting plan, the Contracting Officer shall issue a final decision to that effect and require that the Contractor pay the Government liquidated damages as provided in paragraph (b) of this clause.

(d) With respect to commercial plans, the Contracting Officer who approved the plan will perform the functions of the Contracting Officer under this clause on behalf of all agencies with contracts covered by the commercial plan.

(e) The Contractor shall have the right of appeal, under the clause in this contract entitled Disputes, from any final decision of the Contracting Officer.

(f) Liquidated damages shall be in addition to any other remedies that the Government may have.

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REPRESENTATIONS AND CERTIFICATIONS	Solicitation Number	Dated
(Acquisition of Leasehold Interests in Real Property)	02-003	11/20/01

Complete appropriate boxes, sign the form, and attach to offer.

The Offeror makes the following Representations and Certifications. NOTE: The "Offeror," as used on this form, is the owner of the property offered, not an individual or agent representing the owner.

1. 52.219-1-SMALL BUSINESS PROGRAM REPRESENTATIONS (NOV 1999)

(a) (1) The standard industrial classification (SIC) code for this acquisition is 6515.

(2) The small business size standard applicable to this acquisition is average annual gross revenues of $15 million or less for the preceding three fiscal years.

(3) The small business size standard for a concern which submits an offer in its own name, other than on a constructions or service contract, but which proposes to furnish a product which it did not itself manufacture, is 500 employees.

(b) *Representations.*

(1) The Offeror represents as part of its offer that it ☒ is, □ is not a small business concern.

(2) (Complete only if offeror represented itself as a small business concern in paragraph (b)(1) of this provision.) The Offeror represents, for general statistical purposes, that it □ is, ☒ is not a small disadvantaged business concern as defined in 13 CFR 124.1002.

(3) (Complete only if offeror represented itself as a small business concern in paragraph (b)(1) of this section.) The Offeror represents as part of its offer that it □ is, ☒ is not a women-owned small business concern.

(4) [Complete only if offeror represented itself as a small business concern in paragraph (b)(1) of this provision.] The offeror represents, as part of its offer, that it—

(i) □ is, ☒ is not a HUBZone small business concern listed, on the date of this representation, on the List of Qualified HUBZone Small Business Concerns maintained by the Small Business Administration, and no material change in ownership and control, principal office of ownership, or HUBZone employee percentage has occurred since it was certified by the Small Business Administration in accordance with 13 CFR Part 126; and

(ii) If □ is, ☒ is not a joint venture that complies with the requirements of 13 CFR Part 126, and the representation in paragraph (b)(4)(i) of this provision is accurate for the HUBZone small business concern or concerns that are participating in the joint venture. (The offeror shall enter the name or names of the HUBZone small business concern or concerns that are participating in the joint venture: ______________.) Each HUBZone small business concern participating in the joint venture shall submit a separate signed copy of the HUBZone representation.

(5) (Complete if offeror represented itself as disadvantaged in paragraph (b)(2) of this provision). The offeror shall check the category in which its ownership falls:

□ Black American.

□ Hispanic American.

□ Native American (American Indians, Eskimos, Aleuts, or Native Hawaiians).

□ Asian-Pacific American (persons with origins from Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Japan, China, Taiwan, Laos, Cambodia (Kampuchea), Vietnam, Korea, The Philippines, U.S. Trust Territory of the Pacific Islands (Republic of Palau), Republic of the Marshall islands, Federated States of Micronesia, the Commonwealth of the Northern Mariana Islands, Guam, Samoa, Macao, Hong Kong, Fiji, Tonga, Tuvalu, or Nauru).

□ Subcontinent Asian (Asian-Indian) American (persons with origins from India, Pakistan, Bangladesh, Sri Lanka, Bhutan, the Maldives Islands, or Nepal).

□ Individual/concern, other than one of the preceding.

(c) *Definitions. Small business concern,* as use in this provision, means a concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the criteria in 13 CFR Part 121 and the size standard in paragraph (a) of this provision.

Women-owned small business concern, as use in this provision, means a small business concern—

(1) Which is at least 51 percent owned by one or more women or in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women; and

(2) Whose management and daily business operations are controlled by one or more women.

(d) *Notice.*

(1) If this solicitation is for supplies and has been set aside, in whole or in part, for small business concerns, then the clause in this solicitation providing notice of the set-aside contains restrictions on the source of the end items to be furnished.

(2) Under 15 U.S.C. 645(d), any person who misrepresents a firm's status as a small, small disadvantaged, of women-owned small business concern in order to obtain a contract to be awarded under the preference

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	LESSOR		GOVERNMENT

programs established pursuant to sections 8(a), 8(d), 9, or 15 of the Small Business Act or any other provision of Federal law that specifically references section 8(d) for a definition of program eligibility, shall—

(i) Be punished by imposition of fine, imprisonment, or both;

(ii) Be subject to administrative remedies, including suspension and debarment; and

(iii) Be ineligible for participation in programs conducted under the authority of the Act.

2. **52.204-5-WOMEN-OWNED BUSINESS (OTHER THAN SMALL BUSINESS) (MAY 1999)**

(a) *Definition.* "Women-owned business concern," as used in this provision, means a concern which is at least 51 percent owned by one or more women; or in the case of any publicly owned business, at least 51 percent of its stock is owned by one or more women; and whose management and daily business operations are controlled by one or more women.

(b) *Representation.* (Complete only if the offeror is a women-owned business concern and has not represented itself as a small business concern in paragraph (b)(1) of FAR 52.219-1, Small Business Program Representations, of this solicitation.) The offeror represents that it □ is a women-owned business concern.

3. **52.222-22-PREVIOUS CONTRACTS AND COMPLIANCE REPORTS (FEB 1999)**

The Offeror represents that —

(a) It □ has, ☒ has not participated in a previous contract or subcontract subject to the Equal Opportunity clause of this solicitation;

(b) It ☒ has, □ has not filed all required compliance reports; and

(c) Representations indicating submission of required compliance reports, signed by proposed subcontractors, will be obtained before subcontract awards. (Approved by OMB under Control Number 1215-0072.)

4. **52.222-25-AFFIRMATIVE ACTION COMPLIANCE (APR 1984)**

The Offeror represents that —

(a) It □ has developed and has on file, □ has not developed and does not have on file, at each establishment affirmative action programs required by the rules and regulations of the Secretary of Labor (41 CFR 60-1 and 60-2), or

(b) It ☒ has not previously had contracts subject to the written affirmative action programs requirement of the rules and regulations of the Secretary of Labor. (Approved by OMB under Control Number 1215-0072.)

5. **52.203-02-CERTIFICATE OF INDEPENDENT PRICE DETERMINATION (APR 1985)**

(Applies to leases which exceed $100,000 average net annual rental, including option periods.)

(a) The Offeror certifies that—

(1) The prices in this offer have been arrived at independently, without, for the purpose of restricting competition, any consultation, communication, or agreement with any other Offeror or competitor relating to (i) those prices, (ii) the intention to submit an offer, or (iii) the methods or factors used to calculate the prices offered;

(2) The prices in this offer have not been and will not be knowingly disclosed by the Offerer, directly or indirectly, to any other Offerer or competitor before bid opening (in the case of a sealed bid solicitation) or contract award (in the case of a negotiated solicitation) unless otherwise required by law; and

(3) No attempt has been made or will be made by the Offeror to induce any other concern to submit or not to submit an offer for the purpose of restricting competition.

(b) Each signature on the offer is considered to be a certification by the signatory that the signatory—

(1) Is the person in the Offeror's organization responsible for determining the prices being offered in this bid or proposal, and that the signatory has not participated and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above; or

(2) (i) Has been authorized, in writing, to act as agent for the following principals in certifying that those principals have not participated, and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above John Akridge – Authorized Representative [insert full name of person(s) in the Offeror's organization responsible for determining the prices offered in this bid or proposal, and the title of his or her position in the Offeror's organization];

(ii) As an authorized agent, does certify that the principals named in subdivision (b)(2)(i) above have not participated, and will not participate, in any action contrary to subparagraphs (a)(1) through (a)(3) above; and

(iii) As an agent, has not personally participated, and will not participate, in action contrary to subparagraphs (a)(1) through (a)(3) above.

(c) If the Offeror deletes or modifies subparagraph (a)(2) above, the Offeror must furnish with its offer a signed statement selling forth in detail the circumstances of the disclosure.

6. **52.203-11 - CERTIFICATION AND DISCLOSURE REGARDING PAYMENTS TO INFLUENCE CERTAIN FEDERAL TRANSACTIONS (APR 1991) (DEVIATION)**

INITIALS: /s/ Illegible & /s/ Illegible

LESSOR GOVERNMENT

(Applies to leases which exceed $100,000.)

(a) The definitions and prohibitions contained in the clause, at FAR 52.203-12. Limitation on Payments to Influence Certain Federal Transactions, are hereby incorporated by reference in paragraph (b) of this certification.

(b) The offeror, by signing its offer, hereby certifies to the best of his or her knowledge and belief that on or after December 23, 1989,—

(1) No Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress on his or her behalf in connection with the awarding of a contract resulting from this solicitation.

(2) If any funds other than Federal appropriated funds (including profit or fee received under a covered Federal transaction) have been paid, or will be paid, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress on his or her behalf in connection with this solicitation, the offeror shall complete and submit, with its offer, OMB standard form LLL, Disclosure of Lobbying Activities, to the Contracting Officer; and

(3) He or she will include the language of this certification in all subcontract awards at any tier and require that all recipients of subcontract awards in excess of $100,000 shall certify and disclose accordingly.

(c) Submission of this certification and disclosure is a prerequisite for making or entering into this contract imposed by section 1352, title 31, United States Code. Any person who makes an expenditure prohibited under this provision or who fails to file or amend the disclosure form to be filed or amended by this provision, shall be subject to a civil penalty of not less than $10,000, and not more than $100,000, for each such failure.

7. 52.209-5-CERTIFICATION REGARDING DEBARMENT, SUSPENSION, PROPOSED DEBARMENT, AND OTHER RESPONSIBILITY MATTERS (MAR 1996)

(Applies to leases which exceed $100,000 average net annual rental, including option periods.)

(a) (1) The Offeror certifies, to the best of its knowledge and belief, that—

(i) The Offeror and/or any of its Principals—

(A) Are □ are not ☒ presently debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency;

(B) Have □ have not ☒, within a three-year period preceding this offer, been convicted of or had a civil judgment rendered against them for: commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) contract or subcontract; violation of Federal or State antitrust statutes relating to the submission of offers; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, or receiving stolen property; and

(C) Are □ are not ☒ presently indicted for, or otherwise criminally or civilly charged by a governmental entity with, commission of any of the offenses enumerated in subdivision (a)(1)(i)(B) of this provision.

(ii) The Offerer has □ has not ☒, within a three-year period preceding this offer, had one or more contracts terminated for default by any Federal agency.

(2) “Principals,” for the purposes of this certification, means officers; directors; owners; partners; and, persons having primary management of supervisory responsibilities within a business entity (e.g., general manager; plant manager; head of a subsidiary, division, or business segment, and similar positions).

THIS CERTIFICATION CONCERNS A MATTER WITHIN THE JURISDICTION OF AN AGENCY OF THE UNITED STATES AND THE MAKING OF A FALSE, FICTITIOUS, OR FRAUDULENT CERTIFICATION MAY RENDER THE MAKER SUBJECT TO PROSECUTION UNDER SECTION 1001, TITLE 18, UNITED STATES CODE.

(b) The offeror shall provide immediate written notice to the Contracting Officer if, at any time prior to contract award, the Offeror learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.

(c) A certification that any of the items in paragraph (a) of this provision exists will not necessarily result in withholding of an award under this solicitation. However, the certification will be considered in connection with a determination of the Offeror’s responsibility. Failure of the Offeror to furnish a certification or provide such additional information as requested by the Contracting Officer may render the Offeror nonresponsible.

(d) Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render, in good faith, the certification required by paragraph (a) of this provision. The knowledge and information of an Offeror is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

(e) The certification in paragraph (a) of this provision is a material representation of fact upon which reliance was placed when making award. If it is later determined that the Offeror knowingly rendered an erroneous certification, in addition to other remedies available to the Government, the Contracting Officer may terminate the contract resulting from this solicitation for default.

8. 52. 204-3-TAXPAYER IDENTIFICATION (JUN 1997)

(a) *Definitions.*

INITIALS: /s/ Illegible & /s/ Illegible

LESSOR GOVERNMENT

"Common parent," as used in this solicitation provision, means that corporate entity that owns or controls an affiliated group of corporations that files its Federal income tax returns on a consolidated basis, and of which the offeror is a member.

"Taxpayer Identification Number (TIN)," as used in this solicitation provision, means the number required by the IRS to be used by the offeror in reporting income tax and other returns. The TIN may be either a Social Security Number or an Employer Identification Number.

(b) All offerors must submit the information required in paragraphs (d) through (1) of this provision to comply with debt collection requirements of 31 U.S.C. 7701(c) and 3325(d), reporting requirements of 26 U.S.C. 6041, 6041A, and 6050M, and implementing regulations issued by the IRS. If the resulting contract is subject to the payment reporting requirements described in Federal Acquisition Regulation (FAR) 4.904, the failure or refusal by the offeror to furnish the information may result in a 31 percent reduction of payments otherwise due under the contract.

(c) The TIN may be used by the Government to collect and report on any delinquent amounts arising out of the offeror's relationship with the Government (31 U.S.C. 7701(c)(3)). If the resulting contract is subject to the payment reporting requirements described in FAR 4.904, the TIN provided hereunder may be matched with IRS records to verify the accuracy of the offerer's TIN.

(d) *Taxpayer Identification Number (TIN).*

- X TIN: 52-1280562.
- TIN has been applied for.
- TIN is not required because:
- Offeror is a nonresident alien, foreign corporation, or foreign partnership that does not have income effectively connected with the conduct of a trade or business in the United States and does not have an office or place of business of a fiscal paying agent in the United States;
- Offeror is an agency or instrumentality of a foreign government;
- Offeror is an agency or instrumentality of the Federal government;

(e) *Type of organization.*

- Sole proprietorship;
- Partnership; Not a corporate entity;
- X Corporate entity (not tax-exempt);
- Corporate entity (tax-exempt);
- Government entity (Federal, State, or local);
- Foreign government;
- International organization per 26 CFR 1.6049-4;
- Other ____________________.

(f) *CommonParent.*

- X Offeror is not owned or controlled by a common parent as defined in paragraph (a) of this provision.
- Name and TIN of common parent:

Name ________________________

TIN ________________________

9. OFFEROR'S DUNS NUMBER (APR 1996)

Enter number, if known: 10-192–9594

OFFEROR OR
AUTHORIZED
REPRESENTATIVE

Name and Address (Including ZIP Code)

Timothy C. Hutchens
Insignia/ESG
555 11th St., NW, Suite 300
Washington, DC 20004

Telephone Number

202-585-5526

/s/ Timothy C. Hutchens

December 14, 2001

Signature

Date December 14, 2001

INITIALS /s/ Illegible & /s/ Illegible

GENERAL SERVICES ADMINISTRATION
PUBLIC BUILDINGS SERVICE
LESSOR'S ANNUAL COST STATEMENT
IMPORTANT – Read attached *"Instructions"*

1. SOLICITATION FOR OFFERS
#02-003

2. STATEMENT DATE
Dec. 14, 2001

3. RENTABLE AREA

3A. ENTIRE BUILDING
268,970 RSF

3B. LEASED BY GOVT
219,750 RSF

4. BUILDING NAME AND ADDRESS (No., street, city, state and zip code)
1201 Eye Street St., N.W., Washington, D.C. 20005

SECTION 1 - ESTIMATED ANNUAL COST OF SERVICES AND UTILITIES
FURNISHED BY LESSOR AS PART OF RENTAL CONSIDERATION

	LESSOR'S ANNUAL COST FOR		
SERVICES AND UTILITIES	**(a) ENTIRE BUILDING**	**(b) GOV'T-LEASED AREA**	***FOR GOVERNMENT USE ONLY (c)***
A. CLEANING, JANITOR AND/OR CHAR SERVICE			
5. SALARIES	45,000	36,765	
6. SUPPLIES *(Wax, cleansers, cloths, etc.)*	14,488	11,837	
7. CONTRACT SERVICES *(Window washing, waste and snow removal)*	336,212	274,687	
B. HEATING	Included in	Included in	
8. SALARIES	Line 11	Line 11	
9. FUEL ***('x' one)*** OIL GAS COAL X ELECTRIC			
10. SYSTEM MAINTENANCE AND REPAIR	39,259	32,075	
C. ELECTRICAL			
11. CURRENT FOR LIGHT AND POWER *(including elevators)*	473,721	398,014	
12. REPLACEMENT OF BULBS, TUBES, STARTERS	8,693	7,102	
13. POWER FOR SPECIAL EQUIPMENT	N/A	N/A	
14. SYSTEM MAINTENANCE AND REPAIR *(ballasts, fixtures, etc.)*	11,590	9,469	
D. PLUMBING			
15. WATER *(For all purposes) (include sewage charges)*	27,669	22,606	
16. SUPPLIES *(Soap, towels, tissues not in 6 above)*	0	0	
17. SYSTEM MAINTENANCE AND REPAIR	26,078	21,313	
E. AIR CONDITIONING	Included in	Included in	
18. UTILITIES *(Include electricity, if not in C11)*	Line 11	Line 11	
19. SYSTEM MAINTENANCE AND REPAIR	0	0	
F. ELEVATORS			
20. SALARIES *(Operators, starters, etc.)*	0	0	
21. SYSTEM MAINTENANCE AND REPAIR	53,794	43,950	
G. MISCELLANEOUS *(To the extent not included above)*			
22. BUILDING ENGINEER AND/OR MANAGER	317,993	259,802	
23. SECURITY *(Watchmen, guards not janitors)*	43,988	35,938	
24. SOCIAL SECURITY TAX AND WORKMEN'S COMPENSATION INSURANCE			
25. LAWN AND LANDSCAPING MAINTENANCE	31,873	26,040	
26. OTHER *(Explain on separate sheet)*	180,083	147,129	
27. TOTAL	$ 1,610,441	$ 1,326,720	$

SECTION II - ESTIMATED ANNUAL COST OF OWNERSHIP EXCLUSIVE OF CAPITAL CHARGES

28. REAL ESTATE TAXES	1,088,568	889,366	
29. INSURANCE *(Hazard liability, etc.)*	31,873	26,040	
30. BUILDING MAINTENANCE AND RESERVES FOR REPLACEMENT			
31. LEASE COMMISSION			
32. MANAGEMENT	359,300	293,550	
33. TOTAL	$ 1,479,741	$ 1,208,957	$

LESSOR'S CERTIFICATION - The amounts entered in Columns (a) and (b) represent my best estimate as to the annual costs of services, utilities and ownership

34. SIGNATURE OF □ OWNER ☒ LEGAL AGENT

TYPED NAME AND TITLE	**SIGNATURE**	**DATE**
34A Timothy C. Hulchens – Authorized Representative	34B /s/ Illegible	34C December 14, 2001
35A	35B	35C

Initials

Lessor	Gov't
/s/ Illegible	/s/ Illegible

SFO ATTACHMENT #4
FIRE PROTECTION & LIFE SAFETY EVALUATION

The offeror represents and agrees, as part of its offer, that the proposed space/building is as described below and contains the identified features and devices. **THIS EVALUATION WILL BE MADE BY BOTH THE OFFEROR AND A REGISTERED FIRE PROTECTION ENGINEER. THE FIRE PROTECTION ENGINEER'S OFFICIAL STAMP (PROFESSIONAL LICENSE) MUST BE PLACED ON THE EVALUATION**. Should this form not provide sufficient space to respond adequately to any question, additional pages should be attached.

BUILDING NAME:	1201 Eye Street *DC Permit Drawings Reviewed for 1215 Eye Street, NW
BUILDING ADDRESS:	1201 Eye Street, NW, Washington, DC
HEIGHT and # of STORIES (BOCA):	130 feet and 12 Stories

PLEASE ANSWER "YES" OR "NO" TO THE FOLLOWING QUESTIONS:	**YES**	**NO**
The building electrical system appears to comply with the National Electrical Code in that there are no obvious deficiencies (e.g. temporary wiring, use of extension cords, deteriorated equipment, missing equipment, etc.). If potential problems are noted, describe on an attached sheet.	X	
THE FOLLOWING ITEMS ARE LOCATED IN THE SUBJECT BUILDING:		
Laboratories		X
Firing Ranges		X
Parking Garages (unsprinklered)		X
Print Shops (unsprinklered)		X
BUILDING EXITS HAVE THE FOLLOWING FEATURES:		
There are at least two exits from each floor (scissor stairs count as only one exit).	X	
Exits are remote (at least 1/2 diagonal for unsprinklered buildings OR at least 1/3 (MD) or 1/4 (VA & DC) for sprinklered buildings).	X	
Travel distance to exits are in accordance with the latest version of NFPA 101 or BOCA, National Building Code.	X	
All exits discharge in accordance with the latest version of NFPA 101 or BOCA, National Building Code.	X	
Exit access is at least 44 inches wide.	X	
Dead ends and common paths of travel are in accordance with the latest version of NFPA 101.	X	
A FIRE ALARM IS REQUIRED FOR THIS OCCUPANCY TYPE BY NFPA 101 OR BOCA.		
A fire alarm system is provided in accordance with NFPA 72.	X	
Manual evacuation alarm sounds in building.	X	
Alarm is transmitted to a listed central station or local fire department.	X	
Battery back-up power is provided for the fire alarm system in accordance with NFPA 72.	X	

Initials

Lessor	Gov't
/s/ Illegible	/s/ Illegible

PLEASE ANSWER "YES" OR "NO" TO THE FOLLOWING QUESTIONS:	YES	NO
THE BUILDING HAS THE FOLLOWING FIRE SUPPRESSION FEATURES:		
The building is fully sprinklered. Note: If the answer to this question is "no" please identify areas of partial sprinkler protection, if any, on an attached sheet.	X	
A standpipe system is required for this occupancy type by BOCA.	X	
A standpipe system is provided in the building in accordance with BOCA or NFPA 14.	X	
Portable fire extinguishers are present in adequate size, spacing and location; and have a current inspection certificate and maintenance contract (in accordance with NFPA 10).	X	
EXIT HARDWARE AND DOORS HAVE THE FOLLOWING FEATURES:		
Exit doors swing in the direction of exit travel; where required by code.	X	
All fire doors are self-closing or automatic-closing; and self-latching.	X	
All fire doors are in proper working order.	X	
Exit doors require one action to open (e.g. no locks, locked during unoccupied periods only). Note: Special locking arrangements may be permitted if allowed under local jurisdiction.	X	
EXIT AND EMERGENCY LIGHTING SYSTEMS HAVE THE FOLLOWING FEATURES:		
Illuminated exit signs are provided in accordance with NFPA 101.	X	
Emergency lighting is provided along exit paths in accordance with NFPA 101.	X	
Emergency power is provided for emergency lights and exit signs.	X	
INTERIOR FINISHES HAVE THE FOLLOWING CHARACTERISTICS:		
Interior finish for ceiling, walls, and floors, are installed without obvious deficiencies (e.g. no cork board, no carpet on walls, no cellular plastic finishes, etc.). If potential problems are noted, describe on an attached sheet.	X	
ELEVATORS HAVE THE FOLLOWING FEATURES:		
Elevators have a current certificate of elevator inspection from the local jurisdiction.	X	
Elevator are equipped with telephones or other two-way emergency signaling systems connected to an emergency communication location manned during normal working hours when the elevators are in service.	X	
Elevators are automatically recalled by smoke detectors located in elevator lobbies and machine rooms.	X	
Elevator recalls to an alternate level when activated by primary level smoke detector.	X	
Firemen's capture feature is provided.	X	
FOR SPACE OFFERED ON OR ABOVE THE 6TH FLOOR (GREATER THAN 75' ABOVE THE LOWEST LEVEL OF FIRE DEPARTMENT VEHICLE ACCESS):		
Automatic sprinkler protection is provided for all floors of the building; up to and including the highest floor of potential Government occupancy.	X	
FOR SPACE OFFERED BELOW GRADE:		
Automatic sprinkler protection is provided throughout the occupied levels.	X	

Initials	
Lessor	Gov't
/s/ Illegible	/s/ Illegible

GENERAL BUILDING INFORMATION

On an attached sheet, **please respond to each of the following building features; as they apply to the offered building. Identify each response by a number corresponding to the items below. Respond "N/A" for items which are not applicable. Respond "None" for items which do not exist in the building.**

1) # Stories above grade:

2) # Stories below grade:

3) Floors offered to government:

4) Height of highest offered floor above lowest level of fire department vehicle access (in feet):

5) Types of occupancies on each floor, Indicate all of other than business occupancy.

6) Approximate gross area of typical floor (identify atypical floors individually):

7) Describe construction type (fire resistive, unprotected non-combustible, ordinary. wood frame, heavy timber) & NFPA 220 classification for floors, walls, columns, and roof.

8) Describe five-rated subdivision of building floors (including stairs, tenant separation, mechanical rooms, etc.)

9) Describe any smoke detectors with attention to the following:
   a) locations.
   b) appropriate type?
   c) control equipment location.
   d) control equipment manufacturer.
   e) connection to building fire alarm system.

10) Describe any heat detectors with attention to the following;
   a) locations
   b) appropriate type?
   c) control equipment location
   d) control equipment manufacturer
   e) connection to building fire alarm

11) Describe any other fire detectors with attention to the following:
   a) locations.
   b) appropriate type?
   c) control equipment location.
   d) control equipment manufacturer.
   e) connection to building fire alarm system.

12) Describe emergency lighting:
   a) type.
   b) location.
   c) secondary source(s) of power.

13) Describe exit signs:
   a) type.
   b) location.
   c) secondary source(s) of power.

14) Describe emergency generator:
   a) power source(s).
   b) capacity.
   c) location.
   d) connected building systems.

15) Describe the fire suppression system(s) with attention to the following:
   a) sprinkler-location(s).
   b) waterflow alarm(s)-type and location.
   c) control valves-type and typical location.
   d) valve tamper switches-type and adequacy.
   e) standpipe-riser size, location and number.
   f) location(s) and manufacturer/model of fixed CO_2, dry chemical, and/or clean-agent fire suppression systems.
   g) water supply-type, size, arrangement, etc.
   h) supply static pressure (psi).
   i) fire pump data:
      i. UL listed for fire pump service?
      ii. separate controller for jockey pump?
      iii. NFPA 20 compliant?
      iv. rated capacity (gpm).
      v. rated net pressure (psi).
      vi. primary power supply.
      vii. secondary power supply.
      viii. manufacturer
   (j) compliance to testing & maintenance required by NFPA 25.

16) Describe the communications system with attention to the following:
   a) type of fire alarm system:
      i. hardwired, multiplex, analog, etc.
      ii. location,
      iii. manufacturer/model.
      iv. operating voltage.
   b) central station (company name).
   c) emergency telephone system.
   d) secondary power source.
   e) control panel information.
   f) manual station locations.
   g) type of alarm indicating appliances (visual and/or audible) and locations.
   h) notification system (entire building, floor above & below, etc).
   i) type of devices that sound evacuation alarm (list all types).
   j) system interfaces with? (elevators, smoke control, electric door locks, HVAC, etc.).
   k) compliance to testing & maintenance required by NFPA 72.
   i.

Initials

Lessor	Gov't
/s/ Illegible	/s/ Illegible

17) Describe the building’s means of egress (NFPA 101):

a) number of exits per floor.

b) points of discharge for each exit.

c) capacity of each exit.

d) occupant load per floor.

e) remoteness of exits:

i. maximum diagonal dimension of typical floor (identify for others if different than that of typical floors).

ii. exit door separation.

iii. how is distance measured (straight line or along rated exit access corridor).

f) exit access-width, fire resistance rating, arrangement.

g) exit stair enclosure.

h) exit discharge protection.

i) exit dimensions - width, tread, riser.

j) handrails (presence, stability, height above tread, graspability, etc.).

k) dead ends.

l) common paths of travel.

m) vertical openings (open stairs, _______, escalators, etc.).

n) penetrations of exit enclosures not related to the function of the exit.

o) exit stairway pressurization, if any.

p)

Initials	
Lessor	Gov’t
/s/ Illegible	/s/ Illegible

EXHIBIT 23.3

CONSENT OF ERNST & YOUNG LLP

EXHIBIT 23.3

Consent of Independent Auditors

We consent to the reference to our firm under the caption “Financial Statements” and to the use of our report dated January 31, 2002 on the Statement of Revenues over Certain Operating Expenses for the KeyBank Parsippany Building, in Post-Effective Amendment No. 6 to the Registration Statement (Form S-11 No. 333-85848) and related Prospectus of Wells Real Estate Investment Trust, Inc. for the registration of 330,000,000 shares of its common stock.

/s/ Ernst & Young LLP

New York, New York
December 15, 2003

EXHIBIT 23.4

CONSENT OF ERNST & YOUNG LLP

Exhibit 23.4

Consent of Independent Auditors

We consent to the reference to our firm under the captions “Financial Statements” and to the use of our reports dated January 24, 2003 on the consolidated financial statements and schedule of Wells Real Estate Investment Trust, Inc.; dated September 26, 2002 on the Statement of Revenues Over Certain Operating Expenses for the IRS Long Island Buildings; dated October 21, 2002 on the Statement of Revenues Over Certain Operating Expenses for the Harcourt Austin Building; dated November 26, 2002 on the Statement of Revenues Over Certain Operating Expenses for the NASA Buildings; dated November 26, 2002 on the Statement of Revenues Over Certain Operating Expenses for the Caterpillar Nashville Building; dated January 21, 2003 on the Statement of Revenues Over Certain Operating Expenses for the Nestle Building; dated May 5, 2003 on the Statement of Revenues over Certain Operating Expenses for the US Bancorp Minneapolis Building; dated May 9, 2003 on the Statement of Revenues over Certain Operating Expenses for the Aon Center Chicago Building; dated August 8, 2003 on the Statement of Revenues over Certain Operating Expenses for the Cingular Atlanta Building; dated August 14, 2003 on the Statement of Revenues over Certain Operating Expenses for the Lockheed Martin Rockville Buildings; and dated August 20, 2003 on the Statement of Revenues over Certain Operating Expenses for the Aventis Northern NJ Building in Post-Effective Amendment No. 6 to the Registration Statement (Form S-11 No. 333-85848) and related Prospectus of Wells Real Estate Investment Trust, Inc. for the registration of 330,000,000 shares of its common stock.

/s/ Ernst & Young LLP

Atlanta, Georgia
December 15, 2003

EXHIBIT 24.1

POWER OF ATTORNEY

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Leo F. Wells, III and Douglas P. Williams, or either of them acting singly, as his true and lawful attorney-in-fact, for him and in his name, place and stead, to execute and sign any and all amendments, including any post-effective amendments, to the Registration Statement on Form S-11 of Wells Real Estate Investment Trust, Inc. or any additional Registration Statement filed pursuant to Rule 462 and to cause the same to be filed with the Securities and Exchange Commission hereby granting to said attorneys-in-fact and each of them full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things that said attorneys-in-fact or either of them may do or cause to be done by virtue of these presents.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Power of Attorney has been signed below, effective as of April 20, 2003, by the following persons and in the capacities indicated below.

Signatures	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/ Michael R. Buchanan Michael R. Buchanan	Director
/s/ Richard W. Carpenter Richard W. Carpenter	Director
/s/ Bud Carter Bud Carter	Director
/s/ William H. Keogler, Jr. William H. Keogler, Jr.	Director
/s/ Donald S. Moss Donald S. Moss	Director
/s/ Walter W. Sessoms Walter W. Sessoms	Director
/s/ Neil H. Strickland Neil H. Strickland	Director

EXHIBIT 24.2

POWER OF ATTORNEY

POWER OF ATTORNEY

The person whose signature appears below hereby constitutes and appoints Leo F. Wells, III and Douglas P. Williams, or either of them acting singly, as his true and lawful attorney-in-fact, for him and in his name, place and stead, to execute and sign any and all amendments, including any post-effective amendments, to the Registration Statement on Form S-11 of Wells Real Estate Investment Trust, Inc. or any additional Registration Statement filed pursuant to Rule 462 and to cause the same to be filed with the Securities and Exchange Commission hereby granting to said attorneys-in-fact and each of them full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things that said attorneys-in-fact or either of them may do or cause to be done by virtue of these presents.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Power of Attorney has been signed below, effective as of July 25, 2003, by the following person and in the capacity indicated below.

Signatures	Title
/s/ W. Wayne Woody W. Wayne Woody	Director