As filed with the Securities and Exchange Commission on June 9, 2000

Registration No. 333-83933

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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POST-EFFECTIVE AMENDMENT NO. 2 TO
FORM S-11
REGISTRATION STATEMENT
Under
The Securities Act of 1933

_____

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

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

Douglas P. Williams, Executive Vice President
6200 The Corners Parkway
Norcross, Georgia 30092
770-449-7800
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:
Donald Kennicott, Esq.
Michael K. Rafter, Esq.
Holland & Knight LLP
1201 West Peachtree Street, N.W., Suite 2000
Atlanta, Georgia 30309-3400
(404) 817-8500

_____

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

_____

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

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

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

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

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

_____

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

SUPPLEMENTAL INFORMATION - The prospectus of Wells Real Estate Investment Trust, Inc. consists of this sticker, the prospectus dated December 22, 1999, Supplement No. 2 dated March 15, 2000 and Supplement No. 3 dated April 25, 2000 (Supplement No. 2 includes and supercedes Supplement No. 1 dated January 5, 2000) (The Supplements are contained inside the back cover page of the prospectus). Supplement No. 2 includes descriptions of acquisitions of certain real properties and revisions to the prospectus relating to the share redemption program. Supplement No. 3 includes descriptions of acquisitions of certain real properties, updated financial statements and unaudited prior performance tables.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

Up to 20,000,000 shares offered to the public

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Wells Real Estate Investment Trust, Inc. (Wells REIT) is a real estate investment trust. We invest in commercial real estate properties such as office buildings. We currently own interests in 16 office buildings located in 11 states.

We are offering and selling to the public up to 20,000,000 shares for $10 per share and up to 2,200,000 shares to be issued pursuant to our dividend reinvestment plan at a purchase price of $10 per share. An additional 800,000 shares are being registered which are reserved for issuance at $12 per share to participating broker-dealers upon their exercise of warrants.

You must purchase at least 100 shares for $1,000. Your money will be placed initially in an escrow account with Bank of America, N.A.

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

. lack of a public trading market for the shares

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

. authorization of substantial fees to the advisor and its affiliates

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

. conflicts of interest facing the advisor and its affiliates

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

The Offering:

. The shares will be offered on a best efforts basis to investors at $10 per share.
. We will pay selling commissions to broker-dealers of 7% and a dealer manager fee for reimbursement of marketing expenses of 2.5% out of the offering proceeds raised.
. We will invest approximately 84% of the offering proceeds raised in real estate properties, and the balance will be used to pay fees and expenses.
. The offering will terminate on or before December 19, 2001.

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

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

WELLS INVESTMENT SECURITIES, INC.
December 20, 1999

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Questions and Answers About This Offering

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

Q: What is a REIT?

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

- pays dividends to investors of at least 95% of its taxable income;
- avoids the "double taxation" treatment of income that generally results from investments in a corporation because a REIT is not generally subject to federal corporate income taxes on its net income, provided certain income tax requirements are satisfied;

- combines the capital of many investors to acquire or provide financing for real estate properties; and

- offers the benefit of a diversified real estate portfolio under professional management.

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

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

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

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

Q: Who is Wells Capital?

A: Wells Capital is a Georgia corporation formed in 1984. As of October 1, 1999, Wells Capital has sponsored public real estate programs which have raised in excess of $400,784,000 from approximately 30,000 investors and own and operate a total of 43 commercial real estate properties.

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

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

sponsored by Wells Capital include Fairchild Technologies, Cort Furniture Rental, IBM, Lucent Technologies and PriceWaterhouseCoopers.

Q. Do you currently own any real estate properties?

A. Yes. As of the date of this prospectus, our REIT has acquired and owns interests in 16 real estate properties. We own interests in the following real estate properties through joint ventures with affiliates:

Tenant	Building Type	Location
Gartner Group, Inc.	Office Building	Ft. Myers, Florida
Johnson Matthey, Inc.	Research and Development, Office and Warehouse Building	Tredyffrin Township, Pennsylvania
Sprint Communications Company L.P.	Office Building	Leawood, Kansas

EYBL CarTex, Inc.	Manufacturing and Office Building	Fountain Inn, South Carolina
Cort Furniture Rental Corporation	Office and Warehouse Building	Fountain Valley, California
Fairchild Technologies U.S.A., Inc.	Manufacturing and Office Building	Fremont, California
Iomega Corporation	Office Building	Ogden City, Utah
ODS Technologies, L.P.	Office Building	Broomfield, Colorado
Ohmeda, Inc.	Office Building	Louisville, Colorado
ABB Flakt, Inc.	Office Building	Knoxville, Tennessee
Lucent Technologies, Inc.	Office Building	Oklahoma City, Oklahoma

We own the following properties directly:

Tenant	Building Type	Location
Videojet Systems International, Inc.	Office, Assembly and Manufacturing Building	Wood Dale, Illinois
ABB Power Generation, Inc.	Office Building	Richmond, Virginia
Matsushita Avionics Systems Corporation	Office Building	Lake Forest, California
Pennsylvania Cellular Telephone Corp.	Office Building	Harrisburg, Pennsylvania
PriceWaterhouseCoopers	Office Building	Tampa, Florida

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

Q: What are the terms of your leases?

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

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

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

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

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

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

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

Quarter	Amount	Annualized Percentage Return on an Investment of $10 per Share
3/rd/ Qtr. 1998	$.15 per share	6.0%
4/th/ Qtr. 1998	$.16 per share	6.5%
1/st/ Qtr. 1999	$.17 per share	7.0%
2/nd/ Qtr. 1999	$.17 per share	7.0%
3/rd/ Qtr. 1999	$.17 per share	7.0%

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

A: Yes. You may participate in our dividend reinvestment plan by checking the appropriate box on the Subscription Agreement or by filling out an enrollment form we will provide 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?

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

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

A: We will use your investment proceeds to purchase commercial real estate such as high grade office buildings. We intend to invest a minimum of 84% of the proceeds from this offering to acquire real estate properties, and approximately 16% of the proceeds will be used to pay fees and expenses of

this offering and acquisition-related expenses. The payment of these fees and expenses will not reduce your invested capital. Your initial invested capital amount will remain $10 per share, and your dividend yield will be based on your $10 per share investment.

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

We commenced our initial public offering of common stock in an offering very similar to this one on January 30, 1998. Our initial public offering was terminated on December 20, 1999. As of December 15, 1999, we had received approximately $131,500,000 in gross offering proceeds from our initial public offering, of which at least $110,460,000 was or is expected to be invested in properties.

Q: What kind of offering is this?

A: We are offering the public up to 20,000,000 shares of common stock on a best efforts basis.

Q: How does a best efforts offering work?

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

Q: How long will this offering last?

A: The offering will not last beyond December 19, 2001.

Q: Who can buy shares?

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

Q: Is there any minimum investment required?

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

Q: How do I subscribe for shares?

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

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

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

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

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

A: Our management team has extensive previous experience investing in and managing commercial real estate. Our directors are listed below.

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

Q: 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: 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: How does our REIT own its real estate properties?

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

Q: What is an "UPREIT"?

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

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

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

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

Q: When will I get my detailed tax information?

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

Q: Are you prepared for the year 2000 problem?

A: Yes, we have concluded our assessment of year 2000 compliance issues on our information systems and business operations. We have made renovations and replacements to our equipment and software packages as warranted. We have also confirmed the year 2000 readiness of our third-party service providers. Although we do not anticipate any material risk relating to the year 2000 problem, we have developed contingency plans to address potential risks. See the "Management's Discussion and Analysis of Financial Condition and Results of Operations--

Year 2000 Compliance" section of this prospectus for a detailed description of our year 2000 readiness.

Q: Who can help answer my questions?

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

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

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Prospectus Summary

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

Wells Real Estate Investment Trust, Inc.

Wells Real Estate Investment Trust, Inc. is a REIT that owns net leased commercial real estate properties. We currently own interests in 16 commercial real estate properties located in 11 states. Our office is located at 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092. Our telephone number outside the State of Georgia is 800-448-1010 (770-449-7800 in Georgia). We refer to Wells Real Estate Investment Trust, Inc. as the Wells REIT in this prospectus.

Our Advisor

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

Our Management

The board of directors must approve each real property acquisition proposed by Wells Capital, as well as certain other matters set forth in our articles of incorporation. We have eight members on our board of directors. Seven of the

directors are independent of Wells Capital and have responsibility for reviewing its performance. The directors are elected annually by the shareholders.

Our REIT Status

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

Summary Risk Factors

Following are the most significant risks relating to your investment:

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

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

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

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

- The number of additional properties that we acquire from the proceeds of this offering will be reduced to the extent that we sell less than all of the 20,000,000 shares offered to the public.

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

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

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

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

- Loans we obtain will generally be secured by our properties, which will put us at risk of losing a property if we are unable to pay our debts.

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

- The vote of shareholders owning at least a majority of the shares will bind all of the shareholders as to matters such as the election of directors and

amendment of our articles of incorporation.

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

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

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

Description of Properties

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

Estimated Use of Proceeds of Offering

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

Investment Objectives

Our investment objectives are:

. to maximize cash dividends paid to you;

. to preserve, protect and return your capital contribution;

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

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

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

Conflicts of Interest

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

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

. the advisor must determine which Wells program or other entity should enter into a joint venture with the Wells REIT for the acquisition and

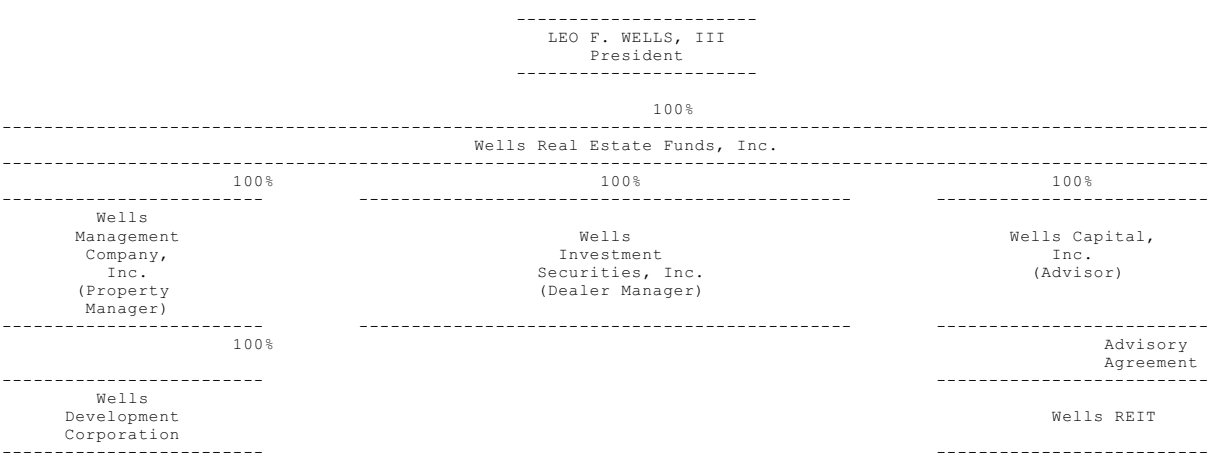
operation of specific properties;

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

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

See the "Conflicts of Interest" section of this prospectus on page 48 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 the advisor.



Prior Offering Summary

The advisor and its affiliates have previously sponsored 13 publicly offered real estate limited partnerships and the Wells REIT on an unspecified property or "blind pool" basis. As of October 1, 1999, they have raised approximately $400,784,000 from approximately 30,000 investors in these 14 real estate programs. The "Prior Performance Summary" on page 100 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 20,000,000 shares to the public at $10 per share. We are also offering up to 2,200,000 shares pursuant to our dividend reinvestment plan at $10 per share, and up to 800,000 shares to broker-dealers pursuant to warrants whereby participating broker-dealers will have the right to purchase one share for every 25 shares they sell in this offering. The exercise price for

shares purchased pursuant to the warrants is $12 per share.

Terms of the Offering

We will begin selling shares in this offering upon the effective date of this prospectus and the offering will terminate on or before December 19, 2001. However, we may terminate this offering at any time prior to such termination date. We will hold your proceeds in escrow until we withdraw funds for the acquisition of real estate properties or the payment of fees and expenses. We generally admit shareholders to the Wells REIT on a daily basis.

Compensation to the Advisor and its Affiliates

The advisor 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	$$ Amount for Maximum Offering (22,200,000 shares)
Offering Stage		
Sales Commission	7% of gross offering proceeds	$15,540,000
Dealer Manager Fee	2.5% of gross offering proceeds	$ 5,550,000
Offering Expenses	3% of gross offering proceeds	$ 6,660,000
Acquisition and Development Stage		
Acquisition and Advisory Fees	3% of gross offering proceeds	$ 6,660,000
Acquisition Expenses	.5% of gross offering proceeds	$ 1,110,000
Operational Stage		
Property Management Fees	2.5% of gross revenues	N/A
Leasing Fees	2% of gross revenues	N/A
Initial Lease-Up Fee for Newly Constructed Property	Competitive fee for geographic location of property based on a survey of brokers and agents (customarily equal to the first month's rent)	N/A
Real Estate Commission	3% of sale price after investors receive a return of capital plus a 6% return on capital	N/A
Subordinated Participation in Net Sale Proceeds (Payable only if the Wells REIT is not listed on an exchange)	10% of remaining amounts of net sale proceeds after return of capital plus payment to investors of an 8% cumulative non-compounded return on the capital contributed by investors	N/A
Subordinated Incentive Listing Fee (Payable only if the Wells REIT is listed on an exchange)	10% of the amount by which the adjusted market value of the Wells REIT exceeds the aggregate capital contributions contributed by investors	N/A

There are many additional conditions and restrictions on the amount of compensation Wells Capital may receive. There are also some smaller items of compensation and expense reimbursements that Wells Capital may receive. For a more detailed explanation of these fees and expenses payable to Wells Capital and its affiliates, please see the "Management Compensation" section of this prospectus on page 44.

Dividend Policy

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

Listing

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

Dividend Reinvestment Plan

You may participate in our dividend reinvestment plan pursuant to which you may have the dividends you receive reinvested in the Wells REIT. If you participate, you will be taxed on your share of our taxable income even though you will not receive any cash dividends. As a result, you may have a tax liability with no cash dividends to pay such liability. We may terminate the dividend reinvestment plan in our discretion at any time upon 10 days notice to you. (See "Description of Shares -- Dividend Reinvestment Plan.")

Share Redemption Program

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

Wells Operating Partnership, L.P.

We own all of our real estate properties through Wells Operating

Partnership, L.P., our operating partnership. We are the sole general partner of the operating partnership. Wells Capital is currently the only limited partner based on its initial contribution of $200,000. Our ownership of properties in the operating partnership is referred to as an "UPREIT." The UPREIT structure allows us to acquire real estate properties in exchange for limited partnership units in the operating partnership. This structure will also allow sellers of properties to transfer their properties to the UPREIT in exchange for units of the UPREIT 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 operating partnership units. The holders of units in the operating partnership may have their units redeemed for cash under certain circumstances. (See "The Operating Partnership Agreement.")

ERISA Considerations

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

Description of Shares

General

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

Shareholder Voting Rights and Limitations

We will hold an annual meeting of shareholders for the election of directors. Other business matters may be presented at the annual meeting or at a special meeting of shareholders. You are entitled to one vote for each share you own.

Limitation on Share Ownership

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

For a more complete description of the shares, including limitations on the ownership of shares, please see the "Description of Shares" section of this prospectus on page 131.

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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 units.

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

Management Risks

You must rely on the advisor for selection of properties.

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

We depend on key personnel.

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

Conflicts of Interest Risks

The advisor will face conflicts of interest relating to time management.

The 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 the advisor 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.")

The advisor 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 the advisor 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.")

The advisor will face conflicts of interest relating to joint ventures with affiliates.

We are likely to enter into one or more joint ventures with other Wells

programs for the acquisition, development or improvement of properties, including Wells Fund XI or Wells Fund XII. We may also purchase and develop properties in joint ventures or in partnerships, co-tenancies or other co-ownership arrangements with the sellers of the properties, affiliates of the sellers, developers or other persons. Such investments may involve risks not otherwise present, including, for example:

- the possibility that our co-venturer, co-tenant or partner in an investment might become bankrupt;

- that such co-venturer, co-tenant or partner may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals; or

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

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

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

Under certain joint venture arrangements, neither co-venturer may have the power to control the venture, and an impasse could be reached regarding matters pertaining to the joint venture, which might have a negative influence on the joint venture and decrease potential returns to you. In the event that a co-venturer has a right of first refusal to buy out the other co-venturer, it may be unable to finance such buy-out at that time. It may also be difficult for us to sell our interest in any such joint venture or partnership or as a co-tenant in property. In addition, to the extent that our co-venturer, partner or co-

tenant is an affiliate of the advisor, certain conflicts of interest will exist. (See "Conflicts of Interest -- Joint Ventures with Affiliates of the Advisor.")

General Investment Risks

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

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

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

outstanding shares;

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

- an affiliate of an interested shareholder.

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

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

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

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

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

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

Even though our share redemption program provides you with the opportunity to redeem your shares for $10 per share after you have held them for a period of one year, you should be fully aware that our share redemption program contains certain restrictions and limitations. Shares will be redeemed on a first-come, first-served basis and will be limited to the lesser of (1) during any calendar year, one-half of one percent (0.5%) of the weighted average number of shares outstanding during the prior calendar year, or (2) the proceeds we receive from the sale of shares under our dividend reinvestment plan such that in no event shall the aggregate amount of redemptions under our share redemption program exceed aggregate proceeds received from the sale of shares pursuant to our dividend reinvestment plan. In

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

We established the offering price on an arbitrary basis.

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

valuing issued or outstanding shares.

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

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

Payment of fees to the advisor and its affiliates will reduce cash available for investment and distribution.

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

The availability and timing of cash dividends is uncertain.

We bear all expenses incurred in our operations, which are deducted from cash funds generated by operations prior to computing the amount of cash dividends to be distributed to the shareholders. In addition, the 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.

Your investment may suffer adverse consequences if we are not prepared for the year 2000 issue.

Many existing computer programs were designed to use only two numeric digits to identify a year without considering the impact of the year 2000. If not corrected, many computer applications could fail or create erroneous data. We are currently addressing the year 2000 issue with respect to our operations. Our failure or the failure of our tenants to properly or timely resolve the year 2000 issue could have a material adverse effect on our business and the return on your investment. (See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Year 2000 Issues.")

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 properties.

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

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

We are dependent on tenants for our revenue.

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

We may not have funding for future tenant improvements.

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

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

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

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

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

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

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

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

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

Competition for investments may increase costs and reduce returns.

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

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

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

Uncertain market conditions and the broad discretion of the advisor 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 the advisor 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, the advisor, subject to approval of the board, may exercise its discretion as to whether and when to sell a property, and we will have no obligation to sell properties at any particular time, except upon a liquidation of the Wells REIT if we do not list the shares by January 30, 2008. We cannot predict with any certainty the various market conditions affecting real estate investments which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of our properties, we cannot assure you that we will be able to sell our properties at a profit in the future. Accordingly, the extent to which you will receive cash distributions and realize potential appreciation on our real estate investments will be dependent upon fluctuating market conditions.

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

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

operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. In connection with the acquisition and ownership of our properties, we may be potentially liable for such costs. The cost of defending against claims of liability, of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect the business, assets or results of operations of the Wells REIT and, consequently, amounts available for distribution to you.

Financing Risks

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

Loans obtained to fund property acquisitions will generally be secured by mortgages on our properties. If we are unable to make our debt payments as required, a lender could foreclose on the property or properties securing its debt. This could cause us to lose part or all of our investment which in turn could cause the value of the shares and the dividends payable to shareholders to be reduced.

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

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

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

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

Federal Income Tax Risks

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

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

borrow funds or liquidate some investments in order to pay the applicable tax.

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

Legislative or regulatory action could adversely affect investors.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of the federal income tax laws applicable to investments similar to an investment in shares. The Taxpayer Relief Act of 1997 and the Internal Revenue Service Restructuring and Reform Act enacted in 1998 contain numerous provisions affecting the real estate industry, generally, and the taxation of REITs, specifically. Changes are likely to continue to occur in the future, and we cannot assure you that any such changes will not adversely affect the taxation of a shareholder. Any such changes could have an adverse effect on an investment in shares or on the market value or the resale potential of our properties. You are urged to consult with your own tax advisor with respect to the impact of recent legislation on your investment in shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares.

Retirement Plan Risks

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

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

- your investment is consistent with your fiduciary obligations under ERISA and the Internal Revenue Code;
- your investment is made in accordance with the documents and instruments governing your plan or IRA, including your plan's investment policy;
- your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA;
- your investment will not impair the liquidity of the plan;
- 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 127.

Suitability Standards

The shares we are offering are suitable only as a long-term investment for persons of adequate financial means. Initially, there is not expected to be any public market for the shares, which means that it may be difficult for you to sell your shares. You should not buy these shares if you need to sell them

immediately or will need to sell them quickly in the future.

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

- a net worth of at least $150,000; or

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

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

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

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

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

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

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

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

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

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

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

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

Estimated Use of Proceeds

The following table sets forth information about how the proceeds raised in this offering will be used. Many of the figures set forth below represent the best estimate since they cannot be precisely calculated at this time. We expect that approximately 84% of the money you invest will be used to buy real estate, while the remaining 16% will be used for working capital and to pay expenses and fees including the payment of fees to Wells Investment Securities.

	Maximum Offering(1)	
	Amount	Percent
Gross Offering Proceeds	222,000,000	100%
Less Public Offering Expenses:		
Selling Commissions and Dealer Manager Fee (2)	21,090,000	9.5%
Organization and Offering Expenses (3)	6,660,000	3%
Amount Available for Investment (4)	$194,250,000	87.5%
Acquisition and Development:		
Acquisition and Advisory Fees (5)	$ 6,660,000	3%
Acquisition Expenses (6)	1,110,000	.5%
Initial Working Capital Reserve (7)	(7)	--
Amount Invested in Properties (4)(8)	$186,480,000	84%

(Footnotes to "Estimated Use of Proceeds")

1. Includes 20,000,000 shares offered to the public at $10 per share and 2,200,000 shares offered pursuant to our dividend reinvestment plan at $10 per share. Excludes 800,000 shares to be issued upon exercise of the soliciting dealer warrants.

2. Includes selling commissions equal to 7% of aggregate gross offering proceeds which commissions may be reduced under certain circumstances and a dealer manager fee equal to 2.5% of aggregate gross offering proceeds, both of which are payable to the Dealer Manager, an affiliate of the advisor. The Dealer Manager, in its sole discretion, may reallow selling commissions of up to 7% of gross offering proceeds to other broker-dealers participating in this offering attributable to the units sold by them and may reallow out of its dealer manager fee up to 1.5% of gross offering proceeds in marketing fees and due diligence expenses to broker-dealers participating in this offering based on such factors as the volume of units sold by such

participating broker-dealers, marketing support provided by such participating broker-dealers and bona fide conference fees incurred. The amount of selling commissions may often be reduced under certain circumstances for volume discounts. See the "Plan of Distribution" section of this prospectus for a description of such provisions.

3. Organization and offering expenses consist of estimated legal, accounting, printing and other accountable offering expenses other than selling commissions and the dealer manager fee. The advisor and its affiliates will be responsible for the payment of organization and offering expenses other than selling commissions and the dealer manager fee to the extent they exceed 3% of gross offering proceeds without recourse against or reimbursement by the Wells REIT.

4. 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.

5. 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, our advisor, acquisition and advisory fees up to a maximum amount of 3% of gross offering proceeds in connection with the acquisition of the real estate properties. Acquisition and advisory fees do not include acquisition expenses.

6. 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.

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

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

Management

General

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

Our articles of incorporation and bylaws provide that the number of directors of the Wells REIT may be established by a majority of the entire board of directors but may not be fewer than three nor more than fifteen. We currently have a total of eight directors. The articles of incorporation also

provide that a majority of the directors must be independent directors. An "independent director" is a person who is not an officer or employee of the Wells REIT, Wells Capital or their affiliates and has not otherwise been affiliated with such entities for the previous two years. Of the eight current directors, seven directors are considered independent directors.

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

Any director may resign at any time and may be removed with or without cause by the shareholders upon the affirmative vote of at least a majority of all the votes entitled to be cast at a meeting

called for the purpose of the proposed removal. The notice of the meeting shall indicate that the purpose, or one of the purposes, of the meeting is to determine if the director shall be removed. The term "cause" as used in this context is a term used in the Maryland Corporation Law. Since the Maryland Corporation Law does not define the term "cause," shareholders may not know exactly what actions by a director may be grounds for removal.

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

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

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

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

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

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

The board is also responsible for reviewing our fees and expenses on at

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

- the amount of the fee paid to Wells Capital in relation to the size, composition and performance of our investments;
- the success of Wells Capital in generating appropriate investment opportunities;
- rates charged to other REITs and other investors by advisors performing similar services;

- additional revenues realized by Wells Capital and its affiliates through their relationship with us, whether we pay them or they are paid by others with whom we do business;
- the quality and extent of service and advice furnished by Wells Capital and the performance of our investment portfolio; and
- the quality of our portfolio relative to the investments generated by Wells Capital for its other clients.

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

Executive Officers and Directors

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

Name	Position(s)	Age
Leo F. Wells, III	President and Director	55
Douglas P. Williams	Executive Vice President, Secretary and Treasurer	49
John L. Bell(1)	Director	59
Richard W. Carpenter(1)	Director	62
Bud Carter(1)	Director	61
William H. Keogler, Jr.(1)	Director	54
Donald S. Moss(1)	Director	63
Walter W. Sessoms(1)	Director	65
Neil H. Strickland(1)	Director	63

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

Leo F. Wells, III is the President and a director of the Wells REIT and the President and sole director of Wells Capital. He is also the sole shareholder and sole director of Wells Real Estate Funds, Inc., the parent corporation of Wells Capital. Mr. Wells is President of Wells & Associates, Inc., a real

estate brokerage and investment company formed in 1976 and incorporated in 1978, for which he serves as principal broker. He is also the sole director and President of:

- Wells Management Company, Inc., our property manager;
- Wells Investment Securities, Inc., the 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 temporarily own, operate, manage and develop real properties.

Mr. Wells was a real estate salesman and property manager from 1970 to 1973 for Roy D. Warren & Company, an Atlanta real estate company, and he was associated from 1973 to 1976 with Sax Gaskin Real Estate Company, during which time he became a Life Member of the Atlanta Board of Realtors

Million Dollar Club. From 1980 to February 1985 he served as Vice President of Hill-Johnson, Inc., a Georgia corporation engaged in the construction business. Mr. Wells holds a Bachelor of Business Administration degree in economics from the University of Georgia. Mr. Wells is a member of the International Association for Financial Planning (IAFP) and a registered NASD principal.

Mr. Wells has over 25 years of experience in real estate sales, management and brokerage services. In addition to being the President and a director of the Wells REIT, he is currently a co-general partner in a total of 26 real estate limited partnerships formed for the purpose of acquiring, developing and operating office buildings and other commercial properties. As of October 1, 1999, these 26 real estate limited partnerships represented investments totaling approximately $300,000,000 from approximately 27,000 investors.

Douglas P. Williams, who was elected as Executive Vice President, Secretary and Treasurer of the Wells REIT on July 30, 1999, previously served as Vice President, Controller of OneSource, Inc., a leading supplier of janitorial and landscape services, from 1996 to 1999 where he was responsible for corporate-wide accounting activities and financial analysis. Mr. Williams was employed by ECC International Inc. ("ECC"), a supplier to the paper industry and to the paint, rubber and plastic industries, from 1982 to 1995. While at ECC, Mr. Williams served in a number of key accounting positions, including Corporate Accounting Manager, U.S. Operations, Division Controller, Americas Region and Corporate Controller, America/Pacific Division. Prior to joining ECC and for one year after leaving ECC, Mr. Williams was employed by Lithonia Lighting, a manufacturer of lighting fixtures, as a Cost and General Accounting Manager and Director of Planning and Control. Mr. Williams started his professional career as an auditor for KPMG Peat Marwick LLP.

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

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

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

majoring in accounting and marketing.

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

Mr. Carpenter is currently President and director of Realmark Holdings Corp., a residential and commercial real estate developer, and has served in that position since October 1983. He is also President and director of Leisure Technology, Inc., a retirement community developer, a position which he has held since March 1993, Managing Partner of Carpenter Properties, L.P., a real estate limited partnership, and

President and director of the oil storage companies Wyatt Energy, Inc. and Commonwealth Oil Refining Company, Inc., positions which he has held since 1995 and 1984, respectively.

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

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

Mr. Carter currently serves as Senior Vice President for The Executive Committee, a 42-year old international organization established to aid presidents and CEOs share ideas on ways to improve the management and profitability of their respective companies. The Executive Committee operates in numerous large cities throughout the United States, Canada, Australia, France, Italy, Malaysia, Brazil, the United Kingdom and Japan. The Executive Committee has more than 6,000 presidents and CEOs who are members. In addition, Mr. Carter was the first Chairman of the organization recruited in Atlanta and still serves as Chairman of the first two groups formed in Atlanta, each comprised of 14 noncompeting CEOs and presidents. Mr. Carter is a graduate of the University of Missouri where he earned degrees in journalism and social psychology.

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

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

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

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

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

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

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

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

Strickland is currently the Senior Operation Executive of Strickland General Agency, Inc. and devotes most of his time to long-term planning, policy development and senior administration.

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

Compensation of Directors

We pay our independent directors $250 for each board meeting they attend. In addition, we have reserved 100,000 shares of common stock for future issuance upon the exercise of stock options granted

to the independent directors pursuant to our Independent Director Stock Option Plan. 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

The independent directors were each issued non-qualified stock options to purchase 2,500 shares (Initial Options) pursuant to the Independent Director Stock Option Plan (Plan). The Plan further provides for subsequent grants of options to purchase 1,000 shares (Subsequent Options) to each independent director then in office on the date of each annual stockholder's meeting beginning with the annual meeting to be held in the year 2000. The Initial Options and the Subsequent Options are collectively referred to as the "Options." However, 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. The option price for the Initial Options will be $12.00 per share. The option price for the Subsequent Options shall be 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 are exercisable beginning on the date we granted them and an additional one-fifth of the Initial Options will become exercisable on each anniversary of the date we grant them for a period of four years until 100% of the shares become exercisable. The Subsequent Options granted under the Plan will become exercisable on the second anniversary of the date we grant them.

A total of 100,000 shares have been authorized and reserved for issuance

under the 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 Company 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 Options. A corresponding adjustment to the exercise price of the 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 Options not exercised, but will change only the exercise price for each share.

Options granted under the Plan shall lapse on the first to occur of (1) the tenth anniversary of the date we grant them, (2) the removal for cause of the independent director as a member of the board of directors, or (3) three months following the date the independent director ceases to be a director for any reason other than death or disability, and may be exercised by payment of cash or through the delivery of

common stock. Options granted under the Plan are generally exercisable in the case of death or disability for a period of one year after death or the disabling event. No 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 Plan will terminate, and any outstanding 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 Options granted or the replacement of the 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 Plan and the 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.

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

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

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

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

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

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

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

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

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

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

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

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

- there has been a successful adjudication on the merits of each count involving alleged securities law violations;
- such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction; or
- a court of competent jurisdiction approves a settlement of the claims

against the indemnitee and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the Securities and Exchange Commission and of the published position of any state securities regulatory authority in which the securities were offered as to indemnification for violations of securities laws.

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

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

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

The Advisor

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

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

Name	Age	Position
Leo F. Wells, III	55	President and sole director
Douglas P. Williams	49	Senior Vice President
Stephen G. Franklin	52	Senior Vice President
Kim R. Comer	44	Vice President and Assistant Director of Investor Services
Edna B. King	61	Vice President of Investor Services
Linda L. Carson	55	Vice President of Accounting

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. most recently served as President of Global Access Learning, an international executive education and management development firm. From 1997 to 1999, Dr. 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, Dr. 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. Dr. Franklin was a frequent guest lecturer at universities throughout North America, Europe and South Africa.

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

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

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

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

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

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

The Advisory Agreement

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

- find, present and recommend to us real estate investment opportunities consistent with our investment policies and objectives;

- structure the terms and conditions of transactions pursuant to which acquisitions of properties will be made;

- acquire properties on our behalf in compliance with our investment objectives and policies;

- arrange for financing and refinancing of properties; and

- enter into leases and service contracts for the properties acquired.

The term of the advisory agreement ends on January 30, 2000 and may be renewed for an unlimited number of successive one year periods. Additionally, the advisory agreement may be terminated:

- immediately by us for "cause" or upon the bankruptcy of Wells Capital or a material breach of the advisory agreement by Wells Capital;

- without cause by a majority of the independent directors of the Wells REIT or a majority of the directors of Wells Capital upon 60 days' written notice; or

- immediately with "good reason" by Wells Capital.

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

- any failure by us to obtain a satisfactory agreement from our successor to assume and agree to perform our obligations under the advisory agreement; or

- any material breach of the advisory agreement of any nature whatsoever by us.

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

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

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

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

- organization and offering expenses in an amount up to 3% of gross offering proceeds, which include expenses attributable to preparing the SEC registration statement, formation and organization of the Wells REIT, qualification of the shares for sale in the states, escrow arrangements, filing fees and expenses attributable to selling the shares including, but not limited to, selling commissions, advertising expenses, expense reimbursements, and counsel and accounting fees;

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

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

- acquisition expenses, which are defined to include expenses related to the selection and acquisition of properties, at the lesser of actual cost or 90% of competitive rates charged by unaffiliated persons providing similar services.

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

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

Affiliated Companies

Property Manager

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

Name	Positions
Michael C. Berndt	Vice President and Chief Investment Officer
M. Scott Meadows	Vice President of Property Management
Robert H. Stroud	Vice President of Leasing
Michael L. Watson	Vice President of Development

Wells Management is engaged in the business of real estate management. It was organized and commenced active operations in 1983 to lease and manage real estate projects which the advisor and its affiliates operate or in which they own an interest. As of October 1, 1999, Wells Management was managing in excess of 3,200,000 square feet of office buildings and shopping centers. We will pay Wells Management property management fees equal to 2.5% of the gross revenues of each building managed for management of our commercial properties. In addition, we will pay Wells Management leasing fees equal to 2.0% of the gross revenues of each building for which Wells Management provides leasing and tenant coordinating services. A special one-time initial rent-up or leasing fee typically equal to the first month's rent may be paid on the first leases for newly constructed properties. This fee must be competitive for the geographic area of the property, and the amount of this fee received by Wells Management will be reduced by any amount paid to an outside broker. The advisor believes these terms will be no less favorable to the Wells REIT than those customary for similar services in the relevant geographic area. Depending upon the location of certain of our properties and other circumstances, we may retain unaffiliated property management companies to render property management services for some 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% of the cost of the tenant improvements.

Wells Management derives all of its income from its property management and leasing operations. For the fiscal year ended December 31, 1998, Wells Management reported $1,581,235 in gross operating revenues and $352,963 in net income.

The property manager will hire, direct and establish policies for the Wells REIT 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 Wells REIT employees may be employed on a part-time basis and may also be employed by one or more of the following:

- the advisor;
- the property manager;

- partnerships organized by the advisor and its affiliates; and
- other persons or entities owning properties managed by the property manager.

The property manager will also direct the purchase of equipment and supplies and will supervise all maintenance activity.

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

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

Dealer Manager

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

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

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

IRA Custodian

Wells Advisors, Inc. 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 October 1, 1999, Wells Advisors was acting as the IRA custodian for in excess of $50,000,000 in Wells real estate program investments.

Management Decisions

The primary responsibility for the selection of our investments and the negotiation for these investments will reside in Michael C. Berndt, an officer of Wells Management and the principal real estate acquisition employee of Wells Capital, and Leo F. Wells, III, an officer and director of Wells Capital. Messrs. Berndt and Wells seek to invest in commercial properties, typically office buildings in which the major tenant is a company with a net worth of in excess of $100,000,000. The board of directors must approve all acquisitions of real estate properties.

Management Compensation

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

Form of Compensation	Determination of Amount	Estimated Maximum

and Entity Receiving		Dollar Amount(1)
	Organizational and Offering Stage	
Selling Commissions - The Dealer Manager	Up to 7% of gross offering proceeds before reallowance of commissions earned by participating broker-dealers. The Dealer Manager intends to reallow 100% of commissions earned to participating broker-dealers.	$15,540,000
Dealer Manager Fee - The Dealer Manager	Up to 2.5% of gross offering proceeds before reallowance to participating broker-dealers. The Dealer Manager, in its sole discretion, may reallow a portion of its dealer manager fee of up to 1.5% of the gross offering proceeds to be paid to such participating broker-dealers as a marketing fee and due diligence expense reimbursement, based on such factors as the volume of shares sold by such participating broker-dealers, marketing support and bona fide conference fees incurred.	$ 5,550,000
Reimbursement of Organization and Offering Expenses - The Advisor or its Affiliates	Up to 3% of gross offering proceeds. All organization and offering expenses (excluding selling commissions and the dealer manager fee) will be advanced by the advisor or its affiliates and reimbursed by the Wells REIT.	$ 6,660,000
	Acquisition and Development Stage	
Acquisition and Advisory Fees - The Advisor or its Affiliates (2)	For the review and evaluation of potential real property acquisitions, a fee of up to 3% of gross offering proceeds.	$ 6,660,000
Reimbursement of Acquisition Expenses - The Advisor or its Affiliates (2)	Up to .5% of gross offering proceeds for reimbursement of expenses related to real property acquisitions, such as legal fees, travel expenses, property appraisals, title insurance premium expenses and other closing costs.	$ 1,110,000

	Operational Stage	
Property Management and Leasing Fees - Wells Management Company, Inc.	For the management of our properties, property management fees equal to 2.5% of gross revenues. For leasing and tenant coordinating services, leasing fees equal to 2% of gross revenues. In addition, a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's-length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area (customarily equal to the first month's rent).	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.
Real Estate Commissions - The Advisor or its Affiliates	In connection with the sale of properties, an amount not exceeding the lesser of: (A) 50% of the reasonable, customary and competitive real estate brokerage commissions customarily paid for the sale of a comparable property in light of the size, type and location of the property, or (B) 3% of the gross sales price of each property, subordinated to distributions to investors from sale proceeds of an amount which, together with prior distributions to the investors, will equal (1) 100% of their capital contributions plus (2) an 8% annual cumulative, noncompounded return on their net capital contributions.	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.
Subordinated Participation in Net Sale Proceeds - The Advisor (3)	After investors have received a return of their net capital contributions and an 8% per year cumulative, noncompounded return, then the advisor is entitled to receive 10% of remaining net sales proceeds.	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.

Subordinated Incentive Listing Fee - The Advisor(4)(5)	Upon listing, a fee equal to 10% of the amount by which (1) the market value of the outstanding stock of the Wells REIT plus distributions paid by the Wells REIT prior to listing, exceeds (2) the sum of the total amount of capital raised from investors and the amount cash flow necessary to generate an 8% per year cumulative, noncompounded return to investors. The Wells REIT may not reimburse any entity for operating expenses in excess of the greater of 2% of our average invested assets or 25% of our net income for the year.	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.

_____
(Footnotes to "Management Compensation")

1. The estimated maximum dollar amounts are based on the sale of a maximum of 20,000,000 shares to the public at $10 per share and the sale of 2,200,000 shares at $10 per share pursuant to our dividend reinvestment plan.

2. The total of all acquisition and advisory fees and the acquisition expenses shall not exceed, in the aggregate, an amount equal to 6% of the contract price of all of the properties which we will purchase.

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

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

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

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

5. The market value of the outstanding stock of the Wells REIT will be calculated based on the average market value of the shares issued and

outstanding at listing over the 30 trading days beginning 180 days after the shares are first listed on a stock exchange.

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

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

Since the advisor and its affiliates are entitled to differing levels of compensation for undertaking different transactions on behalf of the Wells REIT such as the property management fees for operating the properties and the subordinated participation in net sale proceeds, the advisor has the ability to affect the nature of the compensation it receives by undertaking different transactions. However, the advisor 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 the advisor or its affiliates by reclassifying them under a different category.

Conflicts of Interest

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

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

Interests in Real Estate Programs

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

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

unit.

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

1. Wells Real Estate Fund I (Wells Fund I),

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

In the event that the Wells REIT, or any other Wells program or other entity formed or managed by the advisor or its affiliates is in the market for similar properties, the advisor 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.")

The advisor 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 the Advisor and its Affiliates

We rely on the advisor 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, the advisor 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, the advisor 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.

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

- loan funds to the advisor or any of its affiliates; or

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

Competition

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

Affiliated Dealer Manager

Since Wells Investment Securities, Inc., the Dealer Manager, is an affiliate of the advisor, 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 Company, Inc., 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, the advisor, the Dealer Manager and their affiliates in connection with this offering and may in the future act as counsel to the Wells REIT, the advisor, the Dealer Manager and their affiliates. There is a possibility that in the future the interests of the various parties may become adverse. In the event that a dispute were to arise between the Wells REIT and the advisor, the Dealer Manager or any of their affiliates, separate counsel for such matters will be retained as and when appropriate.

Joint Ventures with Affiliates of the Advisor

We 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.") The advisor 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, the advisor 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 the advisor and its affiliates will control both the Wells REIT and the affiliated co-venturer, agreements and transactions between the co-venturers with respect to any such joint venture will not have the benefit of arm's-length negotiation of the type normally conducted between unrelated co-venturers. (See "Risk Factors -- Investment Risks.")

Receipt of Fees and Other Compensation by the Advisor and its Affiliates

A transaction involving the purchase and sale of properties may result in the receipt of commissions, fees and other compensation by the advisor 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 the advisor and its affiliates relating to the sale of properties are subordinated to the return to the shareholders of their capital contributions plus cumulative returns on such capital. Subject to oversight by the board of directors, the advisor has considerable discretion with respect to all decisions relating to the terms and timing of all transactions. Therefore, the advisor 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 the advisor 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 affiliates. 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 the advisor and its affiliates, (2) certain future offerings, and (3) allocation of properties among affiliated entities. These restrictions include, among others, the following:

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

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

- We will not make any loans to Wells Capital or its affiliates or to our directors. In addition, Wells Capital and its affiliates will not make loans to us or to joint ventures in which we are a joint venture partner for the purpose of acquiring properties. Any loans made to us

by Wells Capital or its affiliates or to our directors for other purposes must be

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

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

  - the cash requirements of each program;
  - the effect of the acquisition both on diversification of each program's investments by type of commercial property and geographic area, and on diversification of the tenants of its properties;
  - the policy of each program relating to leverage of properties;
  - the anticipated cash flow of each program;
  - the income tax effects of the purchase of each program;
  - the size of the investment; and
  - the amount of funds available to each program and the length of time such funds have been available for investment.

If a subsequent development, such as a delay in the closing of a property or a delay in the construction of a property, causes any such investment, in the opinion of our board of directors and the advisor, 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 the advisor 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 properties, including properties which are under development or construction, are newly constructed or have been constructed and have operating histories. Our investment objectives are:

- to maximize cash dividends paid to you;

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

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

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

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

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

Acquisition and Investment Policies

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

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

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

We will not invest more than 10% of the net offering proceeds available for investment in properties in unimproved or non-income producing properties. A property which is expected to produce income within two years of its acquisition will not be considered a non-income producing property.

Investment in real estate generally will take the form of fee title or of a long-term leasehold estate. We will acquire such interests either directly in Wells OP (see "The Operating Partnership

Agreement") or indirectly through limited liability companies or through investments in joint ventures, general partnerships, co-tenancies or other co-ownership arrangements with the developers of the properties, affiliates of the advisor or other persons. (See "Joint Venture Investments" below.) In addition, we may purchase properties and lease them back to the sellers of such properties. While we will use our best efforts to structure any such sale-leaseback transaction such that the lease will be characterized as a "true lease" so that we will be treated as the owner of the property for federal income tax purposes, we cannot assure you that the IRS will not challenge such characterization. In the event that any such sale-leaseback transaction is recharacterized as a financing transaction for federal income tax purposes, deductions for depreciation and cost recovery relating to such property would be disallowed. (See "Federal Income Tax Considerations -- Sale-Leaseback Transactions.")

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

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

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

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

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

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

We may also enter into arrangements with the seller or developer of a property whereby the seller or developer agrees that if during a stated period the property does not generate a specified cash

flow, the seller or developer will pay in cash to the Wells REIT a sum necessary to reach the specified cash flow level, subject in some cases to negotiated

dollar limitations.

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

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

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

Development and Construction of Properties

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

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

Acquisition of Properties from Wells Development Corporation

We may acquire properties, directly or through joint ventures with affiliated entities, from Wells Development Corporation (Wells Development), a corporation formed by Wells Management Company, Inc. (Wells Management) as a wholly owned subsidiary for the purposes of (1) acquiring existing income-producing commercial real estate properties, and (2) acquiring land, developing commercial real

properties, securing tenants for such properties, and selling such properties upon completion to the Wells REIT or other Wells programs. In the case of properties to be developed by Wells Development and sold to the Wells REIT, we anticipate that Wells Development will:

- acquire a parcel of land;

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

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

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

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

We will be required to pay a substantial sum to Wells Development at the time of entering into the contract as a refundable earnest money deposit to be credited against the purchase price at closing, which Wells Development will apply to the cost of acquiring the land and initial development costs. We expect that the earnest money deposit will represent approximately twenty to thirty percent (20-30%) of the purchase price of the developed property set forth in the purchase contract.

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

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

We may enter into a contract to acquire property from Wells Development notwithstanding the fact that at the time of contracting, we have not yet raised sufficient proceeds to enable us to pay the full amount of the purchase price at closing. We anticipate that we will be able to raise sufficient additional proceeds from the offering during the period between execution of the contract and the date provided in the contract for closing. In the case of properties to be developed by Wells Development, the contract will likely provide that the closing will occur immediately following the completion of the development by Wells Development. However, the contract may also provide that we may elect to close the purchase

of the property before the development has been completed, in which case we would obtain an assignment of the construction and development contracts from Wells Development and would complete the construction either directly or through a joint venture with an affiliate. Any contract between the Wells REIT, directly

or indirectly through a joint venture with an affiliate, and Wells Development for the purchase of property to be developed by Wells Development will provide that we will be obligated to purchase the property only if:

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

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

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

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

Terms of Leases and Tenant Creditworthiness

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

Wells Capital has developed specific standards for determining the creditworthiness of potential tenants of our properties. While authorized to enter into leases with any type of tenant, we anticipate that a majority of our tenants will be U.S. 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.

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

We anticipate that tenant improvements required to be funded by the landlord in connection with newly acquired properties will be funded from our offering proceeds. However, at such time as a tenant

at one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that, in order to attract new tenants, we will be required to expend substantial funds for tenant improvements and tenant refurbishments to the vacated space. Since we do not anticipate maintaining permanent working capital reserves, we may not have access to funds required in

the future for tenant improvements and tenant refurbishments in order to attract new tenants to lease vacated space. (See "Risk Factors -- Real Estate Risks.")

Joint Venture Investments

We are likely to enter into one or more joint ventures with affiliated entities for the acquisition, development or improvement of properties for the purpose of diversifying our portfolio of assets. In this connection, we will likely enter into joint ventures with Wells Fund XI or Wells Fund XII or other Wells programs. Our advisor also has the authority to cause us to enter into joint ventures, general partnerships, co-tenancies and other participations with real estate developers, owners and others for the purpose of developing, owning and operating real properties. (See "Conflicts of Interest.") In determining whether to invest in a particular joint venture, our advisor will evaluate the real property which such joint venture owns or is being formed to own under the same criteria described elsewhere in this prospectus for the selection of real estate property investments of the Wells REIT. (See generally "Investment Objectives and Criteria.")

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

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

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

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

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

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

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.

Our ability to increase our diversification through borrowing could be

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

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

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

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

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

Disposition Policies

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

- the tenant has involuntarily liquidated;
- in the judgment of Wells Capital, the value of a property might decline substantially;

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

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

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

Investment Limitations

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

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

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

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

- make or invest in mortgage loans unless an appraisal is obtained concerning the underlying property except for those mortgage loans insured or guaranteed by a government or government agency. Mortgage debt on any property shall not exceed

such property's appraised value. In cases where the board of directors determines, and in all cases in which the transaction is with any of our directors or Wells Capital and its affiliates, such appraisal shall be obtained from an independent appraiser. We will maintain such appraisal in our records for at least five years and it will be available for your inspection and duplication. We will also obtain a mortgagee's or owner's title insurance policy as to the priority of the mortgage;

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

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

- invest in junior debt secured by a mortgage on real property which is subordinate to the lien or other senior debt except where the amount of such junior debt plus any senior debt exceeds 90% of the appraised value of such property, if after giving effect thereto, the value of all such mortgage loans of the Wells REIT would not then exceed 25% of our net assets, which shall mean our total assets less our total liabilities;

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

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

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

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

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

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

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

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

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

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

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

. lend money to Wells Capital or its affiliates;

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

Change in Investment Objectives and Limitations

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

Description of Properties

As of September 30, 1999, we had purchased interests in 16 real estate properties located in 11 states, all of which are leased to tenants on a triple-net basis. The cost of each of the properties will be depreciated for tax purposes over a 40 year period on a straight-line basis. We believe all of the properties are adequately covered by insurance and are suitable for their intended purposes. The following table provides certain additional information about these properties.

Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent	Lease Expiration
Gartner Group, Inc.	Ft. Myers, FL	56.8%	$ 8,320,000	62,400	$ 642,798	01/2008
Videojet Systems International, Inc.	Wood Dale, IL	100%	$32,630,940	250,354	$2,838,952	11/2008
Johnson Matthey, Inc.	Tredyffrin Township, PA	56.8%	$ 8,000,000	130,000	$ 789,750	06/2007
ABB Power Generation Inc.	Richmond, VA	100%	$11,559,347	100,000	$ 956,000	05/2011
Sprint Communi-cations Company L.P.	Leawood, KS	56.8%	$ 9,500,000	68,900	$ 999,050	05/2007
EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	$ 5,121,828	169,510	$ 508,530	02/2008

Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	$18,400,000	150,000	$1,830,000	12/2009
Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	$12,291,200	81,859	$ 880,264	11/2008
Price-	Tampa, FL	100%	$21,127,854	130,091	$1,915,741	12/2008

Waterhouse-Coopers, LLP						
Cort Furniture Rental Corporation	Fountain Valley, CA	43.7%	$ 6,400,000	52,000	$ 758,964	10/2003
Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	$ 8,900,000	58,424	$ 842,062	11/2004
Iomega Corporation	Ogden City, UT	3.7%	$ 5,025,000	108,000	$ 480,000	07/2006
ODS Technologies, L.P. and Transecon, Inc.	Broomfield, CO	3.7%	$ 8,275,000	51,974	$ 839,400	10/2001
Ohmeda, Inc.	Louisville, CO	3.7%	$10,325,000	106,750	$1,004,520	01/2005
ABB Flakt, Inc.	Knoxville, TN	3.7%	$ 7,900,000	87,000	$ 881,150	12/2007
Lucent Technologies, Inc.	Oklahoma City, OK	3.7%	$ 5,504,276	55,017	$ 508,383	01/2008

Joint Ventures with Affiliates

The Wells Fund XI-Fund XII-REIT Joint Venture

Wells OP entered into an Amended and Restated Joint Venture Partnership Agreement with Wells Fund XI and Wells Fund XII for the purpose of the acquisition, ownership, development, leasing, operation, sale and management of real properties known as The XI-XII-REIT Joint Venture (XI-XII-REIT Joint Venture). The XI-XII-REIT Joint Venture was originally formed on May 1, 1999 between Wells OP and Wells Fund XI. On June 21, 1999, Wells Fund XII was admitted to the XI-XII-REIT Joint Venture as a joint venture partner. The investment objectives of Wells Fund XI and Wells Fund XII are substantially identical to our investment objectives.

The XI-XII-REIT Joint Venture Agreement provides that all income, profit, loss, cash flow, resale gain, resale loss and sale proceeds of the XI-XII-REIT Joint Venture will be allocated and distributed among Wells OP, Wells Fund XI and Wells Fund XII based on their respective capital contributions to the joint venture. As of September 30, 1999, the joint venture partners of the XI-XII-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

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

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

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

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

joint venture partners to the IX-X-XI-REIT Joint Venture. The investment objectives of Wells Fund IX, Wells Fund X and Wells Fund XI are substantially identical to our investment objectives.

The IX-X-XI-REIT Joint Venture Agreement provides that all income, profit, loss, cash flow, resale gain, resale loss and sale proceeds of the IX-X-XI-REIT Joint Venture will be allocated and distributed among Wells OP, Wells Fund IX, Wells Fund X and Wells Fund XI based on their respective capital contributions to the IX-X-XI-REIT Joint Venture. As of September 30, 1999, the joint venture partners of the IX-X-XI-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

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

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

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

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

The Lucent Building

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

The Lucent Building is located at 14400 Hertz Quail Springs Parkway, Oklahoma City, Oklahoma. The site consists of approximately 5.3 acres located in the Quail Springs Office Park in the northwest sector of Oklahoma City.

The Lucent Building is currently being leased to Lucent Technologies Inc. (Lucent Technologies). Lucent Technologies is a telecommunications company which

was spun off by AT&T in April 1996. Lucent Technologies is in the business of designing, developing and marketing communications systems and technologies ranging from microchips to whole networks and is one of the world's leading designers, developers and manufacturers of telecommunications system software and products. Lucent Technologies is a public company traded on the New York Stock Exchange. For the fiscal year ended September 30, 1998, Lucent Technologies had total assets of in excess of $26 billion dollars and a net worth of in excess of $5 billion dollars.

The initial term of the Lucent lease is ten years which commenced on January 5, 1998 and expires in January 2008. Lucent Technologies has the option to extend the initial term of the Lucent lease for two additional five year periods.

The annual base rent payable under the Lucent lease will be $508,383 payable in equal monthly installments of $42,365 during the first five years of the initial lease term, and $594,152 payable in equal monthly installments of $49,513 during the second five years of the initial lease term. The annual base rent for each extended term under the lease will be based upon the fair market rent then being charged by landlords under new leases of office space in the metropolitan Oklahoma City market for similar space in a building of comparable quality with comparable amenities. The Lucent lease provides that if the parties cannot agree upon the appropriate fair market value rate, the rate will be established by real estate appraisers.

Under the Lucent lease, Lucent Technologies also has a one-time option to terminate the Lucent lease on the seventh anniversary of the rental commencement date, which is exercisable by written notice to the landlord at least 12 months in advance of such seventh anniversary. If Lucent Technologies elects to exercise its option to terminate the Lucent lease, Lucent Technologies would be required to pay a termination payment intended to compensate the landlord for the present value of funds expended as a construction allowance and leasing commissions relating to the Lucent lease, amortized over and attributable to the remaining lease term, and a rental payment equal to approximately 18 months of monthly rental payments. We currently anticipate that the termination payment required to be paid by Lucent Technologies, in the event it exercises its option to terminate the Lucent lease on the seventh anniversary, would be approximately $1,339,000 upon certain assumptions.

The ABB Knoxville Building

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

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

The ABB Knoxville Building is currently leased as follows:

Floors	Tenant	Rentable Sq. Ft.
1	Center Partners, Inc.	23,992
2, 3	ABB Flakt, Inc.	57,831

2	Green Tree Financial Servicing Corporation	2,581

The entire third floor and most of the second floor of the ABB Knoxville Building containing approximately 57,831 square feet (69% of the total square feet) is currently under lease to ABB Flakt, Inc. (ABB). The initial term of the ABB lease is nine years and 11 months which commenced on January 1, 1998 and expires in December 2007.

ABB is principally engaged in the business of pollution control engineering and consulting. ABB will use the leased area as office space for approximately 220 employees. ABB Asea Brown Boveri, Ltd., a Swiss corporation based in Zurich, is the holding company of the ABB Asea Brown Boveri Group which is comprised of approximately 1,000 companies around the world, including ABB. The ABB Group revenue is predominately provided by contracts with utilities and independent power producers for the design and engineering, construction, manufacture and marketing of products, services and systems in connection with the generation, transmission and distribution of electricity. In addition, the ABB Group generates a significant portion of its revenues from the sale of industrial automation products, systems and services to pulp and paper, automotive and other manufacturers.

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

The annual base rent payable under the ABB lease is $646,250 payable in equal monthly installments of $53,854 during the first five years of the initial lease term, and $728,750 payable in equal monthly installments of $60,729 during the last four years and 11 months of the initial lease term.

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

The terms of the ABB lease provide that ABB has the right of first refusal for the lease of the space in the ABB Knoxville Building that was not initially leased by ABB. Therefore, at the expiration

of the lease terms of Center Partners, Inc. and Green Tree Financial Services which are described below, ABB will again have a right of first refusal for this space.

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

The entire first floor of the ABB Knoxville Building containing

approximately 23,992 square feet (28% of the total square feet) is currently under lease to Center Partners, Inc. (CPI). The initial term of the CPI lease is five years which commences in January 2000 and expires in December 2004. CPI has the right to extend the lease for two additional five year periods of time.

CPI is engaged in the business of providing comprehensive solutions to corporations in technical support, customer service and order processing.

The base rent payable under the CPI lease is as follows:

Year	Annual Rent	Monthly Rent
1	$299,900	$24,991.67
2	$307,338	$25,611.46
3	$315,015	$26,251.25
4	$322,932	$26,911.03
5	$331,090	$27,590.80

The base rent payable during the extension term shall be the market rental rate then being charged by landlords under new leases in the Knoxville rental market for a building, parking area and other improvements similar to the ABB Knoxville Building. If the parties cannot agree on the market rental rate within six months of the commencement of the extension term, such rental rate shall be determined by appraisal.

A portion of the second floor of the ABB Knoxville Building containing approximately 2,581 square feet (3% of the total square feet) is currently under lease to Green Tree Financial Servicing Corporation (Green Tree). The term of the Green Tree lease is five years which commenced on January 1, 1999 and will expire in December 2003.

The base rent payable under the Green Tree lease is as follows:

Year	Annual Rent	Monthly Rent
1	$50,330	$4,194.13
2	$51,672	$4,305.97
3	$53,091	$4,424.26
4	$41,632	$3,469.29

5	$43,103	$3,591.89

The Ohmeda Building

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

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

The entire 106,750 rentable square feet of the Ohmeda Building is currently under lease with Ohmeda, Inc. (Ohmeda). The Ohmeda lease currently expires in January 2005, subject to (1) Ohmeda's right to effectuate an early termination of the Ohmeda lease under the terms and conditions described below, and (2) Ohmeda's right to extend the Ohmeda Lease for two additional five year periods of time.

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

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

The base rent payable under the Ohmeda lease is as follows:

Year	Annual Rent	Monthly Rent
1999-2002	$1,004,520	$83,710
2003	$1,054,692	$87,891
2004	$1,107,000	$92,250

The Ohmeda lease contains an early termination clause that allows Ohmeda the right to terminate the Ohmeda lease, subject to certain conditions, on either January 31, 2001 or January 31, 2002. In order to exercise this early termination clause, Ohmeda must give the IX-X-XI-REIT Joint Venture notice on or before 5:00 p.m. MST, January 31, 2000, and said notice must identify which early termination date Ohmeda is exercising. If Ohmeda exercises its right to terminate on January 31, 2001, then Ohmeda must tender $753,388 plus an amount equal to the amount of real property taxes estimated to be payable to the landlord in 2002 for the tax year 2001 based on the most recent assessment information available on the early termination date. If Ohmeda exercises its right to terminate on January 31, 2002, then Ohmeda must tender $502,259 plus an amount equal to the amount of real property taxes estimated to be payable to the landlord in 2003 for the tax year 2002 based on the most recent assessment information available on the early termination date. At the present time, real property taxes relating to this property are approximately $135,500 per year. The payment of these amounts by Ohmeda for early termination must be made on or before the 180th day prior to the appropriate early termination date. If the amount of the real property taxes actually assessed is greater or lesser than the amount paid by Ohmeda on the early termination date, then the difference shall be adjusted accordingly within 30 days of notice of such difference.

In addition, the Ohmeda Lease contains an option to expand the premises by an amount of square feet up to a total of 200,000 square feet which, if exercised by Ohmeda, will require the IX-X-XI-REIT Joint Venture to expend funds necessary to acquire additional land, if necessary, and to construct the expansion space. Ohmeda's option to expand the premises is subject to deliverance of at least four months' prior written notice to the IX-X-XI-REIT Joint Venture. During the four months subsequent to the notice of Ohmeda's intention to expand the premises, Ohmeda and the IX-X-XI-REIT Joint Venture shall negotiate in good faith and enter into an amendment to the Ohmeda lease for the construction and rental of the expansion space. If Ohmeda exercises its

option to expand the premises, the right to terminate clause described above will automatically be canceled, and the primary lease term shall be extended for a period of ten years from the date on which a certificate of occupancy is issued by the City of Louisville with respect to the expansion space.

The base rental for the expansion space payable under the Ohmeda lease shall be calculated to generate a rate of return to the IX-X-XI-REIT Joint Venture on its project costs and any retrofit expenses with respect to the existing premises incurred by landlord over the new, ten year extended primary lease term, equal to the prime lending rate published by Norwest Bank, N.A. on the first day of such extended primary lease term, plus 3.0%, plus full amortization of the tenant finish costs with respect to the expansion space and the existing premises. This base rental shall be payable through January 31, 2005. The base rental payable under the Ohmeda lease from February 1, 2005 through the remaining balance of the new, extended ten year primary lease term, shall be based on a combined rental rate equal to the sum of (1) the base rental payable by Ohmeda during lease year number seven for the existing premises, plus (2) the base rent payable by Ohmeda during lease year number seven for the expansion space, plus an amount equal to 2% of the combined rental rate. Thereafter, the base rent payable for the entire premises shall be the base rent payable during the previous lease year plus an amount equal to 2% of the base rent payable during such previous lease year.

The Interlocken Building

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

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

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

The entire third floor of the Interlocken Building containing 19,229 rentable square feet (37% of the total rentable square feet) is currently under lease to Transecon, Inc. The Transecon lease currently expires in October 2001, subject to Transecon's right to extend for one additional term of five years upon 180 days' notice.

Transecon is a consumer distributor of environmental friendly products, including on-site video and audio production of environmental and alternative health videos using state-of-the-art

electronics and sound stage. Transecon was founded in 1989 and currently employs approximately 60 people.

The monthly base rent payable under the Transecon Lease is approximately

$24,000 for the initial term of the lease, and is calculated under the Transecon lease based upon 18,011 rentable square feet. In addition, Transecon has a right of first refusal under the lease for any second floor space proposed to be leased by the landlord. If Transecon elects to extend the lease, the monthly base rent shall be a market rate, but no less than $24,000 and no more than $27,700. In accordance with the Transecon lease, Golden Rule, Inc., an affiliate of Transecon, occupies 6,621 rentable square feet of the third floor. Transecon guarantees the entire payment due under the Transecon Lease. Transecon also leases 1,510 rentable square feet on the first floor. The base rent payable for this space is as follows:

Year	Annual Rent	Monthly Rent
1999	$25,200	$2,100
2000	$25,800	$2,150
2001	$26,400	$2,200

The entire second floor of the Interlocken Building containing 17,146 rentable square feet (33% of total rentable square feet) is currently under lease to ODS Technologies, L.P. (ODS). The ODS lease expires in September 2003, subject to ODS's right to extend for one additional term of three years upon 180 days' notice.

ODS provides in-home financial transaction services via telephone and television, and it has developed interactive computer-based applications for such in-home purchasing. Originally based in Tulsa, Oklahoma, ODS has relocated its business to the Interlocken Building.

The base rent payable under the ODS lease is as follows:

Year	Annual Rent	Monthly Rent
1999	$271,200	$22,600
2000	$277,200	$23,100
2001	$282,600	$23,550
2002	$288,600	$24,050
2003	$294,600	$24,550

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

The first floor of the Interlocken Building containing 15,599 rentable square feet is occupied by several tenants whose leases expire in late 2001 or 2002. The aggregate monthly base rent payable under these leases for 1999 is approximately $22,055.

The Iomega Building

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

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

The entire Iomega Building is currently under lease to Iomega Corporation (Iomega). The Iomega lease had a ten year lease term which commenced on August 1, 1996. In March 1999, the IX-X-XI-REIT Joint Venture acquired an adjacent parcel of land and began constructing additional parking at the site. As a result, Iomega increased its monthly base rent and extended the term of its lease until April 30, 2009. The Iomega lease contains no further extension provisions. Iomega's world headquarters are located within one mile of the Iomega Building.

Iomega, a New York Stock Exchange company, is a manufacturer of computer storage devices used by individuals, businesses, government and educational institutions, including "Zip" drives and disks, "Jaz" one gigabyte drives and disks, and tape backup drives and cartridges. Iomega reported total sales of in excess of $1.6 billion and a net worth of in excess of $400 million for its fiscal year ended December 31, 1998.

The monthly base rent payable under the Iomega lease is $54,989.41. On March 1, 2003 and July 1, 2006, the monthly base rent payable under the Iomega lease will be increased to reflect an amount equal to 100% of the increase in the Consumer Price Index during the preceding 40 months; provided however, that in no event shall the base rent be increased with respect to any one year by more than 6% or by less than 3% per year, compounded annually, on a cumulative basis from the beginning of the lease term.

The Fairchild Building

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

As of October 15, 1999, Wells OP had made total capital contributions to the Fremont Joint Venture of $6,983,110 and held an equity percentage interest in the Fremont Joint Venture of 77.5%, and the Fund X-XI Joint Venture had made total capital contributions to the Fremont Joint Venture of $2,000,000 and held an equity percentage interest in the Fremont Joint Venture of 22.5%.

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

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

The entire 58,424 rentable square feet of the Fairchild Building is currently under lease to Fairchild Technologies U.S.A., Inc. (Fairchild). The Fairchild lease commenced on December 1, 1997 and expires in November 2004, subject to Fairchild's right to extend the Fairchild lease for an additional five year period.

Fairchild is a global leader in the design and manufacture of production equipment for semiconductor and compact disk manufacturing. The semiconductor equipment group recently unveiled a new line of semiconductor wafer processing equipment which will provide alternatives to the traditional semiconductor chip production methods.

Fairchild is a wholly-owned subsidiary of the Fairchild Corporation (Fairchild Corp). Fairchild Corp is the largest aerospace fastener and fastening system manufacturer and is one of the largest independent aerospace parts distributors in the world. Fairchild Corp is a leading supplier to aircraft manufacturers such as Boeing, Airbus, Lockheed Martin, British Aerospace and Bombardier and to airlines such as Delta Airlines and U.S. Airways. The obligations of Fairchild under the Fairchild lease are guaranteed by Fairchild Corp, which reported total consolidated sales of in excess of $741 million and a net worth of in excess of $470 million for its fiscal year ended June 30, 1998.

The base rent payable under the Fairchild lease is as follows:

Year	Annual Rent	Monthly Rent
1999	$817,536	$68,128
2000	$842,064	$70,172
2001	$867,324	$72,277
2002	$893,340	$74,445
2003	$920,136	$76,678
2004	$947,736	$78,978

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

The Cort Furniture Building

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

As of October 15, 1999, Wells OP had made total capital contributions to the Cort Joint Venture of $2,870,982 and held an equity percentage interest in the Cort Joint Venture of 43.7%, and the Fund X-XI Joint Venture made total capital contributions to the Cort Joint Venture of $3,695,000 and held an equity percentage interest in the Cort Joint Venture of 56.3%.

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

The Cort Furniture Building is a one story office and warehouse building with 52,000 rentable square feet comprised of an 18,000 square foot office and open showroom area and a 34,000 square foot

warehouse area. The Cort Joint Venture purchased the Cort Furniture Building on July 31, 1998 for a purchase price of $6,400,000. Construction of the Cort Furniture Building was completed in 1975.

The site consists of two parcels of land totaling approximately 3.6 acres and is located at 10700 Spencer Street on the southeast corner of Spencer Avenue and Mt. Langley Street adjacent on the south side to Interstate 405 in the City of Fountain Valley, California.

The entire 52,000 rentable square feet of the Cort Furniture Building is currently under lease 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.

The Cort lease contains a lease term of 15 years which commenced on November 1, 1988, and expires in October 2003. Cort has an option to extend the Cort lease for an additional five year period of time.

Cort is a wholly-owned subsidiary of Cort Business Services Corporation, a New York Stock Exchange Company trading under the symbol CBZ (Cort Business Services). Cort Business Services is the largest and only national provider of high-quality office and residential rental furniture and related accessories. Cort Business Services has operations that cover 32 states and the District of Columbia and includes 119 rental showrooms. The obligations of Cort under the Cort Furniture lease are guaranteed by Cort Business Services, which reported net income of in excess of $23 million on total consolidated revenue of in excess of $319 million, and reported a net worth of in excess of $175 million for its fiscal year ended December 31, 1998.

The monthly base rent payable under the Cort lease is $63,247 through April 30, 2001 at which time the monthly base rent will be increased 10% to $69,574 for the remainder of the lease term. The monthly base rent during the first year of the extended term shall be 90% of the then fair market rental value of the Cort Furniture Building, but will be no less than the rent in the 15th year of the Cort lease. If Cort and the Cort Joint Venture are unable to agree upon a fair rental value for the extended lease term, each party shall select an appraiser and the two appraisers shall provide appraisals on the Cort Furniture Building. If the appraisal values established are within 10% of each other, the average of such appraised value shall be the fair market rental value. If said appraisals are varied by more than 10%, the two appraisers shall appoint a third appraiser and the middle appraisal of the three shall be the fair rental value.

The PWC Building

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

Wells OP purchased the PWC Building subject to a loan from SouthTrust Bank, N.A. (SouthTrust) in the outstanding principal amount of $14,132,537.87 (SouthTrust Loan). The SouthTrust Loan consists of a revolving credit facility whereby SouthTrust agreed to loan up to $15.2 million to Wells OP in connection with its purchase of real properties. The principal balance of the SouthTrust Loan relating to the acquisition of the PWC Building has since been paid off by Wells OP leaving in place the revolving credit facility. The SouthTrust Loan requires monthly payments of interest only and matures on December 31, 2000. The interest rate on the SouthTrust Loan is a variable rate per annum equal to the London InterBank Offered Rate for a thirty day period plus 200 basis points. The current interest rate under the SouthTrust Loan is 7.44%. The SouthTrust Loan is secured by a first mortgage against the PWC Building.

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

The entire PWC Building is under lease to PriceWaterhouseCoopers (PWC). The PWC lease currently expires in December 2008, subject to PWC's right to extend the lease for two additional five year periods of time.

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

The annual base rent payable under the PWC lease is $1,915,741 ($14.73 per square foot) payable in equal monthly installments of $159,645.09 during the first year of the initial lease term. The base rent escalates at the rate of 3% per year throughout the ten year lease term. In addition, PWC is required to pay a "reserve" of $13,009 ($.10 per square foot) as additional rent.

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

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

In addition, the PWC lease contains an option to expand the premises to include a second three or four story building with an amount of square feet up to a total of 132,000 square feet which, if exercised by PWC, will require Wells OP to expend funds necessary to construct the expansion building. PWC may exercise its expansion option by delivering written notice to Wells OP at any time between the 60th day after the rental commencement date and the expiration of the initial term of the lease. If PWC for any

reason fails to deliver the expansion notice on or prior to the last day of the initial term, the expansion option shall automatically expire. Upon PWC's delivery of the expansion notice and commencement of construction of the improvements by Wells OP, the term of the lease shall automatically be extended for an additional period of ten years from the date of substantial completion of the expansion building, without further action by either PWC or Wells OP. During the first five lease years of the initial term, Wells OP shall be obligated to

construct the expansion building if PWC delivers the expansion notice. Wells OP and PWC have agreed that Wells OP shall not be required to construct the expansion building, however, if PWC delivers the expansion notice after the end of the fifth lease year and, following delivery of such expansion notice, Wells OP determines not to construct the expansion building based upon the base rent it would receive for the expansion building. If Wells OP notifies PWC in writing of such determination within 30 days after Wells OP's receipt of the expansion notice, PWC shall have the right to exercise its option to purchase the PWC building.

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

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

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

The Vanguard Cellular Building

The Vanguard Cellular Building is a four story office building containing approximately 81,859 rentable square feet located in Harrisburg, Pennsylvania. Construction of the Vanguard Cellular Building was completed in November 1998.

Wells OP purchased the Vanguard Cellular Building on February 4, 1999 for a purchase price of $12,291,200. Wells OP expended cash proceeds in the amount of $6,332,100 and obtained a loan in the amount of $6,425,000 from Bank of America, N.A., (BOA Loan), the net proceeds of which were used to fund the remainder of the purchase price of the Vanguard Cellular Building.

The BOA loan matures on January 4, 2002. The interest rate on the BOA Loan is a fixed rate equal to the rate appearing on Telerate Page 3750 as the London Inter Bank Offered Rate plus 200 basis points over a six month period. Wells OP made a required principal installment in the amount of $6,150,000 on July 22, 1999. As of September 30, 1999, the outstanding principal balance of the BOA Loan was $203,504. On September 13, 1999, Bank of America agreed to make a new revolving credit loan of up to $9,825,000 to Wells OP for the acquisition of real properties. Wells OP is required to make monthly installments of accrued interest under the BOA Loan. The BOA Loan is secured by a first mortgage against the Vanguard Cellular Building. Leo F. Wells, III and the Wells REIT are co-

guarantors of the BOA Loan.

The site consists of approximately 10.5 acres of land in Commerce Park, located in the Lower Paxton Township, a planned business park, at the intersection of Progress Avenue and Interstate Drive just off of the Progress Avenue exit of Interstate 81.

The Vanguard Cellular Building is leased to Pennsylvania Cellular Telephone Corp., a subsidiary of Vanguard Cellular, and the obligations of Pennsylvania Telephone under the Vanguard Cellular Lease are guaranteed by Vanguard Cellular.

Vanguard Cellular is an independent operator of cellular telephone systems in the United States with over 664,000 subscribers located in 26 markets in the Mid-Atlantic, Ohio Valley and New England regions of the United States. Vanguard Cellular markets its wireless products and services under the name CellularOne, a nationally recognized brand name partially owned by Vanguard Cellular. Vanguard Cellular operates primarily in suburban and rural areas that are close in proximity to major urban areas, which it believes affords several advantages over its traditional urban competitors, including (1) greater network capacity, (2) greater roaming revenue opportunities, (3) lower distribution costs, and (4) higher barriers to entry by competitors. Vanguard Cellular reported net income in excess of $74 million on revenues in excess of $420 million and a net worth in excess of $100 million for the year ended December 31, 1998.

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

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

Year	Annual Rent	$ Per Sq. Ft.	Monthly Rent
2	$1,390,833	$16.99	$115,902.76
3	$1,416,221	$17.30	$118,018.38
4	$1,442,116	$17.62	$120,176.32
5	$1,468,529	$17.94	$122,377.41
6	$1,374,011	$16.79	$114,500.91
7	$1,401,491	$17.12	$116,790.93
8	$1,429,521	$17.46	$119,126.74
9	$1,458,111	$17.81	$121,509.28
10	$1,487,274	$18.17	$123,939.47

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

appraisals. The fair market rent and fair market escalator shall be deemed to be the middle appraisal of the three submitted.

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

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

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

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

The Matsushita Property

Purchase of the Matsushita Property. On March 15, 1999, Wells OP purchased an 8.8 acre tract of land located in Lake Forest, Orange County, California for a purchase price of $4,450,230.

Wells OP entered into a development agreement for the construction of a two

story office building containing approximately 150,000 rentable square feet to be erected on the Matsushita Property. Wells OP entered into an Office Lease with Matsushita Avionics Systems Corporation (Matsushita Avionics), pursuant to which Matsushita Avionics agreed to lease all of the Matsushita Project upon its completion.

Termination of Existing Lease. Matsushita Avionics is currently a tenant of a building located at 15253 Bake Parkway, Irvine, California owned by Fund VIII and Fund IX Associates (Fund VIII-IX Joint Venture), a Georgia joint venture between Wells Fund VIII and Wells Fund IX. Matsushita Avionics and the Fund VIII-IX Joint Venture have entered into a Lease and Guaranty Termination Agreement dated February 18, 1999 pursuant to which Matsushita Avionics will be vacating the existing building in December 1999 and relieved of any of its obligations under the existing lease upon the Matsushita commencement date of the Matsushita lease. The existing lease terminates in September 2003.

Rental Income Guaranty by Wells OP. In consideration for the Fund VIII-IX Joint Venture releasing Matsushita Avionics from its obligations under the existing lease and thereby allowing Wells OP to enter into the Matsushita lease with Matsushita Avionics, Wells OP entered into a Rental Income Guaranty Agreement dated February 18, 1999, whereby Wells OP guaranteed the Fund VIII-IX Joint Venture that it will receive rental income on the existing building at least equal to the rental and building expenses that the Fund VIII-IX Joint Venture would have received over the remaining term of the existing lease. Current rental and building expenses are approximately $90,000 per month. The Wells REIT's maximum exposure to liability to the Fund VIII-IX Joint Venture under this Rental Income Guaranty was taken into account in the economic analysis performed in making the determination to go forward with the development of the Matsushita project. Management of the Wells REIT anticipates that the ultimate liability will be less than the maximum exposure to liability; however, management cannot, at this time, determine the ultimate liability under the Rental Income Guaranty Agreement. (See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources.")

Description of the Matsushita Project and the Site. The Matsushita project involves the construction of a two story office building containing 150,000 rentable square feet. The building will contain parking for approximately 600 vehicles.

The site consists of an 8.8 acre tract of land located in the Pacific Commercentre, which is a 33 acre master-planned business park positioned near the Irvine Spectrum in the heart of Southern California's Technology Coast. Pacific Commercentre is a nine building complex featuring office, technology, and light manufacturing uses, and is located in the city of Lake Forest in Southern Orange County with easy access to the Foothill Transportation Corridor and the San Diego Freeway.

An independent appraisal of the Matsushita project dated March 16, 1999 was prepared by CB Richard Ellis, Inc., real estate appraisers, pursuant to which the market value of the land and the leased fee interest in the Matsushita project subject to the Matsushita lease was estimated to be $18.9 million, in cash or terms equivalent to cash, as of December 21, 1999, the anticipated completion date. This value estimate was based upon a number of assumptions, including that the Matsushita project will be finished in accordance with plans and specifications, that total development costs would not exceed $17.8 million and that the building will be operated following completion at a stabilized level with Matsushita Avionics

occupying 100% of the building at a rental rate calculated based upon the $17.8 million development budget. Prior to closing of the Matsushita loan (described

below), Bank of America will obtain a revised independent appraisal of the Matsushita Property reflecting a value estimate based upon a development budget of $18.4 million. Wells OP obtained an environmental report prior to closing of the Matsushita Property evidencing that the environmental condition of the Matsushita Property is satisfactory.

The Matsushita Project Loans. Wells OP obtained $7,000,000 in financing for the Matsushita project from SouthTrust Bank, N.A. pursuant to the revolving credit facility extended to Wells OP in connection with the acquisition of the PWC Building.

In addition, Wells OP obtained a construction loan from Bank of America, N.A. in the maximum principal amount of $15,375,000, the proceeds of which are being used to fund the development and construction of the Matsushita project. The Matsushita loan shall mature on May 9, 2001. The interest rate on the Matsushita loan is a variable rate equal to either (1) the Bank of America "prime rate," or (2) at the option of Wells OP, the rate per annum appearing on Telerate Page 3750 as the London Inter Bank Offered Rate for a 30 day period, plus 200 basis points. Wells OP is making monthly installments of interest, and it is anticipated that, commencing in January 2000, Wells OP will make monthly installments of principal in the amount of $10,703 until maturity. On the maturity date, the entire outstanding principal balance plus any accrued but unpaid interest shall be due and payable. The Matsushita loan is secured by a first priority mortgage against the Matsushita project. Leo F. Wells, III and the Wells REIT are co-guarantors of the Matsushita loan.

Development Agreement. On March 23, 1999, Wells OP entered into a development agreement with ADEVCO Corporation as the exclusive development manager to supervise, manage and coordinate the planning, design, construction and completion of the Matsushita project.

The developer is an Atlanta-based real estate development and management company formed in 1990 which specializes in the development of office buildings. The developer has previously developed or is developing a total of six office buildings for affiliates of our advisor. In this regard, the developer entered into:

- a development agreement with Wells Real Estate Fund III, L.P. (Wells Fund III) for the development of a two-story office building containing approximately 34,300 rentable square feet located in Greenville, North Carolina;

- a development agreement with Fund IV and Fund V Associates, a joint venture between Wells Real Estate Fund IV, L.P., (Wells Fund IV) and Wells Real Estate Fund V, L.P. (Wells Fund V), for the development of a four-story office building located in Jacksonville, Florida containing approximately 87,600 rentable square feet;

- a development agreement with the Fund VII-VIII Joint Venture, a joint venture between Wells Real Estate Fund VII, L.P.(Wells Fund VII), and Wells Real Estate Fund VIII, L.P. (Wells Fund VIII), for the development of a two-story office building containing approximately 62,000 rentable square feet located in Alachua County, near Gainesville, Florida;

- a development agreement with Fund VI, Fund VII and Fund VIII Associates, a joint venture among Wells Real Estate Fund VI, L.P. (Wells Fund VI), Wells Fund VII and Wells Fund VIII, for the development of a four-story office building containing approximately 92,964 rentable square feet located in Jacksonville, Florida;

- a development agreement with Fund VIII and Fund IX Associates, a joint

venture between Wells Fund VIII and Wells Real Estate Fund IX, L.P. (Wells Fund IX), for the development of a four-story office building containing approximately 96,750 rentable square feet located in Madison, Wisconsin; and

- a development agreement with Wells Fund IX for the development of a three-story office building containing approximately 83,885 rentable square feet located in Knoxville, Tennessee.

The President of the Developer is David M. Kraxberger. Mr. Kraxberger has been in the real estate business for over 17 years. From 1984 to 1990, Mr. Kraxberger served as Senior Vice President of Office Development for The Oxford Group, Inc., an Atlanta-based real estate company with operations in seven southeastern states. Mr. Kraxberger holds a Masters Degree in Business Administration from Pepperdine University in Los Angeles, California, and is a member of the Urban Land Institute and the National Association of Industrial Office Parks. Mr. Kraxberger also holds a Georgia real estate license. Pursuant to the terms of a guaranty agreement, Mr. Kraxberger has personally guaranteed the performance of the developer under the development agreement. Mr. Kraxberger has also personally guaranteed the performance of the contractor, Integra Construction, Inc., under the construction contract pursuant to the terms of a separate guaranty agreement. Neither the developer nor Mr. Kraxberger are affiliated with the advisor or its affiliates.

As compensation for the services to be rendered by the developer under the development agreement, Wells OP will pay a development fee of $250,000. The fee will be due and payable ratably (on the basis of the percentage of construction completed) as the construction and development of the Matsushita 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 Matsushita property, the planning, design, development, construction and completion of the Matsushita project, the build-out of tenant improvements under the Matsushita lease and the contingency reserve will total approximately $18,400,000. The development budget may be adjusted upward or downward based upon changes agreed to by Wells OP and Matsushita Avionics. The development budget is as follows:

Construction Contract	$6,492,431
Tenant Improvements	3,675,957
Land	4,450,230
Property Taxes	65,000
Architectural Fees	622,472
Architect's Expenses	60,000
Development Fee	250,000
Government Fees	1,072,019
Survey and Engineering	30,300
Appraisal	7,500
Miscellaneous	32,000
Lease Commissions	608,292
Contingency	300,000
Construction Interest	535,757
Loan Fees	91,844
Legal Fees	75,000

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 $18,400,000 (except for changes agreed to by Wells OP and Matsushita Avionics), the amount of fees payable to the developer shall be reduced by the amount of

any such excess. Unless the fees otherwise payable to the developer are reduced as set forth above, it is estimated that the total sums due and payable to the developer under the development agreement will be approximately $250,000.

Construction Contract. Wells OP entered into a construction contract with the general contracting firm of GWGC, Inc. doing business as Gordon & Williams General Contractors, Inc. for the construction of the Matsushita project. The contractor is a California corporation based in Laguna Hills, California specializing in commercial, industrial, amusement park and office buildings. The contractor is presently engaged in the construction of ten projects with a total construction value of in excess of $72 million, and since 1993, has completed 45 projects with a total construction value in excess of $1.9 billion. Construction of the Matsushita project began in May 1999.

The construction contract provides that Wells OP shall pay the contractor a fee equal to 3% of the cost of the work performed by the contractor, as adjusted by approved change orders, for the construction of the Matsushita project, excluding tenant improvements. The contractor will be responsible for all costs of labor, materials, construction equipment and machinery necessary for completion of the Matsushita 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 Matsushita project. Under the construction contract, the cost of the work and the contractor's fees will be guaranteed not to exceed $6,500,000, subject to additions and deductions by approved change orders. To the extent that costs incurred by the contractor exceed such guaranteed maximum price, the contractor will be required to pay all such costs without reimbursement by Wells OP.

Any amounts saved by the contractor as a result of bids awarded or subcontracted at amounts below the approved costs for such items shall be set aside as a contingency reserve. The contractor may only be reimbursed from the contingency reserve for reasonable costs incurred in connection with certain unknown and unforeseeable risks enumerated in the construction contract, and only to the extent that such costs will not cause the contractor to exceed the guaranteed maximum price. In the event that, at the time of final completion, the total aggregate sum of the actual cost of the work, the contractor's fees and any amounts incurred to remedy defects in the work is less than the guaranteed maximum price, the difference shall be divided evenly by the contractor and Wells OP.

Wells OP will make monthly progress payments to the contractor in an amount of 90% of the portion of the contract price properly allocable to labor, materials and equipment, less the aggregate of any previous payments made by Wells OP. Wells OP will pay the entire unpaid balance when the Matsushita project has been fully completed in accordance with the terms and conditions of the construction contract.

As of September 30, 1999, Wells OP had spent in excess of $8,800,000 on the Matsushita project, and it was approximately 51% complete. We anticipate that the Matsushita project will be completed in December 1999.

The contractor will be responsible to Wells OP for the acts or omissions of its subcontractors and suppliers of materials and of persons either directly or indirectly employed by them. The contractor will agree to indemnify Wells OP from and against all liability, claims, damages, losses, expenses and costs of any kind or description arising out of or in connection with the performance of the construction contract, provided that such liability, claim, damage, loss or expense is caused in whole or in part by any action or omission of the contractor, any subcontractor or materialmen, anyone directly or indirectly employed by

any of them or anyone for whose acts any of them may be liable. The construction contract will also require the contractor to obtain and maintain, until

completion of the Matsushita project, adequate insurance coverage relating to the Matsushita project, including insurance for workers' compensation, personal injury and property damage.

Architect's Agreement. Ware & Malcomb Architects, Inc. is the architect for the Matsushita project pursuant to the architect's agreement dated January 11, 1999 entered into with Wells OP. The architect, which was founded in 1972, is based in Irvine, California, has a professional staff of over 75 persons, and specializes in the design of office buildings, corporate facilities, industrial and research and development buildings, healthcare and high-tech facilities, as well as commercial/retail centers.

The architect's basic services under the architect's agreement include the schematic design phase, the design development phase, the construction documents phase, the bidding or negotiation phase and the construction phase.

The total amount of fees payable to the architect under the architect's agreement is $622,472. Payments are being paid to the architect on a monthly basis in proportion to the services performed within each phase of service. In addition, the architect and its employees and consultants are reimbursed for expenses including, but not limited to, transportation in connection with the Matsushita project, living expenses in connection with out-of-town travel, long distance communications and fees paid for securing approval of authorities having jurisdiction over the Matsushita project. It is estimated that the total reimbursable expenses in connection with the development of the Matsushita project will be approximately $60,000.

Matsushita Lease. On February 18, 1999, Wells OP entered into an office lease pursuant to which Matsushita Avionics agreed to lease 100% of the 150,000 rentable square feet of the Matsushita project.

Matsushita Avionics is a wholly-owned subsidiary of Matsushita Electric Corporation of America (Matsushita Electric). Matsushita Avionics manufactures and sells audio-visual products to the airline industry for passenger use in airplanes. Matsushita Electric is a wholly-owned subsidiary of Matsushita Electric Industrial Co., Ltd. (Matsushita Industrial), a Japanese company which is the world's largest consumer electronics manufacturer. Matsushita Electric oversees the North American operations of Matsushita Industrial. In North America, Matsushita Electric makes consumer, commercial and industrial electronics, including products ranging from juke boxes to flat digital television sets, primarily under the Panasonic brand name. Matsushita Electric has more than 20 plants in the United States, Mexico and Canada and employs over 23,000 people. Matsushita Electric has guaranteed the obligations of Matsushita Avionics under the Matsushita lease. Matsushita Electric reported net income for the fiscal year ended March 31, 1998 of over $700 million on gross revenues of over $8.0 billion.

The initial term of the Matsushita lease will be seven years to commence on the earlier of (1) the date Matsushita Avionics commences business in the premises, or (2) the date upon which a series of conditions are met, including but not limited to, Wells OP's completion of the improvements and a certificate of occupancy is issued. Matsushita Avionics has the option to extend the initial term of the Matsushita Lease for two successive five year periods. Each extension option must be exercised not more than 19 months and not less than 15 months prior to the expiration of the then current lease term.

The base rent payable under the Matsushita lease shall be as follows:

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

The monthly base rent is based upon a projected total cost for the Matsushita project of $17,847,769. If the total project cost, as provided in the work letter attached as an exhibit to the Matsushita lease, is more or less than $17,847,769, then the monthly base rent shall be adjusted upward or downward, as the case may be, by ten percent (10%) of the difference.

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

The EYBL CarTex Building

The EYBL CarTex Building is a manufacturing and office building consisting of a total of 169,510 square feet comprised of approximately 140,580 square feet of manufacturing space, 25,300 square feet of two story office space and 3,360 square feet of cafeteria/training space. The XI-XII-REIT Joint Venture purchased the EYBL CarTex Building on May 18, 1999 for a purchase price of $5,085,000.

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

The entire 169,510 rentable square feet of the EYBL CarTex Building is currently under lease to EYBL CarTex, Inc. (EYBL CarTex). The EYBL CarTex lease commenced on March 1, 1998 and expires in February 2008, subject to EYBL CarTex's right to extend the lease for two additional five year periods of time.

EYBL CarTex produces automotive textiles for BMW, Mercedes, GM Bali, VW Mexico and Golf A4. EYBL CarTex is a wholly-owned subsidiary of EYBL International, AG, Krems/Austria. EYBL International is the world's largest producer of circular knit textile products and loop pile plushes for the automotive industry. It has plants in Austria, Germany, Hungary, Slovakia, Brazil and the United States. EYBL International reported total consolidated sales of in excess of $260 million and a net worth of approximately $50 million during 1998.

The base rent payable under the EYBL CarTex lease for the remainder of the lease term shall be as follows:

Lease Year	Annual Rent	Monthly Rent
2	$508,530.00	$42,377.50
3	$508,530.00	$42,377.50
4	$508,530.00	$42,377.50
5	$550,907.50	$45,908.95
6	$550,907.50	$45,908.95
7	$593,285.00	$49,440.42
8	$593,285.00	$49,440.42
9	$610,236.00	$50,853.00
10	$610,236.00	$50,853.00

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

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

The Sprint Building

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

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

The entire 68,900 rentable square feet of the Sprint Building is currently under lease to Sprint Communications Company L.P. (Sprint). The Sprint lease commenced on May 19, 1997 and expires in May 2007, subject to Sprint's right to extend the lease for two additional five year periods of time.

Sprint is the nation's third largest long distance phone company, which operates on an all-digital long distance telecommunications network using state-of-the-art fiber optic and electronic technology. Sprint provides domestic and international voice, video and data communications services as well as integration management and support services for computer networks. Sprint reported net income of in excess of $1.3 billion on net revenues of in excess of $9.9 billion for its fiscal year ended December 31, 1998.

The monthly base rent payable under the Sprint lease is $83,254 through May 18, 2002 and $91,867 for the remainder of the lease term. The monthly base rent payable for each extended term of the

Sprint lease will be equal to 95% of the then current market rate for

comparable office buildings in the suburban south Kansas City, Missouri and south Johnson County, Kansas areas. If the parties are unable to agree upon the current market rate within 30 days of the date negotiations begin, the current market rate shall be determined by three licensed real estate brokers, one of which will be selected by Sprint, one of which will be selected by the XI-XII-REIT Joint Venture and the final appraiser will be selected by the two appraisers previously selected.

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

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

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

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

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

The ABB Richmond Property

Purchase of the ABB Richmond Property. On July 22, 1999, Wells REIT, LLC - VA I (Wells LLC VA), a limited liability company wholly owned by Wells OP, purchased a 7.49 acre tract of land located in Midlothian, Chesterfield County, Virginia for a purchase price of $936,250.

Wells LLC VA entered into a development agreement for the construction of a four-story brick office building containing approximately 100,000 rentable square feet to be erected on the ABB Richmond Property. Wells LLC VA entered into an office lease with ABB Power Generation Inc. (ABB Power) pursuant to which ABB Power agreed to lease the ABB Richmond project upon its completion.

Description of the ABB Richmond Project and the Site. The ABB Richmond project involves the construction of a four-story brick office building containing 102,000 gross square feet with on-grade parking for approximately 500 cars.

The site consists of a 7.49 acre tract of land located in the Waterford Business Park in Southwest Richmond, Virginia. Waterford is a 250-acre office park in the Clover Hill District of Chesterfield

County, one of the fastest growing counties in Virginia. The office park is located at the interchange of I-288 and the Powhite Parkway with excellent access to I-95 and I-64.

Midlothian is located approximately nine miles southwest of the Richmond central business district. The moderate cost of living, low taxes and strong economic base, as well as the transportation networks and waterways, make Richmond an attractive location for businesses.

An independent appraisal of the ABB Richmond project was prepared by CB Richard Ellis, Inc., real estate appraisers, as of June 21, 1999, pursuant to which the market value of the land and the leased fee interest in the ABB Richmond project subject to the ABB Richmond lease was estimated to be $11.6 million, in cash or terms equivalent to cash. This value estimate was based upon a number of assumptions, including that the ABB Richmond project will be finished in accordance with plans and specifications, that total development costs would not exceed $11.5 million and that the building will be operated following completion at a stabilized level with ABB Power occupying 80% of the building at a rental rate calculated based upon the $11.5 million development budget. Wells OP obtained an environmental report prior to closing of the ABB Richmond Property evidencing that the environmental condition of the ABB Richmond Property is satisfactory.

The ABB Richmond Loan. In addition, Wells LLC VA has received a commitment to obtain a construction loan from SouthTrust Bank, N.A. in the maximum principal amount of $9,280,000, the proceeds of which will be used to fund the development and construction of the ABB Richmond project. The ABB Richmond loan matures 30 months from the date of the loan closing. The interest rate on the ABB Richmond loan is 225 basis points over the London Inter Bank Offered Rate with a 1/2 point origination fee. The loan will be secured by a pledge of the real estate, the ABB Richmond lease and a $4,000,000 letter of credit issued by Unibank. Leo F. Wells, III will be a guarantor of the ABB Richmond loan.

Although management of Wells LLC VA currently anticipates obtaining the ABB Richmond loan from SouthTrust Bank, N.A., pursuant to the terms described above, Wells LLC VA has not yet entered into a formal loan agreement. Therefore, there is no guarantee that Wells LLC VA will obtain the ABB Richmond loan under the terms described above or that the loan obtained to fund the construction and development of the ABB Richmond project will materially differ from the terms described above.

Development Agreement. On June 28, 1999, Wells LLC VA entered into a development agreement with ADEVCO Corporation as the exclusive development manager to supervise, manage and coordinate the planning, design, construction and completion of the ABB Richmond project.

As compensation for the services to be rendered by the developer under the development agreement, Wells LLC VA will pay a development fee of $150,000. The development fee will be due and payable ratably (on the basis of the percentage of construction completed) as the construction and development of the ABB Richmond project is completed. Wells LLC VA will also pay the developer an "ABB Work Fee" of $150,000 which will be payable in a lump sum at the completion of the ABB Richmond project. The ABB Work Fee is for services rendered by the developer with respect to the supervision and management of tenant build-out of the premises leased by ABB Power pursuant to the ABB Power lease.

We anticipate that the aggregate of all costs and expenses to be incurred by Wells LLC VA with respect to the acquisition of the ABB Richmond Property, the planning, design, development, construction and completion of the ABB Richmond project, the build-out of tenant improvements under the ABB Richmond lease and the contingency reserve will total approximately $11,559,347 comprised of the following expenditures:

Construction Contract	$5,549,527
Tenant Improvements - ABB Premises	2,047,112
Tenant Improvements - Additional Space	483,050
Land	937,500
Contractor's Bond	45,000
Work Fee	60,000
Architectural Fees & Expenses	235,134
Space Planning	80,000
Development Fee	150,000
ABB Work Fee	150,000
Survey and Engineering	78,500
Landscape Construction	150,000
Holdover Contingency	75,000
Construction Interest	350,000
Loan Commitment Fee	100,000
Commissions	600,639
Legal Fees	75,000
Contingency	298,233
Miscellaneous	94,652

Under the terms of the development agreement, the developer has agreed that, in the event that the total of all such costs and expenses (excluding costs for closing costs, loan fees, construction interest, tenant improvements and leasing commissions) exceeds $9,454,658 (except for changes agreed to by Wells LLC VA and ABB Power), the amount of fees payable to the developer shall be reduced by the amount of any such excess.

Construction Contract. Wells LLC VA entered into a construction contract dated June 14, 1999 with the general contracting firm of Bovis Construction Corp. for the construction of the ABB Richmond project. The contractor, which was founded in London in 1885, now ranks among the world's top 10 construction companies with projects in 36 countries. At any one time, the contractor is engaged in approximately 500 projects.

The construction contract provides that Wells LLC VA shall pay the contractor $5,549,527 for the full and proper work detailed in the contract. The contractor commenced work on the ABB Richmond project in June 1999.

Wells LLC VA will make monthly progress payments to the contractor in an amount of 90% of the portion of the contract price properly allocable to labor, materials and equipment, less the aggregate of any previous payments made by Wells LLC VA; provided, however, that when a total of $277,500 has been withheld as retainage, no further retainage will be withheld from the monthly progress payments. Wells LLC VA will pay the entire unpaid balance when the ABB Richmond project has been fully completed in accordance with the terms and conditions of the construction contract. As a condition of final payment, the contractor will be required to execute and deliver a release of all claims and liens against Wells LLC VA.

As of September 30, 1999, Wells OP had spent approximately $1,800,000 on the ABB Richmond project and it was approximately 15% complete. We anticipate that the ABB Richmond project will be completed in May 2000.

The contractor is responsible to Wells LLC VA for the acts or omissions of its subcontractors and suppliers of materials and of persons either directly or indirectly employed by them. The contractor

agreed to indemnify Wells LLC VA from and against all liability, claims, damages, losses, expenses and costs of any kind or description arising out of or in connection with the performance of the construction contract, provided that such liability, claim, damage, loss or expense is caused in whole or in part by any action or omission of the contractor, any subcontractor or materialmen, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable. The construction contract also requires the contractor to obtain and maintain, until completion of the ABB Richmond project, adequate insurance coverage relating to the ABB Richmond project, including insurance for workers' compensation, personal injury and property damage.

The contractor is required to work expeditiously and diligently to maintain progress in accordance with the construction schedule and to achieve substantial completion of the ABB Richmond project within the contract time. The contractor is required to employ all such additional labor, services and supervision, including such extra shifts and overtime, as may be necessary to maintain progress in accordance with the construction schedule. The performance of the contractor is secured by a $1,000,000 letter of credit. In addition, performance by the contractor of the construction contract has been personally guaranteed by David Kraxberger, a principal of the developer.

Architect's Agreement. Smallwood, Reynolds, Stewart, Stewart & Associates, Inc. is the architect for the ABB Richmond project pursuant to the architect's agreement dated May 18, 1999 entered into with Wells LLC VA. The architect, which was founded in 1979, is based in Atlanta, Georgia, has a staff of over 200 persons, and specializes in programming, planning, architecture, interior design, landscape architecture and construction administration. The architect has its principal office in Atlanta, Georgia and additional offices in Tampa, Florida and Singapore, Malaysia. The architect has designed a wide variety of projects, with a total construction cost in excess of $2 billion, including facilities for corporate office space, educational and athletic facilities, retail space, manufacturing, warehouse and distribution facilities, hotels and resorts, correctional institutions, and luxury residential units. The architect has performed architectural services with respect to various projects for affiliates of the Wells REIT and is currently performing such services for the Matsushita project. The architect is not affiliated with the Wells REIT or our advisor.

The architect's basic services under the architect's agreement include the schematic design phase, the design development phase, the construction documents phase, the bidding or negotiation phase and the construction phase. During the schematic design phase, the architect will prepare schematic design documents consisting of drawings and other documents illustrating the scale and relationship of the ABB Richmond project components. The architect will be paid $35,190 for these services.

The total amount of fees payable to the architect under the architect's agreement is $234,600. Payments are being paid to the architect on a monthly basis in proportion to the services performed within each phase of service. In addition, the architect and its employees and consultants are reimbursed for expenses including, but not limited to, transportation in connection with the ABB Richmond project, living expenses in connection with out-of-town travel, long distance communications and fees paid for securing approval of authorities having jurisdiction over the ABB Richmond project. It is estimated that the total reimbursable expenses in connection with the development of the ABB Richmond project will be approximately $25,000.

ABB Richmond Lease. Wells LLC VA entered into an office lease pursuant to which ABB Power agreed to lease 100% of the 99,057 rentable square feet of the ABB Richmond project.

ABB Power is a subsidiary of Asea Brown Boveri, Inc., a large multi-national engineering and construction company headquartered in Switzerland. ABB Power reported net income for the fiscal year

ended December 31, 1998 of over $1.3 billion on gross revenues of over $30.9 billion and a net worth of over $6.0 billion.

The initial term of the ABB Richmond lease will be seven years to commence on the later of April 1, 2000 or the earlier of (1) the date which is ten days after "Substantial Completion" (as defined in Exhibit D of the lease) or the date ABB Power commences business in the premises. ABB Power has the right to extend the lease for two additional five year periods of time. Each extension option must be exercised by giving notice to the landlord at least 12 months prior to the expiration date of the then-current lease term.

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

The base rent payable under the ABB Richmond lease will be as follows:

Lease Year	Yearly Base Rent	Monthly Base Rent
1	$1,183,731	$ 98,644.26
2	$1,213,324	$101,110.37
3	$1,243,657	$103,638.08
4	$1,274,748	$106,229.04
5	$1,306,618	$108,884.80
6	$1,339,283	$111,606.90
7	$1,372,765	$114,397.11

The monthly base rent is based upon a projected total cost for the ABB Richmond project of $11,036,139. If the total project cost, as provided in the work letter attached as an exhibit to the ABB Richmond lease, is more or less than $11,036,139, then the monthly base rent shall be adjusted upward or downward, as the case may be, by 10.54% of the difference.

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

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

In the event that ABB Power exercises its termination option as of the third anniversary of the rental commencement date, ABB Power has a one-time

option to terminate the ABB Richmond lease as

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

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

The Johnson Matthey Building

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

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

The XI-XII-REIT Joint Venture obtained an environmental report prepared by Dames & Moore evidencing that the environmental condition of the land and the Johnson Matthey Building was satisfactory. Although the soil does contain some traces of environmental groundwater contaminants approximately 60 feet below the surface, Dames & Moore, in a letter addressed to Wells Capital, Inc. dated August 13, 1999, did not recommend any further environmental investigation for the site. At the closing, the seller assigned its rights to a $2,000,000 insurance policy to the XI-XII-REIT Joint Venture relating to potential losses from environmental contamination. Management of the Wells REIT is satisfied that the environmental condition of the site is satisfactory and believes that the rights assigned under this insurance policy protect us from potential liability exposure resulting from environmental contamination.

The entire 130,000 rentable square feet of the Johnson Matthey Building is currently leased to Johnson Matthey, Inc. (Johnson Matthey). The current lease term expires in June 2007. Johnson Matthey has the right to extend the lease for two additional three year periods of time.

Johnson Matthey is a wholly owned subsidiary of Johnson Matthey, PLC of the United Kingdom, a world leader in advanced materials technology. Johnson

Matthey, PLC applies the latest technology to

add value to precious metals and other specialized materials. Johnson Matthey, PLC is a publicly traded company that is over 175 years old, has operations in 38 countries and employs 12,000 people.

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

The base rent payable under the Johnson Matthey lease for the remainder of the lease term is as follows:

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

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

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

The Videojet Building

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

The $33,158,865 required to close the Videojet acquisition consisted of $26,158,865 in cash funded from a capital contribution by the Wells REIT and $7,000,000 in loan proceeds obtained from SouthTrust Bank, N.A. pursuant to the revolving credit facility originally extended to Wells OP in connection with the acquisition of the PWC Building.

The site is a 15.3 acre tract of land that is adjacent to the western entrance to O'Hare International Airport. The site is also situated very

convenient to most of Chicago's major interstates, including the Elgin/O'Hare Expressway which, when finished, will extend along Thorndale Road adjacent to the main entrance to the Chancellory Business Park. The Chancellory Business Park consists of good quality

office, manufacturing and warehouse buildings mostly occupied by national tenants such as Sony, Mitsubishi, NEC Minolta and United Airlines.

Wood Dale is a small suburb with a population of greater than 12,000 located northwest of the City of Chicago and directly west of O'Hare International Airport. Since the City of Chicago is bordered on the East by Lake Michigan, some have described Wood Dale as the true center of Chicago. Wood Dale has a long-term positive outlook due to its superior location.

The entire 250,354 rentable square feet of the Videojet Building is currently under a net lease agreement with Videojet Systems International, Inc. (Videojet). The initial term of the Videojet lease is twenty years which 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.

Videojet is the world's leading producer of state-of-the-art industrial ink jet marking and coding products. Videojet manufactures and distributes industrial ink jet printers, digital imaging systems, laser coding systems, inks and fluids to customers worldwide. The Videojet lease is guaranteed by GEC Incorporated, a Delaware corporation which is a wholly-owned subsidiary of General Electric Company, p.l.c., a publicly traded United Kingdom corporation that ranks among the largest electronic system and equipment manufacturers in the world.

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

Lease Year	Yearly Base Rent	Monthly Base Rent
2000-2001	$2,838,952	$236,579.33
2002-2011	$3,376,746	$281,395.50
Extension Term	$4,667,439	$388,953.25

The Gartner Building

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

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

The recent growth of the Fort Myers area is primarily due to the opening of Interstate 75 in the eastern portion of the metro area and the relatively new Southwest Florida Regional Airport, which is located just south of Gateway and is easily accessible by a two lane road. Another major expansion to the local economy is the new Florida Gulf Coast University, which is part of the State of Florida University system. The enrollment at this university is expected to

increase to between 10,000 and 15,000 in the next few years.

The entire 62,400 rentable square feet of the Gartner Building is currently leased to Gartner. The initial term of the Gartner lease is ten years which commenced on February 1, 1998 and expires on January 31, 2008. Gartner has the right to extend the lease for two additional five year periods of time.

The Gartner Building will be occupied by Gartner's Financial Services Division. Gartner, which was founded in 1979, is the world's leading independent provider of research and analysis related to information and technology solutions. Gartner serves as a consultant to business clients for their information technology purchasing decisions. Gartner has over 80 locations worldwide and over 12,000 clients. Gartner, which is headquartered in Stamford, Connecticut, had net income of over $98 million and a net worth of over $530 million for its fiscal year ended September 30, 1998.

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

Lease Year	Yearly Base Rent	Monthly Base Rent
2/1999-1/2000	$642,798	$53,566.50
2/2000-1/2001	$790,642	$65,886.83
2/2001-1/2002	$810,408	$67,534.00
2/2002-1/2003	$830,668	$69,222.35
2/2003-1/2004	$851,435	$70,952.89
2/2004-1/2005	$872,721	$72,726.74
2/2005-1/2006	$894,539	$74,544.92
2/2006-1/2007	$916,902	$76,408.54
2/2007-1/2008	$939,825	$78,318.71

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

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

The "Small Option Building" expansion option allows Gartner the ability to expand into a separate, free standing facility on the property containing between 30,000 and 32,000 rentable square feet to be constructed by the XI-XII-REIT Joint Venture. Gartner may exercise its expansion right for the Small Option Building by providing notice in writing to the joint venture on or before February 15, 2002. In the event that Gartner exercises its expansion option, the parties shall enter into a separate lease within 30 days of such notice by Gartner with a guaranteed ten year lease term and yearly base rent to be determined by mutual agreement of the parties.

The "Large Option Building" expansion option allows Gartner the ability to expand into a separate, free standing facility on the property containing between 60,000 and 75,000 rentable square feet to be constructed by the XI-XII-REIT Joint Venture. Gartner may exercise its expansion right for the Small Option Building by providing notice in writing to the joint venture on or before February 15, 2002. In the event that Gartner exercises its expansion option, the parties shall enter into a separate lease within 30 days of such notice by Gartner with a guaranteed ten year lease term and yearly base rent to

be determined by mutual agreement of the parties.

Property Management Fees

Wells Management has been retained to manage and lease the Fairchild Building, the Cort Furniture Building, the Associates Building, the PWC Building, the Vanguard Cellular Building, the EYBL CarTex Building, the Sprint Building, the Johnson Matthey Building, the Videojet Building and the Gartner Building. Wells Management will also be retained to manage and lease the Matsushita

project and the ABB Richmond project upon completion of such projects. Wells Management shall receive 4.5% of gross revenues of each of these buildings for property management and leasing services.

Wells Management has also been retained to manage and lease all of the properties currently owned by the IX-X-XI-REIT Joint Venture. While Wells Fund XI and the Wells REIT are authorized to pay aggregate management and leasing fees to Wells Management in the amount of 4.5% of gross revenues, Wells Fund IX and Wells Fund X are authorized to pay aggregate management and leasing fees to Wells Management in the amount of 6% of gross revenues. Since Wells Fund IX and Wells Fund X hold an aggregate 87.4% ownership percentage interest in the IX-X-XI-REIT Joint Venture, while Wells Fund XI and the Wells REIT hold an aggregate 12.6% ownership percentage interest in the IX-X-XI-REIT Joint Venture, 87.4% of the gross revenues of the IX-X-XI-REIT Joint Venture are subject to a 6% property management and leasing fee, while 12.6% of the gross revenues of the IX-X-XI-REIT Joint Venture are subject to a 4.5% property management and leasing fee.

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

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

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

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

Liquidity and Capital Resources

We began active operations on June 5, 1998, when we received and accepted subscriptions for 125,000 shares. As of December 31, 1998, we had raised $31,541,360 in offering proceeds through the sale of 3,154,136 shares, which includes the 5,122 shares we issued pursuant to our dividend reinvestment plan. After we paid $5,046,458 in acquisition and advisory fees and acquisition expenses, selling commissions and organizational and offering expenses, and

$18,442,540 in capital contributions to Wells OP for investment in joint ventures and acquisitions of real properties, as of December 31, 1998, we were holding net offering proceeds of approximately $8,052,362 available for investment in additional properties.

Between December 31, 1998 and September 30, 1999, we raised an additional $76,927,944 in offering proceeds through the sale of 7,692,795 shares and invested an additional $71,477,174 in real properties. Accordingly, as of September 30, 1999, we had raised a total of $108,469,304 in offering proceeds through the sale of 10,846,930 shares. After we paid a total of $17,354,929 in acquisition and advisory fees and acquisition expenses, selling commissions and organizational and offering expenses, and a total of $89,919,734 in capital contributions to Wells OP for investment in joint ventures and acquisitions of real properties, as of September 30, 1999, we were holding net offering proceeds of approximately $1,194,641 available for investment in additional properties.

Cash and cash equivalents at September 30, 1999 and 1998 were $2,850,263 and $591,122, respectively. The increase in cash and cash equivalents resulted primarily from raising additional capital in our initial public offering. We intend to use cash and cash equivalents to purchase additional properties, to pay dividends and to pay offering costs.

Our capital needs and resources are expected to undergo changes as a result of the completion of our initial public offering of shares, the commencement of the follow-on offering and the future acquisition of properties. Operating cash flow is expected to increase as additional properties are added to our portfolio. Dividends to be distributed to our shareholders are determined by our board of directors and are dependent on a number of factors, including our funds available for payment of dividends, our financial condition, our capital expenditure requirements and our annual distribution requirements in order to maintain our REIT status under the Internal Revenue Code.

As of September 30, 1999, we had acquired interests in 16 real estate properties. These properties are generating sufficient cash flow to cover our operating expenses and pay quarterly dividends. Dividends declared for the third quarter of 1999 totaled $0.175 per share, which were calculated using daily declaration and record dates in the amount of $0.001902 per share to the shareholders of record at the close of business on each day during the third quarter of 1999, commencing on July 1, 1999, and continuing on each day thereafter through and including September 30, 1999. Similarly, our board of directors has declared dividends for the fourth quarter of 1999, also totalling $0.175 per share, to be calculated using daily declaration and record dates in the amount of $0.001902 per share to shareholders of record at the close of business on each day during the fourth quarter of 1999, commencing on October 1, 1999, and continuing on each day thereafter through and including December 31, 1999.

On February 18, 1999, Wells OP entered into a Rental Income Guaranty Agreement with the Fund VIII-IX Joint Venture, whereby Wells OP guaranteed the Fund VIII-IX Joint Venture that the joint venture would receive rental income on its existing building previously leased to Matsushita Avionics at least equal to the rental and building expenses that the Fund VIII-IX Joint Venture would have received over the remaining term of its lease with Matsushita Avionics. Matsushita Avionics will vacate the existing building in December 1999, with the existing term ending in September 2003. Currently rental and building expenses are approximately $90,000 per month. (See "Description of Properties -- The Matsushita Property.")

Our maximum exposure to liability to the Fund VIII-IX Joint Venture for rental income and building expenses potentially payable under this Rental Income Guaranty Agreement was taken into account in the economic analysis performed in making the determination to go forward with the development of the Matsushita project. Management of the Wells REIT anticipates that our actual liability will be less than our maximum exposure; however, management cannot, at this

time, determine the amount of our actual liability under the Rental Income Guaranty Agreement. Any payment made to the Fund VIII-IX Joint Venture for rental and building expenses will be made from the operating cash flow of the Wells REIT and will reduce the amount of cash available for payment of dividends.

Cash Flows From Operating Activities

Net cash provided by operating activities was $2,273,102 for the nine months ended September 30, 1999, as compared to $20,007 for the four-month period ended September 30, 1998. The increase in net cash provided by operating activities was due primarily to the purchase of additional properties in 1999 and a full nine months of operations for the properties acquired during 1998.

Cash Flows From Investing Activities

The increase in net cash used in investing activities from $9,959,917 for the four months ended September 30, 1998 to $75,420,671 for the nine months ended September 30, 1999 was due primarily to the raising of additional capital through the sale of our shares and investing such capital in acquisitions of real property.

Cash Flows From Financing Activities

The increase in net cash provided by financing activities from $10,330,032 for the four months ended September 30, 1998 to $68,018,429 for the nine months ended September 30, 1999 was also due primarily to the raising of additional capital. We raised $76,927,944 in offering proceeds for the nine months ended September 30, 1999, as compared to $11,691,923 for the four months ended September 30, 1998. In addition, during the nine months ended September 30, 1999, we received loan proceeds from various financing transactions of $25,598,666 and repaid a total of $22,732,539 of our company debt.

Results of Operations

As of September 30, 1999, the properties owned by the Wells REIT were 99.99% occupied. Gross revenues for the four months ended September 30, 1998 and for the nine months ended September 30, 1999 were $84,209 and $3,996,290, respectively. This increase was due to the purchase of interests in additional properties during 1998 and 1999 and a full nine months of operations of the properties acquired during 1998. The purchase of interests in additional properties also resulted in an increase in rental income, operating expenses and depreciation expenses.

During the offering period, interest income is likely to be higher since we will invest funds in short-term investments while we are evaluating potential real estate acquisitions. Interest income will eventually decrease and will not be a significant component of revenues after the net offering proceeds are fully invested in real properties.

We have invested significant funds in the Matsushita project and the ABB Richmond project which are under construction. During the construction period, we will not receive any rental income from these properties, nor will we receive interest income on the amounts we must pay to the developer as construction progresses. Therefore, if the number of construction projects represents a significant percentage of our investments during our initial acquisitions stages, net income will be adversely affected on a short-term basis. However, we believe that the return on investment on our construction projects will produce long-term returns that are in excess of returns on existing buildings.

Recent Accounting Pronouncements

Effective April 3, 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-5, "Reporting on the Costs of

Start-Up Activities." SOP 98-5 is effective for fiscal years beginning after December 15, 1998, and initial application is required to be reported as a cumulative effect of change in accounting principle. This SOP provides guidance on the financial reporting of start-

up costs and organization costs. It requires costs of start-up activities and organization costs to be expensed as incurred. Adoption of this Statement by the Wells REIT in the first quarter of 1999 may result in the write-off of certain capitalized organization costs. Adoption of this Statement is not expected to have a material impact on our results of operations and financial condition.

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. There are provisions in a majority of our tenant leases to protect us from the impact of inflation. These leases contain common area maintenance charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance. These provisions should reduce our exposure to increases in costs and operating expenses resulting from inflation.

Year 2000 Compliance

We began a full assessment of year 2000 compliance issues on our information systems and business operations in late 1997, and we completed the assessment during the first quarter of 1999. Renovations and replacements of equipment have been and are being made as warranted. We have not incurred any material costs so far for such renovations and replacements. Testing of our systems has been completed.

As to the status of our information technology systems, we presently believe that all major systems and software packages are year 2000 compliant. We have purchased the upgrade for the accounting and property management package system and it was installed at the end of the first quarter of 1999. At the present time, we believe that all major non-information technology systems are year 2000 compliant. We have not incurred any material costs to upgrade our non-compliant systems.

We confirmed the year 2000 readiness of our vendors, including third-party service providers such as banks. Based on the information we received, the primary third-party service providers with which we have relationships are year 2000 compliant.

We rely on computers and operating systems provided by equipment manufacturers, and also on application software designed for use with our accounting, property management and investment portfolio tracking. We have preliminarily determined that any costs, problems or uncertainties associated with the potential consequences of year 2000 issues are not expected to have a material impact on our future operations or financial condition. We will perform due diligence as to the year 2000 readiness of each property we own and each property we contemplate for purchase.

Our reliance on embedded computed systems (i.e., microcontrollers) is limited to facilities related matters, such as office security systems and environmental control systems.

Contingency plans have been developed to operate the business in the unlikely circumstance that the computer and phone systems are rendered inoperable. Offsite facilities and alternative procedures to communicate with key third party vendors have been identified for use should existing facilities not function properly. A written contingency plan has been disseminated to each staff member of our advisor.

We believe that our risk of year 2000 problems is minimal. In the unlikely event there is a problem, the worst case scenarios would include the risks that the elevator or security systems within our properties would fail or the key third-party vendors upon which we rely would be unable to provide accurate investor information. In the event that the elevator shuts down, we have devised a plan for each

building whereby the tenants will use the stairs until the elevators are fixed. In the event that the security system shuts down, we have devised a plan for each building to hire temporary on-site security guards. In the event that a third-party vendor has year 2000 problems relating to investor information, we intend to perform a full system back-up of all investor information as of December 31, 1999 so that we will have accurate hard-copy investor information.

Prior Performance Summary

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

Leo F. Wells, III has served as a general partner of a total of 13 publicly offered real estate limited partnerships, 12 of such limited partnerships have completed their respective offerings. These 12 limited partnerships and the year in which each of their offerings was completed are:

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

In addition to the foregoing real estate limited partnerships, the advisor and its affiliates sponsored the initial public offering of 14,400,000 shares of Common Stock of the Wells REIT. The initial public offering began on January 30, 1998 and was terminated on December 20, 1999. As of December 15, 1999, we had received gross proceeds of approximately $131,500,000 from the sale of approximately 13,150,000 shares from our initial public offering.

The advisor and its affiliates are currently also sponsoring a public offering of 7,000,000 units on behalf of Wells Real Estate Fund XII, L.P., a public limited partnership. Wells Fund XII began its offering on March 22, 1999, and as of October 1, 1999, Wells Fund XII had raised $7,044,956 from 710 investors.

The Prior Performance Tables included in the back of this prospectus set forth information as of the dates indicated regarding certain of these Wells programs as to (1) experience in raising and investing funds (Table I); (2) compensation to sponsor (Table II); and (3) annual operating results of prior programs (Table III). No information is given as to results of completed programs or sales or disposals of property because, to date, none of the Wells programs have sold any of their properties.

In addition to the real estate programs sponsored by the advisor and its affiliates discussed above, they are also sponsoring an index mutual fund which invests in various REIT stocks known as the Wells S&P REIT Index Fund (REIT

Fund). The REIT Fund is a mutual fund which seeks to provide investment

results corresponding to the performance of the S&P REIT Index by investing in the REIT stocks included in the S&P REIT Index. The REIT Fund began its offering on January 12, 1998, and as of October 1, 1999, the REIT Fund had raised $26,465,998 from 1,232 investors.

Publicly Offered Unspecified Real Estate Programs

The advisor and its affiliates have previously sponsored the above listed 12 publicly offered real estate limited partnerships and are currently sponsoring Wells Fund XII offered on an unspecified property or "blind pool" basis. The total amount of funds raised from investors in the offerings of these 13 publicly offered limited partnerships, as of October 1, 1999, was approximately $292,000,000, and the total number of investors in such programs was approximately 27,100.

The investment objectives of each of the other Wells programs are substantially identical to the investment objectives of the Wells REIT. All of the proceeds of the offerings of Wells Fund I, Wells Fund II, Wells Fund II-OW, Wells Fund III, Wells Fund IV, Wells Fund V, Wells Fund VI, Wells Fund VII, Wells Fund VIII, Wells Fund IX, Wells Fund X and Wells Fund XI available for investment in real properties have been invested in properties. For the fiscal year ended December 31, 1998, approximately 75% of the aggregate gross rental income of the 12 publicly offered programs listed above was derived from tenants which are U.S. corporations, each of which has net worth of at least $100,000,000 or whose lease obligations are guaranteed by another corporation with a net worth of at least $100,000,000.

Because of the cyclical nature of the real estate market, decreases in net income of the public partnerships could occur at any time in the future when economic conditions decline. None of the Wells programs has liquidated or sold any of its real properties to date and, accordingly, no assurance can be made that Wells programs will ultimately be successful in meeting their investment objectives. (See "Risk Factors.")

The aggregate dollar amount of the acquisition and development costs of the properties purchased by the previously sponsored Wells programs, as of December 31, 1998, was $252,097,627 of which $170,000 (or approximately .07%) had not yet been expended on the development of certain of the projects which are still under construction. Of the aggregate amount, approximately 73% was or will be spent on acquiring or developing office buildings, and approximately 27% was or will be spent on acquiring or developing shopping centers. Of the aggregate amount, approximately 6% was or will be spent on new properties, 49% on existing or used properties and 45% on construction properties. Following is a table showing a breakdown of the aggregate amount of the acquisition and development costs of the properties purchased by the Wells REIT and the 12 Wells programs listed above as of December 31, 1998:

Type of Property	New	Used	Construction
Office Buildings	6%	41%	26%
Shopping Centers	0%	9%	18%

Wells Fund I terminated its offering on September 5, 1986, and received gross proceeds of $35,321,000 representing subscriptions from 4,895 limited partners. $24,679,000 of the gross proceeds were attributable to sales of Class A Units, and $10,642,000 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund I have no right to change the

status of their units from Class A to Class B or vice versa. Wells Fund I owns interests in the following properties:

- a three story medical office building in Atlanta, Georgia;

- two commercial office buildings in Atlanta, Georgia;
- a shopping center in DeKalb County, Georgia having Kroger as the anchor tenant;
- a shopping center in Knoxville, Tennessee;
- a shopping center in Cherokee County, Georgia having Kroger as the anchor tenant; and
- a project consisting of seven office buildings and a shopping center in Tucker, Georgia.

The prospectus of Wells Fund I provided that the properties purchased by Wells Fund I would typically be held for a period of eight to 12 years, but that the general partners may exercise their discretion as to whether and when to sell the properties owned by Wells Fund I and that the general partners were under no obligation to sell the properties at any particular time. Wells Fund I acquired its properties between 1985 and 1987, and has not yet liquidated or sold any of its properties.

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

- a shopping center in Cherokee County, Georgia having Kroger as the anchor tenant;
- a project consisting of seven office buildings and a shopping center in Tucker, Georgia;
- a two story office building in Charlotte, North Carolina leased to First Union Bank;
- a four story office building in Houston, Texas leased to The Boeing Company;
- a restaurant property in Roswell, Georgia leased to Brookwood Grill of Roswell, Inc.; and
- a combined retail and office development in Roswell, Georgia.

The prospectus of Wells Fund II and Wells Fund II-OW provided that the properties purchased by Wells Fund II and Wells Fund II-OW would typically be held for a period of eight to 12 years, but that the general partners may exercise their discretion as to whether and when to sell the properties owned by Wells Fund II and Wells Fund II-OW and that the partnerships were under no obligation to sell their properties at any particular time. Wells Fund II and Wells Fund II-OW acquired their properties between 1987 and 1989, and have not yet liquidated or sold any of their properties.

Wells Fund III terminated its offering on October 23, 1990, and received gross proceeds of $22,206,310 representing subscriptions from 2,700 limited

partners. $19,661,770 of the gross proceeds were attributable to sales of Class A Units, and $2,544,540 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund III have no right to change the status of their units from Class A to Class B or vice versa. Wells Fund III owns interests in the following properties:

- a four story office building in Houston, Texas leased to The Boeing Company;

- a restaurant property in Roswell, Georgia leased to Brookwood Grill of Roswell, Inc.;
- a combined retail and office development in Roswell, Georgia;
- a two story office building in Greenville, North Carolina leased to International Business Machines Corporation (IBM);
- a shopping center in Stockbridge, Georgia having Kroger as the anchor tenant; and
- a two story office building in Richmond, Virginia leased to General Electric.

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

- a shopping center in Stockbridge, Georgia having Kroger as the anchor tenant;
- a four story office building in Jacksonville, Florida leased to IBM and Customized Transportation Inc. (CTI);
- a two story office building in Richmond, Virginia leased to General Electric; and
- two two story office buildings in Stockbridge, Georgia, a substantial portion of which is leased to Georgia Baptist Hospital.

Wells Fund V terminated its offering on March 3, 1993, and received gross proceeds of $17,006,020 representing subscriptions from 1,667 limited partners. $15,209,666 of the gross proceeds were attributable to sales of Class A Units, and $1,796,354 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund V who purchased Class B Units are entitled to change the status of their units to Class A, but limited partners who purchased Class A Units are not entitled to change the status of their units to Class B. After taking into effect conversion elections made by limited partners subsequent to their subscription for units, as of December 31, 1998, $15,590,210 of units of Wells Fund V were treated as Class A Units, and $1,415,810 of units were treated as Class B Units. Wells Fund V owns interests in the following properties:

- a four story office building in Jacksonville, Florida leased to IBM and CTI;
- two two story office buildings in Stockbridge, Georgia, a substantial portion of which is leased to Georgia Baptist Hospital;
- a four story office building in Hartford, Connecticut leased to Hartford Fire Insurance Company;

- two restaurant properties in Stockbridge, Georgia leased to Apple Restaurants, Inc. and Glenn's Open Pit Bar-B-Que; and

- a three story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel.

Wells Fund V experienced an operating loss of $18,089 in 1992 (at which time it only owned interests in the Jacksonville, Florida property which was under construction and the first office building in

Stockbridge, Georgia which was under construction), recognized net income of $354,999 in 1993 (at which time it had also acquired an interest in the Hartford, Connecticut property and the second office building in Stockbridge, Georgia was under construction), recognized net income of $561,721 in 1994 (at which time it owned interests in all of the properties listed above for which it currently holds an ownership interest, with the exception that only one of the two restaurants had been developed on the tract of land in Stockbridge, Georgia), recognized net income of $689,639 in 1995, recognized net income of $505,650 in 1996 and recognized net income of $559,801 in 1997.

Wells Fund VI terminated its offering on April 4, 1994, and received gross proceeds of $25,000,000 representing subscriptions from 1,793 limited partners. $19,332,176 of the gross proceeds were attributable to sales of Class A Units, and $5,667,824 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund VI are entitled to change the status of their units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscription for units, as of December 31, 1998, $21,877,575 of units of Wells Fund VI were treated as Class A Units, and $3,122,425 of units were treated as Class B Units. Wells Fund VI owns interests in the following properties:

- a four story office building in Hartford, Connecticut leased to Hartford Fire Insurance Company;

- two restaurant properties in Stockbridge, Georgia leased to Apple Restaurants, Inc. and Glenn's Open Pit Bar-B-Que;

- a restaurant and retail building in Stockbridge, Georgia;

- a shopping center in Stockbridge, Georgia;

- a three story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel;

- a shopping center in Cherokee County, Georgia having Kroger as the anchor tenant;

- a combined retail and office development in Roswell, Georgia;

- a four story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.; and

- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant.

Wells Fund VI recognized net income of $31,428 in 1993 (at which time it only owned an interest in the Hartford, Connecticut property), recognized net income of $700,896 in 1994 (at which time it owned only interests in (1) the four story office building in Hartford, Connecticut; (2) the retail building and an undeveloped tract of land in Stockbridge, Georgia; and (3) the three story office building in Appleton, Wisconsin), recognized net income of $901,828 in 1995 (at which time each of the following properties was under construction: (1)

one of the retail buildings in Stockbridge, Georgia, (2) the combined retail and office development in Roswell, Georgia, (3) the office building in Jacksonville, Florida, and (4) the shopping center in Clemmons, North Carolina), recognized net income of $589,053 in 1996, recognized net income of $795,654 in 1997 and recognized net income of $855,788 in 1998.

Wells Fund VII terminated its offering on January 5, 1995, and received gross proceeds of $24,180,174 representing subscriptions from 1,910 limited partners. $16,788,095 of the gross proceeds were attributable to sales of Class A Units, and $7,392,079 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund VII are entitled to change the status of their units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 1998, $20,095,174 of units in Wells Fund VII were treated as Class A Units, and $4,085,000 of units were treated as Class B Units. Wells Fund VII owns interests in the following properties:

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

Wells Fund VII recognized net income of $203,263 in 1994 (at which time it only owned an interest in the three story office building in Appleton, Wisconsin and an undeveloped tract of land in Stockbridge, Georgia), recognized net income of $804,043 in 1995 (at which time it only owned interests in the office building in Appleton, Wisconsin, the developments in Stockbridge, Georgia, the office building in Alachua County, Florida, the office building in Jacksonville, Florida, the tract of land in Clemmons, North Carolina, which was under construction, and the retail building in Stockbridge, Georgia, which was under construction), recognized net income of $452,776 in 1996, recognized net income of $733,149 in 1997 and recognized net income of $754,334 in 1998.

Wells Fund VIII terminated its offering on January 4, 1996, and received gross proceeds of $32,042,689 representing subscriptions from 2,241 limited partners. $26,135,339 of the gross proceeds were attributable to sales of Class A Units, and $5,907,350 were attributable to sales of Class B Units. Limited partners in Wells Fund VIII are entitled to change the status of their units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units and certain repurchases made by Wells Fund VIII, as of December 31, 1998, $26,745,845 of units in Wells Fund VIII were treated as Class A Units, and $5,286,844 of units were treated as Class B Units. Wells Fund VIII owns interests in the following properties:

- a two story office building in Alachua County, Florida near Gainsville leased to CH2M Hill, Engineers, Planners, Economists, Scientists;

- a four story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.;

- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant;

- a retail development in Clayton County, Georgia;

- a four story office building in Madison, Wisconsin leased to US Cellular, a subsidiary of Bellsouth Corporation;

- a one story office building in Farmers Branch, Texas leased to TCI Valwood Limited Partnership I;

- a two story office building in Orange County, California; and

- a two story office building in Boulder County, Colorado leased to Cirrus Logic, Inc.

Wells Fund VIII recognized net income of $273,914 in 1995 (at which time it only owned interests in the office building in Alachua County, Florida, the office building in Jacksonville, Florida, which was under construction, and the tract of land in Clemmons, North Carolina, which was under construction), recognized net income of $936,590 in 1996, recognized net income of $1,102,567 in 1997 and recognized net income of $1,269,171 in 1998.

Wells Fund IX terminated its offering on December 30, 1996, and received gross proceeds of $35,000,000 representing subscriptions from 2,098 limited partners. $29,359,310 of the gross proceeds were attributable to sales of Class A Units, and $5,640,690 were attributable to sales of Class B Units. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 1998, $29,898,750 of units in Wells Fund IX were treated as Class A Units, and $5,101,250 of units were treated as Class B Units. Wells Fund IX owns interests in the following properties:

- a one story office building in Farmers Branch, Texas leased to TCI Valwood Limited Partnership I;

- a four story office building in Madison, Wisconsin leased to US Cellular, a subsidiary of Bellsouth Corporation;

- a two story office building in Orange County, California;

- a two story office building in Boulder County, Colorado leased to Cirrus Logic, Inc.;

- a two story office building in Boulder County, Colorado leased to Ohmeda, Inc.;

- a three story office building in Knox County, Tennessee leased to ABB Environmental Systems;

- a one story office and warehouse building in Weber County, Utah leased to Iomega Corporation;

- a three story office building in Boulder County, Colorado; and

- a one story office building in Oklahoma City, Oklahoma leased to Lucent Technologies, Inc.

Wells Fund IX recognized net income of $298,756 in 1996, recognized net income of $1,091,766 in 1997 and recognized net income of $1,449,955 in 1998.

Wells Fund X terminated its offering on December 30, 1997, and received gross proceeds of $27,128,912 representing subscriptions from 1,806 limited partners. $21,160,992 of the gross proceeds were contributable to sales of Class A Units, and $5,967,920 were attributable to sales of Class B Units. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units as of December 31, 1998, $21,258,042 of units in Wells Fund X were treated as Class A Units and $5,870,870 of units were treated as Class B Units. Wells Fund X owns interests in the following properties:

- a three story office building in Knox County, Tennessee leased to ABB Environmental Systems;
- a two story office building in Boulder County, Colorado leased to Ohmeda, Inc.;
- a one story office and warehouse building in Weber County, Utah leased to Iomega Corporation;
- a three story office building in Boulder County, Colorado;
- a one story office building in Oklahoma City, Oklahoma leased to Lucent Technologies, Inc.;
- a one story office and warehouse building in Orange County, California leased to Cort Furniture Rental Corporation; and
- a two story office and manufacturing building in Alameda County, California leased to Fairchild Technologies U.S.A., Inc.

Wells Fund X recognized net income of $278,025 in 1997 and recognized net income of $1,050,329 in 1998.

Wells Fund XI terminated its offering on December 30, 1998, and received gross proceeds of $16,532,802 representing subscriptions from 1,345 limited partners. $13,029,424 of the gross proceeds were attributable to sales of Class A Units and $3,503,378 were attributable to sales of Class B Units. Wells Fund XI owns interests in the following properties:

- a three story office building in Knox County, Tennessee leased to ABB Environmental Systems;
- a one story office building in Oklahoma City, Oklahoma leased to Lucent Technologies, Inc.;
- a two story office building in Boulder County, Colorado leased to Ohmeda, Inc.;
- a three story office building in Boulder County, Colorado;

- a one story office and warehouse building in Weber County, Utah leased to Iomega Corporation;
- a one story office and warehouse building in Orange County, California leased to Cort Furniture Rental Corporation;

- a two story office and manufacturing building in Alameda County, California leased to Fairchild Technologies U.S.A., Inc.;

- a two story manufacturing and office building in Greenville County, South Carolina leased to EYBL CarTex, Inc.;

- a three story office building in Johnson County, Kansas leased to Sprint Communications Company L.P.;

- a two story research and development office and warehouse building in Chester County, Pennsylvania leased to Johnson Matthey, Inc.; and

- a two story office building in Fort Myers, Florida leased to Gartner Group, Inc.

Wells Fund XI recognized net income of $143,295 in 1998.

Wells Fund XII began its offering on March 22, 1999. As of October 1, 1999, Wells Fund XII had received gross proceeds of $7,044,956 representing subscriptions from 710 limited partners. $5,515,572 of the gross proceeds were attributable to sales of cash preferred units and $1,529,384 were attributable to sales of tax preferred units. Wells Fund XII owns interests in the following properties:

- a two story manufacturing and office building in Greenville County, South Carolina leased to EYBL CarTex, Inc.;

- a three story office building In Johnson County, Kansas leased to Sprint Communications Company L.P.;

- a two story research and development office and warehouse building in Chester County, Pennsylvania leased to Johnson Matthey, Inc.; and

- a two story office building in Fort Myers, Florida leased to Gartner Group, Inc.

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

The foregoing properties in which the above 13 limited partnerships have invested have all been acquired on an all cash basis.

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

Potential investors are encouraged to examine the Prior Performance Tables included in the back of the prospectus for more detailed information regarding the prior experience of the sponsors. In addition, upon request, prospective investors may obtain from us without charge copies of offering

materials and any reports prepared in connection with any of the Wells programs, including a copy of the most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. For a reasonable fee, we will also furnish upon request copies of the exhibits to any such Form 10-K. Any such request should be directed to our secretary. Additionally, Table VI contained in Part II of the registration statement, which is not part of this prospectus, gives certain additional information relating to properties acquired by the Wells programs. We will furnish, without charge, copies of such table upon request.

Federal Income Tax Considerations

General

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

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

Opinion of Counsel

Holland & Knight LLP has acted as our counsel, has reviewed this summary and is of the opinion that it fairly summarizes the federal income tax considerations addressed that are material to shareholders. It is also the opinion of our counsel that, commencing with our taxable year ended December 31, 1998, it is more likely than not that we qualified to be taxed as a REIT under the Internal Revenue Code, provided that we have operated and will continue to operate in accordance with various assumptions and the factual representations we made to counsel concerning our business, properties and operations. It must be emphasized that Holland & Knight LLP's opinion is based on various assumptions and is conditioned upon the assumptions and representations we made concerning our business and properties. Moreover, our qualification for taxation as a REIT depends on our ability to meet the various qualification tests imposed under the Internal Revenue Code discussed below, the results of which will not be reviewed by Holland & Knight LLP. Accordingly, we cannot assure you that the actual results of our operations for any one taxable year will satisfy these requirements. See "Risk Factors -- Failure to Qualify as a REIT."

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

Taxation of the Company

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

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

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

Requirements for Qualification as a REIT

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

Organizational Requirements

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

- be a domestic corporation;
- elect to be taxed as a REIT and satisfy relevant filing and other administrative requirements;
- be managed by one or more trustees or directors;
- have transferable shares;
- not be a financial institution or an insurance company;

. use a calendar year for federal income tax purposes;

. have at least 100 shareholders for at least 335 days of each taxable year of 12 months; and

. not be closely held.

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

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

Ownership of Interests in Partnerships and Qualified REIT Subsidiaries

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

Operational Requirements -- Gross Income Tests

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

. At least 75% of our gross income, excluding gross income from prohibited transactions, for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property. Gross income includes "rents from real property" and, in some circumstances, interest, but excludes gross income from dispositions of property held primarily for sale to customers in the ordinary course of a trade or business. Such dispositions are referred to as "prohibited transactions." This is the 75% Income Test.

- At least 95% of our gross income, excluding gross income from prohibited transactions, for each taxable year must be derived from the real property investments described above and from distributions, interest and gains from the sale or disposition of stock or securities or from any combination of the foregoing. This is the 95% Income Test.

- The rents we receive or that we are deemed to receive qualify as "rents from real property" for purposes of satisfying the gross income requirements for a REIT only if the following conditions are met:

  - the amount of rent received from a tenant generally must not be based in whole or in part on the income or profits of any person, however, an amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of gross receipts or sales;

  - rents received from a tenant will not qualify as "rents from real property" if an owner of 10% or more of the REIT directly or constructively owns 10% or more of the tenant (a "Related Party Tenant") or a subtenant of the tenant (in which case only rent attributable to the subtenant is disqualified);

  - if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as "rents from real property"; and

  - the REIT must not operate or manage the property or furnish or render services to tenants, other than through an "independent contractor" who is adequately

compensated and from whom the REIT does not derive any income. However, a REIT may provide services with respect to its properties, and the income derived therefrom will qualify as "rents from real property," if the services are "usually or customarily rendered" in connection with the rental of space only and are not otherwise considered "rendered to the occupant." Even if the services with respect to a property are impermissible tenant services, the income derived therefrom will qualify as "rents from real property" if such income does not exceed one percent of all amounts received or accrued with respect to that property.

If we acquire ownership of property by reason of the default of a borrower on a loan or possession of property by reason of a tenant default, if the property qualifies and we elect to treat it as foreclosure property, the income from the property will qualify under the 75% Income Test and the 95% Income Test notwithstanding its failure to satisfy these requirements for three years, or if extended for good cause, up to a total of six years. In that event, we must satisfy a number of complex rules, one of which is a requirement that we operate the property through an independent contractor. We will be subject to tax on that portion of our net income from foreclosure property that does not otherwise qualify under the 75% Income Test.

Prior to the making of investments in properties, we may satisfy the 75% Income Test and the 95% Income Test by investing in liquid assets such as government securities or certificates of deposit, but earnings from those types of assets are qualifying income under the 75% Income Test only for one year from the receipt of proceeds. Accordingly, to the extent that offering proceeds have not been invested in properties prior to the expiration of this one year period, in order to satisfy the 75% Income Test, we may invest the offering proceeds in

less liquid investments such as mortgage-backed securities, maturing mortgage loans purchased from mortgage lenders or shares in other REITs. We expect to receive proceeds from the offering in a series of closings and to trace those proceeds for purposes of determining the one year period for "new capital investments." No rulings or regulations have been issued under the provisions of the Internal Revenue Code governing "new capital investments," however, so that there can be no assurance that the Internal Revenue Service will agree with this method of calculation.

Except for amounts received with respect to certain investments of cash reserves, we anticipate that substantially all of our gross income will be from sources that will allow us to satisfy the income tests described above; however, there can be no assurance given in this regard. Notwithstanding our failure to satisfy one or both of the 75% Income and the 95% Income Tests for any taxable year, we may still qualify as a REIT for that year if we are eligible for relief under specific provisions of the Internal Revenue Code. These relief provisions generally will be available if:

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

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

Operational Requirements -- Asset Tests

At the close of each quarter of our taxable year, we also must satisfy three tests relating to the nature and diversification of our assets.

- First, at least 75% of the value of our total assets must be represented by real estate assets, cash, cash items and government securities. The term "real estate assets" includes real property, mortgages on real property, shares in other qualified REITs and a proportionate share of any real estate assets owned by a partnership in which we are a partner or of any qualified REIT subsidiary of ours.
- Second, no more than 25% of our total assets may be represented by securities other than those in the 75% asset class.
- Third, of the investments included in the 25% asset class, the value of any one issuer's securities that we own may not exceed 5% of the value of our total assets. Additionally, we may not own more than 10% of any one issuer's outstanding voting securities.

The 5% test must generally be met for any quarter in which we acquire securities. Further, if we meet the asset tests at the close of any quarter, we will not lose our REIT status for a failure to satisfy the asset tests at the end of a later quarter if such failure occurs solely because of changes in asset values. If our failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, we can cure the failure by disposing of a sufficient amount of nonqualifying assets within 30 days after the close of that quarter. We maintain, and will continue to maintain, adequate

records of the value of our assets to ensure compliance with the asset tests and will take other action within 30 days after the close of any quarter as may be required to cure any noncompliance.

Operational Requirements -- Annual Distribution Requirement

In order to be taxed as a REIT, we are required to make distributions, other than capital gain distributions, to our shareholders. The amount of these distributions must be equal to at least 95% of our REIT taxable income (computed without regard to the distributions-paid deduction and our capital gain and subject to certain other potential adjustments).

We must generally pay distributions in the taxable year to which they relate. Alternatively, however, distributions may be made 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 distribution payment after the declaration.

Even if we satisfy the foregoing 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 amounts distributed to shareholders.

In addition, if we fail to distribute during each calendar year at least the sum of:

- 85% of our ordinary income for that year;
- 95% of our capital gain net income other than the capital gain net income which we elect to retain and pay tax on for that year; and
- any undistributed taxable income from prior periods,

we will be subject to a 4% excise tax on the excess of the amount of such required distributions over amounts actually distributed during such year.

We intend to make timely distributions sufficient to satisfy this requirement; however, it is possible that we may experience timing differences between (1) the actual receipt of income and payment of deductible expenses, and (2) the inclusion of that income. It is also possible that we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale.

In such circumstances, we may have less cash than is necessary to meet our annual distribution requirement or to avoid income or excise taxation on certain undistributed income. We may find it necessary in such circumstances to arrange for financing or raise funds through the issuance of additional shares in order to meet our distribution requirements, or we may pay taxable stock distributions to meet the distribution requirement.

If we fail to satisfy the distribution requirement for any taxable year by reason of a later adjustment to our taxable income made by the Internal Revenue Service, we may be able to pay "deficiency dividends" in a later year and include such distributions in our deductions for dividends paid for the earlier year. In such event, we may be able to avoid being taxed on amounts distributed as deficiency dividends, but we would be required in such circumstances to pay interest to the Internal Revenue Service based upon the amount of any deduction taken for deficiency dividends for the earlier year.

As noted above, we may also elect to retain, rather than distribute our net long-term capital gains. The effect of such an election would be as follows:

- we would be required to pay the tax on these gains;

- shareholders, while required to include their proportionate share of the undistributed long-term capital gains in income, would receive a credit or refund for their share of the tax paid by the REIT; and

- the basis of a shareholder's shares would be increased by the amount of our undistributed long-term capital gains (minus the amount of capital gains tax we pay) included in the shareholder's long-term capital gains.

In computing our REIT taxable income, we will use the accrual method of accounting and depreciate depreciable property under the alternative depreciation system. We are required to file an annual federal income tax return, which, like other corporate returns, is subject to examination by the Internal Revenue Service. Because the tax law requires us to make many judgments regarding the proper treatment of a transaction or an item of income or deduction, it is possible that the Internal Revenue Service will challenge positions we take in computing our REIT taxable income and our distributions. Issues could arise, for example, with respect to the allocation of the purchase price of properties between depreciable or amortizable assets and nondepreciable or non-amortizable assets such as land and the current deductibility of fees paid to Wells Capital or its affiliates. Were the Internal Revenue Service to challenge successfully our characterization of a transaction or determination of our REIT taxable income, we could be found not to have satisfied a requirement for qualification as a REIT and mitigation provisions might not apply. (See "Sale-Leaseback Transactions.") If, as a result of a challenge, we are determined not to have satisfied the distribution requirements for a taxable year, we would be disqualified as a REIT, unless we were permitted to pay a deficiency distribution to our shareholders and pay interest thereon to the Internal Revenue Service, as provided by the Internal Revenue Code. A deficiency

distribution cannot be used to satisfy the distribution requirement, however, if the failure to meet the requirement is not due to a later adjustment to our income by the Internal Revenue Service.

Operational Requirements -- Recordkeeping

In order to continue to qualify as a REIT, we must maintain certain records as set forth in applicable Treasury Regulations. Further, we must request, on an annual basis, certain information designed to disclose the ownership of our outstanding shares. We intend to comply with such requirements.

Failure to Qualify as a REIT

If we fail to qualify as a REIT for any reason in a taxable year and applicable relief provisions do not apply, we will be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. We will not be able to deduct distributions to our shareholders in any year in which we fail to qualify as a REIT. We also will be disqualified for the four taxable years following the year during which qualification was lost unless we are entitled to relief under specific statutory provisions. (See "Risk Factors -- Federal Income Tax Risks")

Sale-Leaseback Transactions

Some of our investments may be in the form of sale-leaseback transactions. In most instances, depending on the economic terms of the transaction, we will be treated for federal income tax purposes as either the owner of the property or the holder of a debt secured by the property. We do not expect to request an opinion of counsel concerning the status of any leases of properties as true leases for federal income tax purposes.

The Internal Revenue Service may take the position that a specific sale-leaseback transaction which we treat as a true lease is not a true lease for

federal income tax purposes but is, instead, a financing arrangement or loan. We may also structure some sale-leaseback transactions as loans. In this event, for purposes of the asset tests and the 75% Income Test, each such loan likely would be viewed as secured by real property to the extent of the fair market value of the underlying property. It is expected that, for this purpose, the fair market value of the underlying property would be determined without taking into account our lease. If a sale-leaseback transaction were so recharacterized, we might fail to satisfy the asset tests or the Income Tests and, consequently, lose our REIT status effective with the year of recharacterization. Alternatively, the amount of our REIT taxable income could be recalculated which might also cause us to fail to meet the distribution requirement for a taxable year.

Taxation of U.S. Shareholders

Definition

In this section, the phrase "U.S. shareholder" means a holder of shares that for federal income tax purposes:

- is a citizen or resident of the United States;
- is a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof;

- is an estate or trust, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

For any taxable year for which we qualify for taxation as a REIT, amounts distributed to taxable U.S. shareholders will be taxed as described below.

Distributions Generally

Distributions to U.S. shareholders, other than capital gain distributions discussed below, will constitute dividends up to the amount of our current or accumulated earnings and profits and will be taxable to the shareholders as ordinary income. These distributions are not eligible for the dividends received deduction generally available to corporations. To the extent that we make a distribution in excess of our current or accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital, reducing the tax basis in each U.S. shareholder's shares, and the amount of each distribution in excess of a U.S. shareholder's tax basis in its shares will be taxable as gain realized from the sale of its shares. Distributions that we declare in October, November or December of any year payable to a shareholder of record on a specified date in any of these months will be treated as both paid by us and received by the shareholder on December 31 of the year, provided that we actually pay the distribution during January of the following calendar year. U.S. shareholders may not include any of our losses on their own federal income tax returns.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution by us up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed above. Moreover, any "deficiency distribution" will be treated as an ordinary or capital gain distribution, as the case may be, regardless of our earnings and profits. As a result, shareholders may be required to treat some distributions that would otherwise result in a tax-free return of capital as taxable.

Capital Gain Distributions

Distributions to U.S. shareholders that we properly designate as capital gain distributions will be treated as long-term capital gains, to the extent they do not exceed our actual net capital gain, for the taxable year without regard to the period for which the U.S. shareholder has held his stock.

Passive Activity Loss and Investment Interest Limitations

Our distributions and any gain you realize from a disposition of shares will not be treated as passive activity income, and shareholders may not be able to utilize any of their "passive losses" to offset this income in their personal tax returns. Our distributions (to the extent they do not constitute a return of capital) will generally be treated as investment income for purposes of the limitations on the deduction of investment interest. Net capital gain from a disposition of shares and capital gain distributions generally will be included in investment income for purposes of the investment interest deduction limitations only if, and to the extent, you so elect, in which case any such capital gains will be taxed as ordinary income.

Certain Dispositions of the Shares

In general, any gain or loss realized upon a taxable disposition of shares by a U.S. shareholder who is not a dealer in securities will be treated as long-term capital gain or loss if the shares have been

held for more than 12 months and as short-term capital gain or loss if the shares have been held for 12 months or less. If, however, a U.S. shareholder has received any capital gains distributions with respect to his shares, any loss realized upon a taxable disposition of shares held for six months or less, to the extent of the capital gains distributions received with respect to his shares, will be treated as long-term capital loss. Also, the Internal Revenue Service is authorized to issue Treasury Regulations that would subject a portion of the capital gain a U.S. shareholder recognizes from selling his shares or from a capital gain distribution to a tax at a 25% rate, to the extent the capital gain is attributable to depreciation previously deducted.

Information Reporting Requirements and Backup Withholding for U.S. Shareholders

Under some circumstances, U.S. shareholders may be subject to backup withholding at a rate of 31% on payments made with respect to, or cash proceeds of a sale or exchange of, our shares. Backup withholding will apply only if the shareholder:

- fails to furnish his or her taxpayer identification number (which, for an individual, would be his or her Social Security Number);
- furnishes an incorrect tax identification number;
- is notified by the Internal Revenue Service that he or she has failed properly to report payments of interest and distributions or is otherwise subject to backup withholding; or
- under some circumstances, fails to certify, under penalties of perjury, that he or she has furnished a correct tax identification number and that (a) he or she has not been notified by the Internal Revenue Service that he or she is subject to backup withholding for failure to report interest and distribution payments or (b) he or she has been notified by the Internal Revenue Service that he or she is no longer subject to backup withholding.

Backup withholding will not apply with respect to payments made to some shareholders, such as corporations and tax-exempt organizations. Backup withholding is not an additional tax. Rather, the amount of any backup

withholding with respect to a payment to a U.S. shareholder will be allowed as a credit against the U.S. shareholder's U.S. federal income tax liability and may entitle the U.S. shareholder to a refund, provided that the required information is furnished to the Internal Revenue Service. U.S. shareholders should consult their own tax advisors regarding their qualifications for exemption from backup withholding and the procedure for obtaining an exemption.

Treatment of Tax-Exempt Shareholders

Tax-exempt entities such as employee pension benefit trusts, individual retirement accounts, charitable remainder trusts, etc. generally are exempt from federal income taxation. Such entities are subject to taxation, however, on any "unrelated business taxable income," as defined in the Internal Revenue Code. The payment of dividends to a tax-exempt employee pension benefit trust or other domestic tax-exempt shareholder generally will not constitute unrelated business taxable income to such shareholder unless such shareholder has borrowed to acquire or carry its shares.

If we are deemed to be "predominately held" by qualified employee pension benefit trusts that each hold more than 10% (by value) of our shares, such trusts would be required to treat a certain percentage of the dividend distributions paid to them as unrelated business taxable income. We would be deemed to be "predominately held" by such trusts if either (1) one such trust owns more than 25% in value of our shares, or (ii) any group of such trusts, each owning more than 10% in value of our shares,

holds in the aggregate more than 50% in value of our shares. If either of these ownership thresholds is exceeded, any such qualified employee pension benefit trust holding more than 10% in value of our shares will generally be subject to tax on that portion of our dividend distributions made to it which is equal to the percentage of our income which would be "unrelated business taxable income" if we were a qualified trust, rather than a REIT. We will attempt to monitor the concentration of ownership of such trusts in our shares, and we do not expect our shares to be deemed to be "predominately held" by qualified employee pension benefit trusts, as defined in the Internal Revenue Code, to the extent required to trigger the treatment of our income as unrelated business taxable income.

For social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans exempt from federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Internal Revenue Code, respectively, income from an investment in our shares will constitute unrelated business taxable income unless the shareholder in question is able to deduct amounts "set aside" or placed in reserve for certain purposes so as to offset the unrelated business taxable income generated. Any such organization which is a prospective shareholder should consult its own tax advisor concerning these "set aside" and reserve requirements.

Special Tax Considerations for Non-U.S. Shareholders

The rules governing U.S. income taxation of non-resident alien individuals, foreign corporations, foreign partnerships and foreign trusts and estates (collectively, "Non-U.S. shareholders") are complex. The following discussion is intended only as a summary of these rules. Non-U.S. investors should consult with their own tax advisors to determine the impact of federal, state and local income tax laws on an investment in our shares, including any reporting requirements.

Income Effectively Connected With a U.S. Trade or Business

In general, Non-U.S. shareholders will be subject to regular U.S. federal income taxation with respect to their investment in our shares if the income derived therefrom is "effectively connected" with the Non-U.S. shareholder's conduct of a trade or business in the United States. A corporate Non-U.S. shareholder that receives income that is (or is treated as) effectively

connected with a U.S. trade or business also may be subject to a branch profits tax under Section 884 of the Internal Revenue Code, which is payable in addition to the regular U.S. federal corporate income tax.

The following discussion will apply to Non-U.S. shareholders whose income derived from ownership of our shares is deemed to be not effectively connected with a U.S. trade or business.

Distributions Not Attributable to Gain From the Sale or Exchange of a United States Real Property Interest

A distribution to a Non-U.S. shareholder that is not attributable to gain realized by us from the sale or exchange of a United States real property interest and that we do not designate as a capital gain distribution will be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits. Generally, any ordinary income distribution will be subject to a U.S. federal income tax equal to 30% of the gross amount of the distribution unless this tax is reduced by the provisions of an applicable tax treaty. Any such distribution in excess of our earnings and profits will be treated first as a return of capital that will reduce each Non-U.S. shareholder's basis in its shares (but not below zero) and then as gain from the disposition of those shares, the tax treatment of which is described under the rules discussed below with respect to dispositions of shares.

Distributions Attributable to Gain From the Sale or Exchange of a United States Real Property Interest

Distributions to a Non-U.S. shareholder that are attributable to gain from the sale or exchange of a United States real property interest will be taxed to a Non-U.S. shareholder under Internal Revenue Code provisions enacted by the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). Under FIRPTA, such distributions are taxed to a Non-U.S. shareholder as if the distributions were gains "effectively connected" with a U.S. trade or business. Accordingly, a Non-U.S. shareholder will be taxed at the normal capital gain rates applicable to a U.S. shareholder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals). Distributions subject to FIRPTA also may be subject to a 30% branch profits tax when made to a corporate Non-U.S. shareholder that is not entitled to a treaty exemption.

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

Although tax treaties may reduce our withholding obligations, we generally will be required to withhold from distributions to Non-U.S. shareholders, and remit to the Internal Revenue Service:

- 35% of designated capital gain distributions or, if greater, 35% of the amount of any distributions that could be designated as capital gain distributions; and

- 30% of ordinary income distributions (i.e., distributions paid out of our earnings and profits).

In addition, if we designate prior distributions as capital gain distributions, subsequent distributions, up to the amount of the prior distributions, will be treated as capital gain distributions for purposes of withholding. A distribution in excess of our earnings and profits will be subject to 30% withholding if at the time of the distribution it cannot be determined whether the distribution will be in an amount in excess of our current or accumulated earnings and profits. If the amount of tax we withhold with respect to a distribution to a Non-U.S. shareholder exceeds the shareholder's U.S. tax liability with respect to that distribution, the Non-U.S. shareholder may file a

claim with the Internal Revenue Service for a refund of the excess.

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

A sale of our shares by a Non-U.S. shareholder will generally not be subject to U.S. federal income taxation unless our shares constitute a "United States real property interest" within the meaning of FIRPTA. Our shares will not constitute a United States real property interest if we are a "domestically controlled REIT." A "domestically controlled REIT" is a REIT that at all times during a specified testing period has less than 50% in value of its shares held directly or indirectly by Non-U.S. shareholders. We currently anticipate that we will be a domestically controlled REIT. Therefore, sales of our shares should not be subject to taxation under FIRPTA. However, we cannot assure you that we will continue to be a domestically controlled REIT. If we were not a domestically controlled REIT, whether a Non-U.S. shareholder's sale of our shares would be subject to tax under FIRPTA as a sale of a United States real property interest would depend on whether our shares were "regularly traded" on an established securities market and on the size of the selling shareholder's interest in us. Our shares currently are not "regularly traded" on an established securities market.

If the gain on the sale of shares were subject to taxation under FIRPTA, a Non-U.S. shareholder would be subject to the same treatment as a U.S. shareholder with respect to the gain, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident

alien individuals. In addition, distributions that are treated as gain from the disposition of shares and are subject to tax under FIRPTA also may be subject to a 30% branch profits tax when made to a corporate Non-U.S. shareholder that is not entitled to a treaty exemption. Under FIRPTA, the purchaser of our shares may be required to withhold 10% of the purchase price and remit this amount to the Internal Revenue Service.

Even if not subject to FIRPTA, capital gains will be taxable to a Non-U.S. shareholder if the Non-U.S. shareholder is a non-resident alien individual who is present in the United States for 183 days or more during the taxable year and some other conditions apply, in which case the non-resident alien individual will be subject to a 30% tax on his or her U.S. source capital gains.

Recently promulgated Treasury Regulations may alter the procedures for claiming the benefits of an income tax treaty. Our Non-U.S. shareholders should consult their tax advisors concerning the effect, if any, of these Treasury Regulations on an investment in our shares.

Information Reporting Requirements and Backup Withholding for Non-U.S. Shareholders

Additional issues may arise for information reporting and backup withholding for Non-U.S. shareholders. Non-U.S. shareholders should consult their tax advisors with regard to U.S. information reporting and backup withholding requirements under the Internal Revenue Code.

Statement of Stock Ownership

We are required to demand annual written statements from the record holders of designated percentages of our shares disclosing the actual owners of the shares. Any record shareholder who, upon our request, does not provide us with required information concerning actual ownership of the shares is required to include specified information relating to his shares in his federal income tax return. We also must maintain, within the Internal Revenue District in which we are required to file our federal income tax return, permanent records showing the information we have received about the actual ownership of shares and a list of those persons failing or refusing to comply with our demand.

State and Local Taxation

We and any operating subsidiaries of ours may be subject to state and local tax in states and localities in which we or they do business or own property. The tax treatment of the Wells REIT, our operating partnership, our operating subsidiaries and the holders of our shares in local jurisdictions may differ from the federal income tax treatment described above.

Tax Aspects of the Operating Partnership

The following discussion summarizes certain federal income tax considerations applicable to our investment in Wells OP, our operating partnership. The discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

Classification as a Partnership

We will be entitled to include in our income a distributive share of Wells OP's income and to deduct our distributive share of Wells OP's losses only if Wells OP is classified for federal income tax purposes as a partnership, rather than as an association taxable as a corporation. Under applicable Treasury Regulations (the "Check-the-Box-Regulations"), an unincorporated entity with at least two members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity fails to make an election, it generally will be treated as a partnership for federal income tax purposes. Wells OP intends to be classified as a partnership for federal income tax purposes and will not elect to be treated as an association taxable as a corporation under the Check-the-Box-Regulations.

Even though Wells OP will elect to be treated as a partnership for federal income tax purposes, it may be taxed as a corporation if it is deemed to be a "publicly traded partnership." A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or the substantial equivalent thereof); provided, that even if the foregoing requirements are met, a publicly traded partnership will not be treated as a corporation for federal income tax purposes if at least 90% of such partnership's gross income for a taxable year consists of "qualifying income" under Section 7704(d) of the Internal Revenue Code. Qualifying income generally includes any income that is qualifying income for purposes of the 95% gross income test applicable to REITs (90% Passive-Type Income Exception). (See "Requirements for Qualification as a REIT -- Operational Requirements -- Gross Income Tests").

Under applicable Treasury Regulations (PTP Regulations), limited safe harbors from the definition of a publicly traded partnership are provided. Pursuant to one of those safe harbors (Private Placement Exclusion), interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (i) all interests in the partnership were issued in a transaction (or transactions) that was not required to be registered under the Securities Act of 1933, as amended, and (ii) the partnership does not have more than 100 partners at any time during the partnership's taxable year. In determining the number of partners in a partnership, a person owning an interest in a flow-through entity (i.e., a
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partnership, grantor trust, or S corporation) that owns an interest in the partnership is treated as a partner in such partnership only if (a) substantially all of the value of the owner's interest in the flow-through is attributable to the flow-through entity's interest (direct or indirect) in the partnership and (b) a principal purpose of the use of the flow-through entity is to permit the partnership to satisfy the 100 partner limitation. Wells OP qualifies for the Private Placement Exclusion. Even if Wells OP is considered a publicly traded partnership under the PTP Regulations because it is deemed to have more than 100 partners, however, Wells OP should not be treated as a

corporation because it should be eligible for the 90% Passive-Type Income Exception described above.

We have not requested, and do not intend to request, a ruling from the Internal Revenue Service that Wells OP will be classified as a partnership for federal income tax purposes. Holland & Knight LLP is of the opinion, however, that based on certain factual assumptions and representations, Wells OP will more likely than not be treated for federal income tax purposes as a partnership and not as an association taxable as a corporation, or as a publicly traded partnership. Unlike a tax ruling, however, an opinion of counsel is not binding upon the Internal Revenue Service, and no assurance can be given that the Internal Revenue Service will not challenge the status of Wells OP as a partnership for federal income tax purposes. If such challenge were sustained by a court, Wells OP would be treated as a corporation for federal income tax purposes, as described below. In addition, the opinion of Holland & Knight LLP is based on existing law, which is to a great extent the result of administrative and judicial interpretation. No assurance can be given that administrative or judicial changes would not modify the conclusions expressed in the opinion.

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

Income Taxation of the Operating Partnership and its Partners

Partners, Not a Partnership, Subject to Tax. A partnership is not a taxable entity for federal income tax purposes. As a partner in Wells OP, we will be required to take into account our allocable share of Wells OP's income, gains, losses, deductions, and credits for any taxable year of Wells OP ending within or with our taxable year, without regard to whether we have received or will receive any distribution from Wells OP.

Partnership Allocations. Although a partnership agreement generally determines the allocation of income and losses among partners, such allocations will be disregarded for tax purposes under Section 704(b) of the Internal Revenue Code if they do not comply with the provisions of Section 704(b) of the Internal Revenue Code and the Treasury Regulations promulgated thereunder. If an allocation is not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partner's interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Wells OP's allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Internal Revenue Code and the Treasury Regulations promulgated thereunder.

Tax Allocations With Respect to Contributed Properties. Pursuant to Section 704(c) of the Internal Revenue Code, income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for federal income tax purposes in a manner such that the contributor is charged with, or benefits from, the unrealized gain or unrealized loss associated with

the property at the time of the contribution. The amount of such unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution. Under applicable Treasury Regulations, partnerships are required to use a "reasonable method" for allocating items subject to Section 704(c) of the Internal Revenue Code and several reasonable allocation methods are described therein.

Under the partnership agreement for Wells OP, depreciation or amortization deductions of Wells OP generally will be allocated among the partners in accordance with their respective interests in Wells OP, except to the extent that Wells OP is required under Section 704(c) to use a method for allocating depreciation deductions attributable to its properties that results in us receiving a disproportionately large share of such deductions. It is possible that we may (1) be allocated lower amounts of depreciation deductions for tax purposes with respect to contributed properties than would be allocated to us if each such property were to have a tax basis equal to its fair market value at the time of contribution, and (2) be allocated taxable gain in the event of a sale of such contributed properties in excess of the economic profit

allocated to us as a result of such sale. These allocations may cause us to recognize taxable income in excess of cash proceeds received by us, which might adversely affect our ability to comply with the REIT distribution requirements, although we do not anticipate that this event will occur. The foregoing principles also will affect the calculation of our earnings and profits for purposes of determining which portion of our distributions is taxable as a dividend. The allocations described in this paragraph may result in a higher portion of our distributions being taxed as a dividend than would have occurred had we purchased such properties for cash.

Basis in Operating Partnership Interest. The adjusted tax basis of our partnership interest in Wells OP generally is equal to (1) the amount of cash and the basis of any other property contributed to Wells OP by us, (2) increased by (A) our allocable share of Wells OP's income and (B) our allocable share of indebtedness of Wells OP, and (3) reduced, but not below zero, by (A) our allocable share of Wells OP's loss and (B) the amount of cash distributed to us, including constructive cash distributions resulting from a reduction in our share of indebtedness of Wells OP.

If the allocation of our distributive share of Wells OP's loss would reduce the adjusted tax basis of our partnership interest in Wells OP below zero, the recognition of such loss will be deferred until such time as the recognition of such loss would not reduce our adjusted tax basis below zero. If a distribution from Wells OP or a reduction in our share of Wells OP's liabilities (which is treated as a constructive distribution for tax purposes) would reduce our adjusted tax basis below zero, any such distribution, including a constructive distribution, would constitute taxable income to us. The gain realized by us upon the receipt of any such distribution or constructive distribution would normally be characterized as capital gain, and if our partnership interest in Wells OP has been held for longer than the long-term capital gain holding period (currently one year), the distribution would constitute long-term capital gain.

Depreciation Deductions Available to the Operating Partnership. Wells OP will use a portion of contributions made by the Wells REIT from offering proceeds to acquire interests in properties. To the extent that Wells OP acquires properties for cash, Wells OP's initial basis in such properties for federal income tax purposes generally will be equal to the purchase price paid by Wells OP. Wells OP plans to depreciate each such depreciable property for federal income tax purposes under the alternative depreciation system of depreciation ("ADS"). Under ADS, Wells OP generally will depreciate such buildings and improvements over a 40 year recovery period using a straight-line method and a mid-month convention and will depreciate furnishings and equipment over a 12 year recovery period. To the extent that Wells OP acquires properties in exchange for units of Wells OP, Wells OP's initial basis in each such

property for federal income tax purposes should be the same as the transferor's basis in that property on the date of acquisition by Wells OP. Although the law is not entirely clear, Wells OP generally intends to depreciate such depreciable property for federal income tax purposes over the same remaining useful lives and under the same methods used by the transferors.

Sale of the Operating Partnership's Property

Generally, any gain realized by Wells OP on the sale of property held for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Any gain recognized by Wells OP upon the disposition of a property acquired by Wells OP for cash will be allocated among the partners in accordance with their respective percentage interests in Wells OP.

Our share of any gain realized by Wells OP on the sale of any property held by Wells OP as inventory or other property held primarily for sale to customers in the ordinary course of Wells OP's trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income also may have an adverse effect upon our ability to satisfy the income

tests for maintaining our REIT status. (See "Federal Income Tax Considerations--Requirements for Qualification as a REIT -- Gross Income Tests" above.) We, however, do not presently intend to acquire or hold or allow Wells OP to acquire or hold any property that represents inventory or other property held primarily for sale to customers in the ordinary course of our or Wells OP's trade or business.

ERISA Considerations

The following is a summary of some non-tax considerations associated with an investment in our shares by a qualified employee pension benefit plan or an IRA. This summary is based on provisions of ERISA and the Internal Revenue Code, as amended through the date of this prospectus, and relevant regulations and opinions issued by the Department of Labor and the Internal Revenue Service. We cannot assure you that legislative, regulatory or administrative changes or court decisions may not be forthcoming which would significantly modify the statements expressed herein. Any changes may or may not apply to transactions entered into prior to the date of their enactment.

Each fiduciary of an employee pension benefit plan subject to ERISA, such as a profit sharing, section 401(k) or pension plan, or of any other retirement plan or account subject to Section 4975 of the Internal Revenue Code, such as an IRA (Benefit Plans), seeking to invest plan assets in our shares must, taking into account the facts and circumstances of such Benefit Plan, consider, among other matters:

- whether the investment is consistent with the applicable provisions of ERISA and the Internal Revenue Code;
- whether, under the facts and circumstances attendant to the Benefit Plan in question, the fiduciary's responsibility to the plan has been satisfied;
- whether the investment will produce unrelated business taxable income to the Benefit Plan (see "Federal Income Tax Considerations -- Treatment of Tax-Exempt Shareholders"); and
- the need to value the assets of the Benefit Plan annually.

Under ERISA, a plan fiduciary's responsibilities include the following duties:

- to act solely in the interest of plan participants and beneficiaries and for the exclusive purpose of providing benefits to them, as well as defraying reasonable expenses of plan administration;

- to invest plan assets prudently;

- to diversify the investments of the plan unless it is clearly prudent not to do so;

- to ensure sufficient liquidity for the plan; and

- to consider whether an investment would constitute or give rise to a prohibited transaction under ERISA or the Internal Revenue Code.

ERISA also requires that the assets of an employee benefit plan be held in trust and that the trustee, or a duly authorized named fiduciary or investment manager, have exclusive authority and discretion to manage and control the assets of the plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit specified transactions involving the assets of a Benefit Plan which are between the plan and any "party in interest" or "disqualified person" with respect to that Benefit Plan. These transactions are prohibited regardless of how beneficial they may be for the Benefit Plan. Prohibited transactions include the sale, exchange or leasing of property, the lending of money or the extension of credit between a Benefit Plan and a party in interest or disqualified person, and the transfer to, or use by, or for the benefit of, a party in interest, or disqualified person, of any assets of a Benefit Plan. A fiduciary of a Benefit Plan also is prohibited from engaging in self-dealing, acting for a person who has an interest adverse to the plan or receiving any consideration for its own account from a party dealing with the plan in a transaction involving plan assets. Furthermore, Section 408 of the Internal Revenue Code states that assets of an IRA trust may not be commingled with other property except in a common trust fund or common investment fund.

Plan Asset Considerations

In order to determine whether an investment in our shares by Benefit Plans creates or gives rise to the potential for either prohibited transactions or the commingling of assets referred to above, a fiduciary must consider whether an investment in our shares will cause our assets to be treated as assets of the investing Benefit Plans. Neither ERISA nor the Internal Revenue Code define the term "plan assets," however, U.S. Department of Labor Regulations provide guidelines as to whether, and under what circumstances, the underlying assets of an entity will be deemed to constitute assets of a Benefit Plan when the plan invests in that entity (29 C.F.R. Section 2510.3-101, the Regulation). Under the 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 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 Regulation is satisfied, as determined below.

Specifically, the Regulation provides that the underlying assets of REITs will not be treated as assets of a Benefit Plan investing therein if the interest the Benefit Plan acquires is a "publicly-offered security." A publicly-offered security must be:

- sold as part of a public offering registered under the Securities Act of 1933 and be part of a class of securities registered under the

Securities Exchange Act of 1934, as amended, within a specified time period;

- part of a class of securities that is owned by 100 or more persons who are independent of the issuer and one another; and

- "freely transferable."

Our shares are being sold as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act, and are part of a class registered under the Securities Exchange Act. Any shares purchased, therefore, should satisfy the first criterion of the publicly-offered security exemption.

We have over 100 independent shareholders. Thus, the second criterion of the publicly-offered security exception will be satisfied.

Whether a security is "freely transferable" depends upon the particular facts and circumstances. Our shares are subject to certain restrictions on transferability intended to ensure that we continue to

qualify for federal income tax treatment as a REIT. The Regulation provides, however, that where the minimum investment in a public offering of securities is $10,000 or less, the presence of a restriction on transferability intended to prohibit transfers which would result in a termination or reclassification of the entity for state or federal tax purposes will not ordinarily affect a determination that such securities are freely transferable. The minimum investment in our shares is less than $10,000; thus, the restrictions imposed in order to maintain our status as a REIT should not cause the shares to be deemed to be not freely transferable.

In the event that our underlying assets were treated by the Department of Labor as the assets of investing Benefit Plans, our management would be treated as fiduciaries with respect to each Benefit Plan shareholder, and an investment in our shares might constitute an ineffective delegation of fiduciary responsibility to Wells Capital and expose the fiduciary of the Benefit Plan to co-fiduciary liability under ERISA for any breach by Wells Capital of the fiduciary duties mandated under ERISA. Further, if our assets are deemed to be "plan assets," an investment by an IRA in our shares might be deemed to result in an impermissible commingling of IRA assets with other property.

If our management were treated as fiduciaries with respect to Benefit Plan shareholders, the prohibited transaction restrictions of ERISA and the Internal Revenue Code would apply to any transaction involving our assets. These restrictions could, for example, require that we avoid transactions with entities that are affiliated with us or our affiliates or restructure our activities in order to obtain an administrative exemption from the prohibited transaction restrictions. Alternatively, we might have to provide Benefit Plan shareholders with the opportunity to sell their shares to us or we might dissolve or terminate.

If a prohibited transaction were to occur, the Internal Revenue Code imposes an excise tax equal to 15 percent of the amount involved and authorizes the IRS to impose an additional 100% excise tax if the prohibited transaction is not "corrected." These taxes would be imposed on any disqualified person who participates in the prohibited transaction. In addition, Wells Capital and possibly other fiduciaries of Benefit Plan shareholders subject to ERISA who permitted the prohibited transaction to occur or who otherwise breached their fiduciary responsibilities, or a non-fiduciary participating in a prohibited transaction, could be required to restore to the Benefit Plan any profits they realized as a result of the transaction or breach, and make good to the Benefit Plan any losses incurred by the Benefit Plan as a result of the transaction or breach. With respect to an IRA that invests in our shares, the occurrence of a prohibited transaction involving the individual who established the IRA, or his

or her beneficiary, would cause the IRA to lose its tax-exempt status under Section 408(e)(2) of the Internal Revenue Code.

We have obtained an opinion from Holland & Knight LLP that our shares more likely than not constitute "publicly-offered securities" and, accordingly, it is more likely than not that our underlying assets should not be considered plan assets under the Regulation, assuming the offering takes place as described in this prospectus. If our underlying assets are not deemed to be "plan assets," the problems discussed in the immediately preceding three paragraphs are not expected to arise.

Other Prohibited Transactions

Regardless of whether the shares qualify for the "publicly-offered security" exception of the Regulation, a prohibited transaction could occur if the Wells REIT, the advisor, any selected dealer, the escrow agent or any of their affiliates is a fiduciary (within the meaning of Section 3(21) of ERISA) with respect to any Benefit Plan purchasing the shares. Accordingly, unless an administrative or statutory exemption applies, shares should not be purchased by a Benefit Plan with respect to which any of the above persons is a fiduciary. A person is a fiduciary with respect to a Benefit Plan under Section 3(21) of ERISA if, among other things, the person has discretionary authority or control with respect to plan assets

or provides investment advice for a fee with respect to plan assets. Under a regulation issued by the Department of Labor, a person shall be deemed to be providing investment advice if that person renders advice as to the advisability of investing in our shares and that person regularly provides investment advice to the Benefit Plan pursuant to a mutual agreement or understanding (written or otherwise) (1) that the advice will serve as the primary basis for investment decisions, and (2) that the advice will be individualized for the Benefit Plan based on its particular needs.

Annual Valuation

A fiduciary of an employee benefit plan subject to ERISA is required to determine annually the fair market value of each asset of the plan as of the end of the plan's fiscal year and to file a report reflecting that value with the Department of Labor. When the fair market value of any particular asset is not available, the fiduciary is required to make a good faith determination of that asset's "fair market value" assuming an orderly liquidation at the time the determination is made. In addition, a trustee or custodian of an IRA must provide an IRA participant with a statement of the value of the IRA each year. In discharging its obligation to value assets of a plan, a fiduciary subject to ERISA must act consistently with the relevant provisions of the plan and the general fiduciary standards of ERISA.

Unless and until our shares are listed on a national securities exchange or are included for quotation on Nasdaq, it is not expected that a public market for the shares will develop. To date, neither the Internal Revenue Service nor the Department of Labor has promulgated regulations specifying how a plan fiduciary should determine the "fair market value" of the shares, namely when the fair market value of the shares is not determined in the marketplace. Therefore, to assist fiduciaries in fulfilling their valuation and annual reporting responsibilities with respect to ownership of shares, we intend to provide reports of our annual determinations of the current value of our net assets per outstanding share to those fiduciaries (including IRA trustees and custodians) who identify themselves to us and request the reports. Until December 31, 2002, we intend to use the offering price of shares as the per share net asset value. Beginning with the year 2003, the value of the properties and our other assets will be based on a valuation. Such valuation will be performed by a person independent of us and of Wells Capital.

We anticipate that we will provide annual reports of our determination of

value (1) to IRA trustees and custodians not later than January 15 of each year, and (2) to other Benefit Plan fiduciaries within 75 days after the end of each calendar year. Each determination may be based upon valuation information available as of October 31 of the preceding year, up-dated, however, for any material changes occurring between October 31 and December 31.

We intend to revise these valuation procedures to conform with any relevant guidelines that the Internal Revenue Service or the Department of Labor may hereafter issue. Meanwhile, we cannot assure you:

- that the value determined by us could or will actually be realized by us or by shareholders upon liquidation (in part because appraisals or estimated values do not necessarily indicate the price at which assets could be sold and because no attempt will be made to estimate the expenses of selling any of our assets);

- that shareholders could realize this value if they were to attempt to sell their shares; or

- that the value, or the method used to establish value, would comply with the ERISA or IRA requirements described above.

Description of Shares

The following description of the shares is not complete but is a summary of portions of our articles of incorporation and is qualified in its entirety by reference to the articles of incorporation.

Under our articles of incorporation, we have authority to issue a total of 90,000,000 shares of capital stock. Of the total shares authorized, 40,000,000 shares are designated as common stock with a par value of $.01 per share, 5,000,000 shares are designated as preferred stock with a par value of $.01 per share and 45,000,000 shares are designated as shares-in-trust, which would be issued only in the event we have purchases in excess of the ownership limits described below.

As of December 15, 1999, approximately 13,150,000 shares of our common stock were issued and outstanding.

Common Stock

The holders of common stock are entitled to one vote per share on all matters voted on by shareholders, including election of our directors. Our articles of incorporation do not provide for cumulative voting in the election of directors. Therefore, the holders of a majority of the outstanding common shares can elect our entire board of directors. Subject to any preferential rights of any outstanding series of preferred stock, the holders of common stock are entitled to such dividends as may be declared from time to time by our board of directors out of legally available funds and, upon liquidation, are entitled to receive all assets available for distribution to shareholders. All shares issued in the offering will be fully paid and non-assessable shares of common stock. Holders of shares of common stock will not have preemptive rights, which means that you will not have an automatic option to purchase any new shares that we issue.

We will not issue certificates for our shares. Shares will be held in "uncertificated" form which will eliminate the physical handling and safekeeping responsibilities inherent in owning transferable stock certificates and eliminate the need to return a duly executed stock certificate to effect a transfer. Wells Capital, our advisor, acts as our registrar and as the transfer agent for our shares. Transfers can be effected simply by mailing to Wells Capital a transfer and assignment form, which we will provide to you at no charge.

Preferred Stock

Our articles of incorporation authorize our board of directors to designate and issue one or more classes or series of preferred stock without stockholder approval. The board of directors may determine the relative rights, preferences and privileges of each class or series of preferred stock so issued, which may be more beneficial than the rights, preferences and privileges attributable to the common stock. The issuance of preferred stock could have the effect of delaying or preventing a change in control of the Wells REIT. Our board of directors has no present plans to issue preferred stock, but may do so at any time in the future without shareholder approval.

Soliciting Dealer Warrants

We have agreed to issue and sell to the Dealer Manager warrants to purchase up to 800,000 shares of our common stock at a price of $0.0008 per warrant. The Dealer Manager may retain or reallow these warrants to broker-dealers participating in the offering, unless such issuance of soliciting dealer warrants is prohibited by either federal or state securities laws. The shares to be issued upon exercise of these warrants are being registered as part of this offering.

Each participating broker-dealer will receive from the Dealer Manager one soliciting dealer warrant for every 25 shares sold by such participating broker-dealer during this offering. All shares sold by the Wells REIT other than through the dividend reinvestment plan will be included in the computation of the number of shares sold to determine the number of soliciting dealer warrants to be issued.

The holder of a soliciting dealer warrant will be entitled to purchase one share of our common stock at a price of $12 per share (120% of the offering price) during the time period beginning one year from the effective date of this offering and ending five years after the effective date of this offering.

A soliciting dealer warrant may not be exercised unless the shares to be issued upon exercise have been registered or are exempt from registration in the state of residence of the holder of the warrant and any prospectus required under the laws of such state has been delivered to the buyer on behalf of the Wells REIT. In addition, holders of soliciting dealer warrants may not exercise them to the extent such exercise would jeopardize our status as a REIT under the Internal Revenue Code.

The terms of the soliciting dealer warrants, including exercise price and the number and type of securities issuable upon exercise of these warrants, may be adjusted in the event of stock dividends, stock splits or a merger, consolidation, reclassification, reorganization, recapitalization or sale of our assets. Soliciting dealer warrants are not transferable or assignable except by the Dealer Manager, the participating broker-dealers, or their successors in interest, or to individuals who are officers of such participating broker-dealers. 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.

Holders of soliciting dealer warrants do not have the rights of stockholders and, therefore, may not vote on matters and are not entitled to receive dividends until such time as the warrants are exercised.

Meetings and Special Voting Requirements

An annual meeting of the shareholders will be held each year, at least 30 days after delivery of our annual report. Special meetings of shareholders may be called only upon the request of a majority of the directors, a majority of the independent directors, the chairman, the president or upon the written

request of 10% of the shareholders. The presence of a majority of the outstanding shares either in person or by proxy shall constitute a quorum. Generally, the affirmative vote of a majority of all votes entitled to be voted is necessary to take shareholder action authorized by our articles of incorporation, except that a majority of the votes represented in person or by proxy at a meeting at which a quorum is present is sufficient to elect a director.

Under Maryland Corporation Law and our articles of incorporation, shareholders are entitled to vote at a duly held meeting at which a quorum is present on (1) amendment of our articles of incorporation, (2) liquidation or dissolution of the Wells REIT, (3) reorganization of the Wells REIT, (4) merger, consolidation or sale or other disposition of substantially all of our assets, and (5) termination of our status as a REIT. Shareholders voting against any merger or sale of assets are permitted under

Maryland Corporation Law to petition a court for the appraisal and payment of the fair value of their shares. In an appraisal proceeding, the court appoints appraisers who attempt to determine the fair value of the stock as of the date of the shareholder vote on the merger or sale of assets. After considering the appraisers' report, the court makes the final determination of the fair value to be paid to the dissenting shareholder and decides whether to award interest from the date of the merger or sale of assets and costs of the proceeding to the dissenting shareholders.

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

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

In addition to the foregoing, shareholders have rights under Rule 14a-7 under the Securities Exchange Act, which provides that, upon the request of investors and the payment of the expenses of the distribution, we are required to distribute specific materials to shareholders in the context of the solicitation of proxies for voting on matters presented to shareholders or, at our option, provide requesting shareholders with a copy of the list of shareholders so that the requesting shareholders may make the distribution of proxies themselves.

Restriction on Ownership of Shares

In order for us to qualify as a REIT, not more than 50% of our outstanding shares may be owned by any five or fewer individuals, including some tax-exempt entities. In addition, the outstanding shares must be owned by 100 or more persons independent of us and each other during at least 335 days of a 12-month taxable year or during a proportionate part of a shorter taxable year. We may prohibit certain acquisitions and transfers of shares so as to ensure our continued qualification as a REIT under the Internal Revenue Code. However, we cannot assure you that this prohibition will be effective.

In order to assist us in preserving our status as a REIT, our articles of incorporation contain a limitation on ownership which prohibits any person or group of persons from acquiring, directly or indirectly, beneficial ownership of more than 9.8% of our outstanding shares. Our Articles of Incorporation provide

that a 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 such transfer is approved by the board of directors based upon information that such transfer would not violate the provisions of the Internal Revenue Code thereby adversely affecting our status as a REIT.

The shares in excess of the ownership limit which are attempted to be transferred will be designated as "shares-in-trust" and will be transferred automatically to a trust effective on the day before the reported transfer of such shares. The record holder of the shares that are designated as shares-in-trust will be required to submit such number of shares to the Wells REIT in the name of the trustee of the trust. We will designate a trustee of the share trust that will not be affiliated with us. We will also name one or more charitable organizations as a beneficiary of the share trust. Shares-in-trust will remain issued and outstanding shares and will be entitled to the same rights and privileges as all other shares of the same class or series. The trustee will receive all dividends and distributions on the shares-in-trust and will hold

such dividends or distributions in trust for the benefit of the beneficiary. The trustee will vote all shares-in-trust during the period they are held in trust.

At our direction, the trustee will transfer the shares-in-trust to a person whose ownership will not violate the ownership limits. The transfer shall be made within 20 days of our receipt of notice that shares have been transferred to the trust. During this 20 day period, we will have the option of redeeming such shares. Upon any such transfer or redemption, the purported transferee or holder shall receive a per share price equal to the lesser of (a) the price per share in the transaction that created such shares-in-trust, or (b) the market price per share on the date of the transfer or redemption.

Any person who (1) acquires shares in violation of the foregoing restriction or who owns shares that were transferred to any such trust is required to give immediate written notice to the Wells REIT of such event or (2) transfers or receives shares subject to such limitations is required to give the Wells REIT 15 days written notice prior to such transaction. In both cases, such persons shall provide to the Wells REIT such other information as we may request in order to determine the effect, if any, of such transfer on our status as a REIT.

The foregoing restrictions will continue to apply until (1) the board of directors determines it is no longer in the best interest of the Wells REIT to continue to qualify as a REIT and (2) there is an affirmative vote of the majority of shares entitled to vote on such matter at a regular or special meeting of the shareholders of the Wells REIT.

The ownership limit does not apply to an offeror which, in accordance with applicable federal and state securities laws, makes a cash tender offer, where at least 85% of the outstanding shares are duly tendered and accepted pursuant to the cash tender offer. The ownership limit also does not apply to the underwriter in a public offering of shares. In addition, the ownership limit does not apply to a person or persons which the directors so exempt from the ownership limit upon appropriate assurances that our qualification as a REIT is not jeopardized.

Any person who owns 5% or more of the outstanding shares during any taxable year will be asked to deliver a statement or affidavit setting forth the number of shares beneficially owned, directly or indirectly.

Dividends

Dividends will be paid on a quarterly basis regardless of the frequency with which such distributions are declared. Dividends will be paid to investors

who are shareholders as of the record dates selected by the directors. We 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 are required to make distributions sufficient to satisfy the requirements for qualification as a REIT for tax purposes. Generally, income distributed as dividends will not be taxable to us under the Internal Revenue Code if we distribute at least 95% of our taxable income. (See "Federal Income Tax Considerations--Requirements for Qualification as a REIT.")

Dividends will be declared at the discretion of the board of directors, in accordance with our earnings, cash flow and general financial condition. The board's discretion will be directed, in substantial part, by its obligation to cause us to comply with the REIT requirements. Because we may receive income from interest or rents at various times during our fiscal year, dividends may not reflect our income earned in that particular distribution period but may be made in anticipation of cash flow which we expect

to receive during a later quarter and may be made in advance of actual receipt of funds in an attempt to make dividends relatively uniform. We may borrow money, issue new securities or sell assets in order to make dividend distributions.

We are not prohibited from distributing our own securities in lieu of making cash dividends to shareholders, provided that the securities distributed to shareholders are readily marketable. Shareholders who receive marketable securities in lieu of cash dividends may incur transaction expenses in liquidating the securities.

Dividend Reinvestment Plan

We currently have a dividend reinvestment plan available that allows you to have your dividends otherwise distributable to you invested in additional shares of the Wells REIT.

You may purchase shares under the dividend reinvestment plan for $10 per share until all of the 2,200,000 shares registered as part of this offering have been sold. After this time, we may purchase shares either through purchases on the open market, if a market then exists, or through an additional issuance of shares. In any case, the price per share will be equal to the then-prevailing market price, which shall equal the price on the securities exchange or over-the-counter market on which such shares are listed at the date of purchase if such shares are then listed.

You may elect to participate in the dividend reinvestment plan by completing the Subscription Agreement, the enrollment form or by other written notice to the plan administrator. Participation in the plan will begin with the next distribution made after receipt of your written notice. We may terminate the dividend reinvestment plan for any reason at any time upon 10 days' prior written notice to participants. Your participation in the plan will also be terminated to the extent that a reinvestment of your distributions in our shares would cause the percentage ownership limitation contained in our articles of incorporation to be exceeded.

If you elect to participate in the dividend reinvestment plan and are subject to federal income taxation, you will incur a tax liability for dividends allocated to you even though you have elected not to receive the dividends in cash but rather to have the dividends held pursuant to the dividend reinvestment plan. Specifically, you will be treated as if you have received the dividend from us in cash and then applied such dividend to the purchase of additional shares. You will be taxed on the amount of such dividend as ordinary income to the extent such dividend is from current or accumulated earnings and profits, unless we have designated all or a portion of the dividend as a capital gain

dividend.

Share Redemption Program

Prior to the time that our shares are listed on a national securities exchange, shareholders of the Wells REIT who have held their shares for at least one year may receive the benefit of limited interim liquidity by presenting for redemption all or any portion of their shares to us at any time in accordance with the procedures outlined herein. At that time, we may, subject to the conditions and limitations described below, redeem the shares presented for redemption for cash to the extent that we have sufficient funds available to us to fund such redemption.

If you have held your shares for the required one-year period, you may redeem your shares for a purchase price to the Wells REIT of $10 per share. The board of directors reserves the right to reject any request for redemption and to amend or change the purchase price in its sole discretion at any time and from time to time as it deems appropriate.

Redemption of shares, when requested, will be made quarterly on a first-come, first-served basis. Subject to funds being available, we will limit the number of shares redeemed pursuant to our share redemption program as follows: (1) during any calendar year, we will not redeem in excess of one-half of one percent (0.5%) 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, at its sole discretion, may choose to terminate the share redemption program or reduce the number of shares purchased under the share redemption program if it determines the funds otherwise available to fund our share redemption program are needed for other purposes. (See "Risk Factors--General Investment Risks.")

We cannot guarantee that the funds set aside for the share redemption program will be sufficient to accommodate all requests made in any year. If we do not have such funds available, at the time when redemption is requested, you can (1) withdraw your request for redemption, or (2) ask that we honor your request at such time, if any, when sufficient funds become available. Such pending requests will be honored on a first-come, first-served basis.

The share redemption program is only intended to provide interim liquidity for shareholders until a secondary market develops for the shares. No such market presently exists, and we cannot assure you that any market for your shares will ever develop.

The shares we purchase under the share redemption program will be cancelled, and will have the status of authorized, but unissued shares. We will not reissue such shares unless they are first registered with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933 and under appropriate state securities laws or otherwise issued in compliance with such laws.

If we terminate, reduce the scope of or otherwise change the share redemption program, we will send a letter to you informing you of the changes and disclose the changes in reports filed with the Commission.

Restrictions on Roll-Up Transactions

In connection with any proposed transaction considered a "Roll-up Transaction" involving the Wells REIT and the issuance of securities of an entity (a Roll-up Entity) that would be created or would survive after the successful completion of the Roll-up Transaction, an appraisal of all properties

shall be obtained from a competent independent appraiser. The properties shall be appraised on a consistent basis, and the appraisal shall be based on the evaluation of all relevant information and shall indicate the value of the properties as of a date immediately prior to the announcement of the proposed Roll-up Transaction. The appraisal shall assume an orderly liquidation of properties over a 12-month period. The terms of the engagement of the independent appraiser shall clearly state that the engagement is for our benefit and the shareholders. A summary of the appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to shareholders in connection with any proposed Roll-up Transaction.

A "Roll-up Transaction" is a transaction involving the acquisition, merger, conversion or consolidation, directly or indirectly, of the Wells REIT and the issuance of securities of a Roll-up Entity. This term does not include:

- a transaction involving our securities that have been for at least 12 months listed on a national securities exchange or included for quotation on Nasdaq; or

- a transaction involving the conversion to corporate, trust, or association form of only the Wells REIT if, as a consequence of the transaction, there will be no significant adverse change in any of the following: shareholder voting rights; the term of our existence; compensation to Wells Capital; or our investment objectives.

In connection with a proposed Roll-up Transaction, the person sponsoring the Roll-up Transaction must offer to shareholders who vote "no" on the proposal the choice of:

(1) accepting the securities of a Roll-up Entity offered in the proposed Roll-up Transaction; or

(2) one of the following:

(A) remaining as shareholders of the Wells REIT and preserving their interests therein on the same terms and conditions as existed previously, or

(B) receiving cash in an amount equal to the shareholder's pro rata share of the appraised value of our net assets.

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

- which would result in the shareholders having democracy rights in a Roll-up Entity that are less than those provided in our bylaws and described elsewhere in this prospectus, including rights with respect to the election and removal of directors, annual reports, annual and special meetings, amendment of our articles of incorporation, and dissolution of the Wells REIT;

- which includes provisions that would operate to materially impede or frustrate the accumulation of shares by any purchaser of the securities of the Roll-up Entity, except to the minimum extent necessary to preserve the tax status of the Roll-up Entity, or which would limit the ability of an investor to exercise the voting rights of its securities of the Roll-up Entity on the basis of the number of shares held by that investor;

- in which investor's rights to access of records of the Roll-up Entity will be less than those provided in the section of this prospectus entitled "Description of Shares -- Meetings and Special Voting Requirements;" or

- in which any of the costs of the Roll-up Transaction would be borne by

us if the Roll-up Transaction is not approved by the shareholders.

Business Combinations

Under Maryland Corporation Law, business combinations between a Maryland corporation and an interested shareholder or the interested shareholder's affiliate are prohibited for five years after the most recent date on which the shareholder becomes an interested shareholder. For this purpose, the term "business combinations" includes mergers, consolidations, share exchanges, asset transfers and issuances or reclassifications of equity securities. An "interested shareholder" is defined for this purpose as:

(1) any person who beneficially owns ten percent or more of the voting power of the corporation's shares; or

(2) an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting shares of the corporation.

After the five-year prohibition, any business combination between the corporation and an interested shareholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

(1) 80% of the votes entitled to be cast by holders of outstanding voting shares of the corporation; and

(2) two-thirds of the votes entitled to be cast by holders of voting shares of the corporation other than shares held by the interested shareholder or its affiliate with whom the business combination is to be effected, or held by an affiliate or associate of the interested shareholder voting together as a single voting group.

These super-majority vote requirements do not apply if the corporation's common shareholders receive a minimum price, as defined under Maryland Corporation Law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares. None of these provisions of the Maryland Corporation Law will apply, however, to business combinations that are approved or exempted by the board of directors of the corporation prior to the time that the interested shareholder becomes an interested shareholder.

The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Control Share Acquisitions

Maryland Corporation Law provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, or by officers or directors who are employees of the corporation are not entitled to vote on the matter. As permitted by Maryland Corporation Law, we have provided in our bylaws that the control share provisions of Maryland Corporation Law will not apply to transactions involving the Wells REIT, but the board of directors retains the discretion to change this provision in the future.

"Control shares" are voting shares which, if aggregated with all other shares owned by the acquiror or with respect to which the acquiror has the right to vote or to direct the voting of, other than solely by virtue of revocable proxy, would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting powers:

. one-fifth or more but less than one-third;

. one-third or more but less than a majority; or

. a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval.

Except as otherwise specified in the statute, a "control share acquisition" means the acquisition of control shares.

Once a person who has made or proposes to make a control share acquisition has undertaken to pay expenses and has satisfied other required conditions, the person may compel the board of directors to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any shareholders meeting.

If voting rights are not approved for the control shares at the meeting or if the acquiring person does not deliver an "acquiring person statement" for the control shares as required by the statute, the corporation may redeem any or all of the control shares for their fair value, except for control shares for which voting rights have previously been approved. Fair value is to be determined for this purpose without regard to the absence of voting rights for the control shares, and is to be determined as of the date of the last control share acquisition or of any meeting of shareholders at which the voting rights for control shares are considered and not approved.

If voting rights for control shares are approved at a shareholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of these appraisal rights may not be less than the highest price per share paid in the control share acquisition. Some of the limitations and restrictions otherwise applicable to the exercise of dissenters' rights do not apply in the context of a control share acquisition.

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

The Operating Partnership Agreement

General

Wells Operating Partnership, L.P. (Wells OP) was formed in January 1998 to acquire, own and operate properties on our behalf. It is considered to be an Umbrella Partnership Real Estate Investment Trust (UPREIT), which structure is utilized generally to provide for the acquisition of real property from owners who desire to defer taxable gain otherwise to be recognized by them upon the disposition of their property. Such owners may also desire to achieve diversity in their investment and other benefits afforded to owners of stock in a REIT. For purposes of satisfying the asset and income tests for qualification as a REIT for tax purposes, the REIT's proportionate share of the assets and income of an UPREIT, such as Wells OP, will be deemed to be assets and income of the REIT.

The property owner's goals are accomplished because a property owner may contribute property to an UPREIT in exchange for limited partnership units on a tax-free basis. Further, Wells OP is structured to make distributions with respect to limited partnership units which are equivalent to the dividend distributions made to shareholders of the Wells REIT. Finally, a limited partner in Wells OP may later exchange his limited partnership units in Wells OP for

shares in the Wells REIT (in a taxable transaction) and, if our shares are then listed, achieve liquidity for his investment.

Substantially all of our assets are held by Wells OP, and we intend to make future acquisitions of real properties using the UPREIT structure. The Wells REIT is the sole general partner of Wells OP and,

as of October 1, 1999, owned an approximately 99% equity percentage interest in Wells OP. Wells Capital, our advisor, has contributed $200,000 to Wells OP and is currently the only limited partner owning the other approximately 1% equity percentage interest in Wells OP. As the sole general partner of Wells OP, we have the exclusive power to manage and conduct the business of Wells OP.

The following is a summary of certain provisions of the partnership agreement of Wells OP. This summary is not complete and is qualified by the specific language in the partnership agreement. You should refer to the partnership agreement, itself, which we have filed as an exhibit to the registration statement, for more detail.

Capital Contributions

As we accept subscriptions for shares, we will transfer substantially all of the net proceeds of the offering to Wells OP as a capital contribution; however, we will be deemed to have made capital contributions in the amount of the gross offering proceeds received from investors. Wells OP will be deemed to have simultaneously paid the selling commissions and other costs associated with the offering. If Wells OP requires additional funds at any time in excess of capital contributions made by us and Wells Capital or from borrowing, we may borrow funds from a financial institution or other lender and lend such funds to Wells OP on the same terms and conditions as are applicable to our borrowing of such funds. In addition, we are authorized to cause Wells OP to issue partnership interests for less than fair market value if we conclude in good faith that such issuance is in the best interest of Wells OP and the Wells REIT.

Operations

The partnership agreement requires that Wells OP be operated in a manner that will enable the Wells REIT to (1) satisfy the requirements for being classified as a REIT for tax purposes, (2) avoid any federal income or excise tax liability, and (3) ensure that Wells OP will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Internal Revenue Code, which classification could result in Wells OP being taxed as a corporation, rather than as a partnership. (See "Federal Income Tax Considerations - Tax Aspects of the Operating Partnership -Classification as a Partnership.")

The partnership agreement provides that Wells OP will distribute cash flow from operations to the limited partners of Wells OP in accordance with their relative percentage interests on at least a quarterly basis in amounts determined by the Wells REIT as general partner such that a holder of one unit of limited partnership interest in Wells OP will receive the same amount of annual cash flow distributions from Wells OP as the amount of annual dividends paid to the holder of one of our shares. Remaining cash from operations will be distributed to the Wells REIT as the general partner to enable us to make dividend distributions to our shareholders.

Similarly, the partnership agreement of Wells OP provides that taxable income is allocated to the limited partners of Wells OP in accordance with their relative percentage interests such that a holder of one unit of limited partnership interest in Wells OP will be allocated taxable income for each taxable year in an amount equal to the amount of taxable income to be recognized by a holder of one of our shares, subject to compliance with the provisions of Sections 704(b) and 704(c) of the Internal Revenue Code and corresponding Treasury Regulations. Losses, if any, will generally be allocated among the

partners in accordance with their respective percentage interests in Wells OP.

Upon the liquidation of Wells OP, after payment of debts and obligations, any remaining assets of Wells OP will be distributed to partners with positive capital accounts in accordance with their respective positive capital account balances. If the Wells REIT were to have a negative balance in its capital

account following a liquidation, it would be obligated to contribute cash to Wells OP equal to such negative balance for distribution to other partners, if any, having positive balances in their capital accounts.

In addition to the administrative and operating costs and expenses incurred by Wells OP in acquiring and operating real properties, Wells OP will pay all administrative costs and expenses of the Wells REIT and such expenses will be treated as expenses of Wells OP. Such expenses will include:

- all expenses relating to the formation and continuity of existence of the Wells REIT;
- all expenses relating to the public offering and registration of securities by the Wells REIT;
- all expenses associated with the preparation and filing of any periodic reports by the Wells REIT under federal, state or local laws or regulations;
- all expenses associated with compliance by the Wells REIT with applicable laws, rules and regulations; and
- all other operating or administrative costs of the Wells REIT incurred in the ordinary course of its business on behalf of Wells OP.

Exchange Rights

The limited partners of Wells OP, including Wells Capital, have the right to cause Wells OP to redeem their limited partnership units for cash equal to the value of an equivalent number of our shares, or, at our option, we may purchase their limited partnership units by issuing one share of the Wells REIT for each limited partnership unit redeemed. These exchange rights may not be exercised, however, if and to the extent that the delivery of shares upon such exercise would (1) result in any person owning shares in excess of our ownership limits, (2) result in shares being owned by fewer than 100 persons, (3) result in the Wells REIT being "closely held" within the meaning of Section 856(h) of the Internal Revenue Code, (4) cause the Wells REIT to own 10% or more of the ownership interests in a tenant within the meaning of Section 856(d)(2)(B) of the Internal Revenue Code, or (5) cause the acquisition of shares by a redeemed limited partner to be "integrated" with any other distribution of our shares for purposes of complying with the Securities Act.

Subject to the foregoing, limited partners may exercise their exchange rights at any time after one year following the date of issuance of their limited partnership units; provided, however, that a limited partner may not deliver more than two exchange notices each calendar year and may not exercise an exchange right for less than 1,000 limited partnership units, unless such limited partner holds less than 1,000 units, in which case, he must exercise his exchange right for all of his units.

Transferability of Interests

The Wells REIT may not (1) voluntarily withdraw as the general partner of Wells OP, (2) engage in any merger, consolidation or other business combination, or (3) transfer its general partnership interest in Wells OP (except to a wholly-owned subsidiary), unless the transaction in which such withdrawal, business combination or transfer occurs results in the limited partners

receiving or having the right to receive an amount of cash, securities or other property equal in value to the amount they would have received if they had exercised their exchange rights immediately prior to such transaction or unless, in the case of a merger or other business combination, the successor entity contributes substantially all of its assets to Wells OP in return for an interest in Wells OP and agrees to assume all obligations of the general

partner of Wells OP. The Wells REIT may also enter into a business combination or we may transfer our general partnership interest upon the receipt of the consent of a majority-in-interest of the limited partners of Wells OP, other than Wells Capital. With certain exceptions, the limited partners may not transfer their interests in Wells OP, in whole or in part, without the written consent of the Wells REIT as general partner. In addition, Wells Capital may not transfer its interest in Wells OP as long as it is acting as the advisor to the Wells REIT, except pursuant to the exercise of its right to exchange limited partnership units for Wells REIT shares, in which case similar restrictions on transfer will apply to the REIT shares received by Wells Capital .

Plan of Distribution

We are offering a maximum of 20,000,000 shares to the public through Wells Investment Securities, Inc., the Dealer Manager, a registered broker-dealer affiliated with the advisor. (See "Conflicts of Interest.") The shares are being offered at a price of $10.00 per share on a "best efforts" basis, which means generally that the Dealer Manager will be required to use only its best efforts to sell the shares and it has no firm commitment or obligation to purchase any of the shares. We are also offering 2,200,000 shares for sale pursuant to our dividend reinvestment plan at a price of $10 per share. An additional 800,000 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 23,000,000 shares are being registered in this offering.

Except as provided below, the Dealer Manager will receive selling commissions of 7% of the gross offering proceeds. The Dealer Manager will also receive 2.5% of the gross offering proceeds in the form of a dealer manager fee as compensation for acting as the Dealer Manager and for expenses incurred in connection with coordinating sales efforts, training of personnel and generally performing "wholesaling" functions. We will not pay referral or similar fees to any accountants, attorneys or other persons in connection with the distribution of the shares. Shareholders who elect to participate in the dividend reinvestment plan will be charged selling commissions and dealer manager fees on shares purchased pursuant to the dividend reinvestment plan on the same basis as shareholders purchasing shares other than pursuant to the dividend reinvestment plan.

We will also award to participating broker-dealers one soliciting dealer warrant for every 25 shares they sell during the offering period. The holder of a soliciting dealer warrant will be entitled to purchase one share from the Wells REIT at a price of $12 per share during the period beginning on the first anniversary of the effective date of this offering and ending five years after the effective date of this offering. Subject to certain exceptions, a soliciting dealer warrant may not be transferred, assigned, pledged or hypothecated for a period of one year following the effective date of this offering. The shares issuable upon exercise of the soliciting dealer warrants are being registered as part of this offering. For the life of the soliciting dealer warrants, participating broker-dealers are given the opportunity to profit from a rise in the market price for the common stock without assuming the risk of ownership, with a resulting dilution in the interest of other shareholders upon exercise of such warrants. In addition, holders of the soliciting dealer warrants would be expected to exercise such warrants at a time when we could obtain needed capital by offering new securities on terms more favorable than those provided by the soliciting dealer warrants.

The Dealer Manager may authorize certain other broker-dealers who are members of the NASD to sell shares. In the event of the sale of shares by such other broker-dealers, the Dealer Manager may reallow its commissions in the amount of up to 7% of the gross offering proceeds to such participating broker-dealers. In addition, the Dealer Manager, in its sole discretion, may reallow to broker-dealers participating in the offering a portion of its dealer manager fee in the aggregate amount of up to 1.5% of

gross offering proceeds to be paid to such participating broker-dealer as marketing fees and as reimbursement of due diligence expenses, based on such factors as the number of shares sold by such participating broker-dealer, the assistance of such participating broker-dealer in marketing the offering and bona fide conference fees incurred.

We anticipate that the total underwriting compensation, including sales commissions, the dealer manager fee and underwriting expense reimbursements, will not exceed 9.5% of gross offering proceeds, except for the soliciting dealer warrants described above.

We have agreed to indemnify the participating broker-dealers, including the Dealer Manager, against certain liabilities arising under the Securities Act of 1933, as amended.

The broker-dealers participating in the offering of our shares are not obligated to obtain any subscriptions on our behalf, and we cannot assure you that any shares will be sold.

Our executive officers and directors, as well as officers and employees of Wells Capital or other affiliates, may purchase shares offered in this offering at a discount. The purchase price for such shares shall be $8.90 per share reflecting the fact that the acquisition and advisory fees relating to such shares will be reduced by $0.15 per share and selling commissions in the amount of $0.70 per share and dealer manager fees in the amount of $0.25 per share will not be payable in connection with such sales. The net offering proceeds we receive will not be affected by such sales of shares at a discount. Wells Capital and its affiliates shall be expected to hold their shares purchased as shareholders for investment and not with a view towards distribution. In addition, shares purchased by Wells Capital or its affiliates shall not be entitled to vote on any matter presented to the shareholders for a vote.

You should pay for your shares by check payable to "Bank of America, N.A., as Escrow Agent." Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. We may not accept a subscription for shares until at least five business days after the date you receive this prospectus. You will receive a confirmation of your purchase. Except for purchases pursuant to our dividend reinvestment plan or reinvestment plans of other public real estate programs, all accepted subscriptions will be for whole shares and for not less than 100 shares ($1,000). (See "Suitability Standards.") Except in Maine, Minnesota, Nebraska and Washington, investors who have satisfied the minimum purchase requirement and have purchased units or shares in Wells programs or units or shares in other public real estate programs may purchase less than the minimum number of shares discussed above, provided that such investors purchase a minimum of 2.5 shares ($25). After investors have satisfied the minimum purchase requirement, minimum additional purchases must be in increments of at least 2.5 shares ($25), except for purchases made pursuant to our dividend reinvestment plan or reinvestment plans of other public real estate programs.

We will place the subscription proceeds in an interest-bearing account with Bank of America, N.A., Atlanta, Georgia. Subscription proceeds held in the escrow account will be invested in securities backed by the United States government or bank money-market accounts or certificates of deposit of national or state banks that have deposits insured by the Federal Deposit Insurance Corporation, including certificates of deposit of any bank acting as depository

or custodian for any such funds, as directed by our advisor. Subscribers may not withdraw funds from the escrow account. We will withdraw funds from the escrow account periodically for the acquisition of real estate properties or the payment of fees and expenses. We generally admit shareholders to the Wells REIT on a daily basis.

Investors who desire to establish an IRA for purposes of investing in shares may do so by having Wells Advisors, Inc., a qualified non-bank IRA custodian affiliated with the advisor, act as their IRA custodian. In the event that an IRA is established having Wells Advisors, Inc. as the IRA custodian, the

authority of Wells Advisors, Inc. will be limited to holding the shares on behalf of the beneficiary of the IRA and making distributions or reinvestments in shares solely at the discretion of the beneficiary of the IRA. Wells Advisors, Inc. will not have the authority to vote any of the shares held in an IRA except strictly in accordance with the written instructions of the beneficiary of the IRA.

The offering of shares will terminate on or before December 19, 2001. However, we reserve the right to terminate this offering at any time prior to such termination date.

The proceeds of this offering will be received and held in trust for the benefit of purchasers of shares to be used only for the purposes set forth in the "Estimated Use of Proceeds" section. Subscriptions will be accepted or rejected within 30 days of receipt by the Wells REIT, and if rejected, all funds shall be returned to the rejected subscribers within ten business days.

We may sell shares to retirement plans of broker-dealers participating in the offering, to broker-dealers in their individual capacities, to IRAs and qualified plans of their registered representatives or to any one of their registered representatives in their individual capacities for 93% of the public offering price in consideration of the services rendered by such broker-dealers and registered representatives in the offering. The net proceeds to the Wells REIT from such sales will be identical to net proceeds we receive from other sales of shares.

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

Dollar Volume of Shares Purchased	Sales Commissions		Net Purchase Price	Net Proceeds
	Percent	Per Share	Per Share	Per Share
Under $250,000	7.0%	$0.7000	$10.000	$9.30
$250,000-$649,999	6.0%	$0.5936	$9.8936	$9.30
$650,000-$999,999	3.0%	$0.2876	$9.5876	$9.30
$1,000,000-$1,999,999	1.0%	$0.0939	$9.3939	$9.30
$2,000,000 and Over	0.5%	$0.0467	$9.3467	$9.30

For example, if an investor purchases 100,000 shares, he could pay as little as $939,390 rather than $1,000,000 for the shares in which event the commission on the sale of such shares would be $9,390 ($0.0939 per share), and

we would receive net proceeds of $930,000 ($9.30 per share). The net proceeds to the Wells REIT will not be affected by volume discounts.

Because all investors will be deemed to have contributed the same amount per share to the Wells REIT for purposes of declaring and paying dividends, an investor qualifying for a volume discount will receive a higher return on his investment than investors who do not qualify for such discount.

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

must be made in writing, and must set forth the basis for such request. Any such request will be subject to verification by the advisor that all of such subscriptions were made by a single "purchaser."

For the purposes of such volume discounts, the term "purchaser" includes:

- an individual, his or her spouse and their children under the age of 21 who purchase the units for his, her or their own accounts;
- a corporation, partnership, association, joint-stock company, trust fund or any organized group of persons, whether incorporated or not;
- an employees' trust, pension, profit sharing or other employee benefit plan qualified under Section 401(a) of the Internal Revenue Code; and
- all commingled trust funds maintained by a given bank.

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

In addition, in order to encourage purchases in amounts of 500,000 or more shares, a potential purchaser who proposes to purchase at least 500,000 shares may agree with the advisor and the Dealer Manager to have the acquisition and advisory fees payable to the advisor with respect to the sale of such shares reduced to 0.5%, to have the dealer manager fee payable to the Dealer Manager with respect to the sale of such shares reduced to 0.5%, and to have the selling commissions payable with respect to the sale of such shares reduced to 0.5%, in which event the aggregate fees payable with respect to the sale of such shares would be reduced by $1.10 per share, and the purchaser of such shares would be required to pay a total of $8.90 per share purchased, rather than $10.00 per share. The net proceeds to the Wells REIT would not be affected by such fee reductions. Of the $8.90 paid per share, we anticipate that approximately $8.40 per share or approximately 94.4% will be used to acquire properties and pay required acquisition expenses relating to the acquisition of properties. All such sales must be made through registered broker-dealers.

California residents should be aware that volume discounts will not be available in connection with the sale of shares made to California residents to the extent such discounts do not comply with the provisions of Rule 260.140.51 adopted pursuant to the California Corporate Securities Law of 1968. Pursuant to this Rule, volume discounts can be made available to California residents only in accordance with the following conditions:

- there can be no variance in the net proceeds to the Wells REIT from the sale of the shares to different purchasers of the same offering;

- all purchasers of the shares must be informed of the availability of quantity discounts;

- the same volume discounts must be allowed to all purchasers of shares which are part of the offering;

- the minimum amount of shares as to which volume discounts are allowed cannot be less than $10,000;

- the variance in the price of the shares must result solely from a different range of commissions, and all discounts allowed must be based on a uniform scale of commissions; and

- no discounts are allowed to any group of purchasers.

Accordingly, volume discounts for California residents will be available in accordance with the foregoing table of uniform discount levels based on dollar volume of shares purchased, but no discounts are allowed to any group of purchasers, and no subscriptions may be aggregated as part of a combined order for purposes of determining the number of shares purchased.

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

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

In addition, subscribers for shares may agree with their participating broker-dealers and the Dealer Manager to have selling commissions due with respect to the purchase of their shares paid over a six year period pursuant to a deferred commission arrangement. Shareholders electing the deferred commission option will be required to pay a total of $9.40 per share purchased upon subscription, rather than $10.00 per share, with respect to which $0.10 per share will be payable as commissions due upon subscription. For the period of six years following subscription, $0.10 per share will be deducted on an annual basis from dividends or other cash distributions otherwise payable to the shareholders and used by the Wells REIT to pay deferred commission obligations. The net proceeds to the Wells REIT will not be affected by the election of the deferred commission option. Under this arrangement, a shareholder electing the deferred commission option will pay a 1% commission upon subscription, rather than a 7% commission, and an amount equal to a 1% commission per year thereafter for the next six years will be deducted from dividends or other cash

distributions otherwise payable to such shareholder and used by the Wells REIT to satisfy commission obligations. The foregoing commission amounts may be adjusted with approval of the Dealer Manager by application of the volume discount provisions described previously.

Shareholders electing the deferred commission option who are subject to federal income taxation will incur tax liability for dividends or other cash distributions otherwise payable to them with respect to their shares even though such dividends or other cash distributions will be withheld from such shareholders and will instead be paid to third parties to satisfy commission obligations.

Investors who wish to elect the deferred commission option should make the election on their Subscription Agreement Signature Page. Election of the deferred commission option shall authorize the Wells REIT to withhold dividends or other cash distributions otherwise payable to such shareholder for the purpose of paying commissions due under the deferred commission option; provided, however, that in no event may the Wells REIT withhold in excess of $0.60 per share in the aggregate under the deferred commission option. Such dividends or cash distributions otherwise payable to shareholders may be pledged by the Wells REIT, the Dealer Manager, the advisor or their affiliates to secure one or more loans, the proceeds of which would be used to satisfy sales commission obligations.

In the event that listing of the shares occurs or is reasonably anticipated to occur at any time prior to the satisfaction of our remaining commission obligations, the remaining commissions due under the deferred commission option may be accelerated by the Wells REIT. In such event, we shall provide notice of such acceleration to shareholders who have elected the deferred commission option. The amount of the remaining commissions due shall be deducted and paid by the Wells REIT out of dividends or other cash distributions otherwise payable to such shareholders during the time period prior to listing; provided that, in no event may the Wells REIT withhold in excess of $0.60 per share in the aggregate. To the extent that the distributions during such time period are insufficient to satisfy the remaining commissions due, the obligation of Wells REIT and our shareholders to make any further payments of deferred commissions under the deferred commission option shall terminate, and participating broker-dealers will not be entitled to receive any further portion of their deferred commissions following listing of our shares.

Supplemental Sales Material

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

The offering of shares is made only by means of this prospectus. Although the information contained in such sales material will not conflict with any of the information contained in this prospectus, such material does not purport to be complete, and should not be considered a part of this prospectus or the registration statement of which this prospectus is a part, or as incorporated by reference in this prospectus or said registration statement or as forming the basis of the offering of the shares.

Legal Opinions

The legality of the shares being offered hereby has been passed upon for the Wells REIT by Holland & Knight LLP (Counsel). The statements under the

caption "Federal Income Tax Consequences" as they relate to federal income tax matters have been reviewed by such counsel, and counsel has opined as to certain income tax matters relating to an investment in the Wells REIT. Counsel has represented the advisor, as well as affiliates of the advisor, in other matters and may continue to do so in the future. (See "Conflicts of Interest.")

Experts

Audited Financial Statements

The financial statements of the Wells REIT as of December 31, 1998 and 1997, and for each of the years in the two year period ended December 31, 1998, included in this prospectus and elsewhere in the registration statement, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included in this prospectus in reliance upon the authority of said firm as experts in giving said report.

The financial statements of Fund IX and X Associates as of December 31, 1997 and for the period from inception (March 20, 1997) to December 31, 1997, included in this prospectus and elsewhere in the registration statement, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included in this prospectus in reliance upon the authority of said firm as experts in giving said report.

The Statements of Revenues over Certain Operating Expenses of the Iomega Building for the year ended December 31, 1997; the Cort Furniture Building for the year ended December 31, 1997; the Fairchild Building for the year ended December 31, 1997; the Vanguard Cellular Building for the period from inception (November 16, 1998) to December 31, 1998; the EYBL CarTex Building for the year ended December 31, 1998; the Sprint Building for the year ended December 31, 1998; the Johnson Matthey Building for the year ended December 31, 1998; the Videojet Building for the year ended December 31, 1998; and the Gartner Building for the year ended December 31, 1998 , which are included in this prospectus and elsewhere in the registration statement, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included in this prospectus in reliance upon the authority of said firm as experts in giving said reports.

Unaudited Financial Statements

The interim financial statements of the Wells REIT as of September 30, 1999 and for the nine month periods ended September 30, 1999 and 1998, which are included in this prospectus, have not been audited.

The interim financial statements of Fund IX and X Associates as of March 31, 1998 and for the three months ended March 31, 1998, which are included in this prospectus, have not been audited.

The Statements of Revenues over Certain Operating Expenses of the Lucent Building for the three months ended March 31, 1998; the Iomega Building for the six months ended June 30, 1998; the Cort Furniture Building for the six months ended June 30, 1998; the Fairchild Building for the six months ended June 30, 1998; the EYBL CarTex Building for the three months ended March 31, 1999; the Sprint Building for the three months ended March 31, 1999; the Johnson Matthey Building for the six months ended June 30, 1999; the Videojet Building for the six months ended June 30, 1999; and the Gartner Building for the six months ended June 30, 1999, which are included in this prospectus, have not been audited.

The pro forma financial information for Wells Real Estate Investment Trust, Inc. for the year ended December 31, 1998 and for the nine months ended September 30, 1999, which are included in this prospectus, have not been

audited.

Additional Information

We have filed with the Securities and Exchange Commission (Commission), Washington, D.C., a registration statement under the Securities Act of 1933, as amended, with respect to the shares offered pursuant to this prospectus. This prospectus does not contain all the information set forth in the registration statement and the exhibits related thereto filed with the Commission, reference to which is hereby made. Copies of the registration statement and exhibits related thereto, as well as periodic reports and information filed by the Wells REIT, may be obtained upon payment of the fees prescribed by the Commission, or may be examined at the offices of the Commission without charge, at:

- the public reference facilities in Washington, D.C. at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549;
- the Northeast Regional Office in New York at 7 World Trade Center, Suite 1300, New York, New York 10048; and
- the Midwest Regional Office in Chicago, Illinois at 500 West Madison Street, Suite 1400, Chicago, Illinois 66661-2511.

The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the Commission's website is http://www.sec.gov.

Glossary

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

"Dealer Manager" means Wells Investment Securities, Inc.

"IRA" means an individual retirement account established pursuant to Section 408 or Section 408A of the Internal Revenue Code.

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

"Property Manager" means Wells Management Company, Inc.

"UBTI" means unrelated business taxable income, as that term is defined in Sections 511 through 514 of the Internal Revenue Code.

INDEX TO FINANCIAL STATEMENTS

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, 1998 and 1997 and the related consolidated statements of income, shareholders' equity, and cash flows for the year ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 1998 and 1997 and the results of their operations and their cash flows for the year ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Atlanta, Georgia
January 27, 1999

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1998 AND 1997

ASSETS

	1998	1997
REAL ESTATE ASSETS, at cost:		
Land	$ 1,520,834	$ 0
Building	20,076,845	0
Total real estate assets	21,597,679	0
INVESTMENT IN JOINT VENTURES	11,568,677	0

CASH AND CASH EQUIVALENTS	7,979,403	201,000
DEFERRED OFFERING COSTS	548,729	289,073
DEFERRED PROJECT COSTS	335,421	0
DUE FROM AFFILIATES	262,345	0
PREPAID EXPENSES AND OTHER ASSETS	540,319	0
Total assets	$42,832,573	$490,073
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable and accrued expenses	$ 187,827	$ 0
Note payable	14,059,930	0
Shareholder distributions payable	408,176	0
Due to affiliate	554,953	289,073
Total liabilities	15,210,886	289,073
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	200,000
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 16,500,000 shares authorized, 3,154,136 and 100 shares issued and outstanding, respectively	31,541	1
Additional paid-in capital	27,056,112	999
Retained earnings	334,034	0
Total shareholders' equity	27,421,687	1,000
Total liabilities and shareholders' equity	$42,832,573	$490,073

The accompanying notes are an integral part of these consolidated balance sheets.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1998

REVENUES:	
Rental income	$ 20,994
Equity in income of joint ventures	263,315
Interest income	110,869
	395,178
EXPENSES:	
Operating costs, net of reimbursements	11,033
General and administrative	29,943
Legal and accounting	19,552
Computer costs	616
	61,144
NET INCOME	$334,034
EARNINGS PER SHARE:	
Basic and diluted	$ 0.40

The accompanying notes are an integral part of this consolidated statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1998

	Common Stock		Additional Paid-In	Retained	Total Shareholders'
	Shares	Amount	Capital	Earnings	Equity
BALANCE, December 31, 1997	100	$ 1	$ 999	$ 0	$ 1,000
Issuance of common stock	3,154,036	31,540	31,508,820	0	31,540,360
Net income	0	0	0	334,034	334,034
Distributions	0	0	(511,163)	0	(511,163)
Sales commissions	0	0	(2,996,334)	0	(2,996,334)
Other offering expenses	0	0	(946,210)	0	(946,210)
BALANCE, December 31, 1998	3,154,136	$31,541	$27,056,112	$334,034	$27,421,687

The accompanying notes are an integral part of this consolidated statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 334,034
Adjustments to reconcile net income to net cash used in operating activities:	
Equity in income of joint ventures	(263,315)
Changes in assets and liabilities:	
Prepaid expenses and other assets	(540,319)
Accounts payable and accrued expenses	187,827
Due to affiliates	6,224
Total adjustments	(609,583)
Net cash used in operating activities	(275,549)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment in real estate	(21,299,071)
Investment in joint ventures	(11,276,007)
Deferred project costs paid	(1,103,913)
Distributions received from joint ventures	178,184
Net cash used in investing activities	(33,500,807)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from note payable	14,059,930
Distributions	(102,987)
Issuance of common stock	31,540,360
Sales commission paid	(2,996,334)
Offering costs paid	(946,210)
Net cash provided by financing activities	41,554,759
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,778,403
CASH AND CASH EQUIVALENTS, beginning of year	201,000
CASH AND CASH EQUIVALENTS, end of year	$ 7,979,403
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES:	
Deferred project costs applied to real estate assets	$ 298,608

Deferred project costs contributed to joint ventures	$ 469,884

The accompanying notes are an integral part of this consolidated statement.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1998 AND 1997

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

Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. (the "Operating Partnership"), a Delaware limited partnership. During 1997, the Operating Partnership issued 20,000 limited partner units to the Advisor in exchange for $200,000. The Company is the sole general partner in the Operating Partnership and possesses full legal control and authority over the operations of the Operating Partnership; consequently, the accompanying consolidated financial statements of the Company include the amounts of the Operating Partnership.

The Company owns interests in several properties through a joint venture among the Operating Partnership, Wells Real Estate Fund IX, L.P. ("Wells Fund IX"), Wells Real Estate Fund X, L.P. ("Wells Fund X"), and Wells Real Estate Fund XI, L.P. ("Wells Fund XI"). This joint venture is referred to as the Fund IX, Fund X, Fund XI, and REIT Joint Venture ("Fund IX, X, XI, and REIT Joint Venture"). In addition, the Company owns two properties through joint ventures between the Operating Partnership and a joint venture between Wells Fund X

and Wells Fund XI, referred to as "Fund X and XI Associates." In addition, the Operating Partnership directly owns an office building in Tampa, Florida.

Through its investment in the Fund IX, X, XI, and REIT Joint Venture, the Company owns interests in the following properties: (i) a three-story office building in Knoxville, Tennessee (the "ABB Building"), (ii) a two-story office building in Louisville, Colorado (the "Ohmeda Building"), (iii) a three-story office building in Broomfield, Colorado (the "360 Interlocken Building"), (iv) a one-story warehouse facility in Ogden, Utah (the "Iomega

Building"), and (v) a one-story office building in Oklahoma City, Oklahoma (the "Lucent Technologies Building").

The following properties are owned by the Operating Partnership through investments in joint ventures with Fund X and XI Associates: (i) a one-story office and warehouse building in Fountain Valley, California (the "Cort Furniture Building") owned by Wells/Orange County Associates and (ii) a warehouse and office building in Fremont, California (the "Fairchild Building") owned by Wells/Fremont Associates.

Use of Estimates and Factors Affecting the Company

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

The carrying values of real estate are based on management's current intent to hold the real estate assets as long-term investments. The success of the Company's future operations and the ability to realize the investment in its assets will be dependent on the Company's ability to maintain rental rates, occupancy, and an appropriate level of operating expenses in future years. Management believes that the steps it is taking will enable the Company to realize its investment in its assets.

Real Estate Assets

Real estate assets held by the Company and joint ventures are stated at cost less accumulated depreciation. Major improvements and betterments are capitalized when they extend the useful life of the related asset. All repair and maintenance are expensed as incurred.

Management continually monitors events and changes in circumstances which could indicate that carrying amounts of real estate assets may not be recoverable. When events or changes in circumstances are present which indicate that the carrying amounts of real estate assets may not be recoverable, management assesses the recoverability of real estate assets by determining whether the carrying value of such real estate assets will be recovered through the future cash flows expected from the use of the asset and its eventual disposition. Management has determined that there has been no impairment in the carrying

value of real estate assets held by the Company or the joint ventures as of December 31, 1998.

Depreciation of building and improvements is calculated using the straight-line method over 25 years. Tenant improvements are amortized over the life of the related lease or the life of the asset, whichever is shorter.

Investment in Joint Ventures

The Operating Partnership does not have control over the operations of the joint ventures; however, it does exercise significant influence. Accordingly, the Operating Partnership's investment in the joint ventures is recorded using the equity method of accounting.

Revenue Recognition

All leases on real estate assets held by the Company or the joint ventures are classified as operating leases, and the related rental income is recognized on a straight-line basis over the terms of the respective leases.

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.

Cash and Cash Equivalents

For the purposes of the statement 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.

2. DEFERRED PROJECT COSTS

The Company paid a percentage of shareholder contributions to the Advisor for acquisition and advisory services. These payments, as stipulated in the prospectus, can be up to 3.5% of shareholder contributions, subject to certain overall limitations contained in the prospectus. Aggregate fees paid through December 31, 1998 were $1,103,913 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, 1998 represent fees not yet applied to properties.

3. DEFERRED OFFERING COSTS

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

As of December 31, 1998 and 1997, the Advisor had paid organization and offering expenses related to the Company of $946,211 and $0, respectively.

4. RELATED-PARTY TRANSACTIONS

Due from affiliates at December 31, 1998 represents the Operating Partnership's share of the cash to be distributed for the fourth quarter of 1998 as follows:

Fund IX, X, XI, and REIT Joint Venture	$ 38,360
Wells/Orange County Associates	77,123
Wells/Fremont Associates	146,862
	$262,345

The Company entered into a property management agreement with Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor. In consideration for supervising the management and leasing of the Operating Partnership's properties, the Operating Partnership will pay Wells Management management and leasing fees equal to the lesser of (a) fees that would be paid to a comparable outside firm, or (b) 4.5% of the gross revenues generally paid over the life of the lease plus a separate competitive fee for the one-time initial lease-up of newly constructed properties generally paid in conjunction with the receipt of the first month's rent. In the case of commercial properties which are leased on a long-term (ten or more years) net lease basis, the maximum property management fee from such leases shall be 1% of the gross revenues generally paid over the life of the leases except for a

one-time initial leasing fee of 3% of the gross revenues on each lease payable over the first five full years of the original lease term.

The Operating Partnership's portion of the management and leasing fees and lease acquisition costs paid to Wells Management by the joint ventures was $5,673 for the year ended December 31, 1998.

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, 1998 is summarized as follows:

	Amount	Percent
Fund IX, X, XI, and REIT Joint Venture	$ 1,443,378	4%
Wells/Orange County Associates	2,958,617	44
Wells/Fremont Associates	7,166,682	78
	$11,568,677	

The following is a roll forward of the Operating Partnership's investment in joint ventures for the year ended December 31, 1998:

Investment in joint ventures, beginning of year	$ 0
Equity in income of joint ventures	263,315
Contributions to joint ventures	11,745,890
Distributions from joint venture	(440,528)
Investment in joint ventures, end of year	$11,568,677

Fund IX, X, XI, and REIT Joint Venture

On March 20, 1997, Wells Fund IX and Wells Fund X entered into a joint venture agreement. The joint venture, Fund IX and X Associates, was formed to acquire, develop, operate, and sell real properties. On March 20, 1997, Wells Fund IX contributed a 5.62-acre tract of real property in Knoxville, Tennessee, and improvements thereon, known as the ABB Building, to the Fund IX and X Associates joint venture. A 83,885-square-foot, three-story building was constructed and commenced operations at the end of 1997.

On February 13, 1998, the joint venture purchased a two-story office building, known as the Ohmeda Building, in Louisville, Colorado. On March 20, 1998, the joint venture purchased a three-story office building, known as the 360 Interlocken Building, in Broomfield, Colorado. On June 11, 1998, Fund IX and X Associates was amended and restated to admit Wells Fund XI and the Operating Partnership. The joint venture was renamed the Fund IX, X, XI, and REIT Joint Venture. On June 24, 1998, the new joint venture purchased a one-story office building, known as the Lucent Technologies Building, in Oklahoma City, Oklahoma. On April 1, 1998, Wells Fund X purchased a one-story warehouse facility, known as the Iomega Building, in Ogden, Utah. On July 1, 1998, Wells Fund X contributed the Iomega Building to the Fund IX, X, XI, and REIT Joint Venture.

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

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

(A Georgia Joint Venture)
Balance Sheets
December 31, 1998 and 1997

Assets

	1998	1997
Real estate assets, at cost:		
Land	$ 6,454,213	$ 607,930
Building and improvements, less accumulated depreciation of $1,253,156 in 1998 and $36,863 in 1997	30,686,845	6,445,300
Construction in progress	990	35,622
Total real estate assets	37,142,048	7,088,852
Cash and cash equivalents	1,329,457	289,171
Accounts receivable	133,257	40,512
Prepaid expenses and other assets	441,128	329,310
Total assets	$39,045,890	$7,747,845

Liabilities and Partners' Capital

Liabilities:		
Accounts payable	$ 409,737	$ 379,770
Due to affiliates	4,406	2,479
Partnership distributions payable	1,000,127	0
Total liabilities	1,414,270	382,249
Partners' capital:		
Wells Real Estate Fund IX	14,960,100	3,702,793
Wells Real Estate Fund X	18,707,139	3,662,803
Wells Real Estate Fund XI	2,521,003	0
Wells Operating Partnership, L.P.	1,443,378	0
Total partners' capital	37,631,620	7,365,596
Total liabilities and partners' capital	$39,045,890	$7,747,845

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

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Statements of Income (Loss)

for the Year Ended December 31, 1998 and
for the Period from Inception (March 20, 1997) to December 31, 1997

	1998	1997
Revenues:		
Rental income	$2,945,980	$ 28,512
Interest income	20,438	0
	2,966,418	28,512
Expenses:		
Depreciation	1,216,293	36,863
Management and leasing fees	226,643	1,711
Operating costs, net of reimbursements	(140,506)	10,118
Property administration	34,821	0
Legal and accounting	15,351	0
	1,352,602	48,692
Net income (loss)	$1,613,816	$(20,180)
Net income (loss) allocated to Wells Real Estate Fund IX	$ 692,116	$(10,145)
Net income (loss) allocated to Wells Real Estate Fund X	$ 787,481	$(10,035)
Net income allocated to Wells Real Estate Fund XI	$ 85,352	$ 0
Net income allocated to Wells Operating Partnership, L.P.	$ 48,867	$ 0

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Statements of Partners' Capital
for the Year Ended December 31, 1998 and
for the Period from Inception (March 20, 1997) to December 31, 1997

	Wells Real Estate Fund IX	Wells Real Estate Fund X	Wells Real Estate Fund XI	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, December 31, 1996	$ 0	$ 0	$ 0	$ 0	$ 0
Net loss	(10,145)	(10,035)	0	0	(20,180)
Partnership contributions	3,712,938	3,672,838	0	0	7,385,776
Balance, December 31, 1997	3,702,793	3,662,803	0	0	7,365,596
Net income	692,116	787,481	85,352	48,867	1,613,816
Partnership contributions	11,771,312	15,613,477	2,586,262	1,480,741	31,451,792
Partnership distributions	(1,206,121)	(1,356,622)	(150,611)	(86,230)	(2,799,584)
Balance, December 31, 1998	$14,960,100	$18,707,139	$2,521,003	$1,443,378	$37,631,620

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Statements of Cash Flows
for the Year Ended December 31, 1998 and
for the Period from Inception (March 20, 1997) to December 31, 1997

	1998	1997
Cash flows from operating activities:		
Net income (loss)	$ 1,613,816	$ (20,180)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	1,216,293	36,863
Changes in assets and liabilities:		
Accounts receivable	(92,745)	(40,512)
Prepaid expenses and other assets	(111,818)	(329,310)

Accounts payable	29,967	379,770
Due to affiliates	1,927	2,479
Total adjustments	1,043,624	49,290
Net cash provided by operating activities	2,657,440	29,110
Cash flows from investing activities:		
Investment in real estate	(24,788,070)	(5,715,847)
Cash flows from financing activities:		
Distributions to joint venture partners	(1,799,457)	0
Contributions received from partners	24,970,373	5,975,908
Net cash provided by financing activities	23,170,916	5,975,908
Net increase in cash and cash equivalents	1,040,286	289,171
Cash and cash equivalents, beginning of period	289,171	0
Cash and cash equivalents, end of year	$ 1,329,457	$ 289,171
Supplemental disclosure of noncash activities:		
Deferred project costs contributed	$ 1,470,780	$ 318,981
Contribution of real estate assets	$ 5,010,639	$ 1,090,887

Wells/Orange County Associates

On July 27, 1998, the Operating Partnership entered into a joint venture agreement with Wells Development Corporation, referred to as Wells/Orange County Associates. On July 31, 1998, Wells/Orange County Associates acquired a 52,000-square-foot warehouse and office building located in Fountain Valley, California, known as the Cort Furniture Building.

On September 1, 1998, Fund X and XI Associates acquired Wells Development Corporation's interest in Wells/Orange County Associates which resulted in Fund X and XI Associates becoming a joint venture partner with the Operating Partnership in the ownership of the Cort Furniture Building.

Following are the financial statements for Wells/Orange County Associates:

Wells/Orange County Associates
(A Georgia Joint Venture)
Balance Sheet
December 31, 1998

Assets

Real estate assets, at cost:	
Land	$2,187,501
Building, less accumulated depreciation of $92,087	4,572,028
Total real estate assets	6,759,529
Cash and cash equivalents	180,895
Accounts receivable	13,123
Total assets	$6,953,547

Liabilities and Partners' Capital

Liabilities:	
Accounts payable	$ 1,550
Partnership distributions payable	176,614
Total liabilities	178,164
Partners' capital:	
Wells Operating Partnership, L.P.	2,958,617
Fund X and XI Associates	3,816,766
Total partners' capital	6,775,383
Total liabilities and partners' capital	$6,953,547

Wells/Orange County Associates
(A Georgia Joint Venture)

Statement of Income
for the Period From Inception (July 27, 1998)
to December 31, 1998

Revenues:	
Rental income	$331,477
Interest income	448
	331,925
Expenses:	
Depreciation	92,087
Management and leasing fees	12,734
Operating costs, net of reimbursements	2,288
Interest	29,472
Legal and accounting	3,930
	140,511
Net income	$191,414
Net income allocated to Wells Operating Partnership, L.P.	$ 91,978
Net income allocated to Fund X and XI Associates	$ 99,436

Wells/Orange County Associates
(A Georgia Joint Venture)
Statement of Partners' Capital
for the Period From Inception (July 27, 1998)
to December 31, 1998

	Wells Operating Partnership, L.P.	Fund X and XI Associates	Total Partners' Capital
Balance, December 31, 1997	$ 0	$ 0	$ 0
Net income	91,978	99,436	191,414
Partnership contributions	2,991,074	3,863,272	6,854,346
Partnership distributions	(124,435)	(145,942)	(270,377)
Balance, December 31, 1998	$2,958,617	$3,816,766	$6,775,383

Wells/Orange County Associates
(A Georgia Joint Venture)
Statement of Cash Flows
for the Period From Inception (July 27, 1998)
to December 31, 1998

Cash flows from operating activities:	
Net income	$ 191,414
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	92,087
Changes in assets and liabilities:	
Accounts receivable	(13,123)
Accounts payable	1,550
Total adjustments	80,514
Net cash provided by operating activities	271,928
Cash flows from investing activities:	
Investment in real estate	(6,563,700)
Cash flows from financing activities:	
Issuance of note payable	4,875,000
Payment of note payable	(4,875,000)
Distributions to partners	(93,763)
Contributions received from partners	6,566,430
Net cash provided by financing activities	6,472,667
Net increase in cash and cash equivalents	180,895
Cash and cash equivalents, beginning of period	0

Cash and cash equivalents, end of year	$ 180,895
Supplemental disclosure of noncash investing activities:	
Deferred project costs contributed	$ 287,916

Wells/Fremont Associates

On July 15, 1998, the Operating Partnership entered into a joint venture agreement with Wells Development Corporation, referred to as Wells/Fremont Associates. On July 21, 1998, Wells/Fremont Associates acquired a 58,424-square-foot warehouse and office building located in Fremont, California, known as the Fairchild Building.

On October 8, 1998, Fund X and XI Associates acquired Wells Development Corporation's interest in Wells/Fremont Associates which resulted in Fund X and XI Associates becoming a joint venture partner with the Operating Partnership in the ownership of the Fairchild Building.

Following are the financial statements for Wells/Fremont Associates:

Wells/Fremont Associates
(A Georgia Joint Venture)
Balance Sheet
December 31, 1998

Assets

Real estate assets, at cost:	
Land	$2,219,251
Building, less accumulated depreciation of $142,720	6,995,439
Total real estate assets	9,214,690
Cash and cash equivalents	192,512
Accounts receivable	34,742
Total assets	$9,441,944

Liabilities and Partners' Capital

Liabilities:	
Accounts payable	$ 3,565
Due to affiliate	2,052
Partnership distributions payable	189,490
Total liabilities	195,107
Partners' capital:	
Wells Operating Partnership, L.P.	7,166,682
Fund X and XI Associates	2,080,155
Total partners' capital	9,246,837
Total liabilities and partners' capital	$9,441,944

Wells/Fremont Associates
(A Georgia Joint Venture)
Statement of Income
for the Period From Inception (July 15, 1998)
to December 31, 1998

Revenues:	
Rental income	$401,058
Interest income	3,896
	404,954
Expenses:	
Depreciation	142,720
Management and leasing fees	16,726
Operating costs, net of reimbursements	3,364
Interest	73,919
Legal and accounting	6,306
	243,035
Net income	$161,919
Net income allocated to Wells Operating Partnership, L.P.	$122,470
Net income allocated to Fund X and XI Associates	$ 39,449

Wells/Fremont Associates
(A Georgia Joint Venture)
Statement of Partners' Capital
for the Period From Inception (July 15, 1998)
to December 31, 1998

	Wells Operating Partnership, L.P.	Fund X and XI Associates	Total Partners' Capital
Balance, December 31, 1997	$ 0	$ 0	$ 0
Net income	122,470	39,449	161,919
Partner contributions	7,274,075	2,083,334	9,357,409
Partnership distributions	(229,863)	(42,628)	(272,491)
Balance, December 31, 1998	$7,166,682	$2,080,155	$9,246,837

Wells/Fremont Associates
(A Georgia Joint Venture)
Statement of Cash Flows
for the Period From Inception (July 15, 1998)
to December 31, 1998

Cash flows from operating activities:	
Net income	$ 161,919
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	142,720
Changes in assets and liabilities:	
Accounts receivable	(34,742)
Accounts payable	3,565
Due to affiliate	2,052
Total adjustments	113,595
Net cash provided by operating activities	275,514
Cash flows from investing activities:	
Investment in real estate	(8,983,111)
Cash flows from financing activities:	
Issuance of note payable	5,960,000
Payment of note payable	(5,960,000)
Distributions to partners	(83,001)
Contributions received from partners	8,983,110
Net cash provided by financing activities	8,900,109
Net increase in cash and cash equivalents	192,512
Cash and cash equivalents, beginning of period	0
Cash and cash equivalents, end of year	$ 192,512
Supplemental disclosure of noncash investing activities:	
Deferred project costs contributed	$ 374,299

6. INCOME TAX BASIS NET INCOME AND PARTNERS' CAPITAL

The Operating Partnership's income tax basis net income for the year ended December 31, 1998 is calculated as follows:

Financial statement net income	$ 334,034
Increase (decrease) in net income resulting from:	
Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes	82,618
Rental income accrued for financial reporting purposes in excess of amounts for income tax purposes	(35,427)
Expenses capitalized for income tax purposes, deducted for financial reporting purposes	1,634
Income tax basis net income	$ 382,859

The Operating Partnership's income tax basis partners' capital at December 31, 1998 is computed as follows:

Financial statement partners' capital	$27,421,687
Increase (decrease) in partners' capital resulting from:	
Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes	82,618
Capitalization of syndication costs for income tax purposes, which are accounted for as cost of capital for financial reporting purposes	3,942,545
Accumulated rental income accrued for financial reporting purposes in excess of amounts for income tax purposes	(35,427)
Accumulated expenses capitalized for income tax purposes, deducted for financial reporting purposes	1,634
Operating Partnership's distributions payable	408,176
Income tax basis partners' capital	$31,821,233

7. RENTAL INCOME

The future minimum rental income due from the Operating Partnership's direct investment in real estate or its respective ownership interest in the joint ventures under noncancelable operating leases at December 31, 1998 is as follows:

Year ended December 31:	
1999	$ 3,056,108
2000	3,130,347
2001	3,229,087
2002	3,306,364
2003	3,332,111
Thereafter	12,865,333
	$28,919,350

Two tenants contributed 47% and 35% of rental income, which is included in equity in income of joint ventures for the year ended December 31, 1998. In addition, one tenant will contribute 77% of future minimum rental income.

The future minimum rental income due the Fund IX, X, XI, and REIT Joint Venture under noncancealable operating leases at December 31, 1998 is as follows:

Year ended December 31:	
1999	$ 3,689,498
2000	3,615,011
2001	3,542,714
2002	3,137,241
2003	3,196,100
Thereafter	8,225,566
	$25,406,130

Three significant tenants contributed 31%, 26%, and 13% of rental income for the year ended December 31, 1998. In addition, four significant tenants will contribute 27%, 25%, 21%, and 15% of future minimum rental income.

The future minimum rental income due Wells/Orange County Associates under noncancealable operating leases at December 31, 1998 is as follows:

Year ended December 31:	
1999	$ 758,964
2000	758,964
2001	809,580
2002	834,888
2003	695,740
	$3,858,136

One tenant contributed 100% of rental income for the year ended December 31, 1998 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, 1998 is as follows:

Year ended December 31:	
1999	$ 844,167
2000	869,492
2001	895,577
2002	922,444
2003	950,118
Thereafter	894,832
	$5,376,630

One tenant contributed 100% of rental income for the year ended December 31, 1998 and will contribute 100% of future minimum rental income.

8. COMMITMENTS AND CONTINGENCIES

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.

BALANCE SHEETS

	September 30, 1999	December 31, 1998
ASSETS:		
Real estate, at cost:		
Land	$ 12,984,155	$ 1,520,834
Building improvements, less accumulated depreciation of $1,036,003 in 1999	66,019,334	20,076,845
Total real estate	79,003,489	21,597,679
Investments in joint ventures (Note 2)	29,617,140	11,568,677
Due from affiliates	546,602	262,345
Cash and cash equivalents	2,850,263	7,979,403
Deferred project costs (Note 3)	19,431	335,421
Deferred offering costs (Note 4)	749,369	548,729
Prepaid expenses and other assets	946,847	540,319
Total assets	$113,733,141	$42,832,573
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable	$ 513,993	$ 187,827
Notes payable (Note 6)	16,926,057	14,059,930
Due to affiliates (Note 5)	838,493	554,953
Dividends payable	1,645,122	408,176
Minority interest of unit holder in operating partnership	200,000	200,000
Total liabilities	20,123,665	15,410,886
COMMITMENT AND CONTINGENT LIABILITIES (Note 7)		
Shareholders' equity:		
Common shares, $.01 par value; 40,000,000 shares authorised, 10,846,930 shares issued and outstanding at September 30,1999 and 3,154,136 shares issued and outstanding at December 31, 1998	108,469	31,541
Additional paid-in capital	90,894,541	27,056,112
Retained earnings	2,606,466	334,034
Total shareholders' equity	93,609,476	27,421,687
Total liabilities and shareholders' equity	$113,733,141	$42,832,573

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARIES

STATEMENTS OF INCOME

Three Months Ended		Nine Months Ended	Four Months Ended
September 30, 1999	September 30, 1998	September 30, 1999	September 30, 1998

REVENUES:				
Rental income	$1,227,144	$ 0	$2,806,158	$ 0
Equity in income of joint ventures	384,887	68,683	783,065	75,314
Interest income	191,321	4,609	407,067	8,895
	1,803,352	73,292	3,996,290	84,209
EXPENSES:				
Operating costs, net of reimbursements	(11,632)	0	359,112	0
Management and leasing fees	68,823	0	150,908	0
Depreciation	423,760	0	1,036,003	0
Administrative costs	21,076	10,846	91,016	10,864
Legal and accounting	22,187	318	78,637	318
Computer costs	2,119	0	8,182	0
	526,333	11,164	1,723,858	11,182
NET INCOME	$1,277,019	$62,128	$2,272,432	$73,027
BASIC AND DILUTED EARNINGS PER SHARE	$ 0.18	$ 0.06	$ 0.37	$ 0.06

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARIES

STATEMENTS OF SHAREHOLDERS' EQUITY

THE NINE MONTHS ENDED SEPTEMBER 30, 1999

AND FOR THE YEAR ENDED DECEMBER 31, 1998

	Shares	Amounts	Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
BALANCE, December 31, 1997	100	$ 1	$ 999	$ 0	$ 1,000
Issuance of common stock	3,154,036	31,540	31,508,820	0	31,540,360
Net income	0	0	0	334,034	334,034
Dividends	0	0	(511,163)	0	(511,163)
Sales commissions	0	0	(2,996,334)	0	(2,996,334)
Other offering expenses	0	0	(946,210)	0	(946,210)
BALANCE, December 31, 1998	3,154,136	31,541	27,056,112	334,034	27,421,687
Issuance of common stock	7,692,794	76,928	76,851,016	0	76,927,944
Net income	0	0	0	2,272,432	2,272,432
Dividends	0	0	(3,396,594)	0	(3,396,594)
Sales commissions	0	0	(7,308,155)	0	(7,308,155)
Other offering expenses	0	0	(2,307,838)	0	(2,307,838)
BALANCE, September 30, 1999	10,846,930	$108,469	$90,894,541	$2,606,466	$93,609,476

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 1999	Four Months Ended September 30, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,272,432	$ 73,027
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,036,003	0
Equity in income of joint ventures	(783,065)	(75,314)
Changes in assets and liabilities:		
Accounts payable	326,166	0

Increase in prepaid expenses and other assets	(661,335)	(11,250)
Increase due to affiliates	82,901	33,544
Net cash provided by operating activities	2,273,102	20,007
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(55,913,594)	0
Investments in joint ventures	(17,641,421)	(9,566,007)
Deferred project costs	(2,692,478)	(409,217)
Distributions received from joint ventures	826,822	15,307
Net cash used in investing activities	(75,420,671)	(9,959,917)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	25,598,666	0
Repayment of note	(22,732,539)	0
Dividends paid	(2,159,649)	0
Issuance of common stock	76,927,944	11,691,923
Sales commission paid	(7,308,155)	(1,011,133)
Offering costs paid	(2,307,838)	(350,758)
Net cash provided by financing activities	68,018,429	10,330,032
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,129,140)	390,122
CASH AND CASH EQUIVALENTS, beginning of year	7,979,403	201,000
CASH AND CASH EQUIVALENTS, end of period	$ 2,850,263	$ 591,122
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to investing activities	$ 3,008,467	$ 398,634

See accompanying condensed notes to financial statements.

WELLS REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARIES

(A Georgia Public Limited Partnership)

CONDENSED NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

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. The Company is the sole general partner of Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing for investment purposes income-producing commercial properties on behalf of the Company.

On January 30, 1998, the Company commenced a public offering of up to 16,500,000 shares of common stock ($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, when it received and accepted subscriptions for 125,000 shares. As of September 30, 1999, the Company had sold 10,846,930 shares for total capital contributions of $108,469,304. After payment of $3,796,391 in acquisition and advisory fees and acquisition expenses, payment of $13,558,538 in selling commissions and organization and offering expenses, and investment by Wells OP of $89,919,734 in property acquisitions, as of September 30, 1999, the Company was holding net offering proceeds of $1,194,641 available for investment in properties.

Wells OP owns interests in properties both directly and through equity ownership in the following joint ventures: (i) the Fund IX-X-XI-REIT Joint Venture, a joint venture among Wells OP and Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P., and Wells Real Estate Fund XI, L.P. (the "Fund IX-X-XI-REIT Joint Venture"), (ii) Wells/Fremont Associates (the "Fremont Joint Venture"), a joint venture between Wells OP and Fund X and Fund XI Associates, which is a joint venture between Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P. (the "Fund X-XI Joint Venture"), (iii) Wells/Orange County Associates (the "Cort Joint Venture"), a joint

venture between Wells OP and the Fund X-XI Joint Venture, and (iv) the Fund XI-XII-REIT Joint Venture, a joint venture among Wells OP, Wells Real Estate Fund XI, L.P., and Wells Real Estate Fund XII, L.P. (the "Fund XI-XII-REIT Joint Venture").

As of September 30, 1999, Wells OP owned interests in the following properties: (i) a three story office building in Knoxville, Tennessee (the "ABB Building"), (ii) a two-story office building in Louisville, Colorado (the "Ohmeda Building"), (iii) a three-story office building in Broomfield, Colorado (the "360 Interlocken

Building"), (iv) a one-story office building in Oklahoma City, Oklahoma (the "Lucent Technologies Building"), (v) a one-story warehouse and office building in Ogden, Utah (the "Iomega Building"), all five of which are owned by the Fund IX-X-XI-REIT Joint Venture, (vi) a two-story warehouse and office building in Fremont, California (the "Fairchild Building"), which is owned by the Fremont Joint Venture, (vii) a one-story warehouse and office building in Fountain Valley, California (the "Cort Building"), which is owned by the Cort Joint Venture, (viii) a four-story office building in Tampa, Florida (the "PWC Building"), (ix) a four-story office building in Harrisburg, Pennsylvania (the "AT&T Building"), which are owned directly by Wells OP, (x) a two-story manufacturing and office building located in Fountain Inn, South Carolina (the "EYBL CarTex Building"), (xi) a three-story office building located in Leawood, Kansas (the "Sprint Building"), (xii) a one-story office building and warehouse in Tredyffrin Township, Pennsylvania (the "Johnson Matthey Building"), (xiii) a two-story office building in Ft. Meyers, Florida (the "Gartner Building"), all four of which are owned by Fund XI-XII-REIT Joint Venture, (xiv) a two-story office building under construction located in Lake Forest, California (the "Matsushita Project"), (xv) a four-story office building under construction in Richmond, Virginia (the "ABB Building"), and (xvi) a two-story office building and warehouse in Wood Dale, Illinois (the "Videojet Building"), all three of which are owned directly by Wells OP.

(b) Employees

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

(c) 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.

(d) 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.

(e) Basis of Presentation

Substantially all of the Company's business will be conducted through Wells OP. At December 31, 1997, Wells OP had issued 20,000 limited partner units to Wells Capital Inc., the Advisor, in exchange for a capital contribution of $200,000. The

Company is the sole general partner in Wells OP and possesses full legal control and authority over the operations of Wells OP; consequently, the accompanying consolidated balance sheets of the Company include the amounts of the Company and Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of the board of directors, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 1998.

(f) Distribution Policy

The Company is required to make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 95% of its real estate investment trust taxable income. The Company intends to make regular quarterly dividend distributions to holders of the shares. Distributions will be made to those shareholders who are shareholders as of the record dates selected by the directors. Distributions will be paid on a quarterly basis.

(g) 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.

(h) Statements of Cash Flows

For the purpose of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

2. INVESTMENTS IN JOINT VENTURES

The Company owns interests in 14 office buildings and 2 office buildings under construction through its ownership in Wells OP which owns properties directly or through its interest in four joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investments in joint ventures are recorded using the equity method.

The following describes additional information about the properties in which the Company owns interests as of September 30, 1999:

The Sprint Building

On July 2, 1999, the Fund XI-XII-REIT Joint Venture acquired a three-story office building with approximately 68,900 rentable square feet on a 7.12-acre tract of land located in Leawood, Johnson County, Kansas (the "Sprint Building") from Bridge Information Systems America, Inc.

The purchase price for the Sprint Building was $9,500,000. The Fund XI-XII-REIT Joint Venture also incurred additional acquisition expenses in connection with the purchase of the Sprint Building, including attorneys' fees, recording fees, and other closing costs, of approximately $46,210.

The entire 68,900 rentable square feet of the Sprint Building are currently under a net lease agreement with Sprint Communications, Inc. ("Sprint") dated February 14, 1997 (the "Lease"). The landlord's interest in the Lease was assigned to the Fund XI-XII-REIT Joint Venture at the closing.

The initial term of the Lease is ten years which commenced on May 19, 1997 and expires on May 18, 2007. Sprint has the right to extend the Lease for two additional five-year periods of time.

The monthly base rent payable under the Lease is $83,254.17 ($14.50 per square foot) through May 18, 2002 and $91,866.67 ($16 per square foot) for the remainder of the lease term. The monthly base rent payable for each extended term of the Lease will be equal to 95% of the then "current market rate" which is calculated as a full-service rental rate less anticipated annual operating expenses on a rentable square foot basis charged for space of comparable location, size, and conditions in comparable office buildings in the suburban south Kansas City, Missouri, and south Johnson County, Kansas, areas.

Under the Lease, Sprint is required to pay as additional rent all real estate taxes, special assessments, utilities, taxes, insurance, and other operating costs with respect to the Sprint Building during the term of the Lease. In addition, Sprint is responsible for all routine maintenance and repairs including the interior mechanical and electrical systems, the HVAC system, the parking lot, and the landscaping to the Sprint Building. The

Fund XI-XII-REIT Joint Venture, as landlord, is responsible for repair and replacement of the exterior, roof, foundation, and structure.

The 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 Fund 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 Fund XI-XII-REIT Joint Venture a termination payment equal to $6.53 per square foot, or $450,199.

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

For additional information regarding the Sprint Building, refer to the Form 8-K of Wells Real Estate Investment Trust, Inc. dated July 2, 1999, which was filed with the Commission on July 16, 1999 (Commission File No. 0-25739).

The Johnson Matthey Building

On August 17, 1999, the Fund XI-XII-REIT Joint Venture acquired a research and development office and warehouse building located in Chester County, Pennsylvania, from Alliance Commercial Properties Ltd.

Wells Capital, Inc., as original purchaser under the agreement, assigned its rights under the agreement to the Fund XI-XII-REIT Joint Venture at closing. The purchase price paid for the Johnson Matthey Building was $8,000,000. The Fund XI-XII-REIT Joint Venture also incurred additional acquisition expenses in connection with the purchase of the Johnson Matthey Building, including attorneys' fees, recording fees, and other closing costs, of approximately $50,000.

The Johnson Matthey Building is a 130,000 square-foot research and development office and warehouse building that was first constructed in 1973 as a multitenant facility. It was subsequently converted into a single-tenant facility in 1998. The site consists of a ten-acre tract of land located at 434-436 Devon Park Drive in the Tredyffrin Township, Chester County, Pennsylvania.

The entire 130,000 rentable square feet of the Johnson Matthey Building are currently leased to Johnson Matthey. The Johnson Matthey lease was assigned to the Fund XI-XII-REIT Joint Venture at the closing with the result that the joint venture is now the landlord under the lease. The annual base rent payable under the Johnson Matthey lease for the remainder of the lease term is as follows: year three-$789,750, year

four-$809,250, year five-$828,750, year six-$854,750, year seven-$874,250, year eight-$897,000, year nine-$916,500, and year ten-$939,250.

The current lease term expires in June 2007. Johnson Matthey has the right to extend the lease for two additional three-year periods of time.

Under the lease, Johnson Matthey is required to pay as additional rent all real estate taxes, special assessments, utilities, taxes, insurance, and other operating costs with respect to the Johnson Matthey Building during the term of the lease. In addition, Johnson Matthey is responsible for all routine maintenance and repairs to the Johnson Matthey Building. The Fund XI-XII-REIT Joint Venture, as landlord, is responsible for maintenance of the footings and foundations and the structural steel columns and girders associated with the building.

Johnson Matthey has a right of first refusal to purchase the Johnson Matthey Building in the event that the Fund XI-XII REIT Joint Venture desires to sell the building to an unrelated third party. The joint venture must give Johnson Matthey written notice of its intent to sell the Johnson Matthey Building, and Johnson Matthey will have ten days from the date of such notice to provide written notice of its intent to purchase the building. If Johnson Matthey exercises its right of first refusal, it must purchase the Johnson Matthey Building on the same terms contained in the offer.

For additional information regarding the Johnson Matthey Building, refer to Supplement No. 10 dated October 10, 1999, to the Prospectus of Wells Real Estate Investment Trust, Inc. dated January 30, 1998, contained in Post-Effective Amendment No. 7 to Form S-11 Registration Statement of Wells Real Estate Investment Trust, Inc., which was filed with the Commission on October 14, 1999 (Commission File No. 333-32099).

The Videojet Building

On September 10, 1999, Wells OP acquired an office, assembly, and manufacturing building containing approximately 250,354 rentable square feet on a 15.3-acre tract of land located in Wood Dale, DuPage County, Illinois. Wells OP acquired the Videojet Building from Sun-Pla, a California limited partnership, pursuant to the agreement of purchase and sale (the "Contract"). The rights under the Contract were assigned by Wells Capital, Inc., the original purchaser under the Contract, to Wells OP at closing. The purchase price for the Videojet Building was $32,630,940. In addition, Wells OP paid brokerage commissions of $500,000 at closing. Wells OP incurred acquisition expenses in connection with the purchase of the Videojet Building, including attorneys' fees, appraisers' fees, environmental consultants' fees, and other closing costs, of approximately $27,925.

The Videojet Building is a two-story corporate headquarters facility with 128,247 square feet of office space and 122,107 square feet of assembly

and distribution space. The Videojet Building was completed in 1991 and is located at 1500 Mittel Boulevard in the Chancellory Business Park in Wood Dale, Illinois. The site is a 15.3-acre tract of land that is adjacent to the western entrance to O'Hare International Airport.

The entire 250,354 rentable square feet of the Videojet Building are currently under a net lease agreement with Videojet dated May 31, 1991 (the "Videojet Lease"). The landlord's interest in the Videojet Lease was assigned to Wells OP at the closing. The initial term of the Videojet Lease is 20 years which 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 extension option must be exercised by giving notice to the landlord at least 365 days prior to the expiration date of the current lease term.

The base rent payable for the remainder of the Videojet Lease term is as follows:

Lease Year	Yearly Base Rent	Monthly Base Rent
2000-2001	$2,838,952	$236,579.33
2002-2011	3,376,746	281,395.50
Extension Term	4,667,439	388,953.25

Under its lease, Videojet is responsible for repairs and maintenance of the roof, walls, structure and foundation landscaping, and the heating, ventilating, air conditioning, mechanical, electrical, plumbing, and other systems, and all other operating costs, including, but not limited to, real estate taxes, special assessments, utilities, and insurance.

For additional information regarding the Videojet Building, refer to the Form 8-K of Wells Real Estate Investment Trust, Inc. dated September 10, 1999, which was filed with the Commission on September 24, 1999 (Commission File No. 0-25739).

The Gartner Building

On September 20, 1999, the Fund XI-XII-REIT Joint Venture acquired a two-story office building with approximately 62,400 rentable square feet

on a 4.9-acre tract of land located at 12600 Gateway Boulevard in Fort Myers, Lee County, Florida, from Hogan Triad Ft. Myers I, Ltd., a Florida limited partnership.

The rights under the contract were assigned by Wells Capital, Inc, the original purchaser under the contract, to the Fund XI-XII-REIT Joint Venture at closing. The purchase price for the Gartner Building was $8,320,000. The Fund XI-XII-REIT Joint Venture also incurred additional acquisition expenses in connection with the purchase of the Gartner

Building, including attorneys' fees, recording fees, and other closing costs, of approximately $27,600.

The entire 62,400 rentable square feet of the Gartner Building are currently under a net lease agreement with Gartner dated July 30, 1997 (the "Gartner Lease"). The landlord's interest in the Gartner Lease was assigned to the Fund XI-XII-REIT Joint Venture at the closing.

The initial term of the Gartner Lease is ten years which commenced on February 1, 1998 and expires on January 31, 2008. Gartner has the right to extend the Gartner Lease for two additional five-year periods of time. The yearly base rent payable for the remainder of the Gartner Lease term is $642,798 through January 2000, $790,642 through January 2001, and thereafter will increase by 2.5% through the remainder of the Gartner Lease.

Under the Gartner Lease, Gartner is required to pay as additional rent all real estate taxes, special assessments, utilities, taxes, insurance, and other operating costs with respect to the Gartner Building during the term of the Gartner Lease. In addition, Gartner is responsible for all routine maintenance and repairs to the Gartner Building. The Fund XI-XII-REIT Joint Venture, as landlord, is responsible for repairs and replacement of the roof, structures, and paved parking areas.

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

The "Small Option Building" expansion option allows Gartner the ability to expand into a separate, free-standing facility on the property containing between 30,000 and 32,000 rentable square feet to be constructed by the Fund XI-XII-REIT Joint Venture. Gartner may exercise its expansion right for the "Small Option Building" by providing notice in writing to the Fund XI-XII-REIT Joint Venture on or before February 15, 2002.

The "Large Option Building" expansion option allows Gartner the ability to expand into a separate, free-standing facility on the property containing between 60,000 and 75,000 rentable square feet to be constructed by the Fund XI-XII-REIT Joint Venture. Gartner may exercise its expansion right for the "Small Option Building" by providing notice in writing to the Fund XI-XII-REIT Joint Venture on or before February 15, 2002.

For additional information regarding the Gartner Building, refer to the Form 8-K of Wells Real Estate Investment Trust, Inc. dated September 20, 1999, which was filed with the Commission on October 5, 1999 (Commission File No. 0-25739).

3. DEFERRED PROJECT COSTS

The Company pays acquisition and advisory fees and acquisition expenses to

Wells Capital, Inc., the Advisor, for acquisition and advisory services and as reimbursement for acquisition expenses. These payments may not exceed 3 1/2% of shareholders' capital contributions. Acquisition and advisory fees and acquisition expenses paid as of September 30, 1999 amounted to $3,796,391 and represented approximately 3 1/2% of shareholders' capital contributions received. These fees are allocated to specific properties as they are purchased.

4. DEFERRED OFFERING COSTS

The Advisor pays all the offering expenses for the Company. The Advisor may be reimbursed by the Company to the extent that such offering expenses do not exceed 3% of shareholders' capital contributions. As of September 30, 1999, the Company had reimbursed the Advisor for $3,254,048 in offering expenses, which amounted to approximately 3% of shareholders' capital contributions.

5. DUE TO AFFILIATES

Due to Affiliates consists of acquisition and advisory fees, deferred offering costs, and other operating expenses paid by the Advisor on behalf of the Company.

6. NOTES PAYABLE

Wells OP obtained a loan in the amount of $6,450,000 from Bank of America, N.A. (the "Bank of America"), formerly known as NationsBank, N.A., on February 4, 1999 with an outstanding balance of $203,504 at September 30, 1999. The Bank of America loan matures on January 4, 2002. The interest rate on the Bank of America loan is a fixed rate equal to the rate appearing on Telerate Page 3750 as the London InterBank Offered Rate plus 200 basis points over a six-month period. The interest rate is fixed for the initial six months of the loan at 7% per annum. Wells OP is required to make quarterly installments of principal in an amount to one-ninth of the outstanding principal balance as of October 1, 1999. The Bank of America loan is secured by a first mortgage against the AT&T Building.

Wells OP also obtained a revolving credit facility loan in the amount of $15,500,000 on December 31, 1998 from SouthTrust Bank with an outstanding balance of $11,500,000 at September 30, 1999. The SouthTrust Loan matures on December 31, 2000. The interest rate on the SouthTrust Loan is a variable rate per annum equal to the London InterBank Offered Rate for a 30-day period, plus 185 basis points. The SouthTrust Loan is secured by a first mortgage against the PWC Building.

Wells OP obtained a construction loan dated May 10, 1999 from Bank of America, N.A., formerly known as NationsBank, N.A., with a maximum principal amount of

$15,375,000, the proceeds of the loan are being used to fund the development and construction of the Matsushita Project (the "Matsushita Loan"). At September 30, 1999, the balance on the Matsushita Loan was $5,222,553. The Matsushita Loan will mature 24 months from the date of the loan closing. The interest rate on the Matsushita Loan will be a variable rate equal to either (1) the Bank of America "prime rate" or (2) at the option of Wells OP, the rate per annum appearing on Telerate Page 3750 as the London InterBank Offered Rate for a 30-day period, plus 200 basis points. Wells OP will make monthly installments of interest, and commencing one year after the date of the loan closing, Wells OP will make monthly installments of principal in the amount of $10,703 until maturity. On the maturity date, the entire outstanding principal balance plus any accrued but unpaid interest shall be due and payable. At the closing, Wells OP paid a nonrefundable origination fee of $76,900 to Bank of America. The Matsushita Loan was secured by a first priority mortgage against the Matsushita Project. Leo F. Wells, III (an officer and director of the Company and the Advisor) and the Company will be coguarantors of the Matsushita Loan.

7. COMMITMENTS AND CONTINGENT LIABILITIES

On March 15, 1999, Wells OP purchased an 8.8 tract of land in Lake Forest, Orange County, California, for a purchase price of $4,450,230. On February 18, 1999, Wells OP entered into an office lease with Matsushita Avionics Systems Corporation ("Matsushita Avionics") for the occupancy of a to be constructed two-story office building containing approximately 150,000 rentable square feet on this tract (the "Matsushita Project"). Matsushita Avionics currently occupies an existing building owned by Fund VIII and IX Joint Venture, a joint venture between Wells Real Estate Fund VIII, L.P. and Wells Real Estate Fund IX, L.P.--related parties to Wells OP.

On February 18, 1999, Wells OP entered into a rental income guaranty agreement with Fund VIII and IX Joint Venture, whereby Wells OP guaranteed the Fund VIII-Fund IX Joint Venture that the joint venture would receive rental income on the existing building at least equal to the rent and building expenses that the Fund VIII-Fund IX Joint Venture would have received over the remaining term of the existing lease. Matsushita Avionics will vacate the existing building in December 1999, with the existing lease term ending in September 2003. Current rental and building expenses are approximately $90,000 per month.

The Company's maximum liability to Fund VIII-Fund XI Joint Venture for rental income and building expenses for the existing building was included in the economic analysis for developing the Matsushita Project. The Company anticipates that the ultimate liability will be less than the maximum liability; however, management cannot determine at this time the ultimate liability under the rental income guaranty agreement. Any payment made to the Fund VIII-Fund IX Joint Venture for rental income and building expenses will be made from the Wells REIT operating cash flow and will reduce cash available for dividends.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Fund IX and X Associates

We have audited the accompanying balance sheet of FUND IX AND X ASSOCIATES (a Georgia Joint Venture) as of December 31, 1997 and the related statements of loss, partners' capital, and cash flows for the period from inception (March 20, 1997) to December 31, 1997. These financial statements are the responsibility of the Joint Venture's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fund IX and X Associates as of December 31, 1997 and the results of its operations and its cash flows for the period from inception (March 20, 1997) to December 31, 1997 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Atlanta, Georgia
January 9, 1998

FUND IX AND X ASSOCIATES

(A Georgia Joint Venture)

BALANCE SHEETS

MARCH 31, 1998 AND DECEMBER 31, 1997

ASSETS

	1998	1997
	(Unaudited)	
REAL ESTATE ASSETS, AT COST:		
Land	$ 5,004,893	$ 607,930
Building and improvements, less accumulated depreciation of $205,915 in 1998 and $36,863 in 1997	22,005,710	6,445,300
Construction in progress	6,498	35,622
Total real estate assets	27,017,101	7,088,852
CASH AND CASH EQUIVALENTS	390,276	289,171
ACCOUNTS RECEIVABLE	150,402	40,512
PREPAID EXPENSES AND OTHER ASSETS	383,399	329,310
Total assets	$27,941,178	$7,747,845

LIABILITIES AND PARTNERS' CAPITAL

LIABILITIES:		
Accounts payable	$ 385,072	$ 379,770
Due to affiliates	2,281	2,479
Total liabilities	387,353	382,249
PARTNERS' CAPITAL:		
Wells Real Estate Fund IX	14,569,085	3,702,793
Wells Real Estate Fund X	12,984,740	3,662,803
Total partners' capital	27,553,825	7,365,596
Total liabilities and partners' capital	$27,941,178	$7,747,845

The accompanying notes are an integral part of these balance sheets.

FUND IX AND X ASSOCIATES

(A Georgia Joint Venture)

STATEMENTS OF INCOME (LOSS)

FOR THE THREE MONTHS ENDED MARCH 31, 1998

AND THE PERIOD FROM INCEPTION (MARCH 20, 1997)

TO DECEMBER 31, 1997

	1998 (Unaudited)	1997
REVENUES:		
Rental income	$351,203	$ 28,512
EXPENSES:		
Depreciation and amortization	178,881	36,863
Management and leasing fees	22,838	1,711
Operating costs, net of reimbursements	24,052	10,118
Property administration	5,632	0
	231,403	48,692
NET INCOME (LOSS)	$119,800	$(20,180)
NET INCOME (LOSS) ALLOCATED TO WELLS REAL ESTATE FUND IX	$ 57,858	$(10,145)
NET INCOME (LOSS) ALLOCATED TO WELLS REAL ESTATE FUND X	$ 61,942	$(10,035)

The accompanying notes are an integral part of these statements.

FUND IX AND X ASSOCIATES

(A Georgia Joint Venture)

STATEMENTS OF PARTNERS' CAPITAL

FOR THE THREE MONTHS ENDED MARCH 31, 1998

AND THE PERIOD FROM INCEPTION (MARCH 20, 1997)

TO DECEMBER 31, 1997

	Wells Real Estate Fund IX	Wells Real Estate Fund X	Total Partners' Capital
BALANCE, December 31, 1996	$ 0	$ 0	$ 0
Net loss	(10,145)	(10,035)	(20,180)
Partnership contributions	3,712,938	3,672,838	7,385,776
BALANCE, December 31, 1997	3,702,793	3,662,803	7,365,596
Partnership distributions	(100,863)	(101,419)	(202,282)
Net income	57,858	61,942	119,800
Partnership contributions	10,909,297	9,361,414	20,270,711
BALANCE, March 31, 1998 (unaudited)	$ 14,569,085	$ 12,984,740	$ 27,553,825

The accompanying notes are an integral part of these statements.

FUND IX AND X ASSOCIATES

(A Georgia Joint Venture)

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 1998

AND THE PERIOD FROM INCEPTION (MARCH 20, 1997)

TO DECEMBER 31, 1997

	1998	1997
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 119,800	$ (20,180)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	178,881	36,863
Changes in assets and liabilities:		
Accounts receivable	(109,890)	(40,512)
Prepaid expenses and other assets	(54,089)	(329,310)
Accounts payable	5,302	379,770
Due to affiliates	(198)	2,479
Total adjustments	20,006	49,290
Net cash provided by operating activities	139,806	29,110
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate from partners	(19,123,419)	(5,715,847)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to joint venture partners	(202,282)	0
Contributions received from partners	19,287,000	5,975,908
Net cash provided by financing activities	19,084,718	
NET INCREASE IN CASH AND CASH EQUIVALENTS	101,105	289,171
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	289,171	0
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 390,276	$ 289,171
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Deferred project costs applied by partners, net of deferred project costs transferred	$ 983,711	$ 318,981
Contribution of real estate assets	$ 0	$ 1,090,887

The accompanying notes are an integral part of these statements.

FUND IX AND X ASSOCIATES

(A Georgia Joint Venture)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1998 AND DECEMBER 31, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

On March 20, 1997, Fund IX and X Associates (a joint venture between Wells Real Estate Fund IX, L.P. ("Fund IX") and Wells Real Estate Fund X, L.P. ("Fund X") was formed to acquire, develop, operate, and sell real properties. On March 20, 1997, Fund IX contributed a 5.62-acre tract of real property in Knoxville, Tennessee, and improvements thereon, known as the ABB Property, to Fund IX and X Associates (the "Joint Venture"). A 83,885-square-foot, three-story office building was constructed and commenced operations at the end of 1997.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Joint Venture considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments. Short-term investments are stated at cost, which approximates fair value, and consist of investments in money market accounts.

Use of Estimates and Factors Affecting the Partnership

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The carrying values of the real estate assets are based on management's current intent to hold the real estate assets as long-term investments. The success of the Joint Venture's future operations and the ability to realize the investment in its assets will be dependent on the Joint Venture's ability to maintain an appropriate level of rental rates, occupancy, and operating expenses in future years. Management believes that the steps it is taking will enable the Joint Venture to realize its investment in its assets.

Income Taxes

The Joint Venture is not subject to federal or state income taxes, and therefore, none have been provided for in the accompanying financial statements. The partners of Fund IX and Fund X are required to include their respective shares of profits and losses in their individual income tax returns.

Real Estate Assets

Real estate assets held by the Joint Venture are stated at cost less accumulated depreciation. Major improvements and betterments are capitalized when they extend the useful life of the related asset. All ordinary repairs and maintenance are expensed as incurred.

Management continually monitors events and changes in circumstances which could indicate that the carrying amounts of real estate assets may not be recoverable. When events or changes in circumstances are present that indicate the carrying amounts of real estate assets may not be recoverable, management assesses the recoverability of real estate assets under Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of," by determining whether the carrying value of such real estate assets will be recovered through the future cash flows expected from the use of the asset and its eventual disposition. Management believes that there has been no impairment in the carrying value of real estate assets held by the Joint Venture.

Depreciation of buildings and land improvements is calculated using the straight-line method over 25 years. Tenant improvements are amortized over the life of the related lease or the life of the asset, whichever is shorter.

Revenue Recognition

All leases on real estate assets held by the Joint Venture are classified as operating leases, and the related rental income is recognized on a straight-line basis over the terms of the respective leases.

Partners' Distributions and Allocations of Profit and Loss

Cash available for distribution and allocations of profit and loss to Fund IX and Fund X by the Joint Venture are made in accordance with the terms of the joint venture agreement. Generally, these items are allocated in proportion to the partners' respective ownership interests. Cash distributions are generally paid by the Joint Venture to Fund IX and Fund X quarterly.

Deferred Lease Acquisition Costs

Costs incurred to procure operating leases are capitalized and amortized on a straight-line basis over the terms of the related leases.

2. DEFERRED PROJECT COSTS

The Wells Real Estate Funds pay a percentage of limited partner contributions to Wells Capital, Inc., an affiliate of the Joint Venture, for acquisition and advisory services. These payments, as stipulated by the partnership agreement, can be up to 5% of the limited partner contributions, subject to certain overall limitations contained in the partnership agreement. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the Joint Venture.

3. FUTURE MINIMUM RENTAL INCOME

The future minimum rental income due Fund IX and X Associates under noncancelable operating leases at December 31, 1997 is as follows:

Year ending December 31:	
1998	$ 646,250
1999	646,250
2000	646,250
2001	646,250
2002	646,250
Thereafter	3,583,021
	$6,814,271

4. COMMITMENTS AND CONTINGENCIES

Management, after consultation with legal counsel, is not aware of any significant litigation or claims against the Joint Venture or its partners. In the normal course of business, the Joint Venture or its partners may become subject to such litigation or claims.

5. SUBSEQUENT EVENTS (UNAUDITED)

On February 13, 1998, the Joint Venture acquired a two-story office building, the Ohmeda Building, a 106,750-square-foot office building located in Louisville, Colorado, for a cash purchase price of $10,325,000 plus acquisition expenses of $6,644. The building is 100% occupied by one tenant with an original lease term of ten years that commenced February 1, 1988. The lease term was extended for an additional seven years commencing February 1, 1998.

On March 20, 1998, the Joint Venture acquired the Interlocken Building, a 51,974-square-foot three-story multitenant office building located in Broomfield, Colorado, for a cash purchase price of $8,275,000 plus acquisition expenses of $18,000.

On June 11, 1998, Wells Operating Partnership, L.P. (of which Wells Real Estate Investment Trust, Inc. is the sole general partner) and Wells Real Estate Fund XI, L.P. were admitted to the Joint Venture. The Joint Venture agreement was

restated and amended as such and was renamed the Fund IX, Fund X, Fund XI, and REIT Joint Venture.

On June 24, 1998, Fund IX, Fund X, Fund XI, and REIT Joint Venture acquired the Lucent Building, a one-story office building, from Wells Development Corporation, an affiliate of the Joint Venture, for a cash purchase price of $5,504,276 which equaled the book value of the building. The building is 100% occupied by one tenant with an original lease term of ten years that commenced January 1, 1998.

LUCENT BUILDING

STATEMENT OF REVENUES OVER CERTAIN

OPERATING EXPENSES

FOR THE THREE MONTHS ENDED MARCH 31, 1998

(Unaudited)

REVENUES:	
Rental revenue	$137,817
OPERATING EXPENSES	675
REVENUES OVER OPERATING EXPENSES	$137,142

The accompanying notes are an integral part of this statement.

LUCENT BUILDING

NOTES TO STATEMENT OF REVENUES OVER CERTAIN

OPERATING EXPENSES

FOR THE THREE MONTHS ENDED MARCH 31, 1998

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On June 24, 1998, Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P., Wells Real Estate Fund XI, L.P., and Wells Real Estate Investment Trust, Inc., through Fund IX, Fund X, Fund XI, and REIT Joint Venture (a Georgia joint venture), acquired the Lucent Building, a 57,186-square-foot one-story office building located in Oklahoma City, Oklahoma, for a cash purchase price of $5,504,276. The building is 100% occupied by one tenant

with an original lease term of 10 years that commenced January 1, 1998. The lease is a triple net lease, whereby the terms require the tenant to pay all operating expenses relating to the building.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over operating expenses are presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation, interest, and management fees, not comparable to the operations of the Lucent Building after acquisition by Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P, Wells Real Estate Fund XI, L.P., and Wells Real Estate Investment Trust, Inc.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Fund XI, L.P. and
Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the IOMEGA BUILDING for the year ended December 31, 1997. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Iomega Building after acquisition by Fund IX, X, XI, and REIT Joint Venture (a joint venture between Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P., Wells Real Estate Fund XI, L.P. and Wells Operating Partnership, L.P.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Iomega Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Iomega Building for the year ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Atlanta, Georgia
August 6, 1998

IOMEGA BUILDING

STATEMENTS OF REVENUES OVER CERTAIN

OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997

AND FOR THE SIX MONTHS ENDED JUNE 30, 1998

	1997	1998
		(Unaudited)
RENTAL REVENUES	$552,828	$276,414
OPERATING EXPENSES, net of reimbursements	(1,426)	9,750
REVENUES OVER CERTAIN OPERATING EXPENSES	$554,254	$266,664

The accompanying notes are an integral part of these statements.

IOMEGA BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997

AND FOR THE SIX MONTHS ENDED JUNE 30, 1998

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On July 1, 1998, Wells Real Estate Fund X, L.P. ("Fund X") contributed a single-story warehouse and office building with 108,000 rentable square feet (the "Iomega Building") to the Fund IX, Fund X, Fund XI, and REIT Joint Venture ("IX-X-XI-REIT Joint Venture") (a Georgia joint venture) as a capital contribution. Fund X was credited with making a capital contribution to the IX-X-XI-REIT Joint Venture in the amount of $5,050,425, which represents the purchase price of $5,025,000 plus acquisition expenses of $25,425 originally paid by Fund X for the Iomega Building on April 1, 1998. As of August 1, 1998, Fund X had made total capital contributions to the IX-X-XI-REIT Joint Venture of $18,410,965 and held an equity percentage interest in the IX-X-XI-REIT Joint Venture of 49.9%; Wells Real Estate Fund IX, L.P. had made total capital contributions to the IX-X-XI-REIT Joint Venture of $14,571,686 and held an equity percentage interest in the IX-X-XI-REIT Joint Venture of 39.5%; Wells Operating Partnership, L.P. had made total capital contributions to the IX-X-XI-REIT Joint Venture of $1,421,466 and held an equity percentage interest in the IX-X-XI-REIT Joint Venture of 3.9%; and Wells Real Estate

Fund XI, L.P. had made total capital contributions to the IX-X-XI-REIT Joint Venture of $2,482,810 and held an equity percentage interest in the IX-X-XI-REIT Joint Venture of 6.7%.

The building is 100% occupied by one tenant with a ten year lease term that expires on July 31, 2006. The monthly base rent payable under the lease is $40,000 through November 12, 1999. Beginning on the 40th and 80th months of the lease term, the monthly base rent payable under the lease will be increased to reflect an amount equal to 100% of the increase in the Consumer Price Index (as defined in the lease) during the preceding 40 months; provided however, that in no event shall the base rent be increased with respect to any one year by more than 6% or by less than 3% per annum, compounded annually, on a cumulative basis from the beginning of the lease term. The lease is a triple net lease, whereby the terms require the tenant to reimburse the IX-X-XI-REIT Joint Venture for certain operating expenses, as defined in the lease, related to the building.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation and management fees, not comparable to the operations of the Iomega Building after acquisition by the IX-X-XI-REIT Joint Venture.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Fund XI, L.P. and
Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the FAIRCHILD BUILDING for the year ended December 31, 1997. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Fairchild Building after acquisition by the Fremont Joint Venture (a joint venture between Wells Operating Partnership, L.P. and Wells Development Corporation). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Fairchild Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Fairchild Building for the year ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Atlanta, Georgia
August 6, 1998

FAIRCHILD BUILDING

STATEMENTS OF REVENUES OVER CERTAIN

OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997

AND FOR THE SIX MONTHS ENDED JUNE 30, 1998

	1997	1998
		(Unaudited)
RENTAL REVENUES	$220,090	$440,178
OPERATING EXPENSES	67,573	10,420
REVENUES OVER CERTAIN OPERATING EXPENSES	$152,517	$429,758

The accompanying notes are an integral part of these statements.

FAIRCHILD BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997

AND FOR THE SIX MONTHS ENDED JUNE 30, 1998

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

The Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc., entered into a Joint Venture Agreement known as Wells/Fremont Associates ("Fremont Joint Venture") with Wells Development Corporation. On July 21, 1998, the Fremont Joint Venture acquired the Fairchild Building, a 58,424-square-foot warehouse and office

building located in Fremont, California, for a purchase price of $8,900,000 plus acquisition expenses of approximately $60,000. The Fremont Joint Venture used the $2,995,480 aggregate capital contributions described below to partially fund the purchase of the Fairchild Building. The Fremont Joint Venture obtained a loan in the amount of $5,960,000 from NationsBank, N.A., the proceeds of which were used to fund the remainder of the cost of the Fairchild Building (the "Fairchild Loan"). The Fairchild Loan matures on July 21, 1999 (the "Fairchild Maturity Date"), unless the Fremont Joint Venture exercises its option to extend the Fairchild Maturity Date to January 21, 2000. The interest rate on the Fairchild Loan is a variable rate per annum equal to the rate appearing on Telerate Page 3750 as the LIBOR Rate for a 30-day period plus 220 basis points.

The building is 100% occupied by one tenant with a seven-year lease term that commenced on December 1, 1997 (with an early possession date of October 1, 1997) and expires on November 30, 2004. The monthly base rent payable under the lease is $68,128 with a 3% increase on each anniversary of the commencement date. The lease is a triple net lease, whereby the terms require the tenant to reimburse Wells/Fremont for certain operating expenses, as defined in the lease, related to the building. Prior to October 1, 1997, the building was unoccupied and all operating expenses were paid by the former owner of the Fairchild Building.

Acquisition of the Fremont Joint Venture Interest

Wells Real Estate Fund XI, L.P. ("Wells Fund XI") entered into a Joint Venture Agreement with Wells Real Estate Fund X, L.P. ("Wells Fund X") known as Fund X and Fund XI Associates ("Fund X-XI Joint Venture") for the purpose of the

acquisition, ownership, leasing, operation, sale and management of real properties, and interests in real properties, including but not limited to, the acquisition of equity interests in the Fremont Joint Venture.

On July 17, 1998, the Fund X-XI Joint Venture entered into an Agreement for the Purchase and Sale of Joint Venture Interest (the "Fremont JV Contract") with Wells Development. Pursuant to the Fremont JV Contract, the Fund X-XI Joint Venture contracted to acquire Wells Development's interest in the Fremont Joint Venture (the "Freemont JV Interest") which, at closing, will result in the Fund X-XI Joint Venture becoming a joint venture partner with Wells OP in the ownership of the Fairchild Building. Wells Fund X, Wells OP and Wells Development are all affiliates of Wells Fund XI.

At the time of the entering into the Fremont JV Contract, the Fund X-XI Joint Venture delivered $2,000,000 to Wells Development as an earnest money deposit (the "Fremont Earnest Money"). Wells Fund XI contributed $1,000,000 of the Fremont Earnest Money as a capital contribution to the Fund X-XI Joint Venture and, as of July 21, 1998, held an equity percentage interest in the Fund X-XI Joint Venture of 50%; and Wells Fund X contributed $1,000,000 of the Fremont Earnest Money as a capital contribution to the Fund X-XI Joint Venture and, as of July 21, 1998, held an equity percentage interest in the Fund X-XI Joint Venture of 50%. Wells Development contributed the Fremont Earnest Money it received from the Fund X-XI Joint Venture to the Fremont Joint Venture as its initial capital contribution, and Wells OP simultaneously contributed $995,480 to the Fremont Joint Venture as its initial capital contribution.

Cash flow distributions allocable by the Fremont Joint Venture to Wells Development will be credited as a purchase price adjustment or paid to the Fund X-XI Joint Venture at the closing of the acquisition of the Fremont JV Interest from Wells Development since Wells Development is prohibited from making any profit on the transaction during the holding period. The Fund X-XI Joint Venture will have no property rights in the Fairchild Building prior to closing nor any potential liability on the Fairchild Loan, which will be paid off prior to closing.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as interest, depreciation, and management fees, not comparable to the operations of the Fairchild Building after acquisition by Wells/Fremont.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Fund XI, L.P. and
Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the CORT FURNITURE BUILDING for the year ended December 31, 1997. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Cort Furniture Building after acquisition by the Cort Joint Venture (a joint venture between Wells Operating Partnership, L.P. and Wells Development Corporation). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Cort Furniture Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Cort Furniture Building for the year ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Atlanta, Georgia
August 6, 1998

CORT FURNITURE BUILDING

STATEMENTS OF REVENUES OVER CERTAIN

OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997

AND FOR THE SIX MONTHS ENDED JUNE 30, 1998

	1997	1998 (Unaudited)
RENTAL REVENUES	$771,618	$385,809
OPERATING EXPENSES	16,408	4,104
REVENUES OVER CERTAIN OPERATING EXPENSES	$755,210	$381,705

The accompanying notes are an integral part of these statements.

CORT FURNITURE BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997

AND FOR THE SIX MONTHS ENDED JUNE 30, 1998

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

The Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc, entered into a Joint Venture Agreement known as Wells/Orange County Associates ("Cort Joint Venture") with Wells Development Corporation. On July 31, 1998, the Cort Joint Venture acquired the Cort Furniture Building, a 52,000-square-foot warehouse and office building located in Fountain Valley, California, for a purchase price of $6,400,000 plus acquisition expenses of approximately $150,000. The Cort Joint Venture used the $1,668,000 aggregate capital contributions described below to partially fund the purchase of the Cort Furniture Building. The Cort Joint Venture obtained a loan in the amount of $4,875,000 from NationsBank, N.A., the proceeds of which were used to fund the remainder of the cost of the Cort Furniture Building (the "Cort Loan"). The Cort Loan matures on July 31, 1999 (the "Cort Maturity Date"), unless the Cort Joint Venture exercises its option to extend the Cort Maturity Date to January 31, 2000. The interest rate on the Cort Loan is a variable rate per annum equal to the rate appearing on Telerate Page 3750 as the LIBOR Rate for 30-day period plus 220 basis points.

The building is 100% occupied by one tenant with a 15-year lease term that commenced on November 1, 1988 and expires on October 31, 2003. The monthly

base rent payable under the lease is $63,247 through April 30, 2001 at which time the monthly base rent will be increased 10% to $69,574 for the remainder of the lease term. The lease is a triple net lease, whereby the terms require the tenant to reimburse the Cort Joint Venture for certain operating expenses, as defined in the lease, related to the building.

Acquisition of the Cort Joint Venture Interest

Wells Real Estate Fund XI, L.P. ("Wells Fund XI") entered into a Joint Venture Agreement with Wells Real Estate Fund X, L.P. ("Wells Fund X") known as Fund X and Fund XI Associates ("Fund X-XI Joint Venture") for the purpose of the acquisition, ownership, leasing, operation, sale and management of real

properties, and interests in real properties, including but not limited to, the acquisition of equity interests in the Cort Joint Venture.

On July 30, 1998, the Fund X-XI Joint Venture entered into an Agreement for the Purchase and Sale of Joint Venture Interest (the "Cort JV Contract") with Wells Development. Pursuant to the Cort JV Contract, the Fund X-XI Joint Venture contracted to acquire Wells Development's interest in the Cort Joint Venture (the "Cort JV Interest") which, at closing, will result in the Fund X-XI Joint Venture becoming a joint venture partner with Wells OP in the ownership of the Cort Furniture Building. Wells Fund X, Wells OP and Wells Development are all affiliates of Wells Fund XI.

At the time of entering into the Cort JV Contract, the Fund X-XI Joint Venture delivered $1,500,000 to Wells Development as an earnest money deposit (the "Cort Earnest Money"). Wells Fund XI contributed $750,000 of the Cort Earnest Money as a capital contribution to the Fund X-XI Joint Venture and, as of July 31, 1998, held an equity percentage interest in the Fund X-XI Joint Venture of 50%; and Wells Fund X contributed $750,000 of the Cort Earnest Money as a capital contribution to the Fund X-XI Joint Venture and, as of July 31, 1998, held an equity percentage interest in the Fund X-XI Joint Venture of 50%. Wells Development contributed the Cort Earnest Money it received from the Fund X-XI Joint Venture to the Cort Joint Venture as its initial capital contribution, and Wells OP simultaneously contributed $168,000 to the Cort Joint Venture as its initial capital contribution.

Cash flow distributions allocable by the Cort Joint Venture to Wells Development will be credited as a purchase price adjustment or paid to the Fund X-XI Joint Venture at the closing of the acquisition of the Cort JV Interest from Wells Development since Wells Development is prohibited from making any profit on the transaction during the holding period. The Fund X-XI Joint Venture will have no property rights in the Cort Building prior to closing nor any potential liability on the Cort Loan, which will be paid off prior to closing.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as interest, depreciation, and management fees, not comparable to the operations of the Cort Furniture Building after acquisition by the Cort Joint Venture.

Arthur Andersen LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the VANGUARD CELLULAR BUILDING for the period from inception (November 16, 1998) to December 31, 1998. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Vanguard Cellular Building after acquisition by Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Vanguard Cellular Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Vanguard Cellular Building for the period from inception (November 16, 1998) to December 31, 1998 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Atlanta, Georgia
February 26, 1999

VANGUARD CELLULAR BUILDING

STATEMENT OF REVENUES OVER CERTAIN

OPERATING EXPENSES

FOR THE PERIOD FROM INCEPTION

(NOVEMBER 16, 1998) TO DECEMBER 31, 1998

RENTAL REVENUES	$171,855
OPERATING EXPENSES, net of reimbursements	0

REVENUES OVER CERTAIN OPERATING EXPENSES	$171,855

The accompanying notes are an integral part of this statement.

VANGUARD CELLULAR BUILDING

NOTES TO STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE PERIOD FROM INCEPTION

(NOVEMBER 16, 1998) TO DECEMBER 31, 1998

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On February 4, 1999, Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership, formed to acquire and hold real estate properties on behalf of Wells Real Estate Investment Trust, Inc. (the "Registrant"), acquired a four-story office building (the "Vanguard Cellular Building") containing approximately 81,859 rentable square feet, for the price of $12,291,200 plus acquisition expenses, including legal fees, of approximately $240,900. Wells OP paid $6,382,100 in cash and obtained a loan in the amount of $6,450,000 from NationsBank, N.A. (the "NationsBank Loan"). As of February 4, 1999, $6,150,000 was outstanding on the NationsBank Loan. The NationsBank Loan gives Wells OP the option of extending the term of the loan after the initial six months. The interest rate for the initial six months of the NationsBank Loan is fixed at 7%. On August 1, 1999, Wells OP may extend the NationsBank Loan at a rate of LIBOR plus 200 basis points for up to 29 additional months. During the term of the extension, Wells OP is required to make quarterly principal installments in an amount equal to one-ninth of the outstanding principal balance as of October 1, 1999. The NationsBank Loan is secured by a first mortgage against the Vanguard Cellular Building. Legal fees, loan origination costs, and appraisal fees incurred from obtaining the NationsBank Loan totaled approximately $29,000.

The Vanguard Cellular Building is 100% occupied by one tenant with a ten-year lease term that commenced on November 16, 1998 and expires on November 15, 2008. Construction of the building was completed in November 1998. Under the terms of the lease agreement, monthly base rent payable is subject to escalations of 2% per annum and certain lease inception discounts. The lease is a triple net lease, whereby the terms require the tenant to reimburse Wells OP for certain operating expenses, as defined in the lease, related to the building. All of the operating expenses for the period from lease inception (November 16, 1998) to December 31, 1998 have been passed through to the tenant.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as interest, depreciation, and management fees, not comparable to the operations of the Vanguard Cellular Building after acquisition by Wells OP.

Arthur Andersen LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Investment Trust, Inc. and Wells Real Estate Fund XII, L.P.:

We have audited the accompanying statement of revenues over certain operating expenses for the EYBL CARTEX BUILDING for the year ended December 31, 1998. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the EYBL CarTex Building after acquisition by the Wells Fund XI-Fund XII-REIT Joint Venture (a joint venture between the Wells Operating Partnership, L.P. [on behalf of Wells Real Estate Investment Trust, Inc.], Wells Real Estate Fund XI, L.P., and Wells Real Estate Fund XII, L.P.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the EYBL CarTex Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the EYBL CarTex Building for the year ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
May 21, 1999

EYBL CARTEX BUILDING

STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1998 AND

FOR THE THREE MONTHS ENDED MARCH 31, 1999

	1998	1999 (Unaudited)
RENTAL REVENUES	$213,330	$63,990
OPERATING EXPENSES, net of reimbursements	14,343	0
REVENUES OVER CERTAIN OPERATING EXPENSES	$198,987	$63,990

The accompanying notes are an integral part of these statements.

EYBL CARTEX BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1998 AND

FOR THE THREE MONTHS ENDED MARCH 31, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

The EYBL CarTex Building is an industrial building consisting of a total of 169,510 square feet. On May 18, 1999, Wells Real Estate, LLC - SC I ("Wells LLC"), a Georgia limited liability company wholly owned by the Wells Fund XI-REIT Joint Venture (the "Joint Venture"), acquired an industrial building located in Fountain Inn, unincorporated Greenville County, South Carolina (the "EYBL CarTex Building"). Wells LLC purchased the EYBL CarTex Building from Liberty Property Trust, a Pennsylvania limited partnership.

The Joint Venture is a Georgia joint venture between Wells Real Estate Fund XI, L.P. ("Wells Fund XI"), a Georgia limited partnership, and Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc. The Joint Venture was formed on May 1, 1999 for the purpose of the acquisition, ownership, development, leasing, operations, sale, and management of real properties. On June 21, 1999, Wells Real Estate Fund XII, L.P., a Georgia limited partnership, was admitted to the Joint Venture, and the Joint Venture was renamed the Wells Fund XI-Fund XII-REIT Joint Venture.

The purchase price for the EYBL CarTex Building was $5,085,000. Wells LLC also incurred additional acquisition expenses in connection with the purchase of the EYBL CarTex Building, including attorneys' fees, recording fees, and other closing costs of $36,828. Wells Fund XI contributed $1,530,000 to the Joint Venture and Wells OP contributed $3,591,828 to the

Joint Venture.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented on the accrual basis. These statements have been prepared 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, such as depreciation and management fees, not comparable to the operations of the EYBL CarTex Building after acquisition by the Joint Venture.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Fund XI, L.P.,
Wells Real Estate Fund XII, L.P., and
Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the SPRINT BUILDING for the year ended December 31, 1998. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Sprint Building after acquisition by the Wells Fund XI-Fund XII-REIT Joint Venture (a joint venture between the Wells Operating Partnership, L.P. [on behalf of Wells Real Estate Investment Trust, Inc.], Wells Real Estate Fund XI, L.P., and Wells Real Estate Fund XII, L.P.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Sprint Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Sprint Building for the year ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Atlanta, Georgia

SPRINT BUILDING

STATEMENTS OF REVENUES OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1998 AND

FOR THE THREE MONTHS ENDED MARCH 31, 1999

	1998	1999
		(Unaudited)
RENTAL REVENUES	$1,050,725	$262,681
OPERATING EXPENSES, net of reimbursements	19,410	2,250
REVENUES OVER CERTAIN OPERATING EXPENSES	$1,031,315	$260,431

The accompanying notes are an integral part of these statements.

SPRINT BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1998 AND

FOR THE THREE MONTHS ENDED MARCH 31, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On July 2, 1999, the Wells Fund XI-XII-REIT Joint Venture (the "Joint Venture") acquired a three-story office building with approximately 68,900 rentable square feet located in Leawood, Johnson County, Kansas (the "Sprint Building"). The Joint Venture is a joint venture partnership between Wells Real Estate Fund XI, L.P. ("Wells Fund XI"), Wells Real Estate Fund XII, L.P. ("Wells Fund XII"), and Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership formed to acquire, own, lease, operate and manage real properties on behalf of Wells Real Estate Investment Trust, Inc. (the "Wells REIT"). Wells Fund XI contributed $3,000,000, Wells Fund XII contributed $1,000,000 and Wells OP contributed $5,546,210 to the Joint Venture for their respective share of the purchase of the Sprint Building.

The entire 68,900 rentable square feet of the Sprint Building is currently under a net lease agreement dated February 14, 1997 (the "Lease") with Sprint. The Lease was assigned to the Joint Venture at the closing. The initial term of the Lease is ten years which commenced on May 19, 1997 and expires on May 18, 2007. Sprint has the right to extend the Lease for 2 additional five-year periods. Each extension option must be exercised by giving notice to the landlord at least 270 days, but no earlier than 365 days, prior to the expiration date of the then current lease term. The monthly base rent payable under the Lease will be $83,254.17 through May 18, 2002 and $91,866.67 for the remainder of the Lease term. The monthly base

rent payable for each extended term of the Lease will be equal to 95% of the then current market rate which is calculated as a full-service rental rate less anticipated annual operating expenses on a rentable square foot basis charged for space of comparable location, size, and conditions in comparable office buildings in the suburban south Kansas City, Missouri and south Johnson County, Kansas areas.

Under the Lease, Sprint is required to pay as additional rent all real estate taxes, special assessments, utilities, taxes, insurance, and other operating costs with respect to the Sprint Building during the term of the Lease. In addition, Sprint is responsible for all routine maintenance and repairs including interior mechanical and electrical, HVAC, parking lot, and landscaping to the Sprint Building. The

Joint Venture, as landlord, is responsible for repair and replacement of the exterior, roof, foundation, and structure.

The Lease contains a termination option which may be exercised by Sprint effective as of May 18, 2004 provided Sprint has not exercised its expansion option, as described below. The early termination requires nine months' notice and a termination payment to the Joint Venture equal to $6.53 per square foot, or $450,199. Sprint also has an expansion option for an additional 20,000 square feet of office space which may be exercised in two phases, which involves building on unfinished ground level space that is currently used as covered parking within the existing building footprint and shell. At each exercise of an expansion option, the remaining lease term will be extended to be a minimum of an additional five years from the date of the completion of such expansion.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented on the accrual basis. These statements have been prepared 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, such as depreciation and management fees, not comparable to the operations of the Sprint Building after acquisition by the Joint Venture.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Investment Trust, Inc.,
Wells Real Estate Fund XI, L.P.,
and Wells Real Estate Fund XII, L.P.:

We have audited the accompanying statement of revenues over certain operating expenses for the JOHNSON MATTHEY BUILDING for the year ended December 31, 1998. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Johnson Matthey Building after acquisition by the Wells Fund XI-Fund XII-REIT Joint Venture (a joint venture between the Wells Operating Partnership, L.P. [on behalf of Wells Real Estate Investment Trust, Inc.], Wells Real Estate Fund XI, L.P., and Wells Real Estate Fund XII, L.P.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Johnson Matthey Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Johnson Matthey Building for the year ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Atlanta, Georgia
August 30, 1999

JOHNSON MATTHEY BUILDING

STATEMENTS OF REVENUES OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1998 AND

FOR THE SIX MONTHS ENDED JUNE 30, 1999

	1998	1999
		(Unaudited)
RENTAL REVENUES	$745,935	$424,724
OPERATING EXPENSES, net of reimbursements	100,314	59,398
REVENUES OVER CERTAIN OPERATING EXPENSES	$645,621	$365,326

The accompanying notes are an integral part of these statements.

JOHNSON MATTHEY BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1998 AND

FOR THE SIX MONTHS ENDED JUNE 30, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On August 17, 1999, the Wells Fund XI-Fund XII-REIT Joint Venture (the "Joint Venture") acquired an office building with approximately 130,000 rentable square feet located in Tredyffrin Township, Chester County, Pennsylvania (the "Johnson Matthey Building"). The Joint Venture is a joint venture partnership between Wells Real Estate Fund XI, L.P. ("Wells Fund XI"), Wells Real Estate Fund XII, L.P. ("Wells Fund XII"), and Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc. (the "Wells REIT"). Wells Fund XI contributed $3,494,797, Wells Fund XII contributed $1,500,000, and Wells OP contributed $3,055,694 to the Joint Venture for their respective share of the purchase of the Johnson Matthey Building.

The entire 133,000 rentable square feet of the Johnson Matthey Building is currently under a net lease agreement (the "Lease") with Johnson Matthey. The Lease was assigned to the Joint Venture at the closing. The initial term of the Lease is ten years, which commenced on July 1, 1997 and expires on June 30, 2007. Johnson Matthey has the right to extend the Lease for two additional three-year periods. Each extension option must be exercised by giving 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 Lease will be equal to the fair market rent taking into consideration rental rates for comparable industrial and research and development properties in the local market area.

Under the Lease, Johnson Matthey is required to pay as additional rent all real estate taxes, special assessments, utilities, taxes, insurance, and other operating costs with respect to the Johnson Matthey Building during the term of the Lease. In addition, Johnson Matthey is responsible for all routine maintenance and repairs including interior mechanical and electrical, HVAC, parking lot, and landscaping to the Johnson Matthey Building. The Joint Venture, as landlord, is responsible for repair and replacement of the exterior, roof, foundation, and structure.

The Lease contains a purchase option, which may be exercised by Johnson Matthey in the event that the Joint Venture desires to sell the building to an unrelated third party. The Joint Venture must give Johnson Matthey written notice of its intent to sell the Johnson Matthey Building, and Johnson Matthey will have ten days from the date of such notice to provide written notice of its intent to purchase the building. If Johnson Matthey exercises the purchase option, it must purchase the Johnson Matthey Building on the same terms contained in the offer.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented on the accrual basis. These statements have been prepared 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, such as depreciation, not comparable to the operations of the Johnson Matthey Building after acquisition by the Joint Venture.

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the VIDEOJET BUILDING for the year ended December 31, 1998. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Videojet Building after acquisition by the Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Videojet Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Videojet Building for the year ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Atlanta, Georgia
September 17, 1999

VIDEOJET BUILDING

STATEMENTS OF REVENUES OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1998 AND

FOR THE SIX MONTHS ENDED JUNE 30, 1999

	December 31, 1998	June 30, 1999 (Unaudited)
RENTAL REVENUES	$2,995,806	$1,497,903
OPERATING EXPENSES, net of reimbursements	0	0
REVENUES OVER CERTAIN OPERATING EXPENSES	$2,995,806	$1,497,903

The accompanying notes are an integral part of these statements.

VIDEOJET BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1998 AND

FOR THE SIX MONTHS ENDED JUNE 30, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On September 10, 1999, the Wells Operating Partnership L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate, and manage real properties on behalf of the Wells Real Estate Investment Trust, Inc., acquired a two-story corporate office building with a single story assembly and manufacturing space containing approximately 250,354 rentable square feet located in Wood Dale, DuPage County, Illinois (the "Videojet Building"). The purchase price of the Videojet Building was $33,158,865 which includes acquisition related expenses and $500,000 in selling commissions paid by Wells OP. Wells OP paid $26,130,940 in cash and obtained $7,000,000 in loan proceeds from a line of credit held by SouthTrust Bank, N.A. Additional acquisition fees of $27,925 were incurred related to attorneys' fees, environmental consultants fees, appraisers fees, and other costs.

The entire 250,354 rentable square feet of the Videojet Building is currently under a net lease agreement dated November 1991 (the "Lease") with Videojet Systems International, Inc. ("Videojet"). The Lease was assigned to Wells OP at the closing. The initial term of the Lease is 20 years which commenced in November 1991 and expires in November 2011. Videojet has the right to extend the Lease for one additional five-year period. The extension option must be exercised by giving notice to the landlord at least 365 days prior to the expiration date of the then current lease term. The monthly base rent payable under the Lease is $236,579 through November 2001 and will be $281,396 for the remainder of the lease term. The monthly base rent payable for the extended term of the Lease will be $388,953, should Videojet choose to extend the lease.

Under the Lease, Videojet is required to pay as additional rent all real estate taxes, special assessments, utilities, taxes, insurance, and other operating costs associated with the Videojet Building during the term of the Lease. In addition, Videojet is responsible for repair and maintenance of the roof, walls, structure and foundation, landscaping and the heating, ventilating, air conditioning, mechanical, electrical, plumbing, and other systems.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented on the accrual basis. These statements have been prepared 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, such as depreciation, interest, and management fees, not comparable to the operations of the Videojet Building after acquisition by Wells OP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Investment Trust, Inc.,
and Wells Real Estate Fund XII, L.P.:

We have audited the accompanying statement of revenues over certain operating expenses for the GARTNER BUILDING for the year ended December 31, 1998. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Gartner Building after acquisition by the Wells Fund XI-Fund XII-REIT Joint Venture (a joint venture between the Wells Operating Partnership, L.P. [on behalf of Wells Real Estate Investment Trust, Inc.], Wells Real Estate Fund XI, L.P., and Wells Real Estate Fund XII, L.P.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Gartner Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Gartner Building for the year ended December 31, 1998 in conformity with generally accepted accounting principles.

/S/ Arthur Andersen LLP

Atlanta, Georgia
September 24, 1999

GARTNER BUILDING

STATEMENTS OF REVENUES OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1998 AND

FOR THE SIX MONTHS ENDED JUNE 30, 1999

	1998	1999
		(Unaudited)
RENTAL REVENUES	$738,074	$402,590
OPERATING EXPENSES, net of reimbursements	8,505	75
REVENUES OVER CERTAIN OPERATING EXPENSES	$729,569	$402,515

The accompanying notes are an integral part of these statements.

GARTNER BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1998 AND

FOR THE SIX MONTHS ENDED JUNE 30, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On September 20, 1999, the Wells Fund XI-Fund XII-REIT Joint Venture (the "Joint Venture") acquired a two story office building with approximately 62,400 rentable square feet located in Fort Myers, Lee County, Florida (the "Gartner Building").

The Joint Venture is a partnership between Wells Real Estate Fund XII, L.P. ("Wells Fund XII"), Wells Real Estate Fund XI, L.P. ("Wells Fund XI"), and Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership formed to acquire, own, lease, operate, and manage real properties on behalf of Wells Real Estate Investment Trust, Inc.

The purchase price for the Gartner Building was $8,320,000. The Joint Venture also incurred additional acquisition expenses in connection with the purchase of the Gartner Building, including attorneys' fees, recording fees and other closing costs, of $27,600.

The Wells Fund XII contributed $2,800,000, Wells Fund XI contributed $106,550, and Wells OP contributed $5,441,050 to the Joint Venture for their respective share of the acquisition costs for the Gartner Building.

The entire 62,400 rentable square feet of the Gartner Building is currently under a net lease agreement with Gartner dated July 30, 1997 (the "Lease"). The Lease was assigned to the Joint Venture at the closing.

The initial term of the Lease is ten years which commenced on February 1, 1998 and expires on January 31, 2008. Gartner has the right to extend the Lease for two additional five year periods of time. Each extension option must be exercised by giving at least one year's notice to the landlord prior to the expiration date of the then current lease term.

Under the Lease, Gartner is required to pay as additional rent all real estate taxes, special assessments, utilities, taxes, insurance, and other operating costs with respect to the Gartner Building during the term of the Lease. In addition, Gartner

is responsible for all routine maintenance and repairs to the Gartner Building. The Joint Venture, as landlord, is responsible for repair and replacement of the roof, structure, and paved parking areas.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statements of revenues over certain operating expenses are presented on the accrual basis. These statements have been prepared 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, such as depreciation and management and leasing fees, not comparable to the operations of the Gartner Building after acquisition by the Joint Venture.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

Wells Operating Partnership, L.P., ("Wells OP") is a Delaware limited partnership that was organized to own and operate properties on behalf of Wells Real Estate Investment Trust, Inc. ("Wells REIT"). Wells REIT is the general partner of Wells OP.

The following unaudited pro forma statements of income for the year ended December 31, 1998 and the nine-month period ended September 30, 1999 have been prepared to give effect to the following transactions as if each occurred on January 1, 1998: (i) Wells OP's acquisition of an equity interest in Fund IX, Fund X, Fund XI, and REIT Joint Venture (formerly Fund IX-Fund X Associates) (a joint venture between Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P. ["Wells Fund X"], Wells Real Estate Fund XI, L.P. ["Wells Fund XI"], and Wells OP); (ii) acquisition of Lucent Building by Fund IX, Fund X, Fund XI, and REIT Joint Venture; (iii) Wells OP's adjusted equity interest in Fund IX, Fund X, Fund XI, and REIT Joint Venture after giving affect to the contribution by Wells Fund X of Iomega Building to Fund IX, Fund X, Fund XI, and REIT Joint Venture; (iv) acquisition of the Fairchild Building by Wells/Fremont Associates (a joint venture between Wells OP and Fund X and Fund XI Associates [a joint venture between Wells Fund X and Wells Fund XI]); (v) acquisition of the Cort Furniture Building by Wells/Orange County Associates (a joint venture between Wells OP and Fund X and Fund XI Associates); (vi) acquisition of the EYBL CarTex Building by Wells Fund XI-Fund XII-REIT Joint Venture (a joint venture between Wells Fund XI, Wells Real Estate Fund XII, L.P., and Wells OP); (vii) acquisition of the Sprint Building by Wells Fund XI-Fund XII-REIT Joint Venture; (viii) acquisition of the Johnson Matthey Building by Wells Fund XI-Fund XI-REIT Joint Venture; and (ix) acquisition of the Gartner Building by Wells Fund XI-Fund XI-REIT Joint Venture.

The following unaudited pro forma statements of income for the year ended December 31, 1998 and the nine-month period ended September 30, 1999 have been prepared to give effect to the acquisition by Wells OP of the Vanguard Cellular Building and the Videojet Building as if the acquisitions had occurred on November 16, 1998 (Vanguard Cellular lease inception date) and on January 1,

1998, respectively.

No pro forma balance sheet as of September 30, 1999 has been prepared since no acquisitions have occurred since September 30, 1999, the date of Wells REIT's most recently issued historical balance sheet.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition been consummated at the beginning of the period presented.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1998

(Unaudited)

	Wells Real Estate Investment Trust, Inc.	Fund IX, Fund X, Fund XI, and REIT Joint Venture	Lucent	Iomega	Fairchild	Cort Furniture	Vanguard Cellular
REVENUES:							
Rental income	$ 20,994	$ 0	$ 0	$ 0	$ 0	$ 0	$ 171,855(b)
Equity in income (loss) of joint ventures	263,315	17,909(a)	7,142(a)	6,158(a)	13,316(a)	11,489(a)	0
Interest income	110,869	0	0	0	0	0	0
	395,178	17,909	7,142	6,158	13,316	11,489	171,855
EXPENSES:							
Operating costs, net of reimbursements	11,033	0	0	0	0	0	0
General and administrative	29,943	0	0	0	0	0	2,384
Depreciation	0	0	0	0	0	0	60,896(c)
Interest	0	0	0	0	0	0	54,255(d)
Legal and accounting	19,552	0	0	0	0	0	0
Computer costs	616	0	0	0	0	0	0
	61,144	0	0	0	0	0	117,535
NET INCOME (LOSS)	$334,034	$ 17,909	$ 7,142	$ 6,158	$ 13,316	$ 11,489	$ 54,320
HISTORICAL EARNINGS PER SHARE (BASIC AND DILUTED)	$ 0.40						
PRO FORMA EARNINGS PER SHARE (BASIC AND DILUTED)							

	EYBL CarTex	Sprint	Johnson Matthey	Gartner	Videojet	Pro Forma Total
REVENUES:						
Rental income	$ 0	$ 0	$ 0	$ 0	$2,995,806(b)	$3,188,655
Equity in income (loss) of joint ventures	(5,022)(a)	391,893(a)	235,468(a)	258,285(a)	0	1,199,953
Interest income	0	0	0	0	0	110,869
	(5,022)	391,893	235,468	258,285	2,995,806	4,499,477
EXPENSES:						
Operating costs, net of reimbursements	0	0	0	0	0	11,033
General and administrative	0	0	0	0	0	32,327
Depreciation	0	0	0	0	1,173,286(c)	1,234,182
Interest	0	0	0	0	520,625(e)	574,880
Legal and accounting	0	0	0	0	0	19,552
Computer costs	0	0	0	0	0	616
	0	0	0	0	1,693,911	1,872,590
NET INCOME (LOSS)	$(5,022)	$391,893	$235,468	$258,285	$1,301,895	$2,626,887
HISTORICAL EARNINGS PER SHARE (BASIC AND DILUTED)						
PRO FORMA EARNINGS PER SHARE (BASIC AND DILUTED)						$ 0.25(f)

(a) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income (loss) of the joint venture which owns the respective property; the pro forma adjustments result from rental revenues less operating expenses, management and leasing fees, and depreciation of the respective property.
(b) Rental income is recognized on a straight-line basis.
(c) Depreciation expense is based on the straight-line method and a 25-year life; depreciation expense commences when the property is placed in service.
(d) Interest expense is based on the $6,150,000 note payable which bears interest at 7%.
(e) Interest expense is based on the $7,000,000 note payable which bears interest at 7.4375%.
(f) As of the latest property acquisition date, September 20, 1999, Wells Real Estate Investment Trust, Inc. had 10,588,947 shares of common stock outstanding; the pro forma earnings per share amount is as if these shares were outstanding for the year ending December 31, 1998.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

STATEMENT OF INCOME

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 1999

(Unaudited)

	Wells Real Estate Investment Trust, Inc.	Vanguard	EYBL CarTex	Sprint
REVENUES:				
Rental income	$2,806,158	$87,071(a)	$ 0	$ 0
Equity in income of joint ventures	783,065	0	9,428(d)	183,914(d)
Interest income	407,067	0	0	0
	3,996,290	87,071	9,428	183,914
EXPENSES:				
Operating costs, net of reimbursements	359,112	0	0	0
Management and leasing fees	150,908	1,710	0	0
Depreciation	1,036,003	40,236(b)	0	0
Interest	0	33,866(c)	0	0
Administrative costs	91,016	0	0	0
Legal and accounting	78,637	0	0	0
Computer costs	8,182	0	0	0
	1,723,858	75,812	0	0
NET INCOME	$2,272,432	$ 11,259	$9,428	$183,914
HISTORICAL EARNINGS PER SHARE (BASIC AND DILUTED)	$ 0.37			
PRO FORMA EARNINGS PER SHARE (BASIC AND DILUTED)				

	Johnson Matthey	Gartner	Videojet	Pro Forma Total
REVENUES:				
Rental income	$ 0	$ 0	$2,093,754(a)	$4,986,983
Equity in income of joint ventures	166,931(d)	194,078(d)	0	1,337,416
Interest income	0	0	0	407,067
	166,931	194,078	2,093,754	6,731,466

EXPENSES:				
Operating costs, net of reimbursements	0	0	0	359,112
Management and leasing fees	0	0	0	152,618
Depreciation	0	0	820,004(b)	1,896,243
Interest	0	0	363,863(e)	397,729
Administrative costs	0	0	0	91,016
Legal and accounting	0	0	0	78,637
Computer costs	0	0	0	8,182
	0	0	1,183,867	2,983,537
NET INCOME	$166,931	$194,078	$ 909,887	$3,747,929
HISTORICAL EARNINGS PER SHARE (BASIC AND DILUTED)				
PRO FORMA EARNINGS PER SHARE (BASIC AND DILUTED)				$ 0.35(f)

(a) Rental income is recognized on a straight-line basis.

(b) Depreciation expense is based on the straight-line method and a 25-year life; depreciation expense commences when the property is placed in service.

(c) Interest expense is based on the $6,150,000 note payable which bears interest at 7%.

(d) Reflects Wells Real Estate Investment Trust, Inc.'s equity in income of the joint venture which owns the respective property; the pro forma adjustments result from rental revenues less operating expenses, management and leasing fees, and depreciation of the respective property.

(e) Interest expense is based on the $7,000,000 note payable which bears interest at 7.4375%.

(f) As of the latest property acquisition date, September 20, 1999, Wells Real Estate Investment Trust, Inc. had 10,588,957 shares of common stock outstanding; the pro forma earnings per share amount is as if these shares were outstanding for the nine-month period ending September 30, 1999.

PRIOR PERFORMANCE TABLES

The following prior performance tables (Tables) provide information relating to real estate investment programs sponsored by the advisor and its affiliates (Wells Public Programs) which have investment objectives substantially similar to the Wells REIT. (See "Investment Objectives and Criteria.") All of the Wells Public Programs, except for the Wells REIT, have used a substantial amount of capital, and no acquisition indebtedness, to acquire their properties.

Prospective investors should read these Tables carefully together with the summary information concerning the Wells Public Programs as set forth in 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 the Wells Public Programs.

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

The following tables are included in this Supplement to the Prospectus:

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

Table II - Compensation to Sponsor (in Dollars)

Table III - Annual Operating Results of Wells Public Programs

Table IV (Results of completed programs) and Table V (sales or disposals of

property) have been omitted since none of the Wells Public Programs have sold any of their properties to date.

Additional information relating to the acquisition of properties by the Wells Public Programs is contained in Table VI, which is included in Part II of the registration statement which the Wells REIT has filed with the Securities and Exchange Commission. As described above, no Wells Public Program has sold or disposed of any property held by it. Copies of any or all information will be provided to prospective investors at no charge upon request.

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

"Acquisition Fees" shall mean fees and commissions paid by a Wells Public Program in connection with its purchase or development of a property, except development fees paid to a person not affiliated with the Wells Public Program or with a general partner or advisor of the Wells Public Program in connection with the actual development of a project after acquisition of the land by the Wells Public Program.

"Organization Expenses" shall include legal fees, accounting fees, securities filing fees, printing and reproduction expenses and fees paid to the sponsor in connection with the planning and formation of the Wells Public Program.

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

TABLE I
(UNAUDITED)

EXPERIENCE IN RAISING AND INVESTING FUNDS

This Table provides a summary of the experience of the sponsors of Wells Public Programs for which offerings have been completed since December 31, 1995. 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, 1998.

	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.
Dollar Amount Raised	$32,042,689/(3)/	$35,000,000/(4)/	$27,128,912/(5)/	$16,532,802/(6)/
Percentage Amount Raised	100.0%/(3)/	100.0%/(4)/	100%/(5)/	100%/(6)/
Less Offering Expenses				
Underwriting Fees	10.0%	10.0%	10.0%	9.5%
Organizational Expenses	5.0%	5.0%	5.0%	3.0%
Reserves/(1)/	0.0%	0.0%	0.0%	0.0%
Percent Available for Investment	85.0%	85.0%	85.0%	87.5%
Acquisition and Development Costs				
Prepaid Items and Fees related to Purchase of Property	.1%	2.0%	2.4%	
Cash Down Payment	80.0%	66.4%	42.1%	0.0%
Acquisition Fees/(2)/	4.5%	4.5%	4.5%	29.5%
Development and Construction Costs	.4%	10.1%	12.0%	3.5%
Reserve for Payment of Indebtedness	0.0%	0.0%	0.0%	0.0%
Total Acquisition and Development Cost	85.0%	83.0%	61.0%	33.0%
Percent Leveraged	0.0%	0.0%	0.0%	0.0%
Date Offering Began	01/06/95	01/05/96	12/31/96	12/31/97
Length of Offering	12 mo.	12 mo.	12 mo.	12mo.
Months to Invest 90% of Amount Available for Investment (Measured from Beginning of Offering)	17 mo.	14 mo.	19 mo.	/(7)/
Number of Investors as of 12/31/98	2,247	2,118	1,812	1,345

(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 VIII, L.P. closed its offering on January 4, 1996, and the total dollar amount raised was $32,042,689.
(4) Total dollar amount registered and available to be offered was $35,000,000. Wells Real Estate Fund IX, L.P. closed its offering on December 30, 1996, and the total dollar amount raised was $35,000,000.

(5) Total dollar amount registered and available to be offered was $35,000,000. Wells Real Estate Fund X, L.P. closed its offering on December 30, 1997, and the total dollar amount raised was $27,128,912.
(6) 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.
(7) As of December 31, 1998, Wells Real Estate Fund XI, L.P. had not yet invested 90% of the amount available for investment. The amount invested in properties (including acquisition fees paid but not yet associated with a specific property) at December 31, 1998 was 33% of the total dollar amount raised.

TABLE II
(UNAUDITED)

COMPENSATION TO SPONSOR

The following sets forth the compensation received by general partners or their 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, 1995. These partnerships have not sold or refinanced any of their properties to date. All figures are as of December 31, 1998.

	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.	Other Public Programs/(1)/
Date Offering Commenced	01/06/95	01/05/96	12/31/96	12/31/97	--
Dollar Amount Raised	$32,042,689	$35,000,000	$27,128,912	$16,532,802	$174,198,406
to Sponsor from Proceeds of Offering:					
Underwriting Fees/(2)/	$ 174,295	$ 309,556	$ 260,748	$ 151,911	$ 749,861
Acquisition Fees					
Real Estate Commissions	--	--	--		--
Acquisition and Advisory Fees/(3)/	$ 1,281,708	$ 1,400,000	$ 1,085,157	$ 578,648	$ 8,877,691
Dollar Amount of Cash Generated from Operations Before Deducting Payments to Sponsor/(4)/	$ 5,898,456	$ 4,472,419	$ 2,100,001	$ 87,465	$ 31,156,353
Amount Paid to Sponsor from Operations:					
Property Management Fee/(1)/	$ 165,073	$ 82,791	$ 39,957	$ 6,267	$ 1,089,740
Partnership Management Fee	--	--	--	--	--
Reimbursements	$ 171,240	$ 72,803	$ 41,659	$ 14,623	$ 1,300,327
Leasing Commissions	$ 225,234	$ 174,185	$ 110,655	$ 17,559	$ 1,148,836
General Partner Distributions	--	--	--	--	15,205
Other	--	--	--	--	--
Dollar Amount of Property Sales and Refinancing Payments to Sponsors:					
Cash	--	--	--	--	--
Notes	--	--	--	--	--
Amount Paid to Sponsor from Property Sales and Refinancing:					
Real Estate Commissions	--	--	--	--	--
Incentive Fees	--	--	--	--	--
Other	--	--	--	--	--

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(1) Includes compensation paid to general partners from Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P., Wells Real Estate Fund VI, L.P. and Wells Real Estate Fund VII, L.P. during the past three years. In addition to the amounts shown, affiliates of the general partners of Wells Real Estate Fund I are entitled to certain property management and leasing fees but have elected to defer the payment of such fees until a later year on properties owned by Wells Real Estate Fund I. At December 31, 1998, the amount of such fees due the general partners totaled $2,283,808.

(2) Includes net underwriting compensation and commissions paid to Wells Investment Securities, Inc. in connection with the offerings of Wells Real Estate Funds VIII, IX, X, and XI, which were not reallowed to participating broker-dealers.

(3) Fees paid to the general partners or their affiliates for acquisition and advisory services in connection with the review and evaluation of potential real property acquisitions.

(4) Includes $567,231 in net cash provided by operating activities, $4,769,678 in distributions to limited partners and $561,547 in payments to sponsor for Wells Real Estate Fund VIII, L.P.; $732,687 in net cash provided by operating activities, $3,409,953 in distributions to limited partners and $329,779 in payments to sponsor for Wells Real Estate Fund IX, L.P.; $500,687 in net cash provided by operating activities, $1,407,043 in distributions to limited partners and $192,271 in payments to sponsor for Wells Real Estate Fund X, L.P.; $50,858 in net cash used by operating activities, $99,874 in distributions to limited partners and $38,449 in payments to sponsor for Wells Restate Fund XI, L.P.; and $2,917,222 in net cash provided by operating activities, $24,700,228 in distributions to limited partners and $3,538,903 in payments to sponsor for other public programs.

TABLE III
(UNAUDITED)

The following six tables set forth operating results of Wells Public Programs the offerings of which have been completed since December 31, 1993. The information relates only to public programs with investment objectives similar to those of the partnership. All figures are as of December 31 of the year indicated.

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

	1998	1997	1996	1995	1994
Gross Revenues/(1)/	$ 939,519	$ 884,802	$ 675,782	$ 1,002,567	$ 819,535
Profit on Sale of Properties	--	--	--	--	--
Less: Operating Expenses/(2)/	82,168	82,898	80,479	94,489	112,389
Depreciation and Amortization/(3)/	1,563	6,250	6,250	6,250	6,250
Net Income GAAP Basis/(4)/	$ 855,788	$ 795,654	$ 589,053	$ 901,828	700,896
Taxable Income: Operations	$1,206,968	$1,091,770	$ 809,389	$ 916,531	667,682
Cash Generated (Used By):					
Operations	(70,649)	(57,206)	(2,716)	278,728	276,376
Joint Ventures	1,829,428	1,500,023	1,044,891	766,212	203,543
	$1,758,779	$1,442,817	$1,042,175	$ 1,044,940	$ 479,919
Less Cash Distributions to Investors:					
Operating Cash Flow	1,745,626	1,442,817	1,042,175	1,044,940	245,800
Return of Capital		9,986	125,314	--	--
Undistributed Cash Flow from Prior Year Operations	13,153	--	$ 18,027	216,092	--

Cash Generated (Deficiency) after Cash Distributions	$ 13,153	$ (9,986)	(143,341)	$ (216,092)	$ 234,119
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--	--	--
Increase in Limited Partner Contributions	--	--	--	--	12,163,461
	$ 13,153	$ (9,986)	$ (143,341)	$ (216,092)	$12,397,580
Use of Funds:					
Sales Commissions and Offering Expenses	--	--	--	--	1,776,909
Return of Original Limited Partner's Investment	--	--	--	--	--
Property Acquisitions and Deferred Project Costs	135,602	310,759	234,924	10,721,376	5,912,454
Cash Generated (Deficiency) after Cash Distributions and	$ (122,449)	$ (320,745)	$ (378,265)	$ (10,937,468)	$ 4,708,217
Special Items					
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
- Operations Class A Units	81	78	59	57	43
- Operations Class B Units	(280)	(247)	(160)	(60)	(12)
Capital Gain (Loss)	--	--	--	--	--
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	80	75	56	56	41
- Operations Class B Units	(171)	(150)	(99)	(51)	(22)
Capital Gain (Loss)	--	--	--	--	--
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	80	67	56	57	14
- Return of Capital Class A Units	--	--	--	4	--
- Return of Capital Class B Units	--	--	--	--	--
Source (on Cash Basis)					
- Operations Class A Units	80	67	50	61	14
- Return of Capital Class A Units	0	0	6	--	--
- Operations Class B Units	--	--	--	--	--
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

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(1) Includes $285,711 in equity in earnings of joint ventures and $533,824 from investment of reserve funds in 1994, $681,033 in equity in earnings of joint ventures and $321,534 from investment of reserve funds in 1995, $607,214 in equity in earnings of joint ventures and $68,568 from investment of reserve funds in 1996, $856,710 in equity in earnings of joint ventures and $28,092 from investment of reserve funds in 1997, and $928,000 in equity in earnings of joint ventures and $11,519 from investment of reserve funds in 1998. At December 31, 1998, the leasing status was 95%.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $107,807 for 1994, $264,866 for 1995, $648,478 for 1996, $896,753 for 1997, and $917,224 for 1998.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $762,218 to Class A Limited Partners, $(62,731) to Class B Limited Partners and $1,409 to the General Partners for 1994; $1,172,944 to Class A Limited Partners, $(269,288) to Class B Limited Partners and $(1,828) to the General Partners for 1995; $1,234,717 to Class A Limited Partners, $(645,664) to Class B Limited Partners and $0 to the General Partners for 1996; $1,677,826 to Class A Limited Partners, $(882,172) to Class B Limited Partners and $0 to the General Partners for 1997; and $1,770,058 to Class A Limited Partners $(914,270) to Class B Limited Partners and $0 to the general partners for 1998.

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

	1998	1997	1996	1995	1994
Gross Revenues/(1)/	$ 846,306	$ 816,237	$ 543,291	$ 925,246	$ 286,371
Profit on Sale of Properties	--	--	--	--	--
Less: Operating Expenses/(2)/	85,722	76,838	84,265	114,953	78,420
Depreciation and Amortization/(3)/	6,250	6,250	6,250	6,250	4,688

Net Income GAAP Basis/(4)/	$ 754,334	$ 733,149	$ 452,776	$ 804,043	$ 203,263
Taxable Income: Operations	$1,109,096	$1,008,368	$ 657,443	$ 812,402	$ 195,067
Cash Generated (Used By):					
Operations	(72,194)	(43,250)	20,883	431,728	47,595
Joint Ventures	1,770,742	1,420,126	760,628	424,304	14,243
	$1,698,548	$1,376,876	$ 781,511	$ 856,032	$ 61,838
Less Cash Distributions to Investors:					
Operating Cash Flow	1,636,158	1,376,876	781,511	856,032	52,195
Return of Capital	--	2,709	10,805	22,064	--
Undistributed Cash Flow from Prior Year Operations	--	--	--	9,643	--
Cash Generated (Deficiency) after Cash Distributions	$ 62,390	$ (2,709)	$ (10,805)	$ (31,707)	$ 9,643
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--	--	--
Increase in Limited Partner Contributions	$ --	$ --	$ --	$ 805,212	$23,374,961
	$ 62,390	$ (2,709)	$ (10,805)	$ 773,505	$23,384,604
Use of Funds:					
Sales Commissions and Offering Expenses	--	--	--	$ 244,207	$ 3,351,569
Return of Original Limited Partner's Investment	--	--	--	100	--
Property Acquisitions and Deferred Project Costs	181,070	169,172	736,960	14,971,002	4,477,765
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (118,680)	$ (171,881)	$(747,765)	$(14,441,804)	$15,555,270
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
- Operations Class A Units	85	86	62	57	29
- Operations Class B Units	(224)	(168)	(98)	(20)	(9)
Capital Gain (Loss)	--	--	--	--	--
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	82	78	55	55	28
- Operations Class B Units	(134)	(111)	(58)	(16)	17
Capital Gain (Loss)	--	--	--	--	--
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	81	70	43	52	7
- Return of Capital Class A Units	--	--	--	--	--
- Return of Capital Class B Units	--	--	--	--	--
Source (on Cash Basis)					
- Operations Class A Units	81	70	42	51	7
- Return of Capital Class A Units	--	--	1	1	--
- Operations Class B Units	--	--	--	--	--
Source (on a Priority Distribution Basis)/(5)/					
- Investment income Class A Units	62	54	29	30	4
- Return of Capital Class A Units	19	16	14	22	3
- Return of Capital Class B Units	--	--	--	--	--
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

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(1) Includes $78,799 in equity in earnings of joint ventures and $207,572 from investment of reserve funds in 1994, $403,325 in equity in earnings of joint ventures and $521,921 from investment of reserve funds in 1995, $457,144 in equity in earnings of joint ventures and $86,147 from investment of reserve funds in 1996, $785,398 in equity in earnings of joint ventures and $30,839 from investment of reserve funds in 1997, and $839,037 in equity in earnings of joint ventures and $7,269 from investment of reserve funds in 1998. At December 31, 1998, the leasing status was 96% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $25,468 for 1994, $140,533 for 1995, $605,247 for 1996, $877,869 for 1997, and $955,245 for 1998.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $233,337 to Class A Limited Partners, $(29,854) to Class B Limited Partners and $(220) to the General Partner for 1994; $950,826 to Class A Limited Partners, $(146,503) to Class B Limited Partners and $(280) to the General Partners for 1995; $1,062,605 to Class A Limited Partners, $(609,829) to Class B Limited Partners and $0 to the General Partners for 1996; $1,615,965 to class A Limited Partners, $(882,816) to Class B Limited Partners and $0 to the General Partners for 1997; and $1,704,213 to Class A Limited Partners, $(949,879) to Class B Limited Partners and $0 to the General Partners for 1998.

(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, 1998, the aggregate amount of such priority distributions payable to Class B Limited Partners totalled $1,364,217.

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

	1998	1997	1996	1995	1994
Gross Revenues/(1)/	1,362,513	$ 1,204,018	$ 1,057,694	$ 402,428	N/A
Profit on Sale of Properties	--	--	--	--	
Less: Operating Expenses/(2)/	87,092	95,201	114,854	122,264	
Depreciation and Amortization/(3)/	6,250	6,250	6,250	6,250	
Net Income GAAP Basis/(4)/	1,269,171	$ 1,102,567	$ 936,590	273,914	
Taxable Income: Operations	1,683,192	$ 1,213,524	$ 1,001,974	404,348	
Cash Generated (Used By):					
Operations	(63,946)	7,909	623,268	204,790	
Joint Ventures	2,293,504	1,229,282	279,984	20,287	
	$ 2,229,558	$ 1,237,191	$ 903,252	225,077	
Less Cash Distributions to Investors:					
Operating Cash Flow	2,218,400	1,237,191	903,252	--	
Return of Capital	--	183,315	2,443	--	
Undistributed Cash Flow from Prior Year	--	--	225,077	--	
Operations	$ 11,158	$ (183,315)	$ (227,520)	225,077	
Cash Generated (Deficiency) after Cash Distributions					
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--	--	
Increase in Limited Partner Contributions/(5)/	--	--	1,898,147	30,144,542	
	11,158	$ (183,315)	$ 1,670,627	30,369,619	
Use of Funds:					
Sales Commissions and Offering Expenses	--	--	464,760	4,310,028	
Return of Limited Partner's Investment	--	8,600	--	--	
Property Acquisitions and Deferred Project Costs	1,850,859	10,675,811	7,931,566	6,618,273	
Cash Generated (Deficiency) after Cash Distributions and Special Items	$(1,839,701)	$(10,867,726)	$(6,725,699)	19,441,318	
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
- Operations Class A Units	91	73	46	28	
- Operations Class B Units	(212)	(150)	(47)	(3)	
Capital Gain (Loss)	--	--	--	--	
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	89	65	46	17	
- Operations Class B Units	(131)	(95)	(33)	(3)	
Capital Gain (Loss)	--	--	--	--	
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	83	54	43	--	
- Return of Capital Class A Units	--	--	--	--	
- Return of Capital Class B Units	--	--	--	--	
Source (on Cash Basis)					
- Operations Class A Units	83	47	43	--	
- Return of Capital Class A Units	--	7	0	--	
- Operations Class B Units	--	--	--	--	
Source (on a Priority Distribution Basis)/(5)/					
- Investment Income Class A Units	67	42	33	--	
- Return of Capital Class A Units	16	12	10	--	
- Return of Capital Class B Units	--	--	--	--	
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

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(1) Includes $28,377 in equity in earnings of joint ventures and $374,051 from investment of reserve funds in 1995, $241,819 in equity in earnings of joint ventures and $815,875 from investment of reserve funds in 1996, $1,034,907 in equity in earnings of joint ventures and $169,111 from investment of reserve funds in 1997, and $1,346,367 in equity in earnings of joint ventures and $16,146 from investment of reserve funds in 1998. At December 31, 1998, the leasing status was 99% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $14,058 for 1995, $265,259 for 1996, $841,666 for 1997, and $1,157,355 for 1998.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $294,221 to Class A Limited Partners, $(20,104) to Class B Limited Partners and $(203) to the General Partners for 1995; $1,207,540 to Class A Limited Partners, $(270,653) to Class B Limited Partners and $(297) to the General Partners for 1996; $1,947,536 to Class A Limited Partners, $(844,969) to Class B Limited Partners and $0 to the General Partners for 1997; and $2,431,246 to Class A Limited Partners, $(1,162,075) to Class B Limited Partners and $0 to the General Partners for 1998.

(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, 1998, the aggregate amount of such priority distributions payable to Class B Limited Partners totalled $989,966.

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

	1998	1997	1996	1995	1994
Gross Revenues/(1)/	$ 1,561,456	$ 1,199,300	$ 406,891	N/A	N/A
Profit on Sale of Properties	--	--	--		
Less: Operating Expenses/(2)/	105,251	101,284	101,885		
Depreciation and Amortization/(3)/	6,250	6,250	6,250		
Net Income GAAP Basis/(4)/	$ 1,449,955	$ 1,091,766	$ 298,756		
Taxable Income: Operations	$ 1,906,011	$ 1,083,824	$ 304,552		
Cash Generated (Used By):					
Operations	$ 80,147	$ 501,390	$ 151,150		
Joint Ventures	2,125,489	527,390	--		
	$ 2,205,636	$ 1,028,780	$ 151,150		
Less Cash Distributions to Investors:					
Operating Cash Flow	2,188,189	1,028,780	149,425		
Return of Capital	--	$ 41,834	$ --		
Undistributed Cash Flow From Prior Year Operations	--	1,725	--		
Cash Generated (Deficiency) after Cash Distributions	$ 17,447	$ (43,559)	$ 1,725		
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--		
Increase in Limited Partner Contributions	--	--	35,000,000		
	17,447	$ (43,559)	$35,001,725		
Use of Funds:					
Sales Commissions and Offering Expenses	--	323,039	4,900,321		
Return of Original Limited Partner's Investment	--	100	--		
Property Acquisitions and Deferred Project Costs	9,455,554	13,427,158	6,544,019		
Cash Generated (Deficiency) after Cash Distributions and Special Items	$(9,438,107)	$(13,793,856)	$23,557,385		

Net Income and Distributions Data per $1,000 Invested:			
Net Income on GAAP Basis:			
Ordinary Income (Loss)			
- Operations Class A Units	88	53	28
- Operations Class B Units	(218)	(77)	(11)
Capital Gain (Loss)	--	--	--
Tax and Distributions Data per $1,000 Invested:			
Federal Income Tax Results:			
Ordinary Income (Loss)			
- Operations Class A Units	85	46	26
- Operations Class B Units	(123)	(47)	(48)
Capital Gain (Loss)	--	--	--
Cash Distributions to Investors:			
Source (on GAAP Basis)			
- Investment Income Class A Units	73	36	13
- Return of Capital Class A Units	--	--	--
- Return of Capital Class B Units	--	--	--
Source (on Cash Basis)			
- Operations Class A Units	73	35	13
- Return of Capital Class A Units	--	1	--
- Operations Class B Units	--	--	--
Source (on a Priority Distribution Basis)/(5)/			
- Investment Income Class A Units	61	29	10
- Return of Capital Class A Units	12	7	3
- Return of Capital Class B Units	--	--	--
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%		

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(1) Includes $23,007 in equity in earnings of joint ventures and $383,884 from investment of reserve funds in 1996, and $593,914 in equity in earnings of joint ventures and $605,386 from investment of reserve funds in 1997, and $1,481,869 in equity in earnings of joint ventures and $79,587 from investment of reserve funds in 1998. At December 31, 1998, the leasing status was 99% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $25,286 for 1996, $469,126 for 1997, and $1,143,407 for 1998.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $330,270 to Class A Limited Partners, $(31,220) to Class B Limited Partners and $(294) to the General Partners for 1996; $1,564,778 to Class A Limited Partners, $(472,806) to Class B Limited Partners and $(206) to the General Partners for 1997; and $2,597,938 to Class A Limited Partners, $(1,147,983) to Class B Limited Partners and $0 to the General Partners for 1998.

(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, 1998, the aggregate amount of such priority distributions payable to Class B Limited Partners totalled $609,724.

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

1998	1997	1996	1995	1994

Gross Revenues/(1)/	$ 1,204,597	$ 372,507	N/A	N/A	N/A
Profit on Sale of Properties	--	--			
Less: Operating Expenses/(2)/	99,034	88,232			
Depreciation and Amortization/(3)/	55,234	6,250			
Net Income GAAP Basis/(4)/	$ 1,050,329	$ 278,025			
Taxable Income: Operations	$ 1,277,016	$ 382,543			
Cash Generated (Used By):					
Operations	300,019	$ 200,668			
Joint Ventures	886,846	--			
	1,186,865	$ 200,668			
Less Cash Distributions to Investors:					
Operating Cash Flow	1,186,865	--			
Return of Capital	19,510	--			
Undistributed Cash Flow From Prior Year Operations	200,668	--			
Cash Generated (Deficiency) after Cash Distributions	$ (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			
	$ (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	17,613,067	5,188,485			
Cash Generated (Deficiency) after Cash Distributions and Special Items	$(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	85	28			
- Operations Class B Units	(123)	(9)			
Capital Gain (Loss)	--	--			
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	78	35			
- Operations Class B Units	(64)	0			
Capital Gain (Loss)	--	--			
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	66	--			
- Return of Capital Class A Units	--	--			
- Return of Capital Class B Units	--	--			
Source (on Cash Basis)					
- Operations Class A Units	56	--			
- Return of Capital Class A Units	10	--			
- Operations Class B Units	--	--			
Source (on a Priority Distribution Basis)/(5)/					
- Investment Income Class A Units	48	--			
- Return of Capital Class A Units	18	--			
- Return of Capital Class B Units	--	--			
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

_____

(1) Includes $(10,035) in equity in earnings of joint ventures and $382,542 from investment of reserve funds in 1997, and $869,555 in equity in earnings of joint ventures, $120,000 in rental income and $215,042 from investment of reserve funds in 1998. At December 31, 1998, the leasing status was 99% 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, and $674,986 for 1998.

(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, and $1,779,191 to Class A Limited Partners, $(728,524) to Class B Limited Partners and $(338) to General Partners for 1998.

(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, 1998, the aggregate amount of such priority distributions payable to Class B Limited Partners totalled $388,585.

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

	1998	1997	1996	1995	1994
Gross Revenues/(1)/	262,729	N/A	N/A	N/A	N/A
Profit on Sale of Properties	--				
Less: Operating Expenses/(2)/	113,184				
Depreciation and Amortization/(3)/	6,250				
Net Income GAAP Basis/(4)/	$ 143,295				
Taxable Income: Operations	$ 177,692				
Cash Generated (Used By):					
Operations	(50,858)				
Joint Ventures	102,662				
	51,804				
Less Cash Distributions to Investors:					
Operating Cash Flow	51,804				
Return of Capital	48,070				
Undistributed Cash Flow From Prior Year Operations	--				
Cash Generated (Deficiency) after Cash Distributions	(48,070)				
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--				
Increase in Limited Partner Contributions	16,532,801				
	16,484,731				
Use of Funds:					
Sales Commissions and Offering Expenses	1,779,661				
Return of Original Limited Partner's Investment	--				
Property Acquisitions and Deferred Project Costs	5,412,870				
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ 9,292,200				
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
- Operations Class A Units	50				
- Operations Class B Units	(77)				
Capital Gain (Loss)	--				
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	18				
- Operations Class B Units	(17)				
Capital Gain (Loss)	--				
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	14				
- Return of Capital Class A Units	--				
- Return of Capital Class B Units	--				
Source (on Cash Basis)					
- Operations Class A Units	7				
- Return of Capital Class A Units	7				
- Operations Class B Units	--				
Source (on a Priority Distribution Basis)/(5)/					
- Investment Income Class A Units	11				
- Return of Capital Class A Units	3				
- Return of Capital Class B Units	--				
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

---

(1) Includes $142,163 in equity in earnings of joint ventures and $120,566 from investment of reserve funds in 1998. At December 31, 1998, the leasing status was 99% 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.
(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.
(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, 1998, the aggregate amount of such priority distributions payable to Class B Limited Partners totalled $24,621.

EXHIBIT "A"

SUBSCRIPTION AGREEMENT

To: WELLS REAL ESTATE INVESTMENT TRUST, INC.
Suite 250
6200 The Corners Parkway
Norcross, Georgia 30092

Ladies and Gentlemen:

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

I hereby acknowledge receipt of the Prospectus of the Company dated December 20, 1999 (the "Prospectus").

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

Prospective investors are hereby advised of the following:

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

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

(c) There will be no public market for the Shares, and accordingly, it may

not be possible to readily liquidate an investment in the Company.

SPECIAL NOTICE FOR CALIFORNIA RESIDENTS ONLY
CONDITIONS RESTRICTING TRANSFER OF SHARES

260.141.11 RESTRICTIONS ON TRANSFER.

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

(b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of the Rules), except:

(1) to the issuer;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

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

[Last amended effective January 21, 1988.]

SPECIAL NOTICE FOR MAINE, MASSACHUSETTS, MINNESOTA, MISSOURI AND NEBRASKA RESIDENTS ONLY

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

STANDARD REGISTRATION REQUIREMENTS

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

TYPE OF OWNERSHIP AND SIGNATURE(S) REQUIRED

1. INDIVIDUAL: One signature required.

2. JOINT TENANTS WITH RIGHT OF SURVIVORSHIP: All parties must sign.

3. TENANTS IN COMMON: All parties must sign.

4. COMMUNITY PROPERTY: Only one investor signature required.

5. PENSION OR PROFIT SHARING PLANS: The trustee signs the Signature Page.

6. TRUST: The trustee signs the Signature Page. Provide the name of the trust, the name of the trustee and the name of the beneficiary.

7. COMPANY: Identify whether the entity is a general or limited partnership. The general partners must be identified and their signatures obtained on the Signature Page. In the case of an investment by a general partnership, all partners must sign (unless a "managing partner" has been designated for the partnership, in which case he may sign on behalf of the partnership if a certified copy of the document granting him authority to invest on behalf of the partnership is submitted).

8. CORPORATION: The Subscription Agreement must be accompanied by (1) a certified copy of the resolution of the Board of Directors designating the officer(s) of the corporation authorized to sign on behalf of the corporation and (2) a certified copy of the Board's resolution authorizing the investment.

9. IRA AND IRA ROLLOVERS: Requires signature of authorized signer (e.g., an officer) of the bank, trust company, or other fiduciary. The address of the trustee must be provided in order for the trustee to receive checks and other pertinent information regarding the investment.

10. KEOGH (HR 10): Same rules as those applicable to IRAs.

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

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

INVESTOR INSTRUCTIONS	Please follow these instructions carefully. Failure to do so may result in the rejection of your subscription. All information on the Subscription Agreement Signature Page should be completed as follows:	
1.	INVESTMENT	a. GENERAL: A minimum investment of $1,000 (100 Shares) is required, except for certain states which require a higher minimum investment. A CHECK FOR THE FULL PURCHASE PRICE OF THE SHARES SUBSCRIBED FOR SHOULD BE MADE PAYABLE TO THE ORDER OF "BANK OF AMERICA, N.A., AS ESCROW AGENT." Investors who have satisfied the minimum purchase requirements in Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P., Wells Real Estate Fund VI, L.P., Wells Real Estate Fund VII, L.P., Wells Real Estate Fund VIII, L.P., Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P., Wells Real Estate Fund XI, L.P. or Wells Real Estate Fund XII, L.P. or in any other public real estate program may invest as little as $25 (2.5 Shares) except for residents of Maine, Minnesota, Nebraska or Washington. Shares

may be purchased only by persons meeting the standards set forth under the Section of the Prospectus entitled "Investor Suitability Standards." Please indicate the state in which the sale was made.

b. DEFERRED COMMISSION OPTION: Please check the box if you have agreed with your Broker-Dealer to elect the Deferred Commission Option, as described in the Prospectus, as supplemented to date. By electing the Deferred Commission Option, you are required to pay only $9.40 per Share purchased upon subscription. For the next six years following the year of subscription, you will have a 1% sales commission ($.10 per Share) per year deducted from and paid out of dividends or other cash distributions otherwise distributable to you. Election of the Deferred Commission Option shall authorize the Company to withhold such amounts from dividends or other cash distributions otherwise payable to you as is set forth in the "Plan of Distribution" section of the Prospectus.

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2. Additional Investments	Please check if you plan to make one or more additional investments in the Company. All additional investments must be in increments of at least $25. Additional investments by residents of Maine must be for the minimum amounts stated under "Suitability Standards" in the Prospectus, and residents of Maine must execute a new Subscription Agreement Signature Page to make additional investments in the Company. If additional investments in the Company are made, the investor agrees to notify the Company and the Broker-Dealer named on the Subscription Agreement Signature Page in writing if at any time he fails to meet the applicable suitability standards or he is unable to make any other representations or warranties set forth in the Prospectus or the Subscription Agreement. The investor acknowledges that the Broker-Dealer named in the Subscription Agreement Signature Page may receive a commission not to exceed 7% of any such additional investments in the Company.
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 all dividends otherwise payable to such investor in Shares of the Company. The investor agrees to notify the Company and the Broker-Dealer named on the Subscription Agreement Signature Page in writing if at any time he fails to meet the applicable suitability standards or he is unable to make any other representations and warranties as set forth in the Prospectus or Subscription Agreement or in the prospectus and subscription agreement of any future limited partnerships sponsored by the Advisor or its affiliates. The investor acknowledges that the Broker-Dealer named in the Subscription Agreement Signature Page may receive a commission 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 Company.

IF YOU NEED FURTHER ASSISTANCE IN COMPLETING THIS SUBSCRIPTION AGREEMENT SIGNATURE PAGE,

SEE PRECEDING PAGE
FOR INSTRUCTIONS

Special Instructions:

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

1. =====INVESTMENT=====

# of Shares _____ Total $ Invested _____

(# Shares x $10 = $ Invested)

Minimum purchase $1,000 or 100 Shares

Make Investment Check Payable to:
Bank of America, N.A.
as Escrow Agent

[ ] 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 Company: [ ]
[If additional investments are made, please include social security number or other taxpayer identification number on your check.]
[All additional investments must be made in increments of at least $25.]

3. ===== TYPE OF OWNERSHIP =====

[ ] IRA (06)
[ ] Keogh (10)
[ ] Qualified Pension Plan (11)
[ ] Qualified Profit Sharing Plan (12)
[ ] Other Trust_____
For the Benefit of_____
[ ] Company (15)

[ ] Individual (01)
[ ] Joint Tenants With Right of Survivorship (02)
[ ] Community Property (03)
[ ] Tenants in Common (04)
[ ] Custodian: A Custodian for_____under the Uniform Gift to Minors Act or the Uniform Transfers to Minors Act of the State of_____(08)
[ ] Other_____

4. ===== REGISTRATION NAME AND ADDRESS=====

Please print name(s) in which Shares are to be registered. Include trust name if applicable.
[ ] Mr [ ] Mrs [ ] Ms [ ] MD [ ] PhD [ ] DDS [ ] Other_____

Taxpayer Identification Number
[ ] [ ] - [ ] [ ] [ ] [ ] [ ] [ ] [ ]

Social Security Number
[ ] [ ] [ ] - [ ] [ ] - [ ] [ ] [ ] [ ]

Street Address
or P.O. Box
City State Zip Code

Home Telephone No. ( )
Business Telephone No. ( )

Birthdate
Occupation

5. ===== INVESTOR NAME AND ADDRESS =====

(COMPLETE ONLY IF DIFFERENT FROM REGISTRATION NAME AND ADDRESS)
[ ] Mr [ ] Mrs [ ] Ms [ ] MD [ ] PhD [ ] DDS [ ] Other_____

Name

Social Security Number
[ ] [ ] [ ]-[ ] [ ]-[ ] [ ] [ ] [ ]

Street Address
or P.O. Box
City State Zip Code

Home Telephone No. ( )
Business Telephone No. ( )

Birthdate
Occupation

(REVERSE SIDE MUST BE COMPLETED)

6. ===== SUBSCRIBER SIGNATURES =====

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

(a) I have received the Prospectus. _____ _____ Initials Initials

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

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

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

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

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

_____ _____ _____
_____ _____ _____
Signature of Investor or Trustee | Signature of Joint Owner, if applicable | Date

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

7. ===== DISTRIBUTIONS =====

7a. Check the following box to participate in the Dividend Reinvestment Plan: []

7b. Complete the following section only to direct dividends to a party other than registered owner:

Name _____

Account Number _____

Street Address or P.O. Box _____

City _____ State _____ Zip Code _____

8. ===== BROKER-DEALER =====

(TO BE COMPLETED BY REGISTERED REPRESENTATIVE)

The Broker-Dealer or authorized representative must sign below to complete order. Broker-Dealer warrants that it is a duly licensed Broker-Dealer and may lawfully offer Shares in the state designated as the investor's address or the state in which the sale was made, if different. The Broker-Dealer or authorized representative warrants that he has reasonable grounds to believe this investment is suitable for the subscriber as defined in Section 3(b) of the Rules of Fair Practice of the NASD Manual and that he has informed subscriber of all aspects of liquidity and marketability of this investment as required by Section 4 of such Rules of Fair Practice.

Broker-Dealer Name _____ Telephone No.( )

Broker-Dealer Street Address or P.O. Box _____

City _____ State _____ Zip Code _____

Registered Representative Name _____ Telephone No.( )

Broker-Dealer Street Address or P.O. Box _____

City _____ State _____ Zip Code _____

_____ _____

Broker-Dealer Name Signature, if required | Registered Representative Name Signature

Please mail completed Subscription Agreement (with all signatures) and check(s) made payable to

Bank of America, N.A., as Escrow Agent to:
WELLS INVESTMENT SECURITIES, INC.
Suite 250
6200 The Corners Parkway
Norcross, Georgia 30092
800-448-1010 or 770-449-7800

Overnight address:
6200 The Corners Parkway, Suite 250
Norcross, Georgia 30092

Mailing address:
P.O. Box 926040
Norcross, Georgia 30092-9209

FOR COMPANY USE ONLY:

ACCEPTANCE BY COMPANY Amount_____ Date _____
Received and Subscription Accepted: Check No. _____ Certificate No. _____
By: _____ Wells Real Estate Investment Trust, Inc.

_____ _____ _____
Broker-Dealer # | Registered Representative # | Account #

EXHIBIT "B"

AMENDED AND RESTATED
DIVIDEND REINVESTMENT PLAN
As of December 20, 1999

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

1. Dividend Reinvestment. As agent for the shareholders ("Shareholders") of the Company who (a) purchased shares of the Company's common stock (the "Shares") pursuant to the Company's initial public offering (the "Initial Offering"), which commenced on January 30, 1998 and will terminate on or before January 30, 2000, (b) purchase Shares pursuant to the Company's second public offering (the "Second Offering"), which will commence immediately upon the termination of the Initial Offering, or (c) purchase Shares pursuant to any future offering of the Company ("Future Offering"), and who elect to participate in the DRP (the "Participants"), the Company will apply all dividends and other distributions declared and paid in respect of the Shares held by each Participant (the "Dividends"), including Dividends paid with respect to any full or fractional Shares acquired under the DRP, to the purchase of the Shares for such Participants directly, if permitted under state securities laws and, if not, through the Dealer Manager or Soliciting Dealers registered in the Participant's state of residence.

2. Effective Date. The effective date of this Amended and Restated Dividend Reinvestment Plan (the "DRP") shall be the date that the Second Offering becomes effective with the Securities and Exchange Commission (the "Commission").

3. Procedure for Participation. Any Shareholder who purchased Shares pursuant to the Initial Offering, the Second Offering or any Future Offering and who has received a prospectus, as contained in the Company's registration statement filed with the Commission, may elect to become a Participant by completing and executing the Subscription Agreement, an enrollment form or any other appropriate authorization form as may be available from the Company, the Dealer Manager or Soliciting Dealer. Participation in the DRP will begin with the next Dividend payable after receipt of a Participant's subscription, enrollment or authorization. Shares will be purchased under the DRP on the date that Dividends are paid by the Company. Dividends of the Company are currently paid quarterly. Each Participant agrees that if, at any time prior to the listing of the Shares on a national stock exchange or inclusion of the Shares for quotation on the National Association of Securities Dealers, Inc. Automated Quotation System ("Nasdaq"), he or she fails to meet the suitability requirements for making an investment in the Company or cannot make the other representations or warranties set forth in the Subscription Agreement, he or she will promptly so notify the Company in writing.

4. Purchase of Shares. Participants will acquire DRP Shares from the Company at a fixed price of $10 per Share until (i) all 2,200,000 of the DRP Shares registered in the Second Offering are issued or (ii) the Second Offering terminates and the Company elects to deregister with the Commission the unsold DRP Shares. Participants in the DRP may also purchase fractional Shares so that 100% of the Dividends will be used to acquire Shares. However, a Participant will not be able to acquire DRP Shares to the extent that any such purchase would cause such Participant to exceed the Ownership Limit as set forth in the Articles.

Shares to be distributed by the Company in connection with the DRP may

(but are not required to) be supplied from: (a) the DRP Shares which will be registered with the Commission in connection with the Company's Second Offering, (b) Shares to be registered with the Commission in a Future Offering for use in the DRP (a "Future Registration"), or (c) Shares of the Company's common stock purchased by the Company for the DRP in a secondary market (if available) or on a stock exchange or Nasdaq (if listed) (collectively, the "Secondary Market").

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

If the Company acquires Shares in the Secondary Market for use in the DRP, the Company shall use reasonable efforts to acquire Shares for use in the DRP at the lowest price then reasonably available. However, the Company does not in any respect guarantee or warrant that the Shares so acquired and purchased by the Participant in the DRP will be at the lowest possible price. Further, irrespective of the Company's ability to acquire Shares in the Secondary Market or to complete a Future Registration for shares to be used in the DRP, the Company is in no way obligated to do either, in its sole discretion.

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

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

6. Reports. Within 90 days after the end of the Company's fiscal year, the Company shall provide each Shareholder with an individualized report on his or her investment, including the purchase date(s), purchase price and number of Shares owned, as well as the dates of Dividend distributions and amounts of Dividends paid during the prior fiscal year. In addition, the Company shall provide to each Participant an individualized quarterly report at the time of each Dividend payment showing the number of Shares owned prior to the current Dividend, the amount of the current Dividend and the number of Shares owned after the current Dividend.

7. Commissions and Other Charges. In connection with Shares sold pursuant to the DRP, the Company will pay selling commissions of 7%; a dealer manager fee of 2.5%; and, in the event that proceeds from the sale of DRP Shares are used to acquire properties, acquisition and advisory fees and expenses of 3.5%, of the purchase price of the DRP Shares.

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

9. Amendment or Termination of DRP by the Company. The Board of

Directors of the Company may by majority vote (including a majority of the Independent Directors) amend or terminate the DRP for any reason upon 10 days' written notice to the Participants.

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

ALPHABETICAL INDEX

Until March 19, 2000 (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. You should not assume that the delivery of this prospectus or that any sale made pursuant to this prospectus creates an implication that the information contained in this prospectus will remain fully accurate and correct as of any time subsequent to the date of this prospectus.

WELLS REAL ESTATE
INVESTMENT TRUST, INC.
Up to 20,000,000 Shares
Of Common Stock
Offered to the Public

PROSPECTUS

WELLS INVESTMENT
SECURITIES, INC.

December 20, 1999

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 2 DATED MARCH 15, 2000 TO THE PROSPECTUS
DATED DECEMBER 20, 1999

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated December 20, 1999. This Supplement includes the information in and supersedes Supplement No. 1 dated January 5, 2000. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) The status of the offering of shares of common stock of Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The acquisition of an office building in Plano, Texas (Cinemark Building);

(3) The acquisition of an office building in Tulsa, Oklahoma (Metris Building);

(4) The increase in the credit limit of the Bank of America loan;

(5) The status of the Matsushita project;

(6) The status of the ABB Richmond project;

(7) Revisions to the "Description of Shares - Share Redemption Program" section of the prospectus;

(8) Revisions to the "Plan of Distribution" section of the prospectus;

(9) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus; and

(10) Unaudited pro forma financial statements of the Wells REIT relating to the Cinemark Building and the Metris 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 20, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering.

Pursuant to the prospectus, we commenced a second offering of common stock on December 20, 1999. As of March 10, 2000, we had received an additional $25,512,223 in gross offering proceeds from the sale of 2,551,222 shares in the second offering. Accordingly, as of March 10, 2000, we had received in the aggregate approximately $157,633,352 in gross offering proceeds from the sale of 15,763,335 shares of our common stock.

The Cinemark Building

Purchase of the Cinemark Building. On December 21, 1999, Wells Operating Partnership, L.P. (Wells OP), our operating partnership, purchased a five story office building with approximately 118,108 rentable square feet located in Plano, Collin County, Texas from CNMRK HQ Investors, L.P., a Texas limited partnership (CNMRK), pursuant to that certain Agreement of Purchase and Sale of Property between CNMRK and Wells OP. CNMRK is not in any way affiliated with the Wells REIT or its advisor.

The purchase price paid for the Cinemark Building was $21,800,000. Wells OP also incurred additional acquisition expenses in connection with the purchase of the Cinemark Building, including attorneys' fees, appraisal fees and other closing costs, of approximately $26,900. The $21,826,900 required to close the Cinemark Building consisted of $13,626,900 in cash funded from a capital contribution by the Wells REIT and $8,200,000 in loan proceeds obtained from a revolving credit facility established with SouthTrust Bank, N.A. (SouthTrust Loan) whereby SouthTrust has agreed to loan up to $15,200,000 to Wells OP for acquisitions of real property.

Description of the SouthTrust Loan. The SouthTrust Loan requires monthly payments of interest only and matures on December 31, 2000. The interest rate on the SouthTrust Loan is an annual variable rate equal to the London InterBank Offered Rate for a thirty day period plus 200 basis points. The current interest rate under the SouthTrust Loan is 8.00%. The SouthTrust Loan is secured by a first mortgage against the PWC Building, which was purchased by Wells OP on December 31, 1998. As of March 10, 2000, the outstanding principal balance of the SouthTrust Loan was $2,320,000.

Description of the Building and the Site. The Cinemark Building is a five story office building containing approximately 118,108 rentable square feet. The Cinemark Building, which was completed in September 1999, has a brick exterior and the interior is a high quality design with use of marble and glass in the lobby areas.

The entire 118,108 rentable square feet of the Cinemark Building is currently leased to two tenants. Cinemark USA, Inc. (Cinemark) occupies 66,024 rentable square feet of the Cinemark Building and The Coca-Cola Company (Coca-Cola) occupies the remaining 52,084 rentable square feet of the Cinemark Building. The landlord's interest in these two leases were assigned to Wells OP at closing.

An independent appraisal of the Cinemark Building was prepared by CB Richard Ellis, Inc., real estate appraisers, as of December 2, 1999, pursuant to which the market value of the land and the leased fee interest subject to the Cinemark and Coca-Cola leases was estimated to be $21,900,000. This value

estimate was based upon a number of assumptions, including that the Cinemark Building will continue operating at a stabilized level with Cinemark and Coca-Cola occupying 100% of the rentable area, and is not necessarily an accurate reflection of the fair market value of the property or the net proceeds which would result from an immediate sale of this property. Wells OP also obtained an environmental report prior to closing evidencing that the environmental condition of the land and the Cinemark Building were satisfactory.

The Cinemark Building is located on a 3.52 acre tract of land located at 3900 Dallas Parkway in Plano, Texas. The site is in a good location with quick access to and visibility from the North Dallas Tollway.

The City of Plano is located approximately 20 miles north of downtown Dallas and is the largest city in Collin County with a population of nearly 200,000 people. Collin County has experienced significant growth during the 1990s with 20% of its growth occurring in 1997. Plano is the nation's fifth fastest growing city among those cities with a population of 100,000 or more. Corporate relocations, new business start-ups, good schools and affordable new housing are a few of the qualities that are attracting residents to Plano.

The Cinemark Lease. Cinemark occupies 66,024 square feet of the 118,108 total rentable square feet of the Cinemark Building pursuant to a lease agreement dated December 21, 1999. The initial term of the Cinemark lease is ten years which commenced on December 21, 1999 and expires on December 20, 2009. Cinemark has the right to renew the lease for two additional periods of time upon 180 days notice. The first renewal term shall be for five years and the second renewal term shall be for ten years.

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. During fiscal year 1998, Cinemark had net income of $11 million on revenues of over $571 million and a net worth of nearly $76 million.

The base rent payable for the Cinemark lease and first renewal term is as follows:

Lease Year	Yearly Base Rent	Monthly Base Rent
1-7	$1,366,491.25	$113,874.27
8-10	$1,481,737.50	$123,478.13
11-15	$1,567,349.00	$130,612.42

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

average of the two closest rates if two appraisers cannot agree.

Under the Cinemark lease, Cinemark is required to pay as additional monthly rent its pro-rata share of all electricity costs and all operating costs, including, but not limited to, garbage and waste disposal, janitorial service, security, insurance premiums, real estate taxes, assessments and other governmental levies and such other operating costs with respect to the Cinemark Building as are consistent with other owners of first-class office buildings in Plano, Texas. In addition, Cinemark is responsible for all routine maintenance and repairs to its portion of the Cinemark Building. Wells OP, as landlord, is responsible for maintaining the common and service areas of the Cinemark Building and the repair and replacement of the roof, foundation, exterior windows, load bearing items, exterior surface walls, plumbing, pipes and conduits located in the common and service areas, central heating, ventilation and air conditioning systems, and electrical, mechanical and plumbing systems of the Cinemark Building.

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

The Coca-Cola Lease. Coca-Cola occupies the remaining 52,084 square feet of the 118,108 total rentable square feet of the Cinemark Building pursuant to a lease agreement dated April 27, 1999. The initial term of the Coca-Cola lease is seven years which commenced on December 1, 1999 and expires on November 30, 2006. Coca-Cola has the right to renew the lease for one additional five year period of time. Coca-Cola must give written notice of its intention to exercise the renewal option at least 240 days before the expiration of the lease term.

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. Approximately 70% of Coca-Cola's volume and 80% of its profits come from outside the United States. The company and its subsidiaries employ nearly 30,000 people around the world. During the fiscal year 1998, Coca-Cola reported net income of in excess of $3.5 billion on revenues in excess of $18.8 billion and a net worth of in excess of $8.4 billion.

The base rent payable for the Coca-Cola lease term is as follows:

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

Within 30 days of the delivery of the renewal notice by Coca-Cola, Wells OP shall notify Coca-Cola of the base rent payable during the renewal term, which base rent shall be based upon the prevailing rental rates for space of similar quality, size, utility, location, length of renewal term and credit standing of the tenant. Coca-Cola must notify Wells OP of its intent to renew the lease within 30 days of delivery of the rental notice by Wells OP.

Under the Coca-Cola lease, Coca-Cola is required to pay as additional monthly rent its pro-rata share of all electricity costs and all operating costs, including, but not limited to, garbage and waste disposal, janitorial service, security, insurance premiums, real estate taxes, assessments and other governmental levies and such other operating costs with respect to the Cinemark Building as are consistent with other owners of first-class office buildings in Plano, Texas. In addition, Coca-Cola is responsible for all routine maintenance and repairs to its portion of the Cinemark Building. Wells OP, as landlord, is responsible for maintaining the common and service areas of the Cinemark Building and the repair and replacement of the roof, foundation, exterior windows, load bearing items, exterior surface walls, plumbing, pipes and conduits located in the common and service areas, central heating, ventilation and air conditioning systems, and electrical, mechanical

and plumbing systems of the Cinemark Building.

Property Management Fees. Wells Management Company, Inc. (Wells Management), an affiliate of the advisor, has been retained to manage and lease the Cinemark Building. Wells OP will pay management and leasing fees to Wells Management in the amount of 4.5% of gross revenues from the Cinemark Building.

The Metris Building

Purchase of the Metris Building. On February 11, 2000, Wells OP purchased a three story office building with approximately 101,100 rentable square feet located in Tulsa, Tulsa County, Oklahoma from Meridian Tulsa, L.L.C., an Oklahoma limited liability company (Meridian), pursuant to that certain Agreement of Purchase and Sale of Property between Meridian and Wells Capital, Inc., an affiliate of Wells OP. At the closing, Wells Capital, Inc. assigned the contract to Wells OP. Meridian is not in any way affiliated with the Wells REIT or its advisor.

The purchase price paid for the Metris Building was $12,700,000. Wells OP also incurred additional acquisition expenses in connection with the purchase of the Metris Building, including loan closing fees, attorneys' fees, appraisal fees and other closing costs, of approximately $40,000. The $12,740,000 required to close the Metris Building consisted of $4,740,000 in cash funded from a capital contribution by the Wells REIT and $8,000,000 in loan proceeds from an existing revolving credit facility (Metris Loan).

Description of the Metris Loan. The Metris Loan was originally established by Meridian with Richter-Schroeder Company, Inc., the predecessor in interest to M&I Marshall Ilsley, a Wisconsin banking corporation (M&I), in connection with Meridian's purchase of the Metris Building on April 8, 1999. Wells OP assumed and extended the original three-year term loan entered into by Meridian. The Metris Loan requires monthly payments of interest only and matures on February 11, 2003. The interest rate on the Metris Loan is an annual variable rate equal to the London InterBank Offered Rate for a thirty day period plus 175 basis points. The current interest rate under the Metris Loan is 7.75% per annum. The Metris Loan is secured by a first mortgage against the Metris Building, which was granted in connection with Meridian's original purchase of the Metris Building, and assumed by Wells OP on the date of closing.

Description of the Building and the Site. The Metris Building is a three story office building containing approximately 101,100 rentable square feet. The Metris Building, which was completed on January 14, 2000, utilizes a blend of 70% tinted glass and 30% masonry. The first floor features a two story atrium, daycare, cafeteria and conference facilities.

An independent appraisal of the Metris Building was prepared by Gray-Lawrence-Ard and Associates, Incorporated, real estate appraisers, as of March 11, 1999, pursuant to which the market value of the land and the leased fee interest subject to the Metris lease (as described below) was estimated to be $12,900,000. This value estimate was based upon a number of assumptions, including that the Metris Building will continue operating at a stabilized level with Metris Direct, Inc. (Metris) occupying 100% of the rentable area, and is not necessarily an accurate reflection of the fair market value of the property or the net proceeds which would result from an immediate sale of this property. Wells OP also obtained an environmental report from A&M Engineering and Environmental Services, Inc. prior to closing evidencing that the environmental condition of the land and the Metris Building were satisfactory.

The Metris Building is located on a 14.6 acre tract of land located at 4848 South 129th East Avenue in the Silos Corporate Center, a prominent 126 acre mixed-use park owned by State Farm Insurance Companies. The site is about 11 miles southeast of the Tulsa Commercial Business District and is bordered by the Broken Arrow Expressway, the primary east-west thoroughfare linking the suburb of Broken Arrow to downtown Tulsa. State Farm has a 250,000 square foot facility within the development and the remaining land is being marketed as sites for office, hotel and retail uses. Adjacent to the Silos Corporate Center are offices for MetLife, the County of Tulsa and light industrial buildings occupied by UPS and Ford Motor Company.

Tulsa's central location within the United States makes it well suited for the rapidly expanding telecommunications and fiber optics industry, as well as major operations of regional companies. In 1998, the population in Tulsa was approximately 775,000 people. Tulsa's economy has continued to grow since the collapse of the oil industry in the mid-1980s due to the ability of Tulsa's government and business sectors to attract and promote new industry and to expand existing industry.

The Metris Lease. Metris occupies all 101,100 square feet of the Metris Building pursuant to a lease agreement dated March 3, 1999, as amended on January 21, 2000. The initial term of the Metris lease is ten years which commenced on February 1, 2000 and expires on January 31, 2010. Metris has the right to renew the lease for two additional five year periods upon one year's advance notice.

Metris is a principal subsidiary of Metris Companies Inc. (Metris Companies), a publicly traded company on the New York Stock Exchange and guarantor of the Metris lease. Metris Companies is an information-based direct marketer of consumer credit products and fee-based services primarily to moderate income consumers. Metris Companies' consumer credit products are primarily unsecured credit cards issued by its subsidiary, Direct Merchants Credit Card Bank. The company's customers and prospects include individuals for whom credit bureau information is available and existing customers of a former affiliate, Fingerhut Corporation. Metris Companies markets its fee-based services, including debt waiver programs (credit insurance for death or disability), membership clubs, extended service plans, and third party insurance, to its credit card customers.

On December 31, 1998, Metris Companies had approximately $3.0 million in credit card accounts with over $5.3 billion in managed credit card loans. As of December 31, 1998, Metris Companies had net income of $56 million on revenues of approximately $313 million and a net worth of approximately $433 million.

The base rent payable for the Metris lease is as follows:

Lease Year	Yearly Base Rent	Monthly Base Rent
1-5	$1,187,925.00	$ 98,993.75
6-10	$1,306,717.50	$108,893.13

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

Under the Metris lease, Metris is required to pay as additional monthly rent all electricity costs and all operating costs, including, but not limited to, garbage and waste disposal, janitorial service, security, insurance premiums, ad valorem real estate taxes, assessments and other governmental levies and such other operating costs with respect to the Metris Building. In addition, Metris is responsible for all routine maintenance and repairs to the Metris Building. Metris is responsible for maintaining the common and service areas of the Metris Building and the repair and replacement of the roof, foundation, exterior windows, load bearing items, exterior surface walls, plumbing, pipes and conduits located in the common and service areas, central heating, ventilation and air conditioning systems, and electrical, mechanical and plumbing systems of the Metris Building.

Property Management Fees. Wells Management, an affiliate of the advisor, has also been retained to manage and lease the Metris Building. Wells OP will pay management and leasing fees to Wells Management in the amount of 4.5% of gross revenues from the Metris Building.

The Increase in the Credit Limit of the BOA Loan

On February 4, 1999, Wells OP obtained a loan in the amount of $6,425,000 from Bank of America, N.A. (BOA Loan), the net proceeds of which were used to fund a portion of the purchase price of the AT&T Building (formerly the Vanguard Cellular Building). On November 23, 1999, the BOA Loan was converted to a revolving credit loan in the maximum principal amount of $9,825,000 for the acquisition of real properties by Wells OP. On February 24, 2000, the credit limit of the BOA Loan was increased further to $26,725,000. The BOA Loan requires monthly payments of interest only and matures on February 1, 2001. The interest rate on the BOA Loan is a variable rate per annum equal to the London InterBank Offered Rate for a thirty day period plus 200 basis points. The current interest rate under the BOA Loan is 8.00% per annum. The BOA Loan is secured by first mortgages against both the AT&T Building and the Videojet Building.

The Status of the Matsushita Project

As of March 10, 2000, Wells OP had spent approximately $18,100,000 towards the construction of the approximately 130,000 square foot office building in Lake Forest, California. The Matsushita project is substantially complete, and

the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition and construction of the Matsushita project is not expected to exceed the budget of $18,400,000.

The Status of the ABB Richmond Project

As of March 10, 2000, Wells REIT, LLC - VA I (Wells LLC), a limited liability company wholly owned by Wells OP, had spent approximately $5,775,000 towards the construction of the approximately 100,000 square foot office building in Richmond, Virginia. The ABB Richmond project is approximately 50% complete and is expected to be completed in June 2000. We estimate that the aggregate costs and expenses to be incurred by Wells LLC with respect to the acquisition and construction of the ABB Richmond project will total approximately $11,560,000.

Description of Shares - Share Redemption Program

The second full paragraph on page 136 in the "Description of Shares - Share Redemption Program" section of the prospectus is revised by substituting the following paragraph in lieu thereof:

> If you have held your shares for the required one-year period, you may redeem your shares for a purchase price equal to the lesser of (1) $10 per share, or (2) the purchase price per share that you actually paid for your shares of the Wells REIT. In the event that you are redeeming all of your shares, shares purchased pursuant to our dividend reinvestment plan may be excluded from the foregoing one-year holding period requirement, in the discretion of the board of directors. In addition, the board of directors reserves the right to reject any request for redemption and to change the purchase price or amend the terms of our share redemption program in its sole discretion at any time and from time to time as it deems appropriate.

Plan of Distribution

The information on page 148 in the "Plan of Distribution" section of the prospectus is revised by the addition of the following paragraph prior to the first full paragraph on that page:

> In the event that a shareholder electing the deferred commission option sells his shares pursuant to our share redemption program or otherwise prior to the satisfaction of the remaining commission obligations, the obligation of the Wells REIT and such selling shareholder to make any further payments of deferred commissions under the deferred commission option shall terminate, and participating broker-dealers will not be entitled to receive any further portion of their deferred commissions following any such sale.

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

The information contained on page 97 in the "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" section of the prospectus is revised as of the date of this supplement by the deletion of the first paragraph of that section and the insertion of the following paragraph in lieu thereof:

> We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares of common stock in our initial public offering, which commenced on January 30, 1998 and was terminated on December 20, 1999. Of the $132,181,919 raised in the initial offering, we invested a total of $111,032,812 in properties.
>
> Pursuant to the prospectus, we commenced this second offering of shares of our common stock on December 20, 1999. As of March 10, 2000, we had received an additional $25,512,223 in gross offering proceeds from the

sale of 2,551,222 shares in the second offering.

As of March 10, 2000, we had received in the aggregate approximately $157,633,352 in gross offering proceeds from the sale of 15,763,335 shares of our common stock. Out of this amount, we paid $5,517,167 in acquisition and advisory fees and expenses, paid $19,704,169 in selling commissions and organizational and offering

expenses, invested $126,672,631 in properties and were holding net offering proceeds of $5,741,385 available for investment in additional properties.

Financial Statements and Exhibits

The pro forma balance sheet of the Wells REIT as of September 30, 1999 relating to the Cinemark Building and the Metris Building, which is included as part of this supplement, has not been audited.

INDEX TO FINANCIAL STATEMENTS

WELLS REAL ESTATE INVESTMENT TRUST, INC.

UNAUDITED PRO FORMA BALANCE SHEET

On December 21, 1999, pursuant to the Agreement of Purchase and Sale of Property between CNMRK, the seller, and Wells Operating Partnership, L.P. ("Wells OP"), Wells OP purchased the Cinemark Building. Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc. Wells Real Estate Investment Trust, Inc. is the general partner of Wells OP. CNMRK is not in any way affiliated with Wells OP or its advisor, Wells Capital, Inc., an affiliate of Wells OP.

The Cinemark Building is located in Plano, Texas, and is a five-story office building containing approximately 118,108 rentable square feet. The Cinemark Building was completed in September 1999. The purchase price of the Cinemark Building was $21,800,000. Wells OP also incurred additional acquisition expenses in connection with the purchase of the Cinemark Building, including attorneys' fees, appraisal fees, and other closing costs, of approximately $26,900. In order to finance a portion of the purchase price, Wells OP borrowed $8,200,000 from a revolving credit facility established with SouthTrust Bank, N.A. ("SouthTrust"). The SouthTrust loan requires monthly payments of interest only and matures on December 31, 2000. The interest on the SouthTrust loan is an annual variable rate equal to the London InterBank Offered Rate for a 30-day period plus 200 basis points. The current interest rate on the SouthTrust loan is 8%.

On February 11, 2000, Wells OP purchased a three-story office building with approximately 101,100 rentable square feet located in Tulsa, Tulsa County, Oklahoma, from Meridian Tulsa, L.L.C. ("Meridian"), an Oklahoma limited liability company, pursuant to that certain Agreement of Purchase and Sale of Property. Meridian is not in any way affiliated with Wells OP or its advisor. The Metris Building was completed on January 14, 2000. The purchase price paid for the Metris Building was $12,700,000. Wells OP also incurred additional

acquisition expenses in connection with the purchase of the Metris Building, including loan closing fees, attorneys' fees, and other closing costs of approximately $40,000. In order to finance a portion of the purchase price, Wells OP assumed and extended the original three-year term loan entered into by Meridian in the amount of $8,000,000 from a revolving credit facility ("Metris Loan") established with Richter-Schroeder Company, Inc., the predecessor in interest to M&I Marshall Ilsley, a Wisconsin banking corporation. The Metris Loan requires monthly payments of interest only and matures on February 11, 2003. The interest rate on the Metris Loan is an annual variable rate equal to the London InterBank Offered Rate for a 30-day period plus 175 basis points. The current interest rate under the Metris Loan is 7.75%. The Metris Loan is secured by a first mortgage against the Metris Building.

As of September 30, 1999, the date of the accompanying pro forma balance sheet, Wells OP held cash of approximately $2,850,000. The additional proceeds used to purchase the Cinemark Building and the Metris Building were raised through the issuance of additional shares subsequent to September 30, 1999 but prior to the acquisition of the Cinemark Building and the Metris Building. This balance is reflected in due to affiliates in the accompanying pro forma balance sheet.

The following unaudited pro forma balance sheet as of September 30, 1999 has been prepared to give effect to the acquisition of the Cinemark Building and the Metris Building by Wells OP as if the acquisitions occurred on September 30, 1999.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

SEPTEMBER 30, 1999

(Unaudited)

ASSETS

	Wells Real Estate Investment Trust, Inc.	Pro Forma Adjustments: Cinemark Building	Pro Forma Adjustments: Metris Building	Pro Forma Total
REAL ESTATE, at cost:				
Land	$ 12,984,155	$ 1,456,000 (a) 60,667 (b)	$ 1,150,000 (a) 47,917 (b)	$ 15,698,739
Building and improvements, less accumulated depreciation of $1,036,033	66,019,334	20,370,900 (a) 845,807 (b)	11,590,333 (a) 481,254 (b)	99,307,628
Total real estate	79,003,489	22,733,374	13,269,504	115,006,367
INVESTMENTS IN JOINT VENTURES	29,617,140	0	0	29,617,140
DUE FROM AFFILIATES	546,602	0	0	546,602
CASH AND CASH EQUIVALENTS	2,850,263	(2,850,263)(a)	0	0
DEFERRED PROJECT COSTS	19,431	(19,431)(b)	0	0
DEFERRED OFFERING COSTS	749,369	0	0	749,369
PREPAID EXPENSES AND OTHER ASSETS	946,847	0	(250,000)(a)	696,847
Total assets	$113,733,141	$19,863,680	$13,019,504	$146,616,325
LIABILITIES AND SHAREHOLDERS' EQUITY				
ACCOUNTS PAYABLE	$ 513,993	$ 0	$ 0	$ 513,993
NOTES PAYABLE	16,926,057	8,200,000 (a)	8,000,000 (a)	33,126,057
DUE TO AFFILIATES	838,493	10,776,637 (a) 887,043 (b)	4,490,333 (a) 529,171 (b)	17,521,677
DIVIDENDS PAYABLE	1,645,122	0	0	1,645,122
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	200,000
Total liabilities	20,123,665	19,863,680	13,019,504	53,006,849
COMMON SHARES, $.01 par value; 40,000,000 shares authorized, 10,846,930 shares issued and outstanding	108,469	0	0	108,469
ADDITIONAL PAID-IN CAPITAL	90,894,541	0	0	90,894,541
RETAINED EARNINGS	2,606,466	0	0	2,606,466

Total shareholders' equity	93,609,476	0	0	93,609,476
Total liabilities and shareholders' equity	$113,733,141	$19,863,680	$13,019,504	$146,616,325

(a) Reflects Wells Real Estate Investment Trust, Inc.'s purchase price related to the building.

(b) Reflects deferred project costs allocated to the building at approximately 4.17% of the purchase price.

FILED PURSUANT TO
RULE 424(b)(3)
FILE NO: 333-83933

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 3 DATED APRIL 25, 2000 TO THE PROSPECTUS
DATED DECEMBER 20, 1999

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated December 20, 1999, as supplemented and amended by Supplement No. 2 dated March 15, 2000. When we refer to the "prospectus" in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

(1) The status of the offering of shares of common stock of Wells Real Estate Investment Trust, Inc. (Wells REIT);

(2) The acquisition of an office building in Scottsdale, Arizona leased to Dial Corporation (Dial Building);

(3) The acquisition of an office building in Tempe, Arizona leased to ASM Lithography, Inc. (ASML Building);

(4) The acquisition of an office building in Tempe, Arizona leased to Motorola, Inc. (Motorola Building);

(5) The status of the Matsushita project;

(6) The status of the ABB Richmond project;

(7) Revisions to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the prospectus;

(8) Updated audited financial statements of the Wells REIT, audited statements of revenue over operating expenses for the Dial Building, the ASML Building and the Motorola Building and unaudited pro forma financial information of the Wells REIT; and

(9) Updated prior performance tables.

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 20, 1999. We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering.

Pursuant to the prospectus, we commenced a second offering of common stock on December 20, 1999. As of April 20, 2000, we had received an additional

$34,905,285 in gross offering proceeds from the sale of 3,490,528 shares in the second offering. Accordingly, as of

April 20, 2000, we had received in the aggregate approximately $167,087,204 in gross offering proceeds from the sale of 16,708,720 shares of our common stock.

Acquisition of Real Properties

On March 29, 2000, Wells Operating Partnership, L.P. (Wells OP), our operating partnership, purchased three office buildings located in the Scottsdale/Tempe area from Ryan Companies US, Inc. (Ryan). Ryan is not in any way affiliated with the Wells REIT or its advisor.

The city of Scottsdale is located eight miles northeast of the center of Phoenix and is an integral part of metropolitan Phoenix. The city was incorporated in June 1951, but has experienced most of its growth since 1960. The city's expansion has been forced to the north, due to the physical restrictions imposed on the west, south, and east by the city limits of Phoenix, Tempe, and the Salt River Indian Reservation, respectively. Scottsdale is a vibrant city with a national and international reputation. Further contributing to Scottsdale's growth is its popularity as a destination stop for tourists. Over 6 million people per year visit Scottsdale and provide an economic impact of over $2 billion annually.

Tempe is the fifth largest city in Arizona and has developed from a small college town and bedroom community into a thriving city with a strong diversified economy. It is home to Arizona State University, the fourth largest university in the nation. Known for its highly educated populace, Tempe is a sophisticated city and a center for learning, culture and technology. Tempe has developed a multifaceted economic base, including 750 manufacturing firms with more than 32,000 employees that produce electronics, semiconductors, computers and computer software. MircroAge, Avnet and America West Airlines all have their corporate headquarters in Tempe.

The Dial Building

Purchase of the Dial Building. On March 29, 2000, Wells OP purchased a two story office building with approximately 129,689 rentable square feet located at 15501 N. Dial Boulevard, Scottsdale, Maricopa County, Arizona (Dial Building) from Ryan pursuant to that certain Agreement of Purchase and Sale of Property between Ryan and our advisor.

The rights under the Dial contract were assigned to Wells OP by our advisor at closing. The purchase price paid for the Dial Building was $14,250,000. Wells OP also incurred additional acquisition expenses in connection with the purchase of the Dial Building, including attorneys' fees, loan fees, recording fees and other closing costs, of approximately $35,712.

Description of the Building and the Site. As set forth above, the Dial Building is a two story office building containing approximately 129,689 rentable square feet. The Dial Building, which was completed in 1997, is located on an approximately 8.8 acre tract of land within the Scottsdale Airpark Development. The Airpark Development serves as headquarters for over 25 national and regional companies and is the work place for more than 30,000 employees.

The Dial Building consists of 101,598 square feet on the first floor and 28,091 square feet on the second floor. The Dial Building also contains a 1,481 square foot central plant. The building is constructed of painted concrete tilt-up panels with a glass curtain wall at the main lobby entrance. The roofing consists of a wood truss system with wood roof decking supported by steel columns.

An independent appraisal of the Dial Building was prepared by CB Richard Ellis, Inc., real estate appraisers, as of February 29, 2000, pursuant to which the market value of the land and the leased fee interest subject to the Dial lease (described below) was estimated to be $14,350,000, in cash or terms equivalent to cash. This value estimate was based upon a number of assumptions, including that the Dial Building will continue operating at a stabilized level with Dial Corporation (Dial) occupying 100% of the rentable area, and is not necessarily an accurate reflection of the fair market value of the property or the net proceeds which would result from an immediate sale of this property. Wells OP also obtained an environmental report and an engineering inspection report prior to the closing evidencing that the condition of this land and the Dial Building were satisfactory.

The Dial Lease. The entire 129,689 rentable square feet of the Dial Building is currently under a net lease agreement with Dial. The landlord's interest in the Dial lease was assigned to Wells OP at the closing. The Dial lease commenced on August 14, 1997, and the initial term expires on August 31, 2008. Dial has the right to extend the Dial lease for two additional five year periods of time at 95% of the then current fair market rental rate. The annual rent payable for the initial term of the Dial lease is $1,387,672.

Under the Dial lease, Dial is required to pay as additional monthly rent its electricity costs and all operating costs, including, but not limited to, garbage and waste disposal, janitorial service, security, insurance premiums, all taxes, assessments and other governmental levies and such other operating costs with respect to the Dial Building. In addition, Dial is responsible for all routine maintenance and repairs to its portion of the Dial Building. Wells OP, as landlord, is responsible for maintaining the common and service areas of the Dial Building and the repair and replacement of the roof, foundation, exterior windows, load bearing items, exterior surface walls, plumbing, pipes and conduits located in the common and service areas, central heating, ventilation and air conditioning systems, and electrical, mechanical and plumbing systems of the Dial Building. Additionally, the Dial lease grants the tenant a right of first refusal to purchase the Dial Building if Wells OP attempts to sell the property during the term of the lease.

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. During the fiscal year 1999, Dial had net income of $116 million on revenues of over $1.7 billion and a net worth of over $411 million.

The ASML Building

Purchase of the ASML Building. On March 29, 2000, Wells OP purchased a two story office building with approximately 95,133 rentable square feet located at 8555 South River Parkway, Tempe, Maricopa County, Arizona (ASML Building) from Ryan pursuant to that certain Agreement of Purchase and Sale of Property between Ryan and our advisor.

The rights under the ASML contract were assigned to Wells OP by our advisor at closing. The purchase price paid for the ASML Building was $17,355,000. Wells OP also incurred additional acquisition expenses in connection with the purchase of the ASML Building, including attorneys' fees, recording fees, loan fees, and other closing costs, of approximately $48,875.

Description of the Building and the Site. As set forth above, the ASML Building is a two story office and warehouse building containing approximately 95,133 rentable square feet consisting of 60,953 square feet on the first floor and 34,180 square feet on the second floor. The ASML Building is constructed of

painted concrete tilt-up panels with glass curtain walls and an exterior insulated finish system (EIFS) on a reinforced concrete foundation system. The roofing system consists of a steel beam with steel roof decking system supported by steel columns.

The ASML Building, which was completed in June 1995, is located on a 9.51 acre tract of land within the Arizona State University Research Park (Research Park). The land upon which the ASML Building is situated is subject to a long-term ground lease (as described below) with Price-Elliott Research Park, Inc. (Price-Elliott). At closing, Wells OP was assigned and assumed all of the tenant's rights, duties and obligations under the ASML ground lease.

An independent appraisal of the ASML Building was prepared by CB Richard Ellis, Inc., real estate appraisers, as of March 1, 2000, pursuant to which the market value of the land and the leased fee interest subject to the ASML lease (described below) was estimated to be $17,500,000, in cash or terms equivalent to cash. This value estimate was based upon a number of assumptions, including that the ASML Building will continue operating at a stabilized level with ASM Lithography, Inc. (ASML) occupying 100% of the rentable area, and is not necessarily an accurate reflection of the fair market value of the property or the net proceeds which would result from an immediate sale of this property. Wells OP also obtained an environmental report and an engineering inspection report prior to the closing evidencing that the condition of this land and the ASML Building were satisfactory.

The ASML Lease. The entire 95,133 rentable square feet of the ASML Building is currently under a net lease agreement with ASML. The landlord's interest in the ASML lease was assigned to Wells OP at the closing. The ASML lease commenced on June 4, 1998, and the initial term expires on June 30, 2013. ASML has the right to extend the ASML lease for two additional five year periods of time at the then prevailing market rental rate, but in no event less than the rate in force at the end of the preceding lease term.

ASML is a wholly-owned subsidiary of ASM Lithography Holdings NV (ASML Holdings), a Dutch multi-national corporation that supplies lithography systems used for printing integrated circuit designs onto very thin disks of silicon, commonly referred to as wafers. These systems are supplied to integrated circuit manufacturers throughout the United States, Asia, and Western Europe. ASML Holdings is 24% owned by Philips Electronics and has strategic partnerships with a number of major companies including Lucent Technologies, Applied Materials, Samsung, Hyundai and Motorola. During the fiscal year 1999, ASML Holdings had net income of $81.3 million on revenues of over $1.2 Billion and a net worth of over $615 million. ASML Holdings is the guarantor of the ASML lease.

The base rent payable for the ASML Building, out of which Wells OP will be required to make the ground lease payments described below, is as follows:

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

Under the ASML lease, ASML is required to pay as additional monthly rent all utility costs, and operating costs, including, but not limited to,

insurance premiums, general and special real estate taxes, assessments, and other governmental levies and such other operating costs with respect to the ASML Building, including those pertaining to the ASML ground lease. In addition, ASML is responsible for all routine maintenance and repairs to the ASML Building. ASML is responsible for maintaining the common and service areas of the ASML Building and ordinary repair and replacement of the roof, foundation, exterior surface walls, plumbing, pipes and conduits located in the common and service areas, central heating, ventilation and air conditioning systems, and electrical, mechanical and plumbing systems of the ASML Building. Notwithstanding the above, Wells OP is responsible for capital improvements, alterations or expenditures, depreciation, damages due to fire or other casualty, and repairs related to any defect in design, materials, or workmanship of the ASML Building.

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

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

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

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

The Motorola Building

Purchase of the Motorola Building. On March 29, 2000, Wells OP purchased a two story office building with approximately 133,225 rentable square feet located at 8075 South River Parkway, Tempe, Maricopa County, Arizona (Motorola Building) from Ryan pursuant to that certain Agreement of Purchase and Sale of Property between Ryan and our advisor.

The rights under the Motorola contract were assigned to Wells OP by our advisor at closing. The purchase price paid for the Motorola Building was $16,000,000. Wells OP also incurred additional acquisition expenses in connection with the purchase of the Motorola Building, including attorneys' fees, recording fees, loan fees, and other closing costs, of approximately

$36,622.

Description of the Building and Site. As set forth above, the Motorola Building is a two story office building containing approximately 133,225 rentable square feet with approximately 66,877 gross square feet on each floor. The Motorola Building was completed in July 1998, and is located on a 12.44 acre tract of land within the Research Park. The land upon which the Motorola building is situated is subject to a long-term ground lease (as described below) with Price-Elliott. At closing, Wells OP was assigned and assumed all of tenant's rights, duties and obligations under the Motorola ground lease.

The Motorola Building is constructed using painted light-sand and fine pebble exterior insulted finish system (EIFS) on steel framing with some concrete masonry unit block. The Motorola Building also contains one-quarter inch high-performance tinted glass covering approximately 50% of the Motorola Building's exterior with several full height sections on a reinforced concrete foundation system. The roofing system consists of steel beams with steel roof decking system supported by steel columns.

An independent appraisal of the Motorola Building was prepared by CB Richard Ellis, Inc., real estate appraisers, as of March 1, 2000, pursuant to which the market value of the land and the leased fee interest subject to the Motorola lease (described below) was estimated to be $16,150,000, in cash or terms equivalent to cash. This value estimate was based upon a number of assumptions, including that the Motorola Building will continue operating at a stabilized level with Motorola, Inc. (Motorola) occupying 100% of the rentable area, and is not necessarily an accurate reflection of the fair market value of the property or the net proceeds which would result from an immediate sale of this property. Wells OP also obtained an environmental report and an engineering inspection report prior to the closing evidencing that the condition of this land and the Motorola Building were satisfactory.

The Motorola Lease. The entire 133,225 rentable square feet of the Motorola Building is currently under a net lease agreement with Motorola. The landlord's interest in the Motorola lease was assigned to Wells OP at the closing. The Motorola lease commenced on August 17, 1998, and the initial term expires on August 31, 2005. Motorola has the right to extend the Motorola lease for four additional five-year periods of time at the then prevailing market rental rate.

The Motorola Building is occupied by Motorola's Satellite Communications Division (SATCOM). SATCOM is a worldwide developer and manufacturer of space and ground communications equipment and systems. This division is the prime contractor for the Iridium system and is primarily engaged in computer design and development functions. Motorola, a New York Stock Exchange Company, had net income of $891 million on revenues of $33.1 billion for the fiscal year 1999, and has a net worth of over $18.7 billion.

The rent payable under the Motorola lease, out of which Wells OP will be required to make the ground lease payments described below, is as follows:

Lease Year	Annual Base Rent	Monthly Base Rent
1 thru 4	$ 1,843,834	$ 153,653
5 thru 7	$ 2,054,329	$ 171,194

Under the Motorola lease, Motorola is required to pay as additional

monthly rent all operating costs, including, but not limited to, garbage and waste disposal, central heating, ventilation and air conditioning systems, janitorial service, security, insurance premiums for comprehensive general public liability insurance, real estate taxes, assessments and other

governmental levies and such other operating costs with respect to the Motorola Building. In addition, Motorola is responsible for all routine maintenance and repairs to the Motorola Building, including maintaining the common and service areas. Wells OP is responsible for structural repair and replacement of the roof, foundation, and exterior surface walls. Wells OP is also responsible for maintaining property damage insurance for damage to the building by fire and other risks.

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

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

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

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

Property Management Fees.

Wells Management Company, Inc. (Wells Management), an affiliate of the advisor, has been retained to manage and lease the Dial Building, the ASML Building and the Motorola Building. Wells REIT shall pay management and leasing fees to Wells Management in the amount of 4.5% of gross revenues from each of these buildings.

Financing for the Arizona Buildings

The aggregate purchase price paid for the three Arizona buildings was $47,605,000. The aggregate amount of $47,726,209 required to close the acquisition of the Arizona buildings consisted of (a) $7,226,209 in cash funded from a capital contribution by the Wells REIT, (b) $9,000,000 in loan proceeds obtained from a revolving credit facility established with SouthTrust Bank, N.A. (SouthTrust Loan), (c) $26,500,000 in loan proceeds obtained from a revolving credit facility established with Bank of America, N.A. (BOA Loan), and (d) $5,000,000 in loan proceeds provided by Ryan as seller financing in connection with the purchase of the Motorola Building (Ryan Loan).

Description of SouthTrust Loan. The SouthTrust Loan requires monthly payments of interest only and matures on December 31, 2000. The interest rate on the SouthTrust Loan is an annual variable rate equal to the London InterBank Offered Rate for a thirty day period plus 200 basis points. The current interest rate under the SouthTrust Loan is 8.13% per annum. The SouthTrust Loan is secured by a first mortgage against the PWC Building located in Tampa, Florida, which was purchased by Wells OP on December 31, 1998. As of March 31, 2000, the outstanding principal balance of the SouthTrust Loan was $11,320,000.

Description of BOA Loan. The BOA Loan requires monthly payments of interest only and matures on February 1, 2001. The interest rate on the BOA Loan is an annual variable rate equal to the London InterBank Offered Rate for a thirty day period plus 200 basis points. The current interest rate under the BOA is 8.13% per annum. The BOA Loan is secured by a first mortgage against the AT&T Building (formerly the Vanguard Cellular Building) located in Harrisburg, Pennsylvania, which was purchased by Wells OP on February 4, 1999, and the Videojet Building located in Wood Dale, Illinois, which was purchased by Wells OP on September 10, 1999. As of March 31, 2000, the outstanding principal balance of the BOA Loan was $26,660,798.

Description of Ryan Loan. The Ryan Loan requires monthly payments of interest only and matures on April 1, 2001. The interest rate on the Ryan Loan is 9.00% per annum, and is secured by a first mortgage against the Motorola Building.

Status of the Matsushita Project

The construction of the Matsushita project consisting of the approximately 150,000 square foot office building in Lake Forest, California is complete. Matsushita Avionics Systems Corporation commenced its lease on January 4, 2000 and is currently paying monthly base rent based upon the budgeted construction amount of $18,400,000.

Status of the ABB Richmond Project

As of April 20, 2000, Wells REIT, LLC - VA I (Wells LLC), a limited liability company wholly owned by Wells OP, had spent approximately $5,714,000 towards the construction of the approximately 100,000 square foot office building in Richmond, Virginia. The ABB Richmond project is approximately 50% complete and is expected to be completed in June 2000. We estimate that the aggregate cost and expenses to be incurred by Wells LLC with respect to the acquisition and construction of the ABB Richmond project will total approximately $11,560,000.

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

The information contained on page 97 in the "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" section of the prospectus is revised as of the date of this supplement by the deletion of the first paragraph of that section and the

insertion of the following paragraphs in lieu thereof:

We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares of common stock in our initial public offering, which commenced on January 30, 1998 and was terminated on December 20, 1999. Of the $132,181,919 raised in the initial offering, we invested a total of $111,032,812 in properties.

Pursuant to the prospectus, we commenced this second offering of shares of our common stock on December 20, 1999. As of April 20, 2000, we had received an additional $34,905,285 in gross offering proceeds from the sale of 3,490,528 shares in the second offering.

As of April 20, 2000, we had received in the aggregate approximately $167,087,204 in gross offering proceeds from the sale of 16,708,720 shares of our common stock. As of April 20, 2000, we had repurchased 17,143 shares of common stock through our share redemption program resulting in gross offering proceeds of $166,915,777 net of such shares repurchased. Out of this amount, as of April 20, 2000, we had paid $5,848,052 in acquisition and advisory fees and acquisition expenses, had paid $20,885,901 in selling commissions and organizational and offering expenses, had invested $128,842,937 in properties and were holding net offering proceeds of $11,510,314 available for investment in additional properties.

Financial Statements and Prior Performance Tables

The financial statements of the Wells REIT as of December 31, 1999 and 1998, and for each of the years in the two year period ended December 31, 1999, included in this supplement and elsewhere in the registration statement, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included in this supplement in reliance upon the authority of said firm as experts in giving said report.

The statements of revenues over certain operating expenses of the Dial Building, the ASML Building and the Motorola Building for the year ended December 31, 1999, included in this supplement and elsewhere in the registration statement, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included in this supplement in reliance upon the authority of said firm as experts in giving said reports. The proforma financial information for the Wells REIT as of December 31, 1999 and for the year ended December 31, 1999, which are included in this supplement, have not been audited.

The prior performance tables dated as of December 31, 1999, which are included in this supplement, have not been audited.

INDEX TO FINANCIAL STATEMENTS AND PRIOR PERFORMANCE TABLES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying consolidated balance sheets of WELLS REAL ESTATE INVESTMENT TRUST, INC. (a Maryland corporation) AND SUBSIDIARY as of December 31, 1999 and 1998 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wells Real Estate Investment Trust, Inc. and subsidiary as of December 31, 1999 and 1998 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

/s/ Arthur Andersen LLP

Atlanta, Georgia
January 20, 2000

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1999 AND 1998

ASSETS

	1999	1998
REAL ESTATE ASSETS, at cost:		
Land	$ 14,500,822	$ 1,520,834
Building, less accumulated depreciation of $1,726,103 and $0 at December 31, 1999 and 1998, respectively	81,507,040	20,076,845
Construction in progress	12,561,459	0
Total real estate assets	108,569,321	21,597,679
INVESTMENT IN JOINT VENTURES	29,431,176	11,568,677
CASH AND CASH EQUIVALENTS	2,929,804	7,979,403
DEFERRED OFFERING COSTS	964,941	548,729
DEFERRED PROJECT COSTS	28,093	335,421
DUE FROM AFFILIATES	648,354	262,345
PREPAID EXPENSES AND OTHER ASSETS	1,280,601	540,319
Total assets	$143,852,290	$42,832,573

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES:		
Accounts payable and accrued expenses	$ 461,300	$ 187,827
Notes payable	23,929,228	14,059,930
Dividends payable	2,166,701	408,176
Due to affiliate	1,079,466	554,953
Total liabilities	27,636,695	15,210,886
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	200,000
SHAREHOLDERS' EQUITY:		
Common shares, $.01 par value; 40,000,000 shares authorized, 13,471,085 shares issued and outstanding at December 31, 1999 and 3,154,136 shares issued and outstanding at December 31, 1998	134,710	31,541
Additional paid-in capital	115,880,885	27,056,112
Retained earnings	0	334,034
Total shareholders' equity	116,015,595	27,421,687
Total liabilities and shareholders' equity	$143,852,290	$42,832,573

The accompanying notes are an integral part of these consolidated balance sheets.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
REVENUES:		
Rental income	$4,735,184	$ 20,994
Equity in income of joint ventures	1,243,969	263,315
Interest income	502,993	110,869
Other income	13,249	0
	6,495,395	395,178
EXPENSES:		
Depreciation	1,726,103	0
Interest expense	442,029	11,033
Operating costs, net of reimbursements	(74,666)	0
Management and leasing fees	257,744	0
General and administrative	123,776	29,943
Legal and accounting	115,471	19,552
Computer costs	11,368	616
Amortization of organizational costs	8,921	0
	2,610,746	61,144
NET INCOME	$3,884,649	$334,034
EARNINGS PER SHARE:		
Basic and diluted	$ 0.50	$ 0.40

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

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
BALANCE, December 31, 1997	100	$ 1	$ 999	$ 0	$ 1,000
Issuance of common stock	3,154,036	31,540	31,508,820	0	31,540,360
Net income	0	0	0	334,034	334,034
Dividends ($.31 per share)	0	0	(511,163)	0	(511,163)
Sales commissions	0	0	(2,996,334)	0	(2,996,334)
Other offering expenses	0	0	(946,210)	0	(946,210)
BALANCE, December 31, 1998	3,154,136	31,541	27,056,112	334,034	27,421,687
Issuance of common stock	10,316,949	103,169	103,066,321	0	103,169,490
Net income	0	0	0	3,884,649	3,884,649
Dividends ($.70 per share)	0	0	(1,346,240)	(4,218,683)	(5,564,923)
Sales commissions	0	0	(9,801,197)	0	(9,801,197)
Other offering expenses	0	0	(3,094,111)	0	(3,094,111)
BALANCE, December 31, 1999	13,471,085	$ 134,710	$ 115,880,885	$ 0	$ 116,015,595

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

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,884,649	$ 334,034
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in income of joint ventures	1,243,969)	(263,315)
Depreciation	1,726,103	0
Amortization of organizational costs	8,921	0
Changes in assets and liabilities:		
Prepaid expenses and other assets	(749,203)	(540,319)
Accounts payable and accrued expenses	273,473	187,827
Due to affiliates	108,301	6,224
Total adjustments	123,626	(609,583)
Net cash provided by (used in) operating activities	4,008,275	(275,549)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate	(85,514,506)	(21,299,071)
Investment in joint ventures	(17,641,211)	(11,276,007)
Deferred project costs paid	(3,610,967)	(1,103,913)
Distributions received from joint ventures	1,371,728	178,184
Net cash used in investing activities	(105,394,956)	(33,500,807)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	40,594,463	14,059,930
Repayments of notes payable	(30,725,165)	0
Dividends paid to shareholders	(3,806,398)	(102,987)
Issuance of common stock	103,169,490	31,540,360
Sales commissions paid	(9,801,197)	(2,996,334)
Other offering costs paid	(3,094,111)	(946,210)
Net cash provided by financing activities	96,337,082	41,554,759
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,049,599)	7,778,403

CASH AND CASH EQUIVALENTS, beginning of year	7,979,403	201,000
CASH AND CASH EQUIVALENTS, end of year	$ 2,929,804	$ 7,979,403
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Deferred project costs applied to real estate assets	$ 3,183,239	$ 298,608
Deferred project costs contributed to joint ventures	$ 735,056	$ 469,884
Deferred offering costs due to affiliate	$ 416,212	$ 0

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

WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999 AND 1998

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation that qualifies as a real estate investment trust ("REIT"). The Company is conducting an offering for the sale of a maximum of 40,000,000 (exclusive of 2,200,000 shares available pursuant to the Company's dividend reinvestment plan) shares of common stock, $.01 par value per share, at a price of $10 per share. The Company will seek to acquire and operate commercial properties, including, but not limited to, office buildings, shopping centers, business and industrial parks, and other commercial and industrial properties, including properties which are under construction, are newly constructed, or have been constructed and have operating histories. All such properties may be acquired, developed, and operated by the Company alone or jointly with another party. The Company is likely to enter into one or more joint ventures with affiliated entities for the acquisition of properties. In connection with this, the Company may enter into joint ventures for the acquisition of properties with prior or future real estate limited partnership programs sponsored by Wells Capital, Inc. (the "Advisor") or its affiliates.

Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. (the "Operating Partnership"), a Delaware limited partnership. During 1997, the Operating Partnership issued 20,000 limited partner units to the Advisor in exchange for $200,000. The Company is the sole general partner in the Operating Partnership and possesses full legal control and authority over the operations of the Operating Partnership; consequently, the accompanying consolidated financial statements of the Company include the amounts of the Operating Partnership.

The Operating Partnership owns the following properties directly: (i) the PriceWaterhouseCoopers property (the "PwC Building"), a four-story office building located in Tampa, Florida; (ii) the AT&T Building, a four-story office building located in Harrisburg, Pennsylvania; (iii) the Marconi Data Systems property (the "Marconi Building"), a two-story office building located in Wood Dale, Illinois; and (iv) the Cinemark Building, a five-story office building located in Plano, Texas.

The Company also owns interests in several properties through a joint venture among the Operating Partnership, Wells Real Estate Fund IX, L.P. ("Wells Fund IX"), Wells Real Estate Fund X, L.P. ("Wells Fund X"), and Wells Real Estate Fund XI, L.P. ("Wells Fund XI"). This joint venture is referred to as the Fund IX, Fund X, Fund XI, and REIT Joint Venture ("Fund IX, X, XI, and REIT Joint Venture"). In addition, the Company owns an interest in several properties through a joint venture between Wells Fund XI, Wells Real Estate Fund XII, L.P. ("Wells Fund XII"), and the Operating Partnership, which is referred to as Wells Fund XI, XII and REIT Joint

Venture. The Company owns two properties through a joint venture between the Operating Partnership and Fund X and XI Associates, a joint venture between Wells Fund X and Wells Fund XI.

Through its investment in the Fund IX, X, XI, and REIT Joint Venture, the Company owns interests in the following properties: (i) a three-story office building in Knoxville, Tennessee (the "ABB Building"), (ii) a two-story office building in Louisville, Colorado (the "Ohmeda Building"), (iii) a three-story office building in Broomfield, Colorado (the "360 Interlocken Building"), (iv) a one-story warehouse facility in Ogden, Utah (the "Iomega Building"), and (v) a one-story office building in Oklahoma City, Oklahoma (the "Lucent Technologies Building").

The following properties are owned by the Company through its investment in a joint venture with Fund X and XI Associates: (i) a one-story office and warehouse building in Fountain Valley, California (the "Cort Furniture Building") owned by Wells/Orange County Associates and (ii) a warehouse and office building in Fremont, California (the "Fairchild Building") owned by Wells/Fremont Associates.

Through its investment in the Wells Fund XI, XII, and REIT Joint Venture, the Company owns interests in the following properties: (i) a two-story manufacturing and office building in Greenville County, South Carolina (the "EYBL CarTex Building"), (ii) a three-story office building Leawood, Kansas (the "Sprint Building"), (iii) an office and warehouse building in Chester County, Pennsylvania (the "Johnson Matthey Building"), and (iv) a two-story office building in Ft. Myers, Florida (the "Gartner Building").

Use of Estimates and Factors Affecting the Company

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

The carrying values of real estate are based on management's current intent to hold the real estate assets as long-term investments. The success of the Company's future operations and the ability to realize the investment in its assets will be dependent on the Company's ability to maintain rental rates, occupancy, and an appropriate level of operating expenses in future years. Management believes that the steps it is taking will enable the Company to realize its investment in its assets.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with the taxable year ended December 31, 1998. As a result, the Company generally will not be subject to federal income taxation at the corporate level to the extent it distributes annually at least 95% of its REIT taxable income, as defined in the Code, to its shareholders and satisfies certain other requirements. Additionally, the Operating Partnership is not subject to federal or state income taxes. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements for the years ended December 31, 1999 and 1998.

Real Estate Assets

Real estate assets held by the Company and joint ventures are stated at cost less accumulated depreciation. Major improvements and betterments are capitalized when they extend the useful life of the related asset. All repair and maintenance are expensed as incurred.

Management continually monitors events and changes in circumstances which could indicate that carrying amounts of real estate assets may not be recoverable. When events or changes in circumstances

are present which indicate that the carrying amounts of real estate assets may not be recoverable, management assesses the recoverability of real estate assets by determining whether the carrying value of such real estate assets will be recovered through the future cash flows expected from the use of the asset and its eventual disposition. Management has determined that there has been no impairment in the carrying value of real estate assets held by the Company or the joint ventures as of December 31, 1999.

Depreciation of building and improvements is calculated using the straight-line method over 25 years. Tenant improvements are amortized over the life of the related lease or the life of the asset, whichever is shorter.

Investment in Joint Ventures

Basis of Presentation. The Operating Partnership does not have control over the operations of the joint ventures; however, it does exercise significant influence. Accordingly, the Operating Partnership's investment in the joint ventures is recorded using the equity method of accounting.

Partners' Distributions and Allocations of Profit and Loss. Cash available for distribution and allocations of profit and loss to the Operating Partnership by the joint ventures are made in accordance with the terms of the individual joint venture agreements. Generally, these items are allocated in proportion to the partners' respective ownership interests. Cash is paid from the joint ventures to the Operating Partnership on a quarterly basis.

Deferred Lease Acquisition Costs. Costs incurred to procure operating leases are capitalized and amortized on a straight-line basis over the terms of the related leases.

Revenue Recognition

All leases on real estate assets held by the Company or the joint ventures are classified as operating leases, and the related rental income is recognized on a straight-line basis over the terms of the respective leases.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments. Short-term investments are stated at cost, which approximates fair value, and consist of investments in money market accounts.

Earnings Per Share

Earnings per share is calculated based on the weighted average number of common shares outstanding during each period. The weighted average number of common shares outstanding is identical for basic and fully diluted earnings per share, as there is no dilutive impact created from the Company's stock option plan (Note 10) using the treasury stock method.

2. DEFERRED PROJECT COSTS

The Company paid a percentage of shareholder contributions to the Advisor for acquisition and advisory services. These payments, as stipulated in the prospectus, can be up to 3.5% of shareholder contributions, subject to

certain overall limitations contained in the prospectus. Aggregate fees paid

through December 31, 1999 were $4,714,880 and amounted to 3.5% of shareholders' contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint ventures or real estate assets. Deferred project costs at December 31, 1999 and 1998 represent fees not yet applied to properties.

3. DEFERRED OFFERING COSTS

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

As of December 31, 1999, the Advisor paid organization and offering expenses on behalf of the Company in the aggregate amount of $5,005,262, of which the Advisor was reimbursed $4,040,321, which did not exceed the 5% limitation. The unpaid portion of deferred offering costs is $964,941 and is included in due to affiliate in the accompanying balance sheet.

4. RELATED-PARTY TRANSACTIONS

Due from affiliates at December 31, 1999 represents the Operating Partnership's share of the cash to be distributed from its joint venture investments for the fourth quarter of 1999 and 1998 as follows:

	1999	1998
Fund IX, X, XI, and REIT Joint Venture	$ 32,079	$ 38,360
Wells/Orange County Associates	75,953	77,123
Wells/Fremont Associates	152,681	146,862
Fund XI, XII, and REIT	387,641	0
	$ 648,354	$ 262,345

The Company entered into a property management agreement with Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor. In consideration for supervising the management and leasing of the Operating Partnership's properties, the Operating Partnership will pay Wells Management management and leasing fees equal to the lesser of (a) fees that would be paid to a comparable outside firm, or (b) 4.5% of the gross revenues generally paid over the life of the lease plus a separate competitive fee for the one-time initial lease-up of newly constructed properties generally paid in conjunction with the receipt of the first month's rent. In the case of commercial properties which are leased on a long-term (ten or more years) net lease basis, the maximum property management fee from such leases shall be 1% of the gross revenues generally paid over the life of the leases except for a one-time initial leasing fee of 3% of the gross revenues on each lease payable over the first five full years of the original lease term.

The Operating Partnership's portion of the management and leasing fees and lease acquisition costs paid to Wells Management by the joint ventures was $336,517 for the year ended December 31, 1999.

The Advisor performs certain administrative services for the Operating Partnership, such as accounting and other partnership administration, and incurs the related expenses. Such expenses are allocated among the Operating Partnership and the various Wells Real Estate Funds based on time spent on each

fund by individual administrative personnel. In the opinion of management, such allocation is a reasonable basis for allocating such expenses.

The Advisor is a general partner in various Wells Real Estate Funds. As such, there may exist conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with the Operating Partnership for tenants in similar geographic markets.

5. INVESTMENT IN JOINT VENTURES

The Operating Partnership's investment and percentage ownership in joint ventures at December 31, 1999 and 1998 are summarized as follows:

	1999		1998	
	Amount	Percent	Amount	Percent
Fund IX, X, XI, and REIT Joint Venture	$ 1,388,884	4%	$ 1,443,378	4%
Wells/Orange County Associates	2,893,112	44	2,958,617	44
Wells/Fremont Associates	6,988,210	78	7,166,682	78
Fund XI, XII, and REIT Joint Venture	18,160,970	57	0	0
	$ 29,431,176		$ 11,568,677	

The following is a rollforward of the Operating Partnership's investment in joint ventures for the years ended December 31, 1999 and 1998:

	1999	1998
Investment in joint ventures, beginning of year	$11,568,677	$ 0
Equity in income of joint ventures	1,243,969	263,315
Contributions to joint ventures	18,376,267	11,745,890
Distributions from joint ventures	(1,757,737)	(440,528)
Investment in joint ventures, end of year	$29,431,176	$11,568,677

Fund IX, X, XI, and REIT Joint Venture

On March 20, 1997, Wells Fund IX and Wells Fund X entered into a joint venture agreement. The joint venture, Fund IX and X Associates, was formed to acquire, develop, operate, and sell real properties. On March 20, 1997, Wells Fund IX contributed a 5.62-acre tract of real property in Knoxville, Tennessee, and improvements thereon, known as the ABB Building, to the Fund IX and X Associates joint venture. A 83,885-square-foot, three-story building was constructed and commenced operations at the end of 1997.

On February 13, 1998, the joint venture purchased a two-story office building, known as the Ohmeda Building, in Louisville, Colorado. On March 20, 1998, the joint venture purchased a three-story office building, known as the 360 Interlocken Building, in Broomfield, Colorado. On June 11, 1998, Fund IX and X Associates was amended and restated to admit Wells Fund XI and the Operating Partnership. The joint venture was renamed the Fund IX, X, XI, and REIT Joint Venture. On June 24, 1998, the new joint venture purchased a one-story office building, known as the Lucent Technologies Building, in Oklahoma City, Oklahoma. On April 1, 1998, Wells Fund X purchased a one-story warehouse facility, known as

the Iomega Building, in Ogden, Utah. On July 1, 1998, Wells Fund X contributed the Iomega Building to the Fund IX, X, XI, and REIT Joint Venture.

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

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Balance Sheets
December 31, 1999 and 1998

Assets

	1999	1998
Real estate assets, at cost:		
Land	$ 6,698,020	$ 6,454,213
Building and improvements, less accumulated depreciation of $2,792,068 in 1999 and $1,253,156 in 1998	29,878,541	30,686,845
Construction in progress	0	990
Total real estate assets	36,576,561	37,142,048
Cash and cash equivalents	1,146,874	1,329,457
Accounts receivable	554,965	133,257
Prepaid expenses and other assets	526,409	441,128
Total assets	$ 38,804,809	$ 39,045,890

Liabilities and Partners' Capital

Liabilities:		
Accounts payable	$ 704,914	$ 409,737
Due to affiliates	6,379	4,406
Partnership distributions payable	804,734	1,000,127
Total liabilities	1,516,027	1,414,270
Partners' capital:		
Wells Real Estate Fund IX	14,590,626	14,960,100
Wells Real Estate Fund X	18,000,869	18,707,139
Wells Real Estate Fund XI	3,308,403	2,521,003
Wells Operating Partnership, L.P.	1,388,884	1,443,378
Total partners' capital	37,288,782	37,631,620
Total liabilities and partners' capital	$ 38,804,809	$ 39,045,890

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Statements of Income (Loss)
for the Years Ended December 31, 1999, 1998, and 1997

	1999	1998	1997
Revenues:			
Rental income	$3,932,962	$2,945,980	$ 28,512
Interest income	120,080	20,438	0
	4,053,042	2,966,418	28,512
Expenses:			
Depreciation	1,538,912	1,216,293	36,863
Management and leasing fees	286,139	226,643	1,711
Operating costs, net of reimbursements	(43,501)	(140,506)	10,118
Property administration expense	63,311	34,821	0
Legal and accounting	35,937	15,351	0
	1,880,798	1,352,602	48,692
Net income (loss)	$2,172,244	$1,613,816	$(20,180)
Net income (loss) allocated to Wells Real Estate Fund IX	$ 850,072	$ 692,116	$(10,145)
Net income (loss) allocated to Wells Real Estate Fund X	$1,056,316	$ 787,481	$(10,035)
Net income allocated to Wells Real Estate Fund XI	$ 184,355	$ 85,352	0
Net income allocated to Wells Operating Partnership, L.P.	$ 81,501	$ 48,867	$ 0

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Statements of Partners' Capital
for the Years Ended December 31, 1999, 1998, and 1997

	Wells Real Estate Fund IX	Wells Real Estate Fund X	Wells Real Estate Fund XI	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, December 31, 1996	$ 0	$ 0	$ 0	$ 0	$ 0
Net loss	(10,145)	(10,035)	0	0	(20,180)
Partnership contributions	3,712,938	3,672,838	0	0	7,385,776
Balance, December 31, 1997	3,702,793	3,662,803	0	0	7,365,596
Net income	692,116	787,481	85,352	48,867	1,613,816
Partnership contributions	11,771,312	15,613,477	2,586,262	1,480,741	31,451,792
Partnership distributions	(1,206,121)	(1,356,622)	(150,611)	(86,230)	(2,799,584)
Balance, December 31, 1998	14,960,100	18,707,139	2,521,003	1,443,378	37,631,620
Net income	850,072	1,056,316	184,355	81,501	2,172,244
Partnership contributions	198,989	0	911,027	0	1,110,016
Partnership distributions	(1,418,535)	(1,762,586)	(307,982)	(135,995)	(3,625,098)
Balance, December 31, 1999	$14,590,626	$18,000,869	$3,308,403	$1,388,884	$37,288,782

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Statements of Cash Flows
for the Years Ended December 31, 1999, 1998, and 1997

	1999	1998	1997
Cash flows from operating activities:			
Net income (loss)	$ 2,172,244	$ 1,613,816	$ (20,180)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,538,912	1,216,293	36,863
Changes in assets and liabilities:			
Accounts receivable	(421,708)	(92,745)	(40,512)
Prepaid expenses and other assets	(85,281)	(111,818)	(329,310)
Accounts payable	295,177	29,967	379,770
Due to affiliates	1,973	1,927	2,479
Total adjustments	1,329,073	1,043,624	49,290
Net cash provided by operating activities	3,501,317	2,657,440	29,110
Cash flows from investing activities:			
Investment in real estate	(930,401)	(24,788,070)	(5,715,847)
Cash flows from financing activities:			
Distributions to joint venture partners	(3,820,491)	(1,799,457)	0
Contributions received from partners	1,066,992	24,970,373	5,975,908
Net cash (used in) provided by financing activities	(2,753,499)	23,170,916	5,975,908
Net (decrease) increase in cash and cash equivalents	(182,583)	1,040,286	289,171
Cash and cash equivalents, beginning of year	1,329,457	289,171	0
Cash and cash equivalents, end of year	$ 1,146,874	$ 1,329,457	$ 289,171
Supplemental disclosure of noncash activities:			
Deferred project costs contributed to joint venture	$ 43,024	$ 1,470,780	$ 318,981
Contribution of real estate assets to joint venture	$ 0	$ 5,010,639	$ 1,090,887

Wells/Orange County Associates

On July 27, 1998, the Operating Partnership entered into a joint venture

agreement with Wells Development Corporation, referred to as Wells/Orange County Associates. On July 31, 1998, Wells/Orange County Associates acquired a 52,000-square-foot warehouse and office building located in Fountain Valley, California, known as the Cort Furniture Building.

On September 1, 1998, Fund X and XI Associates acquired Wells Development Corporation's interest in Wells/Orange County Associates which resulted in Fund X and XI Associates becoming a joint venture partner with the Operating Partnership in the ownership of the Cort Furniture Building.

Following are the financial statements for Wells/Orange County Associates:

Wells/Orange County Associates
(A Georgia Joint Venture)
Balance Sheets
December 31, 1999 and 1998

Assets

	1999	1998
Real estate assets, at cost:		
Land	$2,187,501	$2,187,501
Building, less accumulated depreciation of $278,652 in 1999 and $92,087 in 1998	4,385,463	4,572,028
Total real estate assets	6,572,964	6,759,529
Cash and cash equivalents	176,666	180,895
Accounts receivable	49,679	13,123
Total assets	$6,799,309	$6,953,547

Liabilities and Partners' Capital

Liabilities:		
Accounts payable	$ 0	$ 1,550
Partnership distributions payable	173,935	176,614
Total liabilities	173,935	178,164
Partners' capital:		
Wells Operating Partnership, L.P.	2,893,112	2,958,617
Fund X and XI Associates	3,732,262	3,816,766
Total partners' capital	6,625,374	6,775,383
Total liabilities and partners' capital	$6,799,309	$6,953,547

Wells/Orange County Associates
(A Georgia Joint Venture)
Statements of Income
for the Years Ended December 31, 1999 and 1998

	1999	1998
Revenues:		
Rental income	$795,545	$331,477
Interest income	0	448

	795,545	331,925
Expenses:		
Depreciation	186,565	92,087
Management and leasing fees	30,360	12,734
Operating costs, net of reimbursements	22,229	2,288
Interest	0	29,472
Legal and accounting	5,439	3,930
	244,593	140,511
Net income	$550,952	$191,414
Net income allocated to Wells Operating Partnership, L.P.	$240,585	$ 91,978
Net income allocated to Fund X and XI Associates	$310,367	$ 99,436

Wells/Orange County Associates
(A Georgia Joint Venture)
Statements of Partners' Capital
for the Years Ended December 31, 1999 and 1998

	Wells Operating Partnership, L.P.	Fund X and XI Associates	Total Partners' Capital
Balance, December 31, 1997	$ 0	$ 0	$ 0
Net income	91,978	99,436	191,414
Partnership contributions	2,991,074	3,863,272	6,854,346
Partnership distributions	(124,435)	(145,942)	(270,377)
Balance, December 31, 1998	2,958,617	3,816,766	6,775,383
Net income	240,585	310,367	550,952
Partnership distributions	(306,090)	(394,871)	(700,961)
Balance, December 31, 1999	$ 2,893,112	$3,732,262	$6,625,374

Wells/Orange County Associates
(A Georgia Joint Venture)
Statements of Cash Flows
for the Years Ended December 31, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Net income	$ 550,952	$ 191,414
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	186,565	92,087
Changes in assets and liabilities:		
Accounts receivable	(36,556)	(13,123)
Accounts payable	(1,550)	1,550
Total adjustments	148,459	80,514
Net cash provided by operating activities	699,411	271,928
Cash flows from investing activities:		

Investment in real estate	0	(6,563,700)
Cash flows from financing activities:		
Issuance of note payable	0	4,875,000
Payment of note payable	0	(4,875,000)
Distributions to partners	(703,640)	(93,763)
Contributions received from partners	0	6,566,430
Net cash (used in) provided by financing activities	(703,640)	6,472,667
Net (decrease) increase in cash and cash equivalents	(4,229)	180,895
Cash and cash equivalents, beginning of year	180,895	0
Cash and cash equivalents, end of year	$ 176,666	$ 180,895
Supplemental disclosure of noncash activities:		
Deferred project costs contributed to joint venture	$ 0	$ 287,916

Wells/Fremont Associates

On July 15, 1998, the Operating Partnership entered into a joint venture agreement with Wells Development Corporation, referred to as Wells/Fremont Associates. On July 21, 1998, Wells/Fremont Associates acquired a 58,424-square-foot warehouse and office building located in Fremont, California, known as the Fairchild Building.

On October 8, 1998, Fund X and XI Associates acquired Wells Development Corporation's interest in Wells/Fremont Associates which resulted in Fund X and XI Associates becoming a joint venture partner with the Operating Partnership in the ownership of the Fairchild Building.

Following are the financial statements for Wells/Fremont Associates:

Wells/Fremont Associates
(A Georgia Joint Venture)
Balance Sheets
December 31, 1999 and 1998

Assets

	1999	1998
Real estate assets, at cost:		
Land	$2,219,251	$2,219,251
Building, less accumulated depreciation of $428,246 in 1999 and $142,720 in 1998	6,709,912	6,995,439
Total real estate assets	8,929,163	9,214,690
Cash and cash equivalents	189,012	192,512
Accounts receivable	92,979	34,742
Total assets	$9,211,154	$9,441,944

Liabilities and Partners' Capital

Liabilities:		
Accounts payable	$ 2,015	$ 3,565
Due to affiliate	5,579	2,052
Partnership distributions payable	186,997	189,490
Total liabilities	194,591	195,107
Partners' capital:		
Wells Operating Partnership, L.P.	6,988,210	7,166,682
Fund X and XI Associates	2,028,353	2,080,155
Total partners' capital	9,016,563	9,246,837
Total liabilities and partners' capital	$9,211,154	$9,441,944

Wells/Fremont Associates
(A Georgia Joint Venture)
Statements of Income
for the Years Ended December 31, 1999 and 1998

	1999	1998
Revenues:		
Rental income	$902,946	$401,058
Interest income	0	3,896
	902,946	404,954
Expenses:		
Depreciation	285,526	142,720
Management and leasing fees	37,355	16,726
Operating costs, net of reimbursements	16,006	3,364
Interest	0	73,919
Legal and accounting	4,885	6,306
	343,772	243,035
Net income	$559,174	$161,919
Net income allocated to Wells Operating Partnership, L.P.	$433,383	$122,470
Net income allocated to Fund X and XI Associates	$125,791	$ 39,449

Wells/Fremont Associates
(A Georgia Joint Venture)
Statements of Partners' Capital
for the Years Ended December 31, 1999 and 1998

	Wells Operating Partnership, L.P.	Fund X and XI Associates	Total Partners' Capital
Balance, December 31, 1997	$ 0	$ 0	$ 0
Net income	122,470	39,449	161,919
Partner contributions	7,274,075	2,083,334	9,357,409
Partnership distributions	(229,863)	(42,628)	(272,491)
Balance, December 31, 1998	7,166,682	2,080,155	9,246,837
Net income	433,383	125,791	559,174
Partnership distributions	(611,855)	(177,593)	(789,448)
Balance, December 31, 1999	$ 6,988,210	$2,028,353	$9,016,563

Wells/Fremont Associates
(A Georgia Joint Venture)
Statements of Cash Flows
for the Years Ended December 31, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Net income	$ 559,174	$ 161,919
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	285,526	142,720
Changes in assets and liabilities:		
Accounts receivable	(58,237)	(34,742)
Accounts payable	(1,550)	3,565
Due to affiliate	3,527	2,052
Total adjustments	229,266	113,595
Net cash provided by operating activities	788,440	275,514
Cash flows from investing activities:		
Investment in real estate	0	(8,983,111)
Cash flows from financing activities:		
Issuance of note payable	0	5,960,000
Payment of note payable	0	(5,960,000)
Distributions to partners	(791,940)	(83,001)
Contributions received from partners	0	8,983,110
Net cash (used in) provided by financing activities	(791,940)	8,900,109
Net (decrease) increase in cash and cash equivalents	(3,500)	192,512
Cash and cash equivalents, beginning of year	192,512	0
Cash and cash equivalents, end of year	$ 189,012	$ 192,512
Supplemental disclosure of noncash activities:		
Deferred project costs contributed to joint venture	$ 0	$ 374,299

Fund XI, XII, and REIT Joint Venture

On May 1, 1999, the Operating Partnership entered into a joint venture with Wells Fund XII and Wells Fund XI. On May 18, 1999, the joint venture purchased a 169,510-square-foot, two-story manufacturing and office building, known as EYBL CarTex, in Fountain Inn, South Carolina. On July 21, 1999, the joint venture purchased a 68,900 square-foot, three-story-office building, known as the Sprint Building, in Leawood, Kansas. On August 17, 1999, the joint venture purchased a 130,000 square-foot office and warehouse building, known as the Johnson Matthey Building, in Chester County, Pennsylvania. On September 20, 1999, the joint venture purchased a 62,400 square-foot, two-story office building, known as the Gartner Building, in Fort Myers, Florida.

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

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)
Balance Sheet
December 31, 1999

Assets

Real estate assets, at cost:	
Land	$ 5,048,797
Building and improvements, less accumulated depreciation of $506,582	26,811,869
Total real estate assets	31,860,666
Cash and cash equivalents	766,278
Accounts receivable	133,777
Prepaid assets and other expenses	26,486
Total assets	$32,787,207

	==========
Liabilities and Partners' Capital	
Liabilities:	
Accounts payable	$ 112,457
Partnership distributions payable	680,294
Total liabilities	792,751
Partners' capital:	
Wells Real Estate Fund XI	8,365,852
Wells Real Estate Fund XII	5,467,634
Wells Operating Partnership, L.P.	18,160,970
Total partners' capital	31,994,456
Total liabilities and partners' capital	$32,787,207
	==========

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)
Statement of Income
for the Year Ended December 31, 1999

Revenues:	
Rental income	$1,443,446
Other income	57
	1,443,503
Expenses:	
Depreciation	506,582
Management and leasing fees	59,230
Operating costs, net of reimbursements	6,433
Property administration	14,185
Legal and accounting	4,000
	590,430
Net income	$ 853,073
	==========
Net income allocated to Wells Real Estate Fund XI	$ 240,031
	==========
Net income allocated to Wells Real Estate Fund XII	$ 124,542
	==========
Net income allocated to Wells Operating Partnership, L.P.	$ 488,500
	==========

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)
Statement of Partners' Capital
for the Year Ended December 31, 1999

	Wells Real Estate Fund XI	Wells Real Estate Fund XII	Wells Operating Partnership, L.P.	Total Partners' Capital
Balance, December 31, 1998	$ 0	$ 0	$ 0	$ 0
Net income	240,031	124,542	488,500	853,073
Partnership contributions	8,470,160	5,520,835	18,376,267	32,367,262
Partnership distributions	(344,339)	(177,743)	(703,797)	(1,225,879)
Balance, December 31, 1999	$8,365,852	$5,467,634	$18,160,970	$31,994,456
	==========	==========	==========	==========

(A Georgia Joint Venture)
Statement of Cash Flows
for the Year Ended December 31, 1999

Cash flows from operating activities:	
Net income	$ 853,073
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	506,582
Changes in assets and liabilities:	
Accounts receivable	(133,777)
Prepaid expenses and other assets	(26,486)
Accounts payable	112,457
Total adjustments	458,776
Net cash provided by operating activities	1,311,849
Cash flows from financing activities:	
Distributions to joint venture partners	(545,571)
Net increase in cash and cash equivalents	766,278
Cash and cash equivalents, beginning of year	0
Cash and cash equivalents, end of year	$ 766,278
Supplemental disclosure of noncash activities:	
Deferred project costs contributed to joint venture	$ 1,294,686
Contribution of real estate assets to joint venture	$31,072,562

6. INCOME TAX BASIS NET INCOME AND PARTNERS' CAPITAL

The Operating Partnership's income tax basis net income for the years ended December 31, 1999 and 1998 are calculated as follows:

	1999	1998
Financial statement net income	$3,884,649	$334,034
Increase (decrease) in net income resulting from:		
Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes	949,631	82,618
Rental income accrued for financial reporting purposes in excess of amounts for income tax purposes	(789,599)	(35,427)
Expenses deductible when paid for income tax purposes, accrued for financial reporting purposes	49,906	1,634
Income tax basis net income	$4,094,587	$382,859

The Operating Partnership's income tax basis partners' capital at December 31, 1999 and 1998 is computed as follows:

	1999	1998
Financial statement partners' capital	$116,015,595	$27,421,687
Increase (decrease) in partners' capital resulting from:		
Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes	1,032,249	82,618
Capitalization of syndication costs for income tax purposes, which are accounted for as cost of capital for financial reporting purposes	12,896,312	3,942,545
Accumulated rental income accrued for financial reporting purposes in excess of amounts for income tax purposes	(825,026)	(35,427)
Accumulated expenses deductible when paid for income tax purposes, accrued for financial reporting purposes	51,540	1,634
Dividends payable	2,166,701	408,176
Income tax basis partners' capital	$131,337,371	$31,821,233

7. RENTAL INCOME

The future minimum rental income due from the Operating Partnership's direct investment in real estate or its respective ownership interest in the joint ventures under noncancelable operating leases at December 31, 1999 is as follows:

Year ended December 31:	
2000	$ 11,737,408
2001	11,976,253
2002	12,714,291
2003	12,856,557
2004	12,581,882
Thereafter	54,304,092
	$ 116,170,483

Three tenants contributed 32%, 16%, and 15% of rental income for the year ended December 31, 1999. In addition, four tenants will contribute 34%, 20%, 17%, and 11% of future minimum rental income.

The future minimum rental income due the Fund IX, X, XI, and REIT Joint Venture under noncancelable operating leases at December 31, 1999 is as follows:

Year ended December 31:	
2000	$ 3,666,570
2001	3,595,686
2002	3,179,827
2003	3,239,080
2004	3,048,152
Thereafter	5,181,003
	$ 21,910,318

Four tenants contributed 25%, 18%, 13%, and 12% of rental income for the year ended December 31, 1999. In addition, four tenants will contribute 28%, 22%, 15%, and 10% of future minimum rental income.

The future minimum rental income due Wells/Orange County Associates under noncancelable operating leases at December 31, 1999 is as follows:

Year ended December 31:	
2000	$ 758,964
2001	809,580
2002	834,888
2003	695,740
	$ 3,099,172

One tenant contributed 100% of rental income for the year ended December 31, 1999 and will contribute 100% of future minimum rental income.

The future minimum rental income due Wells/Fremont Associates under noncancelable operating leases at December 31, 1999 is as follows:

Year ended December 31:	
2000	$ 869,492
2001	895,577

2002	922,444
2003	950,118
2004	894,833
	$ 4,532,464

One tenant contributed 100% of rental income for the year ended December 31, 1999 and will contribute 100% of future minimum rental income.

The future minimum rental income due from XI, XII and REIT under noncancelable operating leases at December 31, 1999 is a follows:

Year ended December 31:	
2000	$ 3,085,362
2001	3,135,490
2002	3,273,814
2003	3,367,231
2004	3,440,259
Thereafter	9,708,895
	$ 26,011,051

Four tenants contributed approximately 34%, 22%, 22%, and 12% of rental income for the year ended December 31, 1999. In addition, four tenants will contribute approximately 30%, 27%, 22%, and 18% of future minimum rental income.

8. NOTES PAYABLE

At December 31, 1999, the Operating Partnership had outstanding debt of $23,929,228. Of this amount, $11,430,696 was borrowed under a construction loan with Bank of America in order to finance the construction of a new building for Matsushita Avionics (the "Matsushita Project") and improvements for the AT&T Building. This loan is secured by the Matsushita Project and matures on May 10, 2001. The remaining $12,498,532 was borrowed against the revolving line of credit from SouthTrust Bank, which is collateralized by the PwC Building and matures on December 31, 2000. Interest is paid monthly and accrued at a variable rate based on LIBOR plus 200 basis points for both of these debt instruments. During 1999, the Company paid and capitalized interest costs of $847,451 and $463,873, respectively. The estimated fair value of these notes approximates their carrying value.

The Operating Partnership also has a $9,825,000 line of credit from Bank of America, which bears interest at a variable rate based on LIBOR plus 200 basis points. No balance was outstanding at December 31, 1999 under this line of credit.

9. COMMITMENTS AND CONTINGENCIES

On February 18, 1999, the Operating Partnership entered into a rental income guaranty agreement with Fund VIII and IX Associates (the "joint venture"), whereby the Operating Partnership guaranteed that the joint venture would receive rental income on the existing Matsushita Building, equal to at least the rent and building expenses that the joint venture would have received from Matsushita Avionics over the remaining term of the existing lease. Matsushita Avionics vacated the building on January 3, 2000, while the existing lease term extends through September 2003. The Company paid approximately $61,000 to the joint venture related to the rental income and building expenses due from Matsushita Avionics for the remainder of January 2000. Such payments are made from the Company's operating cash flow and reduce cash available for dividends.

On July 22, 1999, the Operating Partnership purchased a 7.49 acre tract of land located in Midlothian, Chesterfield County, Virginia for the purpose of constructing a four-story, 100,000 rentable square foot office building (the "ABB Project"). The Operating Partnership entered into an office lease with ABB Power Generation, Inc. ("ABB"), pursuant to which ABB has agreed to lease the ABB Project upon its completion.

Management, after consultation with legal counsel, is not aware of any significant litigation or claims against the Company, the Operating Partnership, or the Advisor. In the normal course of business, the Company, the Operating Partnership, or the Advisor may become subject to such litigation or claims.

10. COMMON STOCK OPTION PLAN

The Wells Real Estate Investment Trust, Inc. Independent Director Stock Option Plan ("the Plan") provides for grants of stock to be made to independent nonemployee directors of the Company. Options to purchase 2,500 shares of common stock at $12 per share are granted upon initially becoming an independent director of the Company. Of these shares, 20% are exercisable immediately on the date of grant. An additional 20% of these shares become exercisable on each anniversary following the date of grant for a period of four years. Effective on the date of each annual meeting of shareholders of the Company, beginning in 2000, each independent director will be granted an option to purchase 1,000 additional shares of common stock. These options vest at the rate of 500 shares per full year of service thereafter. All options granted under the Plan expire no later than the date immediately following the tenth anniversary of the date of grant and may expire sooner in the event of the disability or death of the optionee or if the optionee ceases to serve as a director.

The Company has adopted the disclosure provisions in SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by the provisions of SFAS No. 123, the Company applies Accounting Principles Board ("APB") Opinion No. 25 and the related interpretations in accounting for its stock option plans and, accordingly, does not recognize compensation cost.

A summary of the Company's stock option activity during 1999 is as follows:

	Number	Exercise Price
Outstanding at December 31, 1998	0	$ 0
Granted	27,500	12
Outstanding at December 31, 1999	27,500	$ 12
Outstanding options exercisable as of December 31, 1999	5,500	$ 12

The weighted average remaining contractual life of options outstanding at December 31, 1999 is approximately 9.5 years. Based on the terms of the options, the fair value of the options granted during 1999 is $0.

11. QUARTERLY RESULTS (UNAUDITED)

Presented below is a summary of the unaudited quarterly financial information for the years ended December 31, 1999 and 1998:

	1999 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues	$988,000	$1,204,938	$1,803,352	$2,499,105
Net income	393,438	601,975	1,277,019	1,612,217
Basic and diluted earnings per share	$0.10	$0.09	$0.18	$0.13
Dividends per share	0.17	0.17	0.18	0.18

	1998 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 0	$10,917	$73,292	$310,969
Net income	0	10,899	62,128	261,007
Basic and diluted earnings per share	$0.00	$ 0.16	$ 0.06	$ 0.18
Dividends per share	0.00	0.00	0.15	0.16

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the DIAL BUILDING for the year ended December 31, 1999. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Dial Building after acquisition by the Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Dial Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Dial Building for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

/s/ Arthur Andersen LLP

Atlanta, Georgia
April 10, 2000

DIAL BUILDING

STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

RENTAL REVENUES	$1,388,868
OPERATING EXPENSES, net of reimbursements	0
REVENUES OVER CERTAIN OPERATING EXPENSES	$1,388,868

The accompanying notes are an integral part of this statement.

DIAL BUILDING

NOTES TO STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On March 29, 2000, the Wells Operating Partnership L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate and manage real properties on behalf of the Wells Real Estate Investment Trust, Inc., acquired the Dial Building from Ryan Companies US, Inc. ("Ryan"). Ryan is not an affiliate of Wells OP. The purchase price of the Dial Building was $14,250,000. Wells OP incurred additional acquisition expenses in connection with the purchase of the Dial Building, including attorney's fees, recording fees, loan fees, and other closing costs, of approximately $35,712. The funds used to purchase the Dial Building consisted of cash and proceeds from Wells OP's lines of credit with SouthTrust Bank, N.A. and Bank of America, N.A.

The entire 129,689 rentable square feet of the Dial Building is currently under a net lease agreement (the "Lease") with Dial Corporation ("Dial"). The Lease was assigned to Wells OP at closing. The Lease commenced on August 14, 1997 and expires on August 31, 2008. Dial has the right to extend the Lease for two additional five-year periods at 95% of the then-current fair market rental rate. Under the Lease, Dial is required to pay as additional rent all real estate taxes, special assessments, utilities, insurance, and other operating costs associated with the Dial Building during the term of the Lease. In addition, Dial is responsible for repair and maintenance of the roof, walls, structure, and foundation, landscaping, and heating, ventilating, air conditioning, mechanical, electrical, plumbing, and other systems.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange

Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation, interest, and management fees, not comparable to the operations of the Dial Building after acquisition by Wells OP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the ASML BUILDING for the year ended December 31, 1999. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the ASML Building after acquisition by the Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the ASML Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the ASML Building for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

/s/ Arthur Andersen LLP

Atlanta, Georgia
April 10, 2000

ASML BUILDING

STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

REVENUES:	
Rental income	$1,849,908
Tenant reimbursements	242,143
Total revenues	2,092,051
OPERATING EXPENSES:	
Ground lease	206,625
Insurance	9,628
Total operating expenses	216,253
REVENUES OVER CERTAIN OPERATING EXPENSES	$1,875,798

The accompanying notes are an integral part of this statement.

ASML BUILDING

NOTES TO STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On March 29, 2000, the Wells Operating Partnership L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate, and manage real properties on behalf of the Wells Real Estate Investment Trust, Inc., acquired the ASML Building from Ryan Companies U.S., Inc. ("Ryan"). Ryan is not an affiliate of Wells OP. The purchase price of the ASML Building was $17,355,000. Wells OP incurred additional acquisition expenses in connection with the purchase of the ASML Building, including attorney's fees, recording fees, loan fees, and other closing costs, of approximately $48,875. The funds used to purchase the ASML Building consisted of cash and proceeds obtained from Wells OP's lines of credit with SouthTrust Bank, N.A. and Bank of America, N.A. Wells OP also assumed a ground lease with Research Park on 9.51 acres. The ground lease commenced August 22, 1997 and expires on December 31, 2082.

The entire 95,133 rentable square feet of the ASML Building is currently under a net lease agreement (the "Lease") with ASML Lithography, Inc. ("ASML"). The Lease was assigned to Wells OP at closing. The Lease commenced on June 4, 1998 and expires on June 30, 2013. ASML has the right to extend the Lease for two additional five-year periods at the prevailing market rental rate, but in no event less than the rate in force at the end of the preceding lease term. Under the Lease, ASML is required to pay as additional rent the rent associated with the ground lease described above and all real estate taxes, special assessments, utilities, insurance, and other operating costs associated with the ASML Building during the term of the Lease. In addition, ASML is responsible for repair and maintenance of the roof, walls, structure, and foundation, landscaping, and the heating, ventilating, air conditioning, mechanical,

electrical, plumbing, and other systems.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation, interest, and management fees, not comparable to the operations of the ASML Building after acquisition by Wells OP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the MOTOROLA BUILDING for the year ended December 31, 1999. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Motorola Building after acquisition by the Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Motorola Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Motorola Building for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

/s/ Arthur Andersen LLP

Atlanta, Georgia
April 10, 2000

MOTOROLA BUILDING

STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

REVENUES:	
Rental income	$1,817,366
Tenant reimbursements	290,287
Total revenues	2,107,653
OPERATING EXPENSES:	
Ground lease	243,826
Insurance	11,951
Total operating expenses	255,777
REVENUES OVER CERTAIN OPERATING EXPENSES	$1,851,876

The accompanying notes are an integral part of this statement.

MOTOROLA BUILDING

NOTES TO STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On March 29, 2000, the Wells Operating Partnership L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate and manage real properties on behalf of the Wells Real Estate Investment Trust, Inc., acquired the Motorola Building from Ryan Companies US, Inc. ("Ryan"). Ryan is not an affiliate of Wells OP. The purchase price of the Motorola Building was $16,000,000. Wells OP incurred additional acquisition expenses in connection with the purchase of the Motorola Building, including attorney's fees, recording fees, loan fees, and other closing costs, of approximately $36,622. The funds used to purchase the Motorola Building consisted of cash and proceeds obtained from Wells OP's lines of credit with SouthTrust Bank, N.A. and Bank of America, N.A. In addition, $5,000,000 in loan proceeds were provided by Ryan as seller financing. Wells OP also assumed a ground lease with Research Park on 12.44 gross acres. The ground lease commenced November 19, 1997 and expires on December 31, 2082.

The entire 133,225 rentable square feet of the Motorola Building is currently under a net lease agreement (the "Lease") with Motorola, Inc. ("Motorola"). The

Lease was assigned to Wells OP at closing. The initial term of the Lease is seven years, which commenced on August 17, 1998 and expires on August 31, 2005. Motorola has the right to extend the Lease for four additional five-year periods at the prevailing market rental rate. Under the lease, Motorola is required to pay as additional rent the rent associated with the ground lease described above and all real estate taxes, special assessments, utilities, insurance, and other operating costs associated with the Motorola Building during the term of the Lease. In addition, Motorola's responsible for repair and maintenance of the roof, walls, structure, and foundation, landscaping, and the heating, ventilating, air conditioning, mechanical, electrical, plumbing, and other systems.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation, interest, and management fees, not comparable to the operations of the Motorola Building after acquisition by Wells OP.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The following unaudited pro forma balance sheet as of December 31, 1999 has been prepared to give effect to the acquisition of the Dial Building, the ASML Building, and the Motorola Building by the Wells Operating Partnership, L.P. ("Wells OP"), as if each acquisition occurred as of December 31, 1999. The following unaudited pro forma statement of income for the year ended December 31, 1999 has been prepared to give effect to the acquisition of the Dial Building, the ASML Building, and the Motorola Building by the Wells OP as if each acquisition occurred on January 1, 1999.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc. Wells Real Estate Investment Trust, Inc. is the general partner of the Wells OP.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions been consummated at the beginning of the period presented.

As of December 31, 1999, the date of the accompanying pro forma balance sheet, Wells OP held cash of $2,929,804. The additional cash used to purchase the Dial Building, the ASML Building, and the Motorola Building, including deferred project costs paid to Wells Capital Inc. (an affiliate of the Wells OP), were raised through the issuance of additional shares subsequent to December 31, 1999, but prior to the acquisition date of March 29, 2000. This balance is reflected in due to affiliate in the accompanying pro forma balance sheet.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

DECEMBER 31, 1999

(Unaudited)

ASSETS:	Wells Real Estate Investment Trust, Inc.	Pro Forma Adjustments: Dial Building	Pro Forma Adjustments: ASML Building	Pro Forma Adjustments: Motorola Building	Pro Forma Total
REAL ESTATE ASSETS, at cost:					
Land	$ 14,500,822	$ 3,500,000(a) 145,950(b)	$ 0	$ 0	$ 18,146,772
Buildings less accumulated depreciation of $1,726,103	81,507,040	10,785,712(a) 449,764(b)	17,403,875(a) 725,742(b)	16,036,622(a) 668,727(b)	127,577,482
Construction in progress	12,561,459	0	0	0	12,561,459
Total real estate assets	108,569,321	14,881,426	18,129,617	16,705,349	158,285,713
INVESTMENT IN JOINT VENTURES	29,431,176	0	0	0	29,431,176
CASH AND CASH EQUIVALENTS	2,929,804	(878,941)(a)	(1,054,729)(a)	(996,134)(a)	0
DEFERRED OFFERING COSTS	964,941	0	0	0	964,941
DEFERRED PROJECT COSTS	28,093	(8,428)(b)	(10,113)(b)	(9,552)(b)	0
DUE FROM AFFILIATES	648,354	0	0	0	648,354
PREPAID EXPENSES AND OTHER ASSETS	1,280,601	0	0	0	1,280,601
Total assets	$143,852,290	$13,994,057	$17,064,775	$15,699,663	$190,610,785
liabilities and shareholders' equity					
LIABILITIES:					
Accounts payable and accrued expenses	$ 461,300	$ 0	$ 0	$ 0	$ 461,300
Notes payable	23,929,228	12,150,000(a)	14,580,000(a)	13,770,000(a)	64,429,228
Dividends payable	2,166,701	0	0	0	2,166,701
Due to affiliate	1,079,466	1,256,771(a) 587,266(b)	1,769,146(a) 715,629(b)	1,270,488(a) 659,175(b)	7,337,961
Total liabilities	27,636,695	13,994,057	17,064,775	15,699,663	74,395,190
COMMITMENTS AND CONTINGENCIES					
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	200,000
SHAREHOLDERS' EQUITY:					
Common shares, $.01 par value; 40,000,000 shares authorized, 13,471,085 shares issued and outstanding	134,710	0	0	0	134,710
Additional paid-in capital	115,880,885	0	0	0	115,880,885
Retained earnings	0	0	0	0	0
Total shareholders' equity	116,015,595	0	0	0	116,015,595
Total liabilities and shareholders' equity	$143,852,290	$13,994,057	$17,064,775	$15,699,663	$190,610,785

(a) Reflects Wells Real Estate Investment Trust Inc.'s purchase price for the building.

(b) Reflects deferred project costs allocated to the building at approximately 4.17% of the purchase price.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1999

(Unaudited)

	Wells Real Estate Investment Trust, Inc.	Pro Forma Adjustments: Dial Building	Pro Forma Adjustments: ASML Building	Pro Forma Adjustments: Motorola Building	Pro Forma Total
REVENUES:					
Rental income	$4,735,184	$1,388,868(a)	$1,849,908(a)	$1,817,366(a)	$ 9,791,326

Equity in income of joint ventures	1,243,969	0	0	0	1,243,969
Interest income	502,993	0	0	0	502,993
Other income	13,249	0	0	0	13,249
	6,495,395	1,388,868	1,849,908	1,817,366	11,551,537
EXPENSES:					
Depreciation	1,726,103	449,419(b)	724,185(b)	668,214(b)	3,568,921
Interest	442,029	944,055(c)	1,132,866(c)	681,429(c)	3,650,379
				450,000(d)	
Operating costs, net of reimbursements	(74,666)	0	(25,890)(e)	(34,510)(e)	(135,066)
Management and leasing fees	257,744	83,332(f)	104,114(f)	94,670(f)	539,860
General and administrative	123,776	0	0	0	123,776
Legal and accounting	115,471	0	0	0	115,471
Computer costs	11,368	0	0	0	11,368
Amortization of organizational costs	8,921	0	0	0	8,921
	2,610,746	1,476,806	1,936,275	1,859,803	7,883,630
NET INCOME	$3,884,649	$ (87,938)	$ (86,367)	$ (42,437)	$ 3,667,907
HISTORICAL EARNINGS PER SHARE (BASIC AND DILUTED)	$ 0.50				
PRO FORMA EARNINGS PER SHARE (BASIC AND DILUTED)					$ 0.23(g)

(a) Rental income recognized on a straight-line basis.

(b) Depreciation expense on the building using the straight-line method and a 25-year life.

(c) Interest expense on the $9,000,000 line-of-credit with SouthTrust Bank, N.A. and the $26,500,000 line-of-credit with Bank of America N.A., which bear interest at 7.77%. Total proceeds from both lines-of-credit and the seller financing have been allocated based on the properties' pro-rata portion of the total purchase price.

(d) Interest expense on the $5,000,000 note payable with Ryan Companies U.S. Inc., the seller, which bears interest at 9%. The seller financing specifically relates to the Motorola Building; consequently, all of the related interest expense is allocated to the Motorola Building.

(e) Consists of ground lease and insurance expense, which total $216,253 (ASML) and $255,777 (Motorola), net of tenant reimbursements.

(f) Management and leasing fees equal approximately 6% of rental income.

(g) As of the property acquisition date of March 29, 2000, Wells Real Estate Investment Trust, Inc. had 16,104,224 shares of common stock outstanding; pro forma earnings per share is calculated as if these shares were outstanding for the entire year ended December 31, 1999.

PRIOR PERFORMANCE TABLES

The following prior performance tables (Tables) provide information relating to real estate investment programs sponsored by the advisor and its affiliates (Wells Public Programs) which have investment objectives substantially similar to Wells Real Estate Investment Trust, Inc. (Wells REIT). (See "Investment Objectives and Criteria.") All of the Wells Public Programs, except for the Wells REIT, have used substantial amounts of capital, and no acquisition indebtedness, to acquire their properties.

Prospective investors should read these Tables carefully together with the summary information concerning the Wells Public Programs as set forth in 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 the Wells Public Programs.

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

The following tables are included in this Supplement to the Prospectus:

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

Table II - Compensation to Sponsor (in Dollars)

Table III - Annual Operating Results of Wells Public Programs

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

Additional information relating to the acquisition of properties by the Wells Public Programs is contained in Table VI, which is included in Part II of the registration statement which the Wells REIT has filed with the Securities and Exchange Commission. As described above, no Wells Public Program has sold or disposed of any property held by it. Copies of any or all information will be provided to prospective investors at no charge upon request.

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

"Acquisition Fees" shall mean fees and commissions paid by a Wells Public Program in connection with its purchase or development of a property, except development fees paid to a person not affiliated with the Wells Public Program or with a general partner or advisor of the Wells Public Program in connection with the actual development of a project after acquisition of the land by the Wells Public Program.

"Organization Expenses" shall include legal fees, accounting fees, securities filing fees, printing and reproduction expenses and fees paid to the sponsor in connection with the planning and formation of the Wells Public Program.

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

TABLE I
(UNAUDITED)

EXPERIENCE IN RAISING AND INVESTING FUNDS

This Table provides a summary of the experience of the sponsors of Wells Public Programs for which offerings have been completed since December 31, 1996. Information is provided with regard to the manner in which the proceeds of the offerings have been applied. Also set forth is information pertaining to the timing and length of these offerings and the time period over which the proceeds have been invested in the properties. All figures are as of December 31, 1999.

Wells Real Estate Fund IX, L.P.	Wells Real Estate Fund X, L.P.	Wells Real Estate Fund XI, L.P.	Wells Real Estate Investment Trust, Inc.

Dollar Amount Raised	$35,000,000/(3)/	$ 27,128,912/(4)/	$ 16,532,802/(5)/	$ 132,181,919/(6)/
Percentage Amount Raised	100.0%/(3)/	100%/(4)/	100%/(5)/	100%/(6)/
Less Offering Expenses				
Underwriting Fees	10.0%	10.0%	9.5%	9.5%
Organizational Expenses	5.0%	5.0%	3.0%	3.0%
Reserves/(1)/	0.0%	0.0%	0.0%	0.0%
Percent Available for Investment	85.0%	85.0%	87.5%	87.5%
Acquisition and Development Costs				
Prepaid Items and Fees related to				
Purchase of Property	2.0%	5.4%	0.0%	1.1%
Cash Down Payment	67.1%	60.5%	84.0%	82.0%
Acquisition Fees/(2)/	4.0%	4.0%	3.5%	3.5%
Development and Construction Costs	11.9%	14.1%	0.0%	0.3%
Reserve for Payment of Indebtedness	0.0%	0.0%	0.0%	0.0%
Total Acquisition and Development Cost	85.0%	84.0%	87.5%	86.9%
Percent Leveraged	0.0%	0.0%	0.0%	17.6%
Date Offering Began	01/05/96	12/31/96	12/31/97	01/30/98
Length of Offering	12 mo.	12 mo.	12 mo.	23 mo.
Months to Invest 90% of Amount Available for Investment (Measured from Beginning of Offering)	14 mo.	19 mo.	20 mo.	21 mo.
Number of Investors as of 12/31/99	2,120	1,812	1,345	3,839

(1) Does not include general partner contributions held as part of reserves.

(2) Includes acquisition fees, real estate commissions, general contractor fees and/or architectural fees paid to affiliates of the general partners.

(3) Total dollar amount registered and available to be offered was $35,000,000. Wells Real Estate Fund IX, L.P. closed its offering on December 30, 1996, and the total dollar amount raised was $35,000,000.

(4) Total dollar amount registered and available to be offered was $35,000,000. Wells Real Estate Fund X, L.P. closed its offering on December 30, 1997, and the total dollar amount raised was $27,128,912.

(5) Total dollar amount registered and available to be offered was $35,000,000. Wells Real Estate Fund XI, L.P. closed its offering on December 30, 1998, and the total dollar amount raised was $16,532,802.

(6) Total dollar amount registered and available to be offered was $165,000,000. Wells Real Estate Investment Trust, Inc. closed its initial offering on December 20, 1999, and the total dollar amount raised in its initial offering was $132,181,919.

TABLE II
(UNAUDITED)
COMPENSATION TO SPONSOR

The following sets forth the compensation received by our advisor or their 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, including our initial public offering the offerings of which have been completed since December 31, 1996. None of these Wells Public Programs have sold or refinanced any of its properties to date. All figures are as of December 31, 1999.

	Wells Real Estate Fund IX, L.P.	Wells Real Estate Fund X, L.P.	Wells Real Estate Fund XI, L.P.	Wells Real Estate Investment Trust, Inc.	Other Public Programs/(1)/
Date Offering Commenced	01/05/96	12/31/96	12/31/97	01/30/98	--
Dollar Amount Raised	$35,000,000	$ 27,128,912	$ 16,532,802	$132,181,919	$206,241,095
to Sponsor from Proceeds of Offering:					
Underwriting Fees/(2)/	$ 309,556	$ 260,748	$ 151,911	$ 1,530,882	$ 924,156
Acquisition Fees					

Real Estate Commissions	--	--	--	--	--
Acquisition and Advisory Fees/(3)/	$ 1,400,000	$ 1,085,157	$ 578,648	$ 4,626,367	$ 10,159,399
Dollar Amount of Cash Generated from Operations Before Deducting Payments to Sponsor/(4)/	$ 7,064,631	$ 4,262,319	$ 2,133,705	$ 8,002,132	$ 38,076,886
Amount Paid to Sponsor from Operations:					
Property Management Fee(1)	$ 169,661	$ 105,410	$ 22,200	$ 129,208	$ 1,434,957
Partnership Management Fee	--	--	--	--	--
Reimbursements	$ 133,784	$ 105,132	$ 61,058	$ 101,605	$ 1,613,725
Leasing Commissions	$ 260,082	$ 176,108	$ 33,492	$ 129,208	$ 1,580,482
General Partner Distributions	--	--	--	--	--
Other	--	--	--	--	--
Dollar Amount of Property Sales and Refinancing					
Payments to Sponsors:					
Cash	--	--	--	--	--
Notes	--	--	--	--	--
Amount Paid to Sponsor from Property Sales and Refinancing:					
Real Estate Commissions	--	--	--	--	--
Incentive Fees	--	--	--	--	--
Other	--	--	--	--	--

(1) Includes compensation paid to general partners from Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P., Wells Real Estate Fund VI, L.P., Wells Real Estate Fund VII, L.P. and Wells Real Estate Fund VIII, L.P. during the past three years. In addition to the amounts shown, affiliates of the general partners of Wells Real Estate Fund I are entitled to certain property management and leasing fees but have elected to defer the payment of such deferred fees until a later year on properties owned by Wells Real Estate Fund I. At December 31, 1999, the amount of such fees due the general partners totaled $2,397,266.

(2) Includes net underwriting compensation and commissions paid to Wells Investment Securities, Inc. in connection with the offering which was not reallowed to participating broker-dealers.

(3) Fees paid to the advisor and its affiliates for acquisition and advisory services in connection with the review and evaluation of potential real property acquisitions.

(4) Includes $487,134 in net cash provided by operating activities, $6,013,970 in distributions to limited partners and $563,527 in payments to sponsor for Wells Real Estate Fund IX, L.P.; $400,825 in net cash provided by operating activities, $3,474,844 in distributions to limited partners and $386,650 in payments to sponsor for Wells Real Estate Fund X, L.P.; $(150,720) in net cash used by operating activities, $2,167,675 in distributions to limited partners and $116,750 in payments to sponsor for Wells Real Estate Fund XI, L.P.; $3,732,726 in net cash provided by operating activities, $3,909,385 in dividends and $360,021 in payments to sponsor for Wells Real Estate Investment Trust, Inc.; and $2,167,163 in net cash provided by operating activities, $31,280,559 in distributions to limited partners and $4,629,164 in payments to sponsor for other public programs.

TABLE III
(UNAUDITED)

The following six tables set forth operating results of Wells Public Programs the offerings of which have been completed since December 31, 1994. The information relates only to public programs with investment objectives similar to those of the Wells REIT. All figures are as of December 31 of the year indicated.

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

	1999	1998	1997	1996	1995
Gross Revenues/(1)/	$ 982,630	$ 846,306	$ 816,237	$ 543,291	$ 925,246
Profit on Sale of Properties	--	--	--	--	--
Less: Operating Expenses/(2)/	85,273	85,722	76,838	84,265	114,953
Depreciation and Amortization/(3)/	1,562	6,250	6,250	6,250	6,250
Net Income GAAP Basis/(4)/	$ 895,795	$ 754,334	$ 733,149	$ 452,776	$ 804,043
Taxable Income: Operations	$ 1,255,666	$ 1,109,096	$ 1,008,368	$ 657,443	$ 812,402
Cash Generated (Used By):					
Operations	(82,763)	(72,194)	(43,250)	20,883	431,728
Joint Ventures	1,777,010	1,770,742	1,420,126	760,628	424,304
	$ 1,694,247	$ 1,698,548	$ 1,376,876	$ 781,511	$ 856,032
Less Cash Distributions to Investors:					
Operating Cash Flow	1,688,290	1,636,158	1,376,876	781,511	856,032
Return of Capital	--	--	2,709	10,805	22,064
Undistributed Cash Flow from Prior Year Operations	--	--		--	9,643
Cash Generated (Deficiency) after Cash Distributions	$ 5,957	$ 62,390	$ (2,709)	$ (10,805)	$ (31,707)
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--	--	--
Increase in Limited Partner Contributions	$ --	$ --	$ --	$ --	$ 805,212
	$ 5,957	$ 62,390	$ (2,709)	$ (10,805)	$ 773,505
Use of Funds:					
Sales Commissions and Offering Expenses	--	--	--	--	$ 244,207
Return of Original Limited Partner's Investment	--	--	--	--	100
Property Acquisitions and Deferred Project Costs	0	181,070	169,172	736,960	14,971,002
Cash Generated (Deficiency) after Cash					
Distributions and Special Items	$ 5,957	$ (118,680)	$ (171,881)	$ (747,765)	$(14,441,804)
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)	93	85	86	62	57
- Operations Class A Units	(248)	(224)	(168)	(98)	(20)
- Operations Class B Units	--	--	--	--	--
Capital Gain (Loss)					
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)	89	82	78	55	55
- Operations Class A Units	(144)	(134)	(111)	(58)	(16)
- Operations Class B Units	--	--	--	--	--
Capital Gain (Loss)					
Cash Distributions to Investors:					
Source (on GAAP Basis)	83	81	70	43	52
- Investment Income Class A Units	--	--	--	--	--
- Return of Capital Class A Units	--	--	--	--	--
- Return of Capital Class B Units					
Source (on Cash Basis)	83	81	70	42	51
- Operations Class A Units	--	--	--	1	1
- Return of Capital Class A Units	--	--	--	--	--
- Operations Class B Units					
Source (on a Priority Distribution Basis)/(5)/	67	65	54	29	30
- Investment income Class A Units	16	16	16	14	22
- Return of Capital Class A Units	--	--	--	--	--
- Return of Capital Class B Units					
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

(1) Includes $403,325 in equity in earnings of joint ventures and $521,921 from investment of reserve funds in 1995, $457,144 in equity in earnings of joint ventures and $86,147 from investment of reserve funds in 1996, $785,398 in equity in earnings of joint ventures and $30,839 from investment of reserve funds in 1997, $839,037 in equity in earnings of joint ventures and $7,269 from investment of reserve funds in 1998, and $981,104 in equity in earnings of joint ventures and $1,526 from investment of reserve funds in 1999. At December 31, 1999, the leasing status was 97% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $140,533 for 1995, $605,247 for 1996, $877,869 for 1997, $955,245 for 1998, and $982,052 for 1999.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $950,826 to Class A Limited Partners, $(146,503) to Class B Limited Partners and $(280) to the General Partners for 1995; $1,062,605 to Class A Limited Partners, $(609,829) to

Class B Limited Partners and $0 to the General Partners for 1996; $1,615,965 to class A Limited Partners, $(882,816) to Class B Limited Partners and $0 to the General Partners for 1997; $1,704,213 to Class A Limited Partners, $(949,879) to Class B Limited Partners and $0 to the General Partners for 1998; and $1,879,410 to Class A Limited Partners, $(983,615) to Class B Limited Partners and $0 to the General Partners for 1999.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,680,730.

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

	1999	1998	1997	1996	1995
Gross Revenues/(1)/	$ 1,360,497	$ 1,362,513	$ 1,204,018	$ 1,057,694	$ 402,428
Profit on Sale of Properties	--	--	--	--	--
Less: Operating Expenses/(2)/	87,301	87,092	95,201	114,854	122,264
Depreciation and Amortization/(3)/	6,250	6,250	6,250	6,250	6,250
Net Income GAAP Basis/(4)/	1,266,946	1,269,171	$ 1,102,567	$ 936,590	273,914
Taxable Income: Operations	1,672,844	1,683,192	$ 1,213,524	$ 1,001,974	404,348
Cash Generated (Used By):					
Operations	(87,298)	(63,946)	7,909	623,268	204,790
Joint Ventures	2,558,623	2,293,504	1,229,282	279,984	20,287
	$ 2,471,325	$ 2,229,558	$ 1,237,191	$ 903,252	225,077
Less Cash Distributions to Investors:					
Operating Cash Flow	2,379,215	2,218,400	1,237,191	903,252	--
Return of Capital	--	--	183,315	2,443	--
Undistributed Cash Flow from Prior Year	--	--	--	225,077	--
Operations Cash Generated (Deficiency) after Cash Distributions	$ 92,110	$ 11,158	$ (183,315)	$ (227,520)	225,077
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--	--	--
Increase in Limited Partner Contributions/(5)/	--	--	--	1,898,147	30,144,542
	$	$ 11,158	$ (183,315)	$ 1,670,627	30,369,619
Use of Funds:					
Sales Commissions and Offering Expenses	--	--	--	464,760	4,310,028
Return of Limited Partner's Investment	--	--	8,600	--	--
Property Acquisitions and Deferred Project Costs	0	1,850,859	10,675,811	7,931,566	6,618,273
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ 92,110	$ (1,839,701)	$(10,867,726)	$ (6,725,699)	19,441,318
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
- Operations Class A Units	91	91	73	46	28
- Operations Class B Units	(247)	(212)	(150)	(47)	(3)
Capital Gain (Loss)	--	--	--	--	--
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)	88	89	65	46	17
- Operations Class A Units	154	(131)	(95)	(33)	(3)
- Operations Class B Units	--	--	--	--	--
Capital Gain (Loss)					
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	87	83	54	43	--
- Return of Capital Class A Units	--	--	--	--	--
- Return of Capital Class B Units	--	--	--	--	--
Source (on Cash Basis)					
- Operations Class A Units	87	83	47	43	--
- Return of Capital Class A Units	--	--	7	0	--
- Operations Class B Units	--	--	--	--	--
Source (on a Priority Distribution Basis)/(5)/					
- Investment Income Class A Units	70	67	42	33	--
- Return of Capital Class A Units	17	16	12	10	--
- Return of Capital Class B Units	--	--	--	--	--

Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%

(1) Includes $28,377 in equity in earnings of joint ventures and $374,051 from investment of reserve funds in 1995, $241,819 in equity in earnings of joint ventures and $815,875 from investment of reserve funds in 1996, $1,034,907 in equity in earnings of joint ventures and $169,111 from investment of reserve funds in 1997, $1,346,367 in equity in earnings of joint ventures and $16,146 from investment of reserve funds in 1998, and $1,360,494 in equity in earnings of joint ventures and $3 from investment of reserve funds in 1999. At December 31, 1999, the leasing status was 98% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $14,058 for 1995, $265,259 for 1996, $841,666 for 1997, $1,157,355 for 1998, and $1,209,171 for 1999.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $294,221 to Class A Limited Partners, $(20,104) to Class B Limited Partners and $(203) to the General Partners for 1995; $1,207,540 to Class A Limited Partners, $(270,653) to Class B Limited Partners and $(297) to the General Partners for 1996; $1,947,536 to Class A Limited Partners, $(844,969) to Class B Limited Partners and $0 to the General Partners for 1997; $2,431,246 to Class A Limited Partners, $(1,162,075) to Class B Limited Partners and $0 to the General Partners for 1998; and $2,481,559 to Class A Limited Partners, $(1,214,613) to Class B Limited Partners and $0 to the General Partners for 1999.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,464,810.

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

	1999	1998	1997	1996	1995
Gross Revenues/(1)/	$ 1,593,734	$ 1,561,456	$ 1,199,300	$ 406,891	N/A
Profit on Sale of Properties	-	-	-	-	
Less: Operating Expenses/(2)/	90,903	105,251	101,284	101,885	
Depreciation and Amortization/(3)/	12,500	6,250	6,250	6,250	
Net Income GAAP Basis/(4)/	$ 1,490,331	$ 1,449,955	$ 1,091,766	$ 298,756	
Taxable Income: Operations	$ 1,924,542	$ 1,906,011	$ 1,083,824	$ 304,552	
Cash Generated (Used By):					
Operations	$ (94.403)	$ 80,147	$ 501,390	$ 151,150	
Joint Ventures	2,814,870	2,125,489	527,390	-	
	$ 2,720,467	$ 2,205,636	$ 1,028,780	$ 151,150	
Less Cash Distributions to Investors:					
Operating Cash Flow	2,720,467	2,188,189	1,028,780	149,425	
Return of Capital	15,528	-	$ 41,834	$ -	
Undistributed Cash Flow From Prior Year Operations	17,447	-	1,725	-	
Cash Generated (Deficiency) after Cash Distributions	$ (32,975)	$ 17,447	$ (43,559)	$ 1,725	
Special Items (not including sales and financing):					
Source of Funds:					

General Partner Contributions	-	-	-	-
Increase in Limited Partner Contributions	-	-	-	35,000,000
	$ (32,975)	$ 17,447	$ (43,559)	$35,001,725
Use of Funds:				
Sales Commissions and Offering Expenses	-	-	323,039	4,900,321
Return of Original Limited Partner's Investment	-	-	100	-
Property Acquisitions and Deferred Project Costs	190,853	9,455,554	13,427,158	6,544,019
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ (223,828)	$(9,438,107)	$(13,793,856)	$23,557,385
Net Income and Distributions Data per $1,000 Invested:				
Net Income on GAAP Basis:				
Ordinary Income (Loss)				
- Operations Class A Units	89	88	53	28
- Operations Class B Units	(272)	(218)	(77)	(11)
Capital Gain (Loss)	-	-	-	-
Tax and Distributions Data per $1,000 Invested:				
Federal Income Tax Results:				
Ordinary Income (Loss)				
- Operations Class A Units	86	85	46	26
- Operations Class B Units	(164)	(123)	(47)	(48)
Capital Gain (Loss)	-	-	-	-
Cash Distributions to Investors:				
Source (on GAAP Basis)				
- Investment Income Class A Units	88	73	36	13
- Return of Capital Class A Units	2	-	-	-
- Return of Capital Class B Units	-	-	-	-
Source (on Cash Basis)				
- Operations Class A Units	89	73	35	13
- Return of Capital Class A Units	1	-	1	-
- Operations Class B Units	-	-	-	-
Source (on a Priority Distribution Basis)/(5)/				
- Investment Income Class A Units	77	61	29	10
- Return of Capital Class A Units	13	12	7	3
- Return of Capital Class B Units	-	-	-	-
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%			

(1) Includes $23,007 in equity in earnings of joint ventures and $383,884 from investment of reserve funds in 1996, and $593,914 in equity in earnings of joint ventures and $605,386 from investment of reserve funds in 1997, $1,481,869 in equity in earnings of joint ventures and $79,587 from investment of reserve funds in 1998, and $1,593,734 in equity in earnings of joint ventures and $0 from investment of reserve funds in 1999. At December 31, 1999, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $25,286 for 1996, $469,126 for 1997, $1,143,407 for 1998, and $1,210,939 for 1999.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $330,270 to Class A Limited Partners, $(31,220) to Class B Limited Partners and $(294) to the General Partners for 1996; $1,564,778 to Class A Limited Partners, $(472,806) to Class B Limited Partners and $(206) to the General Partners for 1997; $2,597,938 to Class A Limited Partners, $(1,147,983) to Class B Limited Partners and $0 to the General Partners for 1998; and $2,713,636 to Class A Limited Partners, $(1,223,305) to Class B Limited Partners and $0 to the General Partners for 1999.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled

$993,010.

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

	1999	1998	1997	1996	1995
Gross Revenues/(1)/	$ 1,309,281	$ 1,204,597	$ 372,507	N/A	N/A
Profit on Sale of Properties	--	--	--		
Less: Operating Expenses/(2)/	98,213	99,034	88,232		
Depreciation and Amortization/(3)/	18,750	55,234	6,250		
Net Income GAAP Basis(4)	$ 1,192,318	$ 1,050,329	$ 278,025		
Taxable Income: Operations	$ 1,449,771	$ 1,277,016	$ 382,543		
Cash Generated (Used By):					
Operations	(99,862)	$ 300,019	$ 200,668		
Joint Ventures	2,175,915	886,846	--		
	2,076,053	$ 1,186,865	$ 200,668		
Less Cash Distributions to Investors:					
Operating Cash Flow	2,067,801	1,186,865	--		
Return of Capital	--	19,510	--		
Undistributed Cash Flow From Prior Year	--	200,668	--		
Operations Cash Generated (Deficiency) after Cash Distributions	$ 8,252	$ (220,178)	$ 200,668		
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--		
Increase in Limited Partner Contributions	--	--	27,128,912		
	$ 8,252	$ (220,178)	$ 27,329,580		
Use of Funds:					
Sales Commissions and Offering Expenses	--	300,725	3,737,363		
Return of Original Limited Partner's Investment	--	--	100		
Property Acquisitions and Deferred Project Costs	0	17,613,067	5,188,485		
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ 8,252	$(18,133,970	$ 18,403,632		
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)	97	85	28		
- Operations Class A Units	(160)	(123)	(9)		
- Operations Class B Units	--	--	--		
Capital Gain (Loss)					
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	92	78	35		
- Operations Class B Units	(100)	(64)	0		
Capital Gain (Loss)	--	--	--		
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	95	66	--		
- Return of Capital Class A Units	--	--	--		
- Return of Capital Class B Units	--	--	--		
Source (on Cash Basis)					
- Operations Class A Units	95	56	--		
- Return of Capital Class A Units	--	10	--		
- Operations Class B Units	--	--	--		
Source (on a Priority Distribution Basis)/(5)/					
- Investment Income Class A Units	71	48	--		
- Return of Capital Class A Units	24	18	--		
- Return of Capital Class B Units	--	--	--		
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

(1) Includes $(10,035) in equity in earnings of joint ventures and $382,542 from investment of reserve funds in 1997, $869,555 in equity in earnings of joint ventures, $120,000 in rental income and $215,042 from investment of reserve funds in 1998, and $1,309,281 in equity in earnings of joint ventures and $0 from investment of reserve funds in 1999. At December 31, 1999, the leasing status was 100% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $18,675 for 1997, $674,986 for 1998, and $891,911 for 1999.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $302,862 to Class A Limited Partners, $(24,675) to Class B Limited Partners and $(162) to the General Partners for 1997, $1,779,191 to Class A Limited Partners, $(728,524) to Class B Limited Partners and $(338) to General Partners for 1998; and $2,084,229 to Class A Limited Partners, ($891,911) to Class B Limited Partners and $0 to the General Partners for 1999.

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $909,527.

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

	1999	1998	1997	1996	1995
Gross Revenues/(1)/	$ 766,586	$ 262,729	N/A	N/A	N/A
Profit on Sale of Properties	--	--			
Less: Operating Expenses/(2)/	111,058	113,184			
Depreciation and Amortization/(3)/	25,000	6,250			
Net Income GAAP Basis/(4)/	$ 630,528	$ 143,295			
Taxable Income: Operations	$ 704,108	$ 177,692			
Cash Generated (Used By):					
Operations	40,906	(50,858)			
Joint Ventures	705,394	102,662			
	746,300	51,804			
Less Cash Distributions to Investors:					
Operating Cash Flow	746,300	51,804			
Return of Capital	49,761	48,070			
Undistributed Cash Flow From Prior Year	--	--			
Operations Cash Generated (Deficiency) after Cash Distributions	$ (49,761)	$ (48,070)			
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--			
Increase in Limited Partner Contributions		16,532,801			
	$ (49,761)	$ 16,484,731			
Use of Funds:					
Sales Commissions and Offering Expenses	214,609	1,779,661			
Return of Original Limited Partner's Investment	100	--			
Property Acquisitions and Deferred Project Costs	9,005,979	5,412,870			
Cash Generated (Deficiency) after Cash Distributions and Special Items	$ 9,270,449	$ 9,292,200			
Net Income and Distributions Data per $1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)	77	50			
- Operations Class A Units	(112)	(77)			
- Operations Class B Units	--	--			
Capital Gain (Loss)					
Tax and Distributions Data per $1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)	71	18			
- Operations Class A Units	(73)	(17)			
- Operations Class B Units	--	--			
Capital Gain (Loss)					
Cash Distributions to Investors:					

Source (on GAAP Basis)		
- Investment Income Class A Units	60	14
- Return of Capital Class A Units	--	--
- Return of Capital Class B Units	--	--
Source (on Cash Basis)		
- Operations Class A Units	56	7
- Return of Capital Class A Units	4	7
- Operations Class B Units	--	--
Source (on a Priority Distribution Basis)/(5)/		
- Investment Income Class A Units	46	11
- Return of Capital Class A Units	14	3
- Return of Capital Class B Units	--	--
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%	

(1) Includes $142,163 in equity in earnings of joint ventures and $120,566 from investment of reserve funds in 1998, and $607,579 in equity in earnings of joint ventures and $159,007 from investment of reserve funds for 1999. At December 31, 1999, the leasing status was 100% including developed property in initial lease up.
(2) Includes partnership administrative expenses.
(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of $105,458 for 1998, and $353,840 for 1999.
(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $254,862 to Class A Limited Partners, $(111,067) to Class B Limited Partners and $(500) to General Partners for 1998; and $1,009,368 to Class A Limited Partners, $(378,840) to Class B Limited Partners and $0 to the General Partners for 1999.
(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $213,006.

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. 333-83933.

Item 36 Financial Statements and Exhibits.

(a) Financial Statements:

The following financial statements of Wells Real Estate Investment Trust, Inc. are filed as part of this Registration Statement and included in the Prospectus:

Audited Financial Statements

(1) Report of Independent Public Accountants,
(2) Consolidated Balance Sheets as of December 31, 1998 and December 31, 1997,
(3) Consolidated Statement of Income for the year ended December 31, 1998,

(4) Consolidated Statement of Stockholders' Equity for the year ended December 31, 1998,
(5) Consolidated Statement of Cash Flows for the year ended December 31, 1998, and
(6) Notes to Consolidated Financial Statements.

Interim (Unaudited) Financial Statements

(1) Balance Sheets as of September 30, 1999 and December 31, 1998,
(2) Statements of Income for the three months ended September 30, 1999 and 1998, the nine months ended September 30, 1999 and the four months ended September 30, 1998,
(3) Statements of Shareholders' Equity for the nine months ended September 30, 1999 and the year ended December 31, 1998,
(4) Statements of Cash Flows for the nine months ended September 30, 1999 and the four months ended September 30, 1998, and
(5) Condensed Notes to Financial Statements.

The following financial statements of Fund IX and X Associates are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Balance Sheets as of March 31, 1998 (Unaudited) and December 31, 1997 (Audited),
(3) Statements of Income (Loss) for the three months ended March 31, 1998 (Unaudited) and the period from inception (March 20, 1997) to December 31, 1997 (Audited),

(4) Statements of Partners' Capital for the three months ended March 31, 1998 (Unaudited) and the period from inception (March 20, 1997) to December 31, 1997 (Audited),
(5) Statements of Cash Flows for the three months ended March 31, 1998 (Unaudited) and the period from inception (March 20, 1997) to December 31, 1997 (Audited), and
(6) Notes to Financial Statements.

The following financial statements relating to the acquisition of the Lucent Building by the Fund IX-X-XI-REIT Joint Venture are filed as part of this Registration Statement and are included in the Prospectus:

(1) Statement of Revenues Over Certain Operating Expenses for the three months ended March 31, 1998 (Unaudited), and
(2) Notes to Statement of Revenues Over Certain Operating Expenses for the three months ended March 31, 1998 (Unaudited).

The following financial statements relating to the acquisition of the Iomega Building by the Fund IX-X-XI-REIT Joint Venture are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses

for the year ended December 31, 1997 (Audited) and for the six months ended June 30, 1998 (Unaudited), and

(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1997 (Audited) and for the six months ended June 30, 1998 (Unaudited).

The following financial statements relating to the acquisition of the Fairchild Building by Wells/Fremont Associates are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,

(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1997 (Audited) and for the six months ended June 30, 1998 (Unaudited), and

(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1997 (Audited) and for the six months ended June 30, 1998 (Unaudited).

The following financial statements relating to the acquisition of the Cort Furniture Building by Wells/Orange County Associates are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,

(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1997 (Audited) and for the six months ended June 30, 1998 (Unaudited), and

(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1997 (Audited) and for the six months ended June 30, 1998 (Unaudited).

The following financial statements relating to the acquisition of the Vanguard Cellular Building by Wells Operating Partnership, L.P. are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,

(2) Statement of Revenues Over Certain Operating Expenses for the period from inception (November 16, 1998) to December 31, 1998, and

(3) Notes to Statement of Revenues Over Certain Operating Expenses for the period from inception (November 16, 1998) to December 31, 1998.

The following financial statements relating to the acquisition of the EYBL CarTex Building by the Fund XI-FundXII-REIT Joint Venture are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,

(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1998 (Audited) and for the three months ended March 31, 1999 (Unaudited), and

(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1998 (Audited) and for the three months ended March 31, 1999 (Unaudited).

The following financial statements relating to the acquisition of

the Sprint Building by the Fund XI-FundXII-REIT Joint Venture are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1998 (Audited) and for the three months ended March 31, 1999 (Unaudited), and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1998 (Audited) and for the three months ended March 31, 1999 (Unaudited).

The following financial statements relating to the acquisition of the Johnson Matthey Building by the Fund XI-FundXII-REIT Joint Venture are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1998 (Audited) and for the six months ended June 30, 1999 (Unaudited), and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1998 (Audited) and for the six months ended June 30, 1999 (Unaudited).

The following financial statements relating to the acquisition of the Videojet Building by Wells OP are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1998 (Audited) and for the six months ended June 30, 1999 (Unaudited), and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1998 (Audited) and for the six months ended June 30, 1999 (Unaudited).

The following financial statements relating to the acquisition of the Gartner Building by the Fund XI-FundXII-REIT Joint Venture are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1998 (Audited) and for the six months ended June 30, 1999 (Unaudited), and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1998 (Audited) and for the six months ended June 30, 1999 (Unaudited).

The following unaudited pro forma financial statements of Wells Real Estate Investment Trust, Inc. are filed as part of this Registration Statement and are included in the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,
(2) Pro Forma Balance Sheet as of September 30, 1999,
(3) Pro Forma Statement of Income for the year ended December 31, 1998, and
(4) Pro Forma Statement of Income for the nine month period ended September 30, 1999.

The following unaudited pro forma financial statements of Wells Real Estate Investment Trust, Inc. relating to the Cinemark Building and the Metris Building are filed as part of this Registration Statement and are included in Supplement No. 2 to the Prospectus:

(1) Summary of Unaudited Pro Forma Balance Sheet, and
(2) Pro Forma Balance Sheet as of September 30, 1999.

The following financial statements of Wells Real Estate Investment Trust, Inc. are filed as part of this Registration Statement and are included in Supplement No. 3 to the Prospectus:

Audited Financial Statements

(1) Report of Independent public Accountants.
(2) Consolidated Balance Sheets as of December 31, 1999 and December 31, 1998,
(3) Consolidated Statements of Income for the years ended December 31, 1999 and December 31, 1998,
(4) Consolidated Statements of Shareholders' Equity for the years ended December 31, 1999 and December 31, 1998,
(5) Consolidated Statements of Cash Flows for the years ended December 31, 1999 and December 31, 1998 and
(6) Notes to Consolidated Financial Statements.

The following financial statements relating to the acquisition of the Dial Building by Wells OP are filed as part of this Registration Statement and are included in Supplement No. 3 to the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999, and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999.

The following financial statements relating to the acquisition of the ASML Building by Wells OP are filed as part of this Registration Statement and are included in Supplement No. 3 to the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999, and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999.

The following financial statements relating to the acquisition of the Motorola Building by Wells OP are filed as part of this Registration Statement and are included in Supplement No. 3 to the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999, and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999.

The following unaudited pro forma financial statements of Wells Real Estate Investment Trust, Inc. are filed as part of this Registration Statement and are included in Supplement No. 3 to the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,
(2) Pro Forma Balance Sheet as of December 31, 1999, and
(3) Pro Forma Statement of Income for the year ended December 31, 1999.

(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 the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 3, 1999)
1.2	Form of Warrant Purchase Agreement (previously filed in and out by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 3, 1999)
3.1	Amended and Restated Articles of Incorporation (previously filed in and incorporated by reference to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on July 28, 1999)
3.2	Form of Bylaws (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998)
3.3	Amendment No. 1 to Bylaws (previously filed in and incorporated by 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)
4.2	Amended and Restated Dividend Reinvestment Plan (included as Exhibit B to Prospectus)

5.1	Opinion of Holland & Knight LLP as to legality of securities (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 3, 1999)
8.1	Opinion of Holland & Knight LLP as to tax matters (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 3, 1999)
8.2	Opinion of Holland & Knight LLP as to ERISA matters (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 3, 1999)

10.1 Agreement of Limited Partnership of Wells Operating Partnership, L.P. (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998)

10.2 Escrow Agreement between Registrant and Bank of America, N.A. (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 3, 1999)

10.3 Advisory Agreement dated January 30, 1999 (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)

10.4 Management Agreement between Registrant and Wells Management Company, Inc. (previously filed in and incorporated by reference to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on July 28, 1999)

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Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)

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23.1 Consent of Holland & Knight LLP (included in exhibits 5.1, 8.1 and 8.2)

23.2 Consent of Arthur Andersen LLP

24.1 Power of Attorney

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-11 and has duly caused this Post-Effective Amendment No. 2 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Norcross, and State of Georgia, on the 7th day of June, 2000.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
A Maryland corporation
(Registrant)

By:/s/ Douglas P. Williams

Douglas P. Williams, Executive Vice President

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 2 to Registration Statement has been signed below on June 7, 2000 by the following persons in the capacities indicated.

Name		Title
/s/ Leo F. Wells, III	*	President and Director

Leo F. Wells, III (By Douglas P. Williams, as Attorney-in-fact)		(Principal Executive Officer)
/s/ Douglas P. Williams		Executive Vice President (Principal
Douglas P. Williams		Financial and Accounting Officer)
/s/ John L. Bell	*	Director
John L. Bell (By Douglas P. Williams, as Attorney-in-fact)		
/s/ Richard W. Carpenter	*	Director
Richard W. Carpenter (By Douglas P. Williams, as Attorney-in-fact)		
/s/ Bud Carter	*	Director
Bud Carter (By Douglas P. Williams, as Attorney-in-fact)		
/s/ William H. Keogler, Jr.	*	Director
William H. Keogler, Jr. (By Douglas P. Williams, as Attorney-in-fact)		
/s/ Donald S. Moss	*	Director
Donald S. Moss (By Douglas P. Williams, as Attorney-in-fact)		
/s/ Walter W. Sessoms	*	Director
Walter W. Sessoms (By Douglas P. Williams, as Attorney-in-fact)		
/s/ Neil H. Strickland	*	Director
Neil H. Strickland (By Douglas P. Williams, as Attorney-in-fact)		

* By Douglas P. Williams, as Attorney-in-fact, pursuant to Power of Attorney dated July 30, 1999 and included as Exhibit 24.1 herein.

EXHIBIT INDEX

Exhibit No.	Description
1.1	Form of Dealer Manager Agreement (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 3, 1999)
1.2	Form of Warrant Purchase Agreement (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 3, 1999)
3.1	Amended and Restated Articles of Incorporation (previously filed in and incorporated by reference to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on July 28, 1999)
3.2	Form of Bylaws (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998)
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4.1	Form of Subscription Agreement and Subscription Agreement Signature Page (included as Exhibit A to Prospectus)
4.2	Amended and Restated Dividend Reinvestment Plan (included as Exhibit B to Prospectus)
5.1	Opinion of Holland & Knight LLP as to legality of securities (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 3, 1999)
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AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY

FOR THE DIAL BUILDING

AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY

THIS AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY (the "Agreement"), is made and entered into as of the 23rd day of February, 2000, by and between RYAN COMPANIES US, INC., a Minnesota corporation ("Seller") and WELLS CAPITAL, INC., a Georgia corporation ("Purchaser").

W I T N E S S E T H:

WHEREAS, Seller desires to sell and Purchaser desires to purchase the Property (as hereinafter defined) subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements contained herein, the sum of Ten Dollars ($10.00) in hand paid by Purchaser to Seller at and before the sealing and delivery of these presents and for other good and valuable consideration, the receipt, adequacy, and sufficiency which are hereby expressly acknowledged by the parties hereto, the parties hereto do hereby covenant and agree as follows:

1. Purchase and Sale of Property. Subject to and in accordance with the terms and provisions of this Agreement, Seller hereby agrees to sell to Purchaser and Purchaser hereby agrees to purchase from Seller, the Property, which term "Property" shall mean and include the following:

(a) All that tract or parcel of land (the "Land") known as Lots 4 and 5, Scottsdale Airpark North, per Book 390 of Maps, page 33, records of Maricopa County, Arizona, containing approximately 8.8375 acres, having an address of 15501 N. Dial Boulevard, Scottsdale, Arizona, and being more particularly described on Exhibit "A" hereto; and

(b) All right, title and interest of Seller in and to all rights, privileges, and easements appurtenant to the Land, including all water rights, mineral rights, reversions, or other appurtenances to said Land, and all right, title, and interest of Seller, if any, in and to any land lying in the bed of any street, road, alley, or right-of-way, open or proposed, adjacent to or abutting the Land; and

(c) All right, title and interest of Seller in and to all buildings, structures, and improvements situated on the Land, including, without limitation, that certain two story office building containing approximately 129,689 square feet of leasable space, the parking areas containing approximately 523 parking spaces and other amenities located on the Land, and all apparatus, built-in appliances, equipment, pumps, machinery, plumbing, heating, air conditioning, electrical and other fixtures located on the Land (all of which are herein collectively referred to as the "Improvements"); and

(d) all personal property now owned by Seller and located on or to be located on or in, or used in connection with, the Land and Improvements ("Personal Property"); and

(e) all of Seller's right, title, and interest, as landlord or

lessor, in and to that certain Single Tenant Lease Agreement with The Dial Corporation, a Delaware corporation (the "Tenant") dated March 21, 1997, as amended by letter dated August 7, 1997 (the"Lease"); and

(f) all of Seller's right, title, and interest in and to the plans and specifications with respect to the Improvements and any guarantees, trademarks, rights of copyright, warranties, or other rights related to the ownership of or use and operation of the Land, Personal Property, or Improvements, all governmental licenses and permits, and all intangibles associated with the Land, Personal Property, and Improvements, including the name of the Improvements and the logo therefor, if any.

2. Earnest Money. Within two (2) business days after the full execution of this Agreement, Purchaser shall deliver to Old Republic Title Agency ("Escrow Agent"), whose offices are at 3200 North Central Avenue, Suite 100, Phoenix, AZ 85012, Purchaser's check, payable to Escrow Agent, in the amount of $100,000 (the "Earnest Money"), which Earnest Money shall be held and disbursed by Escrow Agent in accordance with this Agreement. The Earnest Money shall be paid by Escrow Agent to Seller at Closing (as hereinafter defined) and shall be applied as a credit to the Purchase Price (as hereinafter defined), or shall otherwise be paid to Seller or refunded to Purchaser in accordance with the terms of this Agreement. All interest and other income from time to time earned on the Earnest Money shall belong to Purchaser and shall be disbursed to Purchaser at any time or from time to time as Purchaser shall direct Escrow Agent. In no event shall any such interest or other income be deemed a part of the Earnest Money.

3. Purchase Price. Subject to adjustment and credits as otherwise specified in this Agreement, the purchase price (the "Purchase Price") to be paid by Purchaser to Seller for the Property shall be FOURTEEN MILLION TWO HUNDRED FIFTY THOUSAND AND 00/100 DOLLARS ($14,250,000.00). The Purchase Price shall be paid by Purchaser to Seller at the Closing (as hereinafter defined) by cashier's check or by wire transfer of immediately available federal funds, less the amount of Earnest Money and subject to prorations, adjustments and credits as otherwise specified in this Agreement.

4. Purchaser's Inspection and Review Rights. Subject to the rights of the Tenant, Purchaser and its agents, engineers, or representatives, with Seller's reasonable, good faith cooperation, shall have the privilege of going upon the Property as needed to inspect, examine, test, and survey the Property at all reasonable times and from time to time. Purchaser hereby agrees to hold Seller harmless from any liens, claims, liabilities, and damages incurred through the exercise of such privilege, and Purchaser further agrees to repair any damage to the Property caused by the exercise of such privilege. At all reasonable times prior to the Closing (as hereinafter defined), Seller shall make available to Purchaser, or Purchaser's agents and representatives, for review and copying, all books, records, and files in Seller's possession relating to the ownership and operation of the Property, including, without limitation, title matters, surveys, tenant files, service and maintenance agreements, and other contracts, books, records, operating statements, and other information relating to the Property. Seller further agrees to in good faith assist and cooperate with Purchaser in coming to a thorough understanding of the books, records, and files relating to the Property.

Seller further agrees to provide to Purchaser (to the extent the same have not previously been provided to Purchaser) prior to the date which is five (5) days after the effective date of this Agreement (a) the most current boundary and "as-built" surveys of the Land and Improvements and any title insurance policies, appraisals, occupancy permits, building inspection reports and environmental reports relating thereto and in the possession or under the control of Seller, and (b) a statement setting forth all revenues from the Property and setting forth all costs and expenses of operating, maintaining, and

repairing the Property (and the costs of replacing component parts thereof) incurred by Seller, in each case during the entire period from February 1, 1998, through January 31, 2000, which statement shall be certified by Seller to the best of Seller's knowledge after diligent inquiry and review of records, to be complete and accurate in all material respects. Seller acknowledges that Purchaser may be required by the Securities and Exchange Commission to file audited financial statements for one to three years with regard to the Property. At no cost or liability to Seller, Seller shall (i) cooperate with Purchaser, its counsel, accountants, agents, and representatives, provide them with access to Seller's books and records with respect to the ownership, management, maintenance, and operation of the Property for the applicable period, and permit them to copy the same, (ii) execute a form of "rep" letter in form and substance reasonably satisfactory to Seller, and (iii) furnish Purchaser with such additional information concerning the same as Purchaser shall reasonably request. Purchaser will pay the costs associated with any such audit.

5. Special Condition to Closing. Purchaser shall have thirty (30) days from the effective date of this Agreement (the "Inspection Period") to make investigations, examinations, inspections, market studies, feasibility studies, lease reviews, and tests relating to the Property and the operation thereof in order to determine, in Purchaser's sole opinion and discretion, the suitability of the Property for acquisition by Purchaser. Purchaser shall have the right to terminate this Agreement at any time prior to the expiration of the Inspection Period by giving written notice to Seller of such election to terminate. In the event Purchaser so elects to terminate this Agreement, Seller shall be entitled to receive and retain the sum of Twenty-Five Dollars ($25.00) of the Earnest Money, and the balance of the Earnest Money shall be promptly refunded by Escrow Agent to Purchaser, whereupon, except as expressly provided to the contrary in this Agreement, no party hereto shall have any other or further rights or obligations under this Agreement. Seller acknowledges that the sum of $25.00 is good and adequate consideration for the termination rights granted to Purchaser hereunder.

6. General Conditions Precedent to Purchaser's Obligations Regarding the Closing. In addition to the conditions to Purchaser's obligations set forth in Paragraph 5 above, the obligations and liabilities of Purchaser hereunder shall in all respects be conditioned upon the satisfaction of each of the following conditions, any of which may be waived by written notice from Purchaser to Seller:

(a) Seller shall have complied in all material respects with and otherwise performed in all material respects each of the covenants and obligations of Seller set forth in this Agreement, as of the date of Closing (as hereinafter defined).

(b) All representations and warranties of Seller as set forth in this Agreement shall be true and correct in all material respects as of the date of Closing.

(c) There shall have been no adverse change to the title to the Property which has not been cured and the Title Company (as hereinafter defined) shall have issued the Title Commitment (as hereinafter defined) on the Land and Improvements without exceptions other than as described in paragraph 7 and the Title Company shall be prepared to issue to Purchaser upon the Closing a leasehold owner's title insurance policy on the Land and Improvements pursuant to such Title Commitment.

(d) Purchaser shall have received the Tenant Estoppel Certificate referred to in Paragraph 9(c) hereof, duly executed by the Tenant at least five (5) days prior to the end of the Inspection Period.

(e) Purchaser shall have received the Estoppel Certificate Regarding

Declaration referred to in Paragraph 9(d) hereof, duly executed by the declarant thereunder at least five (5) days prior to the end of the Inspection Period.

7. Title and Survey. Seller covenants and agrees that Seller, at its sole cost and expense, shall, on or before ten (5) days after the Effective Date of this Agreement, cause Old Republic National Title Insurance Company, or such other such title insurance company acceptable to Purchaser (herein referred to as the "Title Company"), to deliver to Purchaser its commitment (herein referred to as the "Title Commitment") to issue to Purchaser, upon the recording of the Special Warranty Deed, the payment of the Purchase Price, and the payment to the Title Company of the policy premium therefor, an owner's policy of title insurance, in the amount of the Purchase Price, insuring good and marketable record title to the Property to be in Purchaser subject only to the Permitted Exceptions (as hereinafter defined), with affirmative coverage over any mechanic's, materialman's and subcontractor's liens and with full extended coverage over all general exceptions, and containing the following endorsements: zoning (including affirmative coverage against any violations of recorded covenants and restrictions), survey, and access. Such Title Commitment shall not contain any exception for rights of parties in possession other than an exception for the right of the Tenant under the Lease. If the Title Commitment shall contain an exception for the state of facts which would be disclosed by a survey of the Property or an "area and boundaries" exception, the Title Commitment shall provide that such exception will be deleted upon the presentation of an ALTA/ASCM survey acceptable to Title Company, in which case the Title Commitment shall be amended to contain an exception only for the matters shown on the as-built survey which Seller shall obtain at its sole cost and expense for the benefit of Purchaser. Said survey shall include a certification that the Property is zoned in a classification which will permit the operating of the Property as an office building and any conditions to the granting of such zoning have been satisfied. Seller shall also cause to be delivered to Purchaser together with such Title Commitment, legible copies of all documents and instruments referred to therein. Purchaser, upon receipt of the Title Commitment and the copies of the documents and instruments referred to therein, shall then have ten (10) days during which to examine the same, after which Purchaser shall notify Seller of

any defects or objections affecting the marketability of the title to the Property. Seller shall then have until the Closing to cure such defects and objections and shall, in good faith, exercise reasonable diligence to cure such defects and objections.

8. Representations and Warranties of Seller. Seller hereby makes the following representations and warranties to Purchaser, each of which shall be deemed material:

(a) Lease. Seller has delivered to Purchaser a true, correct and complete copy of the Lease, together with all modifications and amendments thereto herein referred. Seller is the "landlord" under the Lease and owns unencumbered legal and beneficial title to the Lease and the rents and other income thereunder, subject only to the collateral assignment of the Lease and the rents thereunder in favor of the holder of an existing mortgage or deed of trust encumbering the Property, which mortgage or deed of trust shall be canceled and satisfied by Seller at the Closing. The term of the Lease commenced on August 14, 1997, and expires on August 31, 2008. The Tenant currently leases and occupies 100% of the rentable area of the Improvements.

(b) Lease - Assignment. To the best of Seller's knowledge, the Tenant has not assigned its interest in the Lease or sublet any portion of the premises leased to the Tenant under the Lease.

(c) Lease - Default. (i) Seller has not received any notice of termination or default under the Lease, (ii) there are no existing or uncured defaults by Seller or by the Tenant under the Lease, (iii) to the best of Seller's knowledge, there are no events which with the passage of time or notice, or both, would constitute a default by Seller or by the Tenant, and Seller has complied with each and every undertaking, covenant, and obligation of Seller under the Lease, and (iv) Tenant has not asserted any defense, set-off, or counterclaim with respect to its tenancy or its obligation to pay rent, additional rent, or other charges pursuant to the Lease.

(d) Lease - Rents and Special Consideration. Tenant: (i) has not prepaid rent for more than the current month under the Lease, (ii) has not received and is not entitled to receive any rent concession in connection with its tenancy under the Lease other than as described in the Lease, (iii) is not entitled to any special work (not yet performed), or consideration (not yet given) in connection with its tenancy under the Lease, and (iv) does not have any deed, option, or other evidence of any right or interest in or to the Property, except for the Tenant's tenancy as evidenced by the express terms of the Lease.

(e) Lease - Commissions. No rental, lease, or other commissions with respect to the Lease are payable to Seller, any partner of Seller, any party affiliated with or related to Seller or any partner of Seller or any third party whatsoever. All commissions payable under, relating to, or as a result of the Lease have been cashed-out and paid and satisfied in full by Seller or by Seller's predecessor in title to the Property.

(f) Lease - Acceptance of Premises. (i) Tenant has accepted its leased premises located within the Property, including any and all work performed therein or thereon pursuant to the Lease, (ii) Tenant is in full and complete possession of its premises under the Lease, and (iii) Seller has not received notice from the Tenant that the Tenant's premises are not in full compliance with the terms and provisions of Tenant's Lease or are not satisfactory for Tenant's purposes.

(g) No Other Agreements. Other than the Lease and the Permitted Exceptions, there are no leases, service contracts, management agreements, or other agreements or instruments in force and effect, oral or written, to which Seller is a party and that grant to any person whomsoever or any entity whatsoever any right, title, interest or benefit in or to all or any part of the Property or any rights relating to the use, operation, management, maintenance, or repair of all or any part of the Property.

(h) No Litigation. There are no actions, suits, or proceedings pending, or, to the best of Seller's knowledge, threatened by any organization, person, individual, or governmental agency against Seller with respect to the Property or against the Property, nor does Seller know of any basis for such action. Seller has no knowledge of any pending or threatened application for changes in the zoning applicable to the Property or any portion thereof.

(i) Condemnation. No condemnation or other taking by eminent domain of the Property or any portion thereof has been instituted and, to the best of Seller's knowledge, there are no pending or threatened condemnation or eminent domain proceedings (or proceedings in the nature or in lieu thereof) affecting the Property or any portion thereof or its use.

(j) Proceedings Affecting Access. The Property is served by curb cuts for direct vehicular access to and from Dial Boulevard & Greenway-Hayden Parkway adjoining the Property. Said street(s) are public streets. There are no pending or, to the best of Seller's knowledge, threatened proceedings that could have the effect of impairing or restricting access between the Property and either of such adjacent public roads.

(k) Intentionally Omitted.

(l) Condition of Improvements. Seller is not aware of any structural or other defects, in the Improvements. The heating, ventilating, air conditioning, electrical, plumbing, water, elevator(s), roofing, storm drainage and sanitary sewer systems at or servicing the Land and Improvements are, to the best of the Seller's knowledge, in good condition and working order and Seller is not aware of any defects or deficiencies, latent or otherwise, therein. The Improvements have been constructed in compliance with applicable provisions of the Lease, City of Scottsdale building regulations, and any recorded covenants, conditions and restrictions.

(m) Certificates. To the best of Seller's knowledge, there are presently in effect permanent certificates of occupancy, licenses, and

permits as may be required for the Property, and the present use and occupation of the Property is in compliance and conformity with the certificates of occupancy and all licenses and permits. There has been no notice or request of any municipal department, insurance company or board of fire underwriters (or organization exercising functions similar thereto), or mortgagee directed to Seller and requesting the performance of any work or alteration to the Property which has not been complied with.

(n) Violations. To the best of Seller's knowledge, there are no violations of law, municipal or county ordinances, or other legal requirements with respect to the Property, and the Improvements thereon comply with all applicable legal requirements with respect to the use, occupancy, and construction thereof. The Property is zoned in a classification which permits the use thereof in the present manner. The Property is not located in a flood hazard area.

(o) Intentionally Omitted.

(p) Bankruptcy. Seller is "solvent" as said term is defined by bankruptcy law and has not made a general assignment for the benefit of creditors nor been adjudicated a bankrupt or insolvent, nor has a receiver, liquidator, or trustee for any of Seller's properties (including the Property) been appointed or a petition filed by or against Seller for bankruptcy, reorganization, or arrangement pursuant to the Federal Bankruptcy Act or any similar Federal or state statute, or any proceeding instituted for the dissolution or liquidation of Seller.

(q) Pre-existing Right to Acquire. No person or entity has any right or option to acquire the Property or any portion thereof which will have any force or effect after the execution of this Agreement, other than Purchaser and the Tenant.

(r) Effect of Certification. To the best of Seller's knowledge,

neither this Agreement nor the transactions contemplated herein will constitute a breach or violation of, or default under, or will be modified, restricted, or precluded by the Lease or the Permitted Exceptions.

(s) Authorization. Seller is a duly organized and validly existing corporation under the laws of the State of Minnesota. This Agreement has been duly authorized and executed on behalf of Seller and constitutes the valid and binding agreement of Seller, enforceable in accordance with its terms, and all necessary action on the part of Seller to authorize the transactions herein contemplated has been taken, and no further action is necessary for such purpose.

(t) Seller Not a Foreign Person. Seller is not a "foreign person" which would subject Purchaser to the withholding tax provisions of Section 1445 of the Internal Revenue Code of 1986, as amended.

(u) Hazardous Substances. Seller hereby warrants and represents, to the best of Seller's knowledge, and except as otherwise disclosed in that certain Phase I Environmental Site Assessment of Lots 4 and 5, Scottsdale Airpark North, by Liesch Southwest, Inc., dated September 22, 1998 that (i) no "hazardous substances", as that term is defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et. seq., the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et. seq., and the rules and regulations promulgated pursuant to these acts, any so-called "super-fund" or "super-lien" laws or any applicable state or local laws, nor any other pollutants, toxic materials, or contaminants have been or shall prior to Closing be discharged, disbursed, released, stored, treated, generated, disposed of, or allowed to escape on the Property, (ii) no asbestos or asbestos containing materials have been installed, used, incorporated into, or disposed of on the Property, (iii) no polychlorinated biphenyls are located on or in the Property, in the form of electrical transformers, fluorescent light fixtures with ballasts, cooling oils, or any other device or form, (iv) no underground storage tanks are located on the Property or were located on the Property and subsequently removed or filled, (v) no investigation, administrative order, consent order and agreement, litigation, or settlement with respect to Hazardous Substances is proposed, threatened, anticipated or in existence with respect to the Property, and (vi) the Property has not previously been used as a landfill, cemetery, or as a dump for garbage or refuse. Seller hereby indemnifies Purchaser and holds Purchaser harmless from and against any loss, cost, damage, liability or expense due to or arising out of the breach of any representation or warranty contained in this Paragraph.

EXCEPT AS EXPRESSLY PROVIDED TO THE CONTRARY HEREIN, PURCHASER IS ACQUIRING THE PROPERTY IN ITS "AS IS" CONDITION AS OF THE DATE OF THE CLOSING.

9. Seller's Additional Covenants. Seller does hereby further covenant and agree as follows:

(a) Operation of Property. Seller hereby covenants that, from the date of this Agreement up to and including the date of Closing, Seller shall: (i) not negotiate with any third party respecting the sale of the Property or any interest therein, (ii) not modify, amend, or terminate the Lease, or enter into any new lease, contract, or other agreement respecting the Property, (iii) not grant or otherwise create or consent to the creation of any easement, restriction, lien, assessment, or encumbrance

respecting the Property, and (iv) cause the Property to be operated, maintained, and repaired in the same manner as the Property is currently being operated, maintained, and repaired.

(b) Preservation of Lease. Seller shall, from and after the date of this Agreement to the date of Closing, use its good faith efforts to perform and discharge all of the duties and obligations and shall otherwise comply with every covenant and agreement of the landlord under the Lease, at Seller's expense, in the manner and within the time limits required thereunder. Furthermore, Seller shall, for the same period of

time, use diligent and good faith efforts to cause the Tenant under the Lease to perform all of its duties and obligations and otherwise comply with each and every one of its covenants and agreements under such Lease and shall take such actions as are reasonably necessary to enforce the terms and provisions of the Lease.

(c) Tenant Estoppel Certificate. At least five (5) days prior to expiration of the Inspection Period, Seller shall obtain and deliver to Purchaser a fully completed estoppel certificate with respect to the Lease in substantially the form of Exhibit "B" (the "Tenant Estoppel Certificate"), duly executed by the Tenant thereunder. The Tenant Estoppel Certificate shall be executed as of a date not more than thirty (30) days prior to Closing.

(d) Estoppel Certificate Regarding Declaration. At least five (5) days prior to expiration of the Inspection Period, Seller shall obtain and deliver to Purchaser a fully completed estoppel certificate with respect to the Declaration of Easements, Covenants, Conditions and Restrictions recorded as document number 94-0684650, Maricopa County Records, in substantially the form of Exhibit "E" to the Lease (the "Estoppel Certificate Regarding Declaration"), duly executed by the Declarant thereunder. Said certificate shall be executed as of a date not more than thirty (30) days prior to Closing, shall contain updated information and shall be addressed to Purchaser and its assigns and any lender making a loan secured by the Property.

(e) Insurance. From and after the date of this Agreement to the date and time of Closing, Seller shall, at its expense, continue to maintain the all risk fire and extended coverage insurance policy covering the Property which is currently in force and effect.

10. Closing. Provided that all of the conditions set forth in this Agreement are theretofore fully satisfied or performed, it being fully understood and agreed, however, that Purchaser may expressly waive in writing, at or prior to Closing, any conditions that are unsatisfied or unperformed at such time, the consummation of the sale by Seller and purchase by Purchaser of the Property (herein referred to as the "Closing") shall be held at 2:00 p.m., local time, on the first business day which is at least five (5) days after the end of the Inspection Period, at the offices of Escrow Agent, or at such earlier time as shall be designated by Purchaser in a written notice to Seller not less than two (2) business days prior to Closing.

11. Seller's Closing Documents. For and in consideration of, and as a condition precedent to, Purchaser's delivery to Seller of the Purchase Price described in Paragraph 3 hereof, Seller shall obtain or execute, at Seller's expense, and deliver to Purchaser at Closing the following documents (all of

which shall be duly executed, acknowledged, and notarized where required and shall survive the Closing):

(a) Special Warranty Deed. A Special Warranty Deed in substantially the form of Exhibit "C";

(b) Bill of Sale. A Bill of Sale conveying to Purchaser

marketable title to the Personal Property in the form and substance of Exhibit "D";

(c) Blanket Transfer. A Blanket Transfer and Assignment in the form and substance of Exhibit "E";

(d) Assignment and Assumption of Lease. An Assignment and Assumption of Lease in the form and substance of Exhibit "F", assigning to Purchaser all of Seller's right, title, and interest in and to the Lease and the rents thereunder (and which shall provide among other things that Seller shall remain liable for its environmental indemnity to Tenant under the Lease);

(e) Seller's Affidavit. A customary seller's affidavit in the form required by the Title Company to satisfy the requirements of its commitment and the endorsements contemplated by paragraph 7 hereof;

(f) FIRPTA Certificate. A FIRPTA Certificate in such form as Purchaser shall reasonably approve;

(g) Certificates of Occupancy. The original Certificates of occupancy for all space within the Improvements;

(h) Marked Title Commitment. The Title Commitment, marked to change the effective date thereof through the date and time of recording the Special Warranty Deed, to reflect that Purchaser is vested with a fee simple interest in the Land and the Improvements, and to reflect that all requirements for the issuance of the final title policy pursuant to such Title Commitment have been satisfied;

(i) Keys and Records. All of the keys to any doors or locks on the Property and the original tenant files and other books and records relating to the Property in Seller's possession;

(j) Tenant Notice. Notice from Seller to the Tenant of the sale of the Property to Purchaser in such form as Purchaser shall reasonably approve;

(k) Settlement Statement. A settlement statement setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement;

(l) Other Documents. Such other documents as shall be reasonably required by Purchaser's counsel.

12. Purchaser's Closing Documents. Purchaser shall obtain or execute and deliver to Seller at Closing the following documents, all of which shall be duly executed and acknowledged where required and shall survive the Closing:

(a) Blanket Transfer. The Blanket Transfer and Assignment;

(b) Assignment and Assumption of Lease. The Assignment and Assumption of Lease;

(c) Settlement Statement. A settlement statement setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement; and

(d) Other Documents. Such other documents as shall be reasonably required by Seller's counsel.

13. Closing Costs. Seller shall pay the cost of the Title Commitment, including the cost of the examination of title to the Property made in connection therewith, the premium for the owner's policy of title insurance issued pursuant thereto, the cost of any transfer or documentary tax imposed by any jurisdiction in which the Property is located, the cost of the as-built survey, the attorneys' fees of Seller, and all other costs and expenses incurred by Seller in closing and consummating the purchase and sale of the Property pursuant hereto. Purchaser shall pay the attorneys' fees of Purchaser, and all other costs and expenses incurred by Purchaser in closing and consummating the purchase and sale of the Property pursuant hereto. Each party shall pay one-half of any escrow fees.

14. Prorations. The following items shall be prorated and/or credited between Seller and Purchaser as of Midnight preceding the date of Closing:

(a) Rents. Rents, additional rents, and other income of the Property (other than security deposits, which shall be assigned and paid over to Purchaser) collected by Seller from Tenant for the month of Closing. Purchaser shall also receive a credit against the Purchase Price payable by Purchaser to Seller at Closing for any rents or other sums (not including security deposits) prepaid by Tenant for any period following the month of Closing, or otherwise.

(b) Property Taxes. To the extent the same are not paid by Tenant, City, state, county, and school district ad valorem taxes based on the ad valorem tax bills for the Property, if then available, or if not, then on the basis of the latest available tax figures and information. Should such proration be based on such latest available tax figures and information and prove to be inaccurate upon receipt of the ad valorem tax bills for the Property for the year of Closing, either Seller or Purchaser, as the case may be, may demand at any time after Closing a payment from the other correcting such malapportionment. In addition, if after Closing there is an adjustment or reassessment by any governmental authority with respect to, or affecting, any ad valorem taxes for the Property for the year of Closing or any prior year, any additional tax payment for the Property required to be paid with respect to the year of Closing shall be prorated between

Purchaser and Seller and any such additional tax payment for the Property for any year prior to the year of Closing shall be paid by Seller. This agreement shall expressly survive the Closing.

(c) Utility Charges. Except for utilities which are the responsibility of Tenant, Seller shall pay all utility bills received prior to Closing and shall be responsible for utilities furnished to the Property prior to Closing. Purchaser shall be responsible for the payment of all bills for utilities furnished to the Property subsequent

to the Closing. Seller and Purchaser hereby agree to prorate and pay their respective shares of all utility bills received subsequent to Closing, which agreement shall survive Closing.

15. Purchaser's Default. In the event of default by Purchaser under the terms of this Agreement, Seller's sole and exclusive remedy shall be to receive the Earnest Money as liquidated damages and thereafter the parties hereto shall have no further rights or obligations hereunder whatsoever. It is hereby agreed that Seller's damages will be difficult to ascertain and that the Earnest Money constitutes a reasonable liquidation thereof and is intended not as a penalty, but as fully liquidated damages. Seller agrees that in the event of default by Purchaser, it shall not initiate any proceeding to recover damages from Purchaser, but shall limit its recovery to the retention of the Earnest Money.

Seller's Initial /s/ DB Purchaser's Initials /s/ LW

16. Seller's Default. In the event of default by Seller under the terms of this Agreement, including, without limitation, the failure of Seller to cure any title defects or objections, except as otherwise specifically set forth herein, at Purchaser's option: (i) if any such defects or objections arose by, through, or under Seller or if any such defects or objections consist of taxes, mortgages, deeds of trust, deeds to secure debt, mechanic's or materialman's liens, or other such monetary encumbrances, Purchaser shall have the right to cure such defects or objections, in which event the Purchase Price shall be reduced by an amount equal to the costs and expenses incurred by Purchaser in connection with the curing of such defects or objections, and upon such curing, the Closing hereof shall proceed in accordance with the terms of this Agreement; or (ii) Purchaser shall have the right to terminate this Agreement by giving written notice of such termination to Seller, whereupon Escrow Agent shall promptly refund all Earnest Money to Purchaser, and Purchaser and Seller shall have no further rights, obligations, or liabilities hereunder, except as may be expressly provided to the contrary herein; or (iii) Purchaser shall have the right to accept title to the Property subject to such defects and objections with no reduction in the Purchase Price, in which event such defects and objections shall be deemed "Permitted Exceptions"; or (iv) Purchaser may elect to seek specific performance of this Agreement.

17. Condemnation. If, prior to the Closing, all or any part of the Property is subjected to a bona fide threat of condemnation by a body having the power of eminent domain or is taken by eminent domain or condemnation (or sale in lieu thereof), or if Seller has received notice that any condemnation action or proceeding with respect to the Property is contemplated by a body having the power of eminent domain, Seller shall give Purchaser immediate written notice of such threatened or contemplated condemnation or of such taking or sale, and Purchaser may by written notice to Seller given within thirty (30) days of the receipt of such notice from Seller, elect to cancel this Agreement. If Purchaser chooses to cancel this Agreement in accordance with this Paragraph 17, then the Earnest Money shall be returned immediately to Purchaser by Escrow Agent and the rights, duties, obligations, and liabilities of the parties hereunder shall immediately terminate and be of no further force and effect. If Purchaser does

not elect to cancel this Agreement

in accordance herewith, this Agreement shall remain in full force and effect and the sale of the Property contemplated by this Agreement, less any interest taken by eminent domain or condemnation, or sale in lieu thereof, shall be effected with no further adjustment and without reduction of the Purchase Price, and at the Closing, Seller shall assign, transfer, and set over to Purchaser all of the right, title, and interest of Seller in and to any awards that have been or that may thereafter be made for such taking.

18. Damage or Destruction. If any of the Improvements shall be destroyed or damaged prior to the Closing, and the estimated cost of repair or replacement exceeds $100,000.00 or if the Lease shall terminate as a result of such damage, Purchaser may, by written notice given to Seller within twenty (20) days after receipt of written notice from Seller of such damage or destruction, elect to terminate this Agreement, in which event the Earnest Money shall immediately be returned by Escrow Agent to Purchaser and except as expressly provided herein to the contrary, the rights, duties, obligations, and liabilities of all parties hereunder shall immediately terminate and be of no further force or effect. If Purchaser does not elect to terminate this Agreement pursuant to this Paragraph 18, or has no right to terminate this Agreement (because the damage or destruction does not exceed $100,000.00 and the Lease remains in full force and effect), and the sale of the Property is consummated, Purchaser shall be entitled to receive all insurance proceeds paid or payable to Seller by reason of such destruction or damage under the insurance required to be maintained by Seller pursuant to Paragraph 9(d) hereof (less amounts of insurance theretofore received and applied by Seller to restoration). If the amount of said casualty or rent loss insurance proceeds is not settled by the date of Closing, Seller shall execute at Closing all proofs of loss, assignments of claim, and other similar instruments to ensure that Purchaser shall receive all of Seller's right, title, and interest in and under said insurance proceeds.

19. Assignment. Purchaser's rights and duties under this Agreement shall not be assignable except to an affiliate of Purchaser without the consent of Seller which consent shall not be unreasonably withheld.

20. Broker's Commission. Seller has by separate agreement agreed to pay a brokerage commission to CB Commercial Real Estate Group (the "Broker"). Purchaser and Seller hereby represent each to the other that they have not discussed this Agreement or the subject matter hereof with any real estate broker or agent other than Broker so as to create any legal right in any such broker or agent to claim a real estate commission with respect to the conveyance of the Property contemplated by this Agreement. Seller shall and does hereby indemnify and hold harmless Purchaser from and against any claim, whether or not meritorious, for any real estate sales commission, finder's fees, or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Seller, including any claim asserted by Brokers and any broker or agent claiming under Broker. Likewise, Purchaser shall and does hereby indemnify and hold harmless Seller from and against any claim, whether or not meritorious, for any real estate sales commission, finder's fees, or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Purchaser, except any such claim asserted by Broker and any broker or agent claiming under Broker. This Paragraph 21 shall survive the Closing or any termination of this Agreement.

21. 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 telecopy, overnight courier, by hand, or sent by U.S.

registered or certified mail, return receipt requested, postage prepaid, to the addresses set out below or at such other addresses as are specified by written notice delivered in accordance herewith:

PURCHASER:	c/o Wells Capital, Inc. 6200 The Corners Parkway, Suite 250 Norcross, Georgia 30092 Attn: Chief Investment Officer
with a copy to:	O'Callaghan & Stumm LLP 127 Peachtree Street, N. E., Suite 1330 Atlanta, Georgia 30303 Attn: William L. O'Callaghan, Esq.
SELLER:	Ryan Companies US, Inc. 700 International Centre 900 Second Avenue South Minneapolis, MN 55402-3387 Attn: Timothy M. Gray
with a copy to:	Ryan Companies US, Inc. 700 International Centre 900 Second Avenue South Minneapolis, MN 55402-3387 Attn: Dennis Buratti

Any notice or other communication mailed as herein above provided shall be deemed effectively given or received on the date of delivery, if delivered by telecopy, hand or by overnight courier, or otherwise on the third (3rd) business day following the postmark date of such notice or other communication.

22. Possession. Possession of the Property shall be granted by Seller to Purchaser on the date of Closing, subject only to the Lease and the Permitted Exceptions.

23. Time Periods. If the time period by which any right, option, or election provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a Saturday, Sunday, or holiday, then such time period shall be automatically extended through the close of business on the next regularly scheduled business day.

24. Survival of Provisions. All covenants, warranties, and agreements set forth in this Agreement shall survive the execution or delivery of any and all deeds and other documents at any time executed or delivered under, pursuant to, or by reason of this Agreement, and shall survive the payment of all monies made under, pursuant to, or by reason of this Agreement for a period of two years from Closing except with respect to paragraphs 8(u) and 32 which shall survive for an unlimited time.

25. Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules, and regulations. If any provision of this Agreement, or the application thereof to any person or circumstance, shall, for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby but rather shall be enforced to the greatest extent permitted by law.

26. Authorization. Purchaser represents to Seller that this Agreement has

been duly authorized and executed on behalf of Purchaser and constitutes the valid and binding agreement of Purchaser, enforceable in accordance with its terms, and all necessary action on the part of Purchaser to authorize the transactions herein contemplated has been taken, and no further action is necessary for such purpose.

27. General Provisions. No failure of either party to exercise any power given hereunder or to insist upon strict compliance with any obligation specified herein, and no custom or practice at variance with the terms hereof, shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. This Agreement contains the entire agreement of the parties hereto, and no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. Any amendment to this Agreement shall not be binding upon the parties hereto unless such amendment is in writing and executed by all parties hereto. The provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns. Time is of the essence of this Agreement. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement. The headings inserted at the beginning of each paragraph are for convenience only, and do not add to or subtract from the meaning of the contents of each paragraph. This Agreement shall be construed and interpreted under the laws of the State of Arizona. Except as otherwise provided herein, all rights, powers, and privileges conferred hereunder upon the parties shall be cumulative but not restrictive to those given by law. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender shall include all genders, and all references herein to the singular shall include the plural and vice versa.

29. Effective Date. The "effective date" of this Agreement shall be deemed to be the date set forth in the preamble of this Agreement.

30. Contingency Regarding Other Contracts. Simultaneously with the execution hereof, the parties have entered into other purchase agreements which are listed on Exhibit "G" hereto, and it shall be a condition of the parties obligations hereunder that the closings with respect to the properties described therein shall occur simultaneously with the closing herein.

31. Duties as Escrow Agent. In performing its duties hereunder, Escrow Agent shall not incur any liability to anyone for any damages, losses or expenses, except for its gross negligence or willful misconduct, and it shall accordingly not incur any such liability with respect to any action taken or omitted in good faith upon advice of its counsel or in reliance upon

any instrument, including any written notice or instruction provided for in this Agreement, not only as to its due execution and the validity and effectiveness of its provision, but also as to the truth and accuracy of any information contained therein that Escrow Agent shall in good faith believe to be genuine, to have been signed or presented by a proper person and to conform to the provisions of this Agreement. Seller and Purchaser hereby agree to indemnify and hold harmless Escrow Agent against any and all losses, claims, damages, liabilities and expenses, including reasonable costs of investigation and legal fees and disbursements, that may be imposed upon Escrow Agent or incurred by Escrow Agent in connection with its acceptance or performance of its duties hereunder as escrow agent, including without limitation, any litigation arising out of this Agreement. If any dispute shall arise between Seller and Purchaser sufficient in the discretion of Escrow Agent to justify its doing so, Escrow Agent shall be entitled to tender into the registry or custody of the clerk of the Court for the county in which the Property is located or the clerk for the United States District Court having jurisdiction over the county in which the

Property is located, any or all money (less any sums required to pay Escrow Agent's attorneys' fees in filing such action), property or documents in its hands relating to this Agreement, together with such pleadings as it shall deem appropriate, and thereupon be discharged from all further duties under this Agreement. Seller and Purchaser shall bear all costs and expenses of any such legal proceedings.

32. Expansion. If Buyer proposes to expand the building which is a part of the Property, it will negotiate in good faith with Seller to provide design/build services with respect to such expansion and will contract with Seller for such work if its proposal therefore is competitive and is otherwise approved by the Tenant.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day, month and year first above written.

"SELLER":

RYAN COMPANIES US, INC.

By: /s/ Dennis Buratti

Its: Vice President

"PURCHASER":

WELLS CAPITAL, INC.

By: /s/ Leo F. Wells

Its: President

"ESCROW AGENT":

OLD REPUBLIC TITLE AGENCY

By: /s/ Gary Johnson

Its: Vice President 2/24/00

EXHIBIT 10.47

LEASE AGREEMENT

FOR THE DIAL BUILDING

Ryan Companies US, Inc.
Landlord

and

The Dial Corporation
Tenant

SINGLE TENANT LEASE AGREEMENT

Dated as of March 21, 1997

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LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease"), dated for reference purposes only as of March 21, 1997, between Ryan Companies US, Inc., a Minnesota corporation, formerly known as Ryan Construction Companies of Minnesota, Inc., a Minnesota corporation (hereinafter referred to as "Landlord"), and The Dial Corporation, a Delaware corporation (hereinafter referred to as "Tenant"). Each defined term used hereinbelow shall have the meaning ascribed to such term in Section 47 below.

In consideration of the mutual agreements contained in this Lease, Landlord and Tenant agree with each other as follows:

1. Leased Property. Upon and subject to the conditions and limitations set forth below, Landlord hereby leases to Tenant, and Tenant hereby leases and rents from Landlord, the following real property ("Property") situated in the City of Scottsdale, County of Maricopa, State of Arizona, described as follows:

(a) Those certain parcels of real property consisting of approximately 8.8375 acres, more particularly described in Exhibit "A" attached hereto, together with the exclusive use of all parking areas (except as otherwise provided in Section 41 hereof), access and perimeter roads, driveways, sidewalks, landscape areas, service areas, trash disposal facilities, and similar areas now or hereafter located thereon, together with all rights and easements appurtenant thereto now or hereafter existing (collectively, the "Parcels");

(b) That certain existing two story building (the "Building") with mezzanine located on one of the Parcels at the general location shown on the Site Plan attached hereto as Exhibit "B" containing approximately 129,689 square feet of Gross Building Area, consisting of approximately 102,000 square feet of Gross Building Area on the first floor and 27,689 square feet of Gross Building Area on the second floor mezzanine (subject to remeasurement as provided herein)

and other improvements to the Building and on the Parcels be constructed by Landlord ("Landlord Work", as defined in the Improvement Agreement) in accordance with the provisions of the Improvement Agreement attached hereto as Exhibit "C" (the "Improvement Agreement"), together with all other buildings, improvements and structures now or hereafter located on the Property.

The Building and the Landlord Work are collectively referred to in this Lease as the "Improvements". During the Lease Term, Tenant shall have access to the Property and into the interior of the Improvements 24 hours per day, 7 days per week.

2. Lease Term.

2.1 Lease Term. The term of this Lease (the "Lease Term") shall commence on the Commencement Date (as defined below) and shall expire at midnight on the last calendar day of the one hundred twenty sixth (126th) month following the calendar month

in which the Rental Commencement Date (as defined below) occurs, unless this Lease shall sooner terminate as provided herein or shall be extended, as provided in Section 36 below. Within five (5) days after the Commencement Date and the Rental Commencement Date become ascertainable, as provided in Sections 2.2 and 2.3 below, Landlord and Tenant shall execute a written amendment to this Lease specifying the Commencement Date, the Rental Commencement Date and the date on which the Lease Term shall end, subject to the provisions of Section 36 below, a copy of which is attached hereto as Exhibit "F".

2.2 Commencement Date. As used in this Lease, the term "Commencement Date" shall mean the date when Landlord delivers to Tenant the Property with the Landlord Work being Substantially Completed (as defined in the Improvement Agreement) in a clean and tidy state, with vacant possession. Landlord shall give Tenant at least thirty (30) days prior written notice of the date when the Commencement Date shall occur.

2.3 Rental Commencement Date. As used in this Lease, the term "Rental Commencement Date" shall mean the date six (6) months following the Commencement Date, unless the Rental Commencement Date is delayed pursuant to Section 2.4 below, in which case it shall mean such delayed date.

2.4 Failure to Deliver. The target date for the Commencement Date (the "Target Commencement Date") is July 15, 1997. For each day beyond August 14, 1997 up to, but not including, September 15, 1997, that Landlord is unable to deliver possession of the Property to Tenant with the Landlord Work being Substantially Completed for any reason other than Excused Delay (as defined in the Improvement Agreement), the Rental Commencement Date shall be delayed on (1) day. For each day from and beyond September 15, 1997 up to, but not including, October 15, 1997, that Landlord is unable to deliver possession of the Property to Tenant with the Landlord Work being Substantially Completed for any reason other than Excused Delay, the Rental Commencement Date shall be delayed one and one-half (1 1/2) days. For each day from and beyond October 15, 1997 up to, but not including, November 14, 1997 that Landlord is unable to deliver possession of the Property to Tenant with the Landlord Work being Substantially Completed for any reason other than Excused Delay, the Rental Commencement Date shall be delayed two (2) days. Notwithstanding the occurrence of any Excused Delay (as defined in the Improvement Agreement, but excepting from that definition any delays resulting solely from change orders requested by Tenant, delays in Tenant's delivery of any plans or specifications to Landlord beyond the date therefor set forth in the Improvement Agreement and delays in Tenant's review of any plans and specifications submitted to Tenant for review beyond the period for such review set forth in the Improvement Agreement, each category of which delays shall extend the date set forth immediately below in this Section 2.4 on a day for day basis, but only following Landlord's written

notice to Tenant of such delay as provided in the definition of Excused Delay in the Improvement Agreement), if Landlord is unable to deliver possession of the Property with the Landlord Work Substantially Completed on or before November 14, 1997, then Tenant shall have the right to terminate this Lease by giving written notice of termination to Landlord at any time after such date, but prior to the time that Landlord had delivered possession of the Property with the Landlord Work Substantially

Completed to Tenant. Any such termination shall be in addition to any other rights or remedies that Tenant may have under this Lease, at law or in equity, unless Landlord's failure to cause the Landlord Work to be Substantially Completed on or before November 14, 1997 is due primarily (i.e., more than 50% of such delay) to Excused Delay, in which event Landlord's total liability to Tenant resulting from such termination and delay shall be limited to an amount equal to all documented, out-of-pocket costs incurred by Tenant (including, without limitation, fees and costs of design and construction professionals, consultants and attorneys) in connection with the negotiation and drafting of this Lease, the diligence review of the Property and the space planning and design of any of the Improvements.

2.5 Early Entry. Tenant shall be permitted to occupy the Property four (4) weeks prior to the anticipated Commencement Date for the purpose of installing Tenant's Equipment (including, without limitation, telephone room equipment, computer cabling and work station furniture systems), provided such early entry shall be at Tenant's sole risk and subject to all the terms and provisions hereof, except for the payment of Basic Rent or Additional Rent which shall commence on the Rental Commencement Date. Notwithstanding the foregoing, Landlord shall use commercially reasonable efforts to take all necessary precautions to protect such equipment from damage or theft during the construction process. Tenant agrees that such early access shall not materially interfere with the Landlord Work and shall not result in any additional costs to Landlord, and Landlord and Tenant shall instruct their construction professionals to coordinate their activities to this end.

3. Basic Rent.

3.1 Basic Rent. Basic rent ("Basic Rent") shall be payable monthly during the Lease Term commencing on the Rental Commencement Date in an amount equal to the product of Ten and 70/100 Dollars ($10.70) per square foot multiplied by the number of square feet of Gross Building Area contained within the Improvements.

3.2 Manner of Payment. The Basic Rent and all other sums payable to Landlord hereunder shall be payable in such currency of the United States of America as at time of payment shall be legal tender for the payment of public and private debts and shall be paid to Landlord at Landlord's address set forth below or to such other person or address as Landlord from time to time may designate.

4. Additional Rent. Tenant will also pay, from time to time on or after the Rental Commencement Date, as provided in this Lease or on demand of Landlord, as additional rent (the "Additional Rent") (a) all other amounts, liabilities and obligations that Tenant herein expressly assumes or agrees to pay, (b) together with each installment of Basic Rent, the amount of any transaction privilege tax that is assessed against or payable by Landlord solely as a result of this Lease, and (c) if the amounts specified in clauses (i) or (ii) below, as applicable, are not paid to Landlord within five (5) days following the delivery of written notice from Landlord to Tenant that such amounts were not received when due (provided that such written notice shall be a condition precedent to imposing such interest only one time in any twelve (12)

calendar

month period), then interest at the Interest Rate on (i) such of the foregoing amounts, liabilities and obligations as are payable by Tenant but are not paid when due and that Landlord shall have paid on behalf of Tenant in accordance with its rights under Section 23 of this Lease, from the date of payment thereof by Landlord until paid by Tenant and (ii) all overdue installments of Basic Rent.

5. Net Lease. Except as otherwise expressly provided in this Lease
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including, without limitation, Section 40 hereof, this Lease is a net lease, and the Basic Rent, Additional Rent and all other sums payable hereunder shall be paid without setoff or deduction. Except as otherwise expressly provided in this Lease including, without limitation, Sections 6, 19, 20, 21 and 40 hereof, Tenant shall at all times remain bound by this Lease and shall at all times remain obligated to pay the stated rentals required by this Lease. Except as specifically set forth in this Lease to the contrary, including, without limitation, Sections 2, 20, 21 and 39 hereof, Tenant shall in no event have any right to terminate this Lease.

6. Condition and Use of Property. Subject to the provisions of the
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Improvement Agreement and except as expressly provided below, Tenant, upon acceptance of possession of the Property, acknowledges that Tenant will be fully familiar with the physical condition of the Property and has received the same in good and clean order and condition, and that the Property complies in all respects with all requirements of this Lease. Notwithstanding the foregoing to the contrary, Landlord makes the following representations and warranties to Tenant as of the Commencement Date:

(a) There are no material physical, mechanical or other defects in the design, construction or operation of any portion of the Improvements (including, without limitation, the Building Systems) and all of the Improvements (including, without limitation, the Building Systems) are in good operating condition and repair;

(b) The Property is in full compliance with all applicable Legal Requirements including, without limitation, the Americans With Disabilities Act of 1990, building codes, zoning and land use laws and environmental laws;

(c) There are no condemnation, environmental, zoning or other land-use regulation proceedings, either instituted or, to Landlord's actual knowledge without investigation, planned to be instituted against the Property;

(d) All water, sewer, gas, electric, telephone, and drainage facilities and all other utilities required by Legal Requirements or by the normal use and operation of the Property, are all connected pursuant to valid permits, and are and will be adequate to service the Property for general office purposes and to permit full compliance with all Legal Requirements and normal usage of the Property by Tenant;

(e) Landlord has obtained all licenses, permits, easements and rights of way, including proof of dedication, required from all governmental authorities having

jurisdiction over the Property or from private parties for the normal use and operation of the Property and to insure vehicular and pedestrian ingress to and egress from the Property over adjacent public highways, streets and roads and to provide parking as required in this Lease;

(f) There is no litigation pending or threatened against the

Property (or against Landlord, if such litigation against Landlord would materially and adversely affect the Property);

(g) Landlord is a Minnesota corporation, duly organized and validly existing and in good standing under the laws of the State of Minnesota and is in good standing under the laws of the State of Arizona;

(h) The terms of this Lease or the Improvement Agreement do not and will not violate any provisions of any agreement or judicial order to which Landlord is a party or to which Landlord or the Property is subject; and

(i) There are no persons or entities in occupancy or with a possessory right in or to all or any portion of the Property and, to Landlord's actual knowledge without investigation, there are no unrecorded easements or claims of encroachment or prescriptive easements affecting the Property.

Notwithstanding the foregoing representations and warranties, Landlord shall not be deemed to have breached any such representation or warranty solely as a result of conditions of the Property resulting from Tenant's design of the Tenant Improvements. All of the foregoing representations and warranties shall survive termination of this Lease for a period of three years. During the Lease Term Landlord shall be responsible promptly to remedy at its sole cost any violations of any of the foregoing representations and warranties to the extent that Tenant's use or occupancy of the property shall be impaired as determined by Tenant in its sole good faith judgment. In addition, Base Rent and Additional Rent shall be abated during the period between the date of such discovery and the date such violation is fully remedied in proportion to the degree to which Tenant's occupancy or use of the Property is so impaired. Tenant may use the Property for any legal purpose and will not do or permit any act or thing that is contrary to any Legal Requirement or Insurance Requirement, or that may impair the value or utility of the Property or any part thereof, or that constitutes a public or private nuisance or waste of the Property or any part thereof. Notwithstanding the foregoing, if Tenant proposes to change the use of the Property from general office purposes to any other use that would materially increase the use of Hazardous Materials (as defined in Section 19.1 below) upon the Property, Tenant shall not permit such change of use to occur without Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed.

7. Maintenance and Repairs. Except as provided below, Tenant at its expense will keep the Property and the adjoining sidewalks, curbs, landscaping and all means of access to the Property in good and clean order and condition (including painting the exterior of the Building at least one time every four years following the Rental Commencement Date), subject

to ordinary wear and tear, and will promptly, at its own expense, make all necessary or appropriate repairs, replacements and renewals thereof, whether interior or exterior, ordinary or extraordinary, foreseen or unforeseen. All repairs, replacements and renewals shall be at least equal in quality, utility and class to the original condition of the Property. Not less frequently than annually, Tenant shall cause an inspection of the Building Systems to occur and shall cause any customary annual maintenance to be performed to the Building Systems. At Landlord's request, Tenant shall deliver to Landlord reasonable evidence that any such inspection or maintenance has occurred for the most recent annual period. Notwithstanding the foregoing, Landlord, at its expense, shall:

(a) keep and maintain the structural elements of the Building in good order, condition and repair, except to the extent any maintenance or repair thereof is required because of the negligence or willful misconduct of Tenant (and Landlord does not receive insurance proceeds therefor). (As used herein, the term "structural elements of the Building" shall include, without limitation, foundations, footings, floor slabs, walls, structural or exterior roof structure, roofing and roof membrane);

(b) enforce roof guaranties to maintain in good order and repair, including replacing, as necessary, the roofing and roof membrane for a period of ten (10) years commencing on the Commencement Date;

(c) repair any latent defects in the Improvements;

(d) perform any repairs or replacements, as necessary, to remedy any violation of any warranty provided in Section 6 hereof;

(e) perform any capital repairs, capital replacements and capital improvements (as defined by GAAP) required to maintain the Building Systems;

(f) so long as Landlord is also the owner of any land over which any easements appurtenant to the Property are located, maintain such easement areas located on land owned by Landlord in good order, condition and repair; and

(g) so long as Landlord is also the owner of any land adjacent to the Property, maintain such adjacent land owned by Landlord in a safe and presentable condition.

In addition to all of the foregoing, if Tenant is otherwise obligated under this Section 7 to bear the cost of any capital improvement item whose useful life (as determined in accordance with GAAP) exceeds the remainder of the Lease Term (excluding extensions thereof unless Tenant shall have previously exercised its extension option pursuant to Section 36 hereof), then, notwithstanding any other provision of this Lease to the contrary, the cost of such improvement item shall be prorated over its reasonably estimated useful life, and the portion that is attributable to the period of time after expiration of the Lease Term (excluding extensions thereof unless Tenant shall have previously exercised its extension option pursuant to Section

36 hereof) shall be borne by Landlord and paid to Tenant promptly following Tenant's written demand therefor. Prior to incurring any such cost for any capital item, Tenant shall deliver written notice to Landlord that Tenant is considering incurring such capital cost, and Tenant shall consult with Landlord before incurring such cost. The foregoing sentence is a requirement that Tenant consult with Landlord only, and shall not be understood to provide Landlord with any approval right over Tenant's incurring any such capital cost.

Landlord shall assign to Tenant for the term of this Lease the benefit of all assignable warranties available to Landlord which would reduce the cost of performing the obligations of Tenant to make repairs under this Section 7. Landlord shall cooperate with Tenant in the enforcement of such warranties. Notwithstanding any provision hereinabove to the contrary, Tenant shall have the right, with respect to any repair obligations imposed on Landlord, to perform such repair in lieu of Landlord and to be reimbursed by Landlord, upon demand, for the costs of such repair.

8. Alterations and Additions. Tenant at its expense may make alterations of and additions to the Property or any part thereof; provided, however, that any such alteration or addition (a) shall not materially and adversely change the general character of the Improvements located on the Property, or materially reduce the fair market value of any such Improvements immediately before such alteration or addition (assuming the Property was then being maintained in accordance with the terms of this Lease), (b) shall be effected with due diligence, in a good and workmanlike manner and in compliance with all Legal Requirements, Insurance Requirements and the provisions of Section 15 hereof, and (c) (except as may be permitted pursuant to Section 17 hereof) shall be fully paid for by Tenant upon its construction or installation on the Property. All alterations of and additions to the Improvements, other than alterations and additions which Tenant elects to remove at the end of the Term in accordance with its rights below, shall become the property of Landlord upon termination of this Lease and shall remain on and constitute a part of the

Property. Notwithstanding any provision hereinabove to the contrary, Tenant may elect to (but shall not be obligated to) remove any alteration, addition or improvement, other than the Improvements or other improvements paid for by Landlord, at the end of the Lease Term and repair any damage caused by such removal.

9. Tenant's Equipment. All Tenant's Equipment shall remain the property of Tenant at all times during the Lease Term. Tenant will immediately repair at its expense all damage to the Property caused by any removal of any of the same from the Property.

10. Utility Services. Tenant will pay or cause to be paid all charges of any nature for utilities, communications and other similar services used by Tenant at the Property. Landlord shall cause all applicable utilities to be separately metered to the Property. All utilities (including, without limitation, HVAC service) shall be available to Tenant 24 hours per day, 7 days per week, provided that Tenant pays the applicable charges to the applicable public utilities providing such services to maintain such services in place.

11. No Claims Against Landlord. Nothing contained in this Lease shall constitute any consent or request by Landlord or any Mortgagee, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof, nor as giving Tenant any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Landlord or any Mortgagee in respect thereof. The foregoing sentence shall not be understood to refer to statutory, inchoate mechanics' liens, unless the same shall ripen into actual claims of lien, in which event the provisions of Section 17 shall apply.

12. Indemnities. Tenant will (to the full extent permitted by applicable Legal Requirements) protect, indemnify and save harmless Landlord, any beneficiary of Landlord, any officer, director or shareholder of any of the foregoing and Mortgagee of the Property (each an "Indemnified Landlord Party") from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) imposed upon or incurred by or asserted against any Indemnified Landlord Party or against the Property or any interest of such Indemnified Landlord Party therein by reason of the occurrence or existence of any of the following, during the term of this Lease, except to the extent caused by the willful misconduct or negligence of such Indemnified Landlord Party or the failure of any of the same to perform or comply with any term of this Lease: (a) any accident, injury to or death of any person or persons or loss of or damage to property occurring on or about the Property or any part thereof, or any adjoining sidewalks, curbs, streets or ways, (b) Tenant's use of the Property or any part thereof, or of the adjoining sidewalks, curbs, streets or ways, (c) any failure on the part of Tenant to perform or comply with any of the terms of this Lease, (d) any negligent or tortuous act on the part of Tenant or any of its agents, contractors, servants, employees, licensees or invitees, or (e) any negligent or tortious act on the part of any assignee or sublessee of Tenant, or of any agents, contractors, servants, employees, licensees or invitees of any assignee or sublessee of Tenant. Landlord will (to the full extent permitted by applicable Legal Requirements) protect, indemnify and save harmless Tenant, any beneficiary of Tenant, and any of Tenant's Agents, invitees or licensees ("Indemnified Tenant Party") from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) imposed upon or incurred by or asserted against such Indemnified Tenant Party to the extent caused by the willful misconduct or negligence of Landlord or any Indemnified Landlord Party or the failure of any of the same to perform or

comply with any term of this Lease. Any party seeking indemnification in accordance with the foregoing shall be referred to hereinafter as an "Indemnified Party". Any Indemnified Party shall use due diligence to give notice to the other party of the existence of any claim giving rise to the need for such indemnification within thirty (30) Business Days after the date on which such Indemnified Party shall have obtained actual knowledge of such claim (but the failure to provide such notice shall not release any party from its obligations to indemnify hereunder). In case any action, suit or proceeding is brought against any Indemnified Party by reason of any occurrence referred to above, the other party, at its expense, upon the request of such Indemnified Party, will resist and defend such action, suit or proceeding or cause the same to be resisted and

defended by counsel designated by the defending party and reasonably acceptable to such Indemnified Party.

13. Inspection. Landlord and its authorized representatives may enter the Property, subject to Tenant's security requirements, at all reasonable times (provided that no such entry shall be made without forty-eight (48) hours advance written notice or shall unreasonably interfere with the conduct of Tenant's business) for the purpose of (a) inspecting the same, (b) exhibiting the Property for the purpose of sale or mortgage or other financing, (c) at any time within six (6) months prior to the expiration of the term of this Lease, exhibiting the Property for the purpose of leasing same, and (d) at any time after Tenant shall have abandoned the Property and there shall be an Event of Default in respect of Tenant's rental obligations hereunder, displaying thereon advertisements for sale or letting. Landlord shall not have any duty to make any such inspection and shall not incur any liability or obligation for not making any such inspection. No such entry shall constitute an eviction of Tenant.

14. Payment of Taxes. Subject to the provisions of Section 17 hereof, Tenant will pay, prior to the date when the same would otherwise become delinquent, all taxes (including, without limitation, real estate taxes, personal or other property taxes and all sales, value added, gross receipts, excise, use and similar taxes payable by Landlord to any governmental authority, but only to the extent arising out of the fact that Landlord owns the Property and the Property is subject to this Lease (without any effect on the calculation of any such amount based upon any other real property that Landlord may own or any other revenues that Landlord may receive), assessments (including, without limitation, all assessments for public improvements or benefits, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the term hereof) installments of which are payable with respect to time periods during the Lease Term and subsequent to the Rental Commencement Date, water, sewer or other rents, rates and charges, review, license fees, permit fees, or any future inspection fees and other authorization fees which may be created or imposed and other charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character that may be assessed, levied, confirmed or imposed on or in respect of the Property or any rent therefrom with respect to the period of time during the Lease Term, and subsequent to the Rental Commencement Date (all of the foregoing being hereinafter collectively referred to as "Taxes"). Notwithstanding the foregoing or any other provision of this Lease, Tenant shall not be required to pay any income, profits or revenue tax upon the net income of Landlord, nor any franchise, excise, corporate, estate, inheritance, succession, capital levy or transfer tax of Landlord, nor any interest, additions to tax or penalties in respect thereof, unless such tax is imposed, levied or assessed in substitution for any Taxes that Tenant is required to pay pursuant to this Section 14. Tenant will furnish to Landlord, upon request, official receipts or other proof reasonably satisfactory to Landlord evidencing payment of any Taxes in accordance with the requirements of this Section 14. Landlord agrees not to consent to the imposition of any future special assessment without obtaining Tenant's consent thereto.

15. Compliance with Legal and Insurance Requirements. Subject to the terms of the Improvement Agreement and the provisions of Sections 6, 7, 16 and 17 hereof, Tenant

at its expense will promptly (a) comply with all Legal Requirements and Insurance Requirements arising from Tenant's use and occupancy of the Property on or after the Commencement Date, and (b) procure, maintain and comply with all permits, licenses and other authorizations required for the use to which the Property will be put by Tenant on or after the Commencement Date. Notwithstanding the foregoing to the contrary, Landlord shall be required to bear, and to pay to Tenant promptly following written demand therefor, that portion of the cost of any capital improvements which must be made by Tenant to the Property under the provisions of this Section 15 as follows, if such capital improvement item shall not be necessary solely as a result of Tenant's particular use (other than general office use) of the Property. The cost of any such improvement item shall be prorated over its reasonably estimated useful life, and the portion that is attributable to the period of time after expiration of the Lease Term (excluding extensions thereof unless Tenant shall have previously exercised its extension option pursuant to Section 36 hereof) shall be borne by Landlord and paid to Tenant promptly following Tenant's written demand therefor. Prior to incurring any such cost for any capital item, Tenant shall deliver written notice to Landlord that Tenant is considering incurring such capital cost, and Tenant shall consult with Landlord before incurring such cost. The foregoing sentence is a requirement that Tenant consult with Landlord only, and shall not be understood to provide Landlord with any approval right over Tenant's incurring any such capital cost.

16. Mechanic's Liens. Tenant shall indemnify Landlord with respect to any liens or encumbrances created by reason of any labor or services performed for materials used by or furnished to Tenant, or any assignee or sublessee of Tenant, or any contractor employed by Tenant, or any assignee or sublessee of Tenant, with respect to the Property or any part thereof. If any lien arising out of any work performed, materials furnished or obligations incurred by Tenant (or any such other party) is filed against the Property, within thirty (30) days following the notice to Tenant of the same Tenant shall cause such lien to be discharged of record or, if Tenant desires to contest the lien, Tenant shall post security in an amount sufficient to ensure release of the lien if a final nonappealable judgment establishing the validity of the lien is entered at a later date.

17. Permitted Contests. Tenant at its expense may contest by appropriate legal proceedings conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Taxes or lien therefor or any Legal Requirement or Insurance Requirement or the application of any instrument of record affecting the Property or any part thereof, provided that Tenant shall first have either (i) paid the disputed amount under protest, or (ii) furnished to Landlord such security as Landlord may deem reasonably necessary to insure the ultimate payment of the contested amount and to prevent the forfeiture of the Property or any sums payable to Landlord or any Mortgagee hereunder, or the accrual of penalties and interest to the extent not paid directly by Tenant. Tenant shall give prompt written notice to Landlord of the commencement of any contest referred to in the preceding sentence, providing a reasonably detailed description thereof, and Landlord shall, at Tenant's expense, cooperate with Tenant with respect to any such contest. Subject to the last sentence of this Section 17, Tenant shall indemnify and save Landlord and any Mortgagee harmless from and against any and all losses, judgments, decrees and costs (including, without limitation,

reasonable attorneys' fees and expenses) incurred in connection therewith.

Tenant agrees that it will, promptly after final determination of each such contest, fully. pay and discharge the amounts which shall finally be levied, assessed, charged or imposed or determined to be payable, together with all penalties, fines, interest, costs and expenses incurred in connection therewith, and perform all acts the performance of which shall be finally ordered or decreed as a result thereof. Nothing in this Section 17 shall be interpreted to require Tenant to contest or protest any matters. In addition, notwithstanding the foregoing to the contrary, Tenant shall not be obligated to pay any judgment with respect to any matter for which Landlord would otherwise be liable under this Lease without such contest or protest.

18. Insurance.

18.1 Risks to be Insured. Tenant, at its expense, will maintain with insurers authorized to issue insurance in the State of Arizona and having an A.M. Best rating of "B+" or better or otherwise approved by Landlord and any Mortgagee (a) insurance with respect to the Improvements against loss or damage by fire, lightning and other risks from time to time included under "all-risk" policies and against loss or damage by sprinkler leakage, water damage, collapse, vandalism and malicious mischief and in an amount equal to 100% of the actual replacement cost of the Improvements (initially determined as of the date on which such insurance is originally issued, and subsequently re-determined on the basis on an annual review of the actual replacement cost of the Improvement) (such insurance shall also include at least nine (9) months rental loss coverage), (b) comprehensive general liability insurance against claims arising out of or connected with the possession, use, leasing, operation or occupancy of the Property in with a combined single limit coverage of not less than $5,000,000 for any single injury to a person and $10,000,000 for all claims with respect to property damage and personal injury and death with respect to any one occurrence, provided that Landlord shall have the right to require Tenant to increase the amount of coverage of such liability insurance to the amount reasonably necessary to bring such coverage into conformity with the level of coverage commonly carried by similar properties in Scottsdale, which right Landlord may exercise no more frequently than once every five (5) years, (c) explosion insurance in respect of any steam and pressure boilers and similar apparatus located on the Property in amounts not less than those required by subdivision (b) above, and (d) in the event that the Property shall at any time be used as anything other than for general office purposes, such other insurance against such risks and in such amounts as Landlord shall reasonably request. Notwithstanding the foregoing to the contrary, Tenant may self-insure with respect to workers' compensation insurance to the extent permitted by the State of Arizona, and any or all insurance required under this Section 18.1 may be effected under one or more blanket policy or policies covering the Property and other property and assets not constituting part of the Property, provided, however, that any such blanket policy or policies shall specify the portion of the total coverage of such policy or policies that is allocated to the Property and shall, in all other respects, comply with the requirements of this Section 18.

18.2 Policy Provisions. All insurance maintained by Tenant pursuant to Section 18.1 hereof shall (a) name Landlord, Tenant and any Mortgagee as insured parties,

(b) provide that all insurance proceeds for losses of less than $300,000 shall (except in the case of comprehensive general liability insurance and workers' compensation insurance) be adjusted by and be payable to Tenant to be used by Tenant, to the extent necessary, for Restoration, (c) provide that all insurance proceeds for losses of $300,000 or more shall (except in the case of comprehensive general liability insurance and workers' compensation insurance) be adjusted by Landlord and Tenant jointly and shall be payable to any Mortgagee by means of a standard mortgagee loss payable endorsement if so required by such Mortgagee (or to Landlord, if there is no Mortgagee), to be held in trust

pursuant to the terms of this Lease, and (d) provide that if all or any part of such policy is canceled, terminated or expires, the insurer will forthwith give notice thereof to each named insured party and loss payee and that no cancellation, reduction in amount or material reduction in coverage thereof shall be effective until at least 30 days after delivery to each named insured party and loss payee of written notice thereof.

18.3 Delivery of Policies; Insurance Certificates. Tenant will deliver to Landlord and any Mortgagee certified copies of the originals of all insurance policies or certificates thereof, and any amendments or supplements thereto, with respect to the Property that Tenant is required to maintain pursuant to this Section 18, together with evidence as to the payment of all premiums then due thereon, and not later than 10 days prior to the expiration of any policy, a certificate of the insurer evidencing the replacement or renewal thereof.

18.4 Mutual Waiver of Insurable Claims. Notwithstanding anything contained herein to the contrary, Tenant and Landlord hereby mutually release each other and each other's agents and employees from any liability for loss or damage by fire or other casualty coverable by the types of insurance required to be maintained under this Lease or otherwise in force at the time of such loss or damage, whether or not the loss or damage resulted from negligence.

19. Hazardous Materials.

19.1 Definitions. As used herein, the term "Hazardous Materials" shall mean any substance: (i) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action, policy or common law; (ii) which is or becomes defined as a "hazardous waste," "hazardous substance," pollutant or contaminant under any federal, state or local statute, regulation, rule or ordinance or amendments thereto including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.) and/or the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.); (iii) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, department, commission, board, agency or instrumentality of the United States, the State of Arizona or any political subdivision thereof; (iv) the presence of which on the Property poses or threatens to pose a known material risk to the health or safety of persons on or about the Property; (v) without limitation which contains gasoline, diesel fuel or other petroleum hydrocarbons; (vi) without limitation which

contains polychlorinated biphenyls (PCBs), asbestos or urea formaldehyde foam insulation; or (vii) without limitation radon gas.

19.2 Warranties and Obligations. Landlord hereby warrants that neither Landlord, nor, to Landlord's actual knowledge without investigation, any third party, has used, manufactured, generated, treated, stored, disposed of, or released any Hazardous Material on, under or about the Property or real estate in the vicinity of the Property or transported any Hazardous Material over the Property and that neither Landlord nor, to Landlord's actual knowledge without investigation, any third party has installed, used or removed any storage tank on, from or in connection with the Property, and to Landlord's actual knowledge without investigation, there are no storage tanks or wells (whether exiting or abandoned) located on, under or about the Property and that no Hazardous Materials have been incorporated into the construction of the Improvements. Landlord, at its sole cost, shall comply with all Legal Requirements which impose liability or responsibility upon either Landlord or Tenant to

investigate, remediate or otherwise take any action with respect to any Hazardous Materials existing in, or under or about the Property as of the date of delivery of possession to Tenant. Landlord shall defend, protect, hold harmless and indemnify Tenant and Tenant's Agents with respect to all actions or claims by federal, state, and local governmental agencies or by other third parties for fines, penalties, fees (including, but not limited to, reasonable attorneys' and consultants' fees), costs, damages, liabilities, losses, remediation costs, investigation costs, response costs and other expenses arising out of, resulting from, or caused by a condition which is a violation of any of the foregoing warranties or Landlord's failure to perform the foregoing obligations in this Section 19.2 or the introduction onto the Property by Landlord or Landlord's Agents of any Hazardous Materials. In addition to the foregoing remedies, if, under applicable Legal Requirements, Tenant is prevented from occupying or using all or any portion of the Improvements due to the subsequently found presence or removal of any Hazardous Materials on or from the Improvements, Basic Rent and Additional Rent shall be abated during the period between the date of such discovery and the date such discovered Hazardous Materials are fully removed from the Improvements in proportion to the degree to which Tenant's occupancy or use of the Property is so prevented by such presence or removal or such Hazardous Materials. Tenant shall not release or authorize any other party to release any Hazardous Materials upon, above or beneath the Property for any purpose, except for customary quantities of office and janitorial supplies used for customary purposes which may, technically, fall within the definition of Hazardous Materials. Tenant, at its sole cost, shall comply with all Legal Requirements which impose liability or responsibility upon either Landlord or Tenant to investigate, remediate or otherwise take any action with respect to any Hazardous Materials that Tenant, or any other party acting at Tenant's direction, or any assignee or sublessee of Tenant, causes to be released upon the Property in violation of applicable Legal Requirements pertaining to Hazardous Materials or which requires remediation under applicable Legal Requirements. Tenant shall defend, protect, hold harmless and indemnify Landlord and Landlord's Agents with respect to all actions or claims by federal, state, and local governmental agencies or by other third parties for fines, penalties, fees (including, but not limited to, reasonable attorneys' and consultants' fees), costs, damages, liabilities, losses, remediation costs, investigation costs, response costs

and other expenses arising out of, resulting from, or caused by the introduction of any Hazardous Materials onto the Property by Tenant or Tenant's Agents.

19.3 Provisions Survive Termination. The provisions of this Section 19 shall survive the expiration or termination of this Lease or Tenant's non-occupancy of the Property notwithstanding the continuation of this Lease.

19.4 Controlling Provisions. The provisions of this Section 19 are intended to govern the rights and liabilities of Landlord and Tenant with respect to Hazardous Materials to the exclusion of any other provision in this Lease that might otherwise be deemed applicable. The provisions of this Section 19 shall be controlling with respect to any provisions in this Lease that are inconsistent with this Section 19.

20. Damage to or Destruction of Property.

20.1 Tenant to Give Notice. In case of any damage to or destruction of the Improvements located on the Property (or any part of such Improvements), the Restoration of which is reasonably estimated to cost more than $10,000.00, Tenant will promptly give notice thereof to Landlord, generally describing the nature and extent of such damage or destruction and setting forth Tenant's best estimate of the cost of Restoration.

20.2 Restoration. Except as provided below, in case of any

damage to or destruction of the Improvements located on the Property, Landlord, whether or not the insurance proceeds, if any, on account of such damage or destruction shall be sufficient for the purpose (but provided that Tenant in fact carries the policy or policies of insurance required to be carried by Tenant under the provisions of Section 18.1(a) of this Lease and makes any proceeds thereof available to Landlord for the purpose of such Restoration), will promptly commence and diligently prosecute to completion Restoration of such Improvements.

20.3 Total Destruction. In case of (a) the destruction during the last year of the Lease Term of all of the Improvements located on the Property, or (b) the destruction during the last year of the Lease Term, if the cost of Restoration exceeds seventy percent (70%) of the then actual replacement cost of the Improvements (any such destruction being hereinafter referred to as a "Total Destruction"), Landlord may, by notice to Tenant given within 60 days after the date of such destruction, terminate this Lease, provided any such termination by Landlord shall be effective only if Landlord does not within the two hundred forty (240) day period following such date of damage or destruction enter into any discussions or negotiations with respect to any rebuilding on the Parcels or with any prospective tenants on the Parcels, and further provided that Landlord may not terminate this Lease pursuant to this Section 20.3 if Tenant, at the time of such damage, has an express written option to further extend the term of this Lease and Tenant exercises such option to so further extend the Lease Term within thirty (30) days following the date of Landlord's termination notice.

20.4 Tenant's Right to Terminate. If the Improvements are damaged by any peril and Landlord elects not to terminate this Lease pursuant to Section 20.3, then as soon as reasonably practicable, Landlord shall furnish Tenant with the written opinion of Landlord's architect or construction consultant as to when the Restoration work required of Landlord may be completed. Tenant shall have the option to terminate this Lease in the event any of the following occurs, which option. may be exercised only by delivery to Landlord of a written notice of election to terminate within thirty (30) days after Tenant receives from or delivers to Landlord, as applicable, the estimate of the time needed to complete such Restoration with respect to (a) and (b) below, or within ten (10) days after expiration of the applicable time period with respect to (c) and (d) below:

(a) The Improvements are damaged by any peril and the Restoration of the Improvements reasonably cannot be substantially completed within one hundred eighty (180) days after the date of damage or destruction.

(b) The Improvements are damaged by any peril within two (2) years of the last day of the Lease Term and the Restoration of the Improvements reasonably cannot be substantially completed within ninety (90) days after the date of such damage.

(c) If the Restoration of the Improvements is not substantially completed within two hundred forty (240) days after the date of the damage or destruction.

(d) If Landlord does not commence Restoration of the Improvements within thirty (30) days following the receipt of insurance proceeds.

20.5 Abatement of Rent. In the event of damage to the Property, the Basic Rent and Additional Rent shall be temporarily abated during the period between the date of damage and the date of Restoration of the Improvements in proportion to the degree to which Tenant's use of the Property is impaired by such damage.

20.6 Application of Insurance Proceeds. Tenant hereby irrevocably assigns to Landlord any insurance proceeds to which Tenant may become entitled by reason of Tenant's interest in the Improvements if the Improvements or any part thereof is damaged or destroyed by fire or other casualty. Any insurance payment of more than $300,000 shall be paid to and held in trust in an interest bearing account and disbursed to pay the-costs of Restoration in accordance with customary procedures by Mortgagee or, if there is no Mortgagee or if Mortgagee does not require that it hold such compensation, by Landlord (to be held in trust pursuant to the terms of this Lease); provided, however, that any such insurance proceeds which is not in excess of $300,000 shall be paid directly to Tenant (if no Event of Default then exists hereunder) and shall be expended by Tenant in connection with the Restoration of the Property (with the balance of such proceeds, if any, being retained by Tenant upon the completion of such Restoration).

20.7 Waiver of Statutory Provisions. Landlord and Tenant hereby waive any statutory provisions pertaining to rights of rental abatement or lease termination in the event of damage or destruction of real property subject to a lease, to the extent that any such provisions are contrary to those contained in this Section 20, and Landlord and Tenant agree that the provisions of this Section 20 shall control in the event of any such damage or destruction on or to any portion of the Property.

21. Taking of Property.

21.1 Tenant to Give Notice. In case of a Taking, or the commencement of any proceedings or negotiations that might result in a Taking, in respect of which the Restoration of the Property is reasonably estimated to cost more than $10,000, Tenant will promptly give notice thereof to Landlord, generally describing the nature and extent of such Taking or the nature of such proceedings or negotiations and the nature and extent of the Taking that might result therefrom.

21.2 Partial Taking. In the case of a Taking other than a Total Taking, (a) this Lease shall remain in effect only as to the portion of the Property remaining immediately after such Taking, (b) from and after the Date of Taking, Basic Rent, Additional Rent and any other sum payable under this Lease shall be reduced in proportion to the degree to which Tenant's use of the Property is impaired by such Partial Taking, and (c) Tenant shall receive from the Award the portions of the Award attributable to Tenant's Equipment and the unamortized value of all alterations, additions or improvements to the Property paid for by Tenant (other than from the Improvement Allowance, as defined in the Improvement Agreement) and located in the part of the Property taken by the Partial Taking (but not any amount attributable to the value of Tenant's leasehold estate) and Landlord shall receive from the Award those portions thereof applicable to the Parcels and the unamortized value of the Improvements and other improvements paid for by Landlord (including, without limitation, from the Improvement Allowance) (with all such unamortized values to be determined based on the useful life of the particular improvement), and (d) Landlord, whether or not the Awards shall be sufficient for the purpose, at its expense will promptly commence and diligently prosecute to completion Restoration of the Property (including, without limitation, restoration of the Improvements to an architecturally whole unit, to the extent practicable), except for any reduction in area of the Property caused by such Taking; provided, however, that in case of Taking for temporary use ("temporary use" being defined for all purposes herein as any taking for less than nine consecutive months) Landlord shall not be required to effect any Restoration until such Taking is terminated.

21.3 Total Taking. In case of the Taking during the Lease

Term of the Property in its entirety (or all of the Improvements located thereon) or the Taking during the Lease Term (other than for temporary use) of such a substantial part of the Property (or the Improvements located thereon) that, in the sole good faith judgment of Tenant, either (a) the portion of the Property (or the Improvements located thereon) remaining after such Taking is (and after Restoration would be) unsuitable for use by Tenant in the operation of its business,

or (b) Restoration of the Property (or the Improvements located thereon) is not economically feasible (any such Taking being hereinafter referred to as a "Total Taking"), this Lease shall terminate as of the date of such Total Taking and Tenant shall receive from the Award those portions of the Award attributable to Tenant's Equipment, the unamortized value of all alterations, additions or improvements to the Property paid for by Tenant (other than from the Improvement Allowance), loss of Tenant's good will and moving expenses of Tenant (but not any amount attributable to the value of Tenant's leasehold estate) and Landlord shall receive from the Award those portions thereof applicable to the Parcels and the unamortized value of the Improvements and other improvements paid for by Landlord (including, without limitation, from the Improvement Allowance) (with such all unamortized values to be determined based on the useful life of the particular improvement).

21.4 Application of Awards. The parties agree that in the event of a Taking, all rights between them in and to an Award shall be as set forth herein. Each party agrees that each shall make separate claims for an Award from the condemning Person.

22. Estoppel Certificates.

22.1 Estoppel Certificate of Tenant. Tenant will deliver to Landlord within fifteen (15) business days following Landlord's written request therefor (but in no event more often than three times in any twelve-month period) (a) an Estoppel Certificate of Tenant stating (i) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the modifications), (ii) the date to which the Basic Rent has been paid and that all Additional Rent payable on or before the date of such Estoppel Certificate has been paid, or if any Additional Rent has not been paid, specifying the nature of such non-payment, and (iii) that no Event of Default exists hereunder, or, if any such Event of Default exists, specifying the nature and period of existence thereof and what action Tenant is taking or has taken with respect thereto, and (b) such information with respect to the Lease as from time to time may reasonably be requested.

22.2 Estoppel Certificate of Landlord. Within fifteen (15) days following Tenant's written request therefor, but in no event more often than three times in any twelve-month period (which request shall (i) state that it is made pursuant to this Section 22.2 and, if applicable, that Tenant proposes, pursuant to Section 24.1 hereof, to assign its interest in this Lease or sublet a portion of the Property to a Person identified in such request, and (ii) be accompanied by a copy of this Lease and each modification hereof or amendment hereto, if any, to and including the date of such request) Landlord will deliver to Tenant an Estoppel Certificate of Landlord stating (a) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the modifications), (b) the date to which Basic Rent and Additional Rent have been paid hereunder and (c) whether or not an Event of Default exists hereunder and, if an Event of Default exists, specifying the nature and period of existence thereof, it being agreed that (and any such Estoppel Certificate shall state that) no rights or remedies of Landlord hereunder or

otherwise resulting from any condition, event or circumstance that would, with the giving of notice and/or the passing of time, result in an Event of Default hereunder shall be waived, impaired or diminished in any respect by reason of any such Estoppel Certificate or any statement made therein. No failure of Landlord to deliver any such Estoppel Certificate shall release, discharge or otherwise affect any of Tenant's or Landlord's rights or obligations hereunder.

22.3 Financial Statements. The provisions of this Section 22.3 shall not apply at any time that Tenant hereunder is a company subject to reporting requirements under the Securities Exchange Act of 1934, as amended. If any potential purchaser of the Property, Mortgagee or purchaser of an interest in Landlord, as part of its good faith diligence review of the Property, desires to review any financial statements of Tenant, Landlord shall so notify Tenant in writing. Such writing shall include a written undertaking from such potential purchaser or Mortgagee to keep such financial statements and the information contained therein in confidence, and to return such financial statements, and all copies of such statements and any information extracted therefrom, to Tenant promptly following such party's analysis thereof. Within fifteen (15) days following Tenant's receipt of such written request from Landlord and such written undertaking signed by the party to whom such financial statements would be delivered, Tenant shall deliver directly to such potential purchaser or Mortgagee its most recently prepared balance sheet and income statement, if any exists. Tenant shall have no obligation to prepare any balance sheet or financial statement in response to any such request.

23. Right of Landlord to Perform Tenant's Covenants, etc. If Tenant shall fail to make any payment or perform any act required to be made or performed by it hereunder, Landlord, upon thirty (30) days prior written notice (unless a longer period is reasonably required by Tenant to perform the act in question, in which event Tenant shall be permitted such longer period of time to perform such act, so long as Tenant commences to perform such act within such thirty-day period and thereafter diligently prosecutes the same to completion) to Tenant (except in cases of emergency that threaten bodily injury or material property damage), but without waiving or releasing any obligation or default, may make such payment or perform such act for the account and at the expense of Tenant, and may enter upon the Property or any part thereof for such purpose and take all such action thereon as, in the reasonable opinion of Landlord, may be necessary or appropriate therefor. No such entry shall constitute an eviction of Tenant. All reasonable payments so made by Landlord and all reasonable costs and expenses (including, without limitation, attorneys' fees and expenses) incurred in connection therewith or in connection with the performance by Landlord of any such act shall constitute Additional Rent hereunder.

24. Assignments, Subleases, Mortgages.

24.1 Assignments and Subleases by Tenant. If no Event of Default shall have occurred and be continuing, Tenant may, after obtaining the prior written consent of Landlord, not to be unreasonably withheld or delayed, at any time and from time to time sublet the Property or any part thereof, and may assign its interest in this Lease; provided however, that Tenant may, without Landlord's prior written consent, assign its interest in the Lease or sublet the Property or a portion thereof to (i) a related entity parent company, subsidiary, affiliate, division or corporation controlled by or under common control with Tenant; (ii) a successor corporation related to Tenant by merger, consolidation, non-bankruptcy reorganization or government action; or (iii) a purchaser of substantially all of the Tenant's assets; and further provided, however, that (a) Tenant shall, in all cases, deliver to Landlord a fully

executed counterpart of each such sublease or assignment promptly after execution thereof, and (b) no assignment, whether by operation of law, consolidation, merger, a sale of stock or otherwise, shall be effective prior to the execution by the assignee and delivery to Landlord of an instrument, reasonably satisfactory in form and substance to Landlord, assuming all of the obligations of Tenant under this Lease. No assignment or sublease made as permitted by this Section 24.1 shall affect or reduce any obligations of Tenant or any rights of Landlord hereunder, and all obligations of the Tenant originally named hereunder shall continue in full force and effect as the obligations of a principal and not of a guarantor or surety, to the same extent as though no assignment or subletting had been made.

24.2 Assignments and Mortgages by Landlord. The interest of Landlord in this Lease and in and to the Property or any part thereof may, at any time and from time to time, be sold, conveyed, assigned or otherwise transferred, without the prior written consent of Tenant, and upon any sale or conveyance of the Property as an entirety or any assignment or other transfer (other than for the purpose of securing indebtedness) by any party lessor of its interest in this Lease and in and to the Property, such party lessor shall be completely relieved of and from any and all obligations not theretofore accrued under this Lease or otherwise with respect to the Property, and such party lessor shall have no further obligations whatsoever to any party lessee, provided that any funds in the hands of Landlord or the then grantor at the time of such transfer that were deposited by Tenant, and in which Tenant has an interest, shall be turned over to the grantee and Tenant receives a copy of a written assumption agreement whereby the transferee assumes the obligations of Landlord under this Lease to be performed after the date of such transfer or conveyance, except to the extent that any such obligation accrued prior to the date of such sale, conveyance, assignment or transfer, and Tenant shall thereupon look only to the then owner of Landlord's estate in the Property for the performance of any obligations of Landlord hereunder. Landlord may also from time to time mortgage or assign, by way of pledge or otherwise, any or all of the rights, in whole or in part, of Landlord under this Lease to any Person as security for the indebtedness or other obligations of Landlord. From and after any such mortgage or assignment and to the extent provided in the instrument effecting such mortgage or assignment, (a) such Mortgagee may enforce any and all of the terms of this Lease to the extent so assigned as though such Mortgagee had been a party hereto, (b) no action or failure to act on the part of Landlord shall adversely affect or limit any rights of such

Mortgagee provided that, (c) no such assignment shall constitute an assumption of any such obligations on the part of such Mortgagee, and (d) a copy of all notices, demands, consents, approvals and other instruments given by Tenant hereunder shall also be delivered to such Mortgagee, if such Mortgagee shall have provided Tenant with written notice of its address for such purposes. Notwithstanding the foregoing provisions in this Section 24, the parties agree that the foregoing provisions shall not be interpreted to limit any of Tenant's rights otherwise available under this Lease, including any offset rights or termination rights that are expressly provided under the terms of this Lease.

25. Events of Default; Termination. If any one or more of the following events ("Events of Default") shall occur (whatever the reason therefor, and whether voluntary or involuntary or by operation of law or pursuant to or in compliance with any judgment, decree or order of any court of any rule or regulation of any administrative or governmental body):

(a) if Tenant shall fail to pay any installment of Basic Rent or Additional Rent, or other sum required to be paid by Tenant hereunder on the date the same becomes due and payable and such failure continues for more than five (5) Business Days after written notice thereof is given to Tenant; or

(b) if Tenant shall fail to perform or comply with any term of this Lease (other than those referred to in clause (a) above) or any term of any

instrument related hereto pursuant to which Tenant undertakes obligations or makes agreements for the benefit of Landlord or any Mortgagee and, in any such case, such failure shall continue for more than 30 days after Tenant receives written notice from Landlord; provided, however, that in the case of any such failure that is susceptible of being cured but that cannot with diligence be cured within such 30-day period, if Tenant shall promptly commence to cure the same and shall thereafter prosecute the curing thereof with diligence, the period within which such failure may be cured shall be extended for such further period as shall be necessary for the curing thereof with diligence; or

(c) if Tenant shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall take any corporate action to authorize any of the foregoing; or

(d) if an involuntary case or other proceeding shall be commenced against Tenant seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain

undischarged and unstayed for a period of 90 days, or if an order for relief shall be entered against Tenant under the federal bankruptcy laws as now or hereafter in effect which is not fully stayed within seven (7) business days after the entry thereof;

then, and in any such event, Landlord may at any time thereafter, during the continuance of any such Event of Default, give a written termination notice to Tenant specifying a date (not less than five days from the date on which such notice is given) on which this Lease shall terminate, and, on such date, the term of this Lease shall terminate and all rights of Tenant under this lease shall cease. All reasonable costs and expenses incurred by or on behalf of Landlord (including, without limitation, reasonable attorneys' fees and expenses) occasioned by and following any Event of Default by Tenant under this Lease shall constitute Additional Rent hereunder.

26. Remedies. Upon the occurrence of an Event of Default, prior to the cure thereof, Landlord shall have the following remedies, to which Landlord may resort in the alternative:

(i) Landlord may continue this Lease in full force and effect, and this Lease shall continue in full force and effect as long as Landlord does not terminate this Lease, and Landlord shall have the right to collect Basic Rent and Additional Rent when due. During the continuation of such Event of Default, Landlord may enter the Property and relet it, or any part of it, to third parties for Tenant's account, to be set off against amounts owing from Tenant to Landlord hereunder, with any surplus to be delivered to Tenant at the end of the Lease Term. Tenant shall be liable to Landlord for all costs Landlord incurs in reletting the Property or any part thereof, including, without limitation, reasonable broker's commissions, expenses of cleaning and redecorating the Property required by the reletting and like costs. No act by Landlord other than giving written notice to Tenant shall terminate this Lease.

(ii) Landlord may by written notice terminate Tenant's right to possession of the Property at any time and relet the Property or any part thereof Acts of maintenance, efforts to relet the Property or the

appointment of a receiver on Landlord's initiative to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession. On termination, Landlord has the right to remove all of Tenant's personal property and store same at Tenant's cost and to recover from Tenant:

(a) the worth at the time of award of the unpaid Basic Rent and Additional Rent which had been earned at the time of termination including interest at the Interest Rate;

(b) the worth at the time of award of the amount by which the unpaid Basic Rent and Additional Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided, including interest at the Interest Rate;

(c) the worth at the time of award of the amount by which unpaid Basic Rent and Additional Rent for the balance of the term after the time of award exceeds the amount of such rental loss for the same period that Tenant proves could be reasonably avoided, discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%);

(d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and

(e) as used in subparagraphs (a) through (c) above, the term "time of award" shall mean the date of entry of a judgment or award against Tenant in an action or proceeding arising out of Tenant's Event of Default.

Tenant waives redemption or relief from forfeiture under any other present or future law, in the event Tenant is evicted or Landlord takes possession of the Property by reason of any Event of Default of Tenant hereunder.

27. [INTENTIONALLY OMITTED]

28. No Waiver. No failure by Landlord or Tenant to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial rent during the continuance of any such breach, shall constitute a waiver of any such breach or of any such term. No waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect, or the rights of Landlord or Tenant with respect to any other then existing or subsequent breach. No foreclosure, sale or other proceedings under any mortgage or other security arrangement with respect to the Property shall discharge or otherwise affect the obligations of Tenant hereunder.

29. Remedies Cumulative. Each right, power and remedy of Landlord or Tenant provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or attempted exercise by Landlord or Tenant of any one or more of the rights, powers or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Landlord or Tenant of any or all such other rights, powers or remedies.

30. [INTENTIONALLY OMITTED]

31. Surrender. Upon the expiration or earlier termination of this Lease, Tenant, at its expense, shall quit and surrender to Landlord the Property in good order and condition, ordinary wear and tear, damage by casualty and repair and maintenance obligations for which Landlord is responsible under this Lease excepted and, if requested by Landlord, shall

remove therefrom, at Tenant's expense, all of Tenant's Equipment which is not affixed to the Property and shall repair, at Tenant's expense, all damage caused by such removal.

32. Notices. All notices, offers, acceptances, rejections, consents and other communications hereunder shall be in writing and shall be sent by certified mail, postage prepaid, return receipt requested, or by a nationally recognized overnight courier service, or by telecopy with an original by regular mail:

If to Landlord:

c/o Ryan Companies US, Inc.
700 International Centre
900 Second Avenue South
Minneapolis, Minnesota 55402-3387
Attn: Mr. John P. Kelly, Jr.

with a copy to:

Ryan Companies US, Inc.
3200 East Camelback Road, Suite 250
Phoenix, Arizona 85016-2319
Attn: Mr. John Strittmatter

or at such other address as Landlord shall have furnished to Tenant in writing; and

If to Tenant:

The Dial Corporation
1850 North Central Avenue
Phoenix, Arizona 85004-4525
Attn: Vice President of Real Estate

or at such other address as Tenant shall have furnished to Landlord in writing.

Any notice given by certified mail shall be deemed to have been given when seventy-two (72) hours have elapsed from the time such notice was deposited in the United States mails, certified and postage prepaid, return receipt requested, addressed to the party to be served at the last address given by that party to the other party under the provisions of this Section 32. Any notice given by means other than certified mail shall be deemed to have been given to the party to be served when delivered to the last address given by that party to the other party under the provisions of this Section 32.

33. Short Form or Memorandum. Promptly following the execution of this Lease, Landlord and Tenant shall execute, acknowledge and deliver a short form or

memorandum of this Lease, including the extension options provided in Section 36 of this Lease and the right of first offer provided in Section 38 of this Lease, satisfactory in form and substance to Landlord and Tenant, for recording in the property records of Maricopa County, Arizona and to enable Tenant to acquire a

leasehold policy of title insurance issued by a title company of its choosing and in a form acceptable to Tenant in its sole discretion. Promptly following the expiration of the Lease Term, or any other termination of this Lease for any reason, Tenant shall deliver to Landlord a quitclaim deed or other appropriate title-clearing instrument in recordable form pertaining to the Property, in a form acceptable to Landlord in its sole discretion for the purpose of removing the memorandum of this Lease as a recorded exception against the Property.

34. Quiet Enjoyment. So long as Tenant shall pay the Basic Rent and Additional Rent and any other sums payable hereunder as the same become due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder, Tenant (and any subtenant of Tenant permitted pursuant to the terms of this Lease) shall peaceably and quietly have, hold and enjoy the Property for the term hereof, subject, however, to all the terms of this Lease. Notwithstanding anything contained in this Lease to the contrary, it is specifically understood and agreed that neither Landlord nor any beneficiary of Landlord, nor any officer, director or shareholder of any of the foregoing, or any Mortgagee, shall have any personal liability in respect of any of the terms, covenants, conditions or provisions of this Lease. Nothing contained in this Section 34 shall prohibit Landlord, or any Mortgagee, or their respective authorized representatives, from entering the Property at reasonable times to inspect the same in accordance with the provisions of Section 13 hereof.

35. Miscellaneous. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable provision of any Legal Requirement, and are intended to be limited to the extent necessary so that they will not render this Lease invalid, illegal or unenforceable under the provisions of any applicable Legal Requirement. If any term of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term shall not be affected thereby. This Lease may be changed, waived, discharged or terminated only by an instrument in writing, signed by each of the parties hereto. Subject to Section 24 hereof, this Lease shall be binding upon and inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto. This Lease shall be construed and enforced in accordance with and governed by the laws of the State of Arizona. The headings in this lease are for the purposes of reference only and shall not limit or otherwise affect the meaning hereof. This Lease may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

36. Option to Extend.

36.1 Exercise of Option. Provided that no uncured Event of Default shall exist under this Lease at the time of exercise of the hereinafter described options, Tenant shall have two (2) options to extend the term of this Lease, each for a period of five (5) years

("Option Term(s)"). Said options shall be exercised only by written notice delivered to Landlord not later than six (6) months prior to the expiration date of the then existing term of this Lease. In all respects, the terms, covenants and conditions of this Lease shall remain unchanged during each of the Option Terms, except that the Basic Rent payable during each Option Term shall be revised in accordance with Section 36.2 below, and except that there shall be no further option to extend the term of this Lease at the end of the second Option Term.

36.2 Option Term Rent. The Basic Rent payable during each of the Option Terms shall be ninety-five percent (95%) of the Fair Market Rent as defined in Section 36.3 below for the Property for the Option Term in question.

36.3 Fair Market Rent. For the purposes of this Section 36, the term "Fair Market Rent" shall mean the going market rental and any adjustment or adjustments to such rental at such time(s) in such amount or using such formula as is prevailing at the time of the commencement of the Option Term in question, for comparably equipped second generation office space in buildings containing comparable square feet, located within the immediate area of the Property, and in a condition comparable to the then existing condition of the Property, taking into account all legal uses for which the Property could be used without material alteration thereto and the value of all Improvements and other improvements on the Property paid for by Landlord for a tenant proposing to sign a lease for a similar term and having financial qualifications similar to Tenant and using as a guide equivalent space of similar size, age, construction, quality and location. There shall be excluded from any determination of "Fair Market Rent" the rental value attributable to any improvements or alterations constructed by Tenant with its own funds (other than from the Improvement Allowance). Any determination of "Fair Market Rent" shall take into account rental concessions and other economic inducements then prevailing in the market. Also, if there is no leasing commission payable by Landlord in connection with Tenant's exercise of an option to extend, then There shall be excluded from any determination of "Fair Market Rent" the rental value attributable to a standard leasing commission customarily paid by a lessor in connection with a five (5) year lease amortized on a straight line basis over the five (5) year Option Term in question.

36.4 Appraisal. Promptly following exercise of any option to extend, the parties shall meet and endeavor to agree upon the Fair Market Rent of the Property for the Option Term in question. If within thirty (30) days after exercise of the option, the parties cannot agree upon the Fair Market Rent, the parties shall submit the matter to binding appraisal in accordance with the following procedure: Within thirty (30) days after exercise of the option, the parties shall either (1) jointly appoint an appraiser for this purpose or (2) failing this joint action, separately designate a disinterested appraiser. No person shall be appointed or designated an appraiser unless he or she has at least five (5) years experience in appraising major commercial property in Maricopa County and is a member of a recognized society of real estate appraisers. If, within thirty (30) days after their appointment, the two appraisers reach agreement on the Fair Market Rent, that value shall be binding and conclusive upon the parties. If the two appraisers thus appointed cannot reach agreement on the question presented within thirty (30) days after their appointment, then the appraisers thus appointed shall appoint a third

disinterested appraiser having like qualifications. Within thirty (30) days after the appointment of the third appraiser, the two appraisers appointed by the parties shall each submit to the third appraiser and to the parties their independent appraisal of the Fair Market Rent of the Property for the Option Term in question. Within thirty (30) days after receipt of the two independent appraisals, the third appraiser shall select one of the two appraisals submitted by the two appraisers appointed by the parties as the appraisal closest to the Fair Market Rent of the Property. The appraisal of the Fair Market Rent so selected by the third appraiser shall be binding and conclusive upon the parties. Each party shall pay the fees and expenses of the appraiser appointed by it and shall share equally the fees and expenses of the third appraiser. If the two appraisers appointed by the parties cannot agree on the appointment of the third appraiser, they or either of them shall give notice of such failure to agree to the parties and if the parties fail to agree upon the selection of such third appraiser within ten (10) days after the appraisers appointed by the parties give such notice, then either of the parties, upon notice to the other party may request such appointment by the American Arbitration Association, or on its failure, refusal or inability to act, may apply for such appointment to the presiding judge of the Superior Court of Maricopa County, Arizona.

37. Reasonable Approval Standard. Whenever in this Lease the

review, acceptance, approval or consent of either Landlord or Tenant ("Reviewing Party") is required or desired for the taking of or refraining from taking any action under the Lease, or to the manner of performing or observing any covenant or condition of the Lease (collectively "Matter"), the favorable review, acceptance, approval or consent (collectively "Approval") as to any such Matter shall neither be unreasonably withheld nor unduly delayed by the Reviewing Party, and if the Reviewing Part desires to deny or withhold its Approval as to any such matter, the Reviewing Party shall, by written notice to the other party given within the time period for the giving of such Approval as provided herein or elsewhere in this Lease, state with particularity the basis for the denial or withholding by such Reviewing Party of such Approval. Provided the request made of the Reviewing Party for the Approval references this Section 37 and indicates to the effect that a lack of an appropriate response within thirty (30) days (or within such other period of time for response if the Lease otherwise expressly provides a specific period for such Approval) will be deemed to constitute Approval, then the failure of the Reviewing Party to so respond in writing (including stating with particularity the basis for any denial or withholding of such Approval) to any Matter within thirty (30) days of receipt of the written request of the other party (or within such other period of time for response if the Lease otherwise expressly provides a specific period for such Approval), shall be deemed to constitute the Approval by such Reviewing Party as to the Matter.

38. Right of First Offer.

38.1 Grant of Right. Subject to the provisions of Section 38.7 hereof, Landlord shall not, at any time during the term of this Lease, offer to sell or accept an offer to purchase (collectively herein called an "offer to sell") the Property or any part thereof without first giving to Tenant at least thirty (30) days prior written notice of Landlord's election to sell the Property, which notice is hereinafter referred to as the "Notice of Sale".

38.2 Notice of Sale. The Notice of Sale shall include the price and other terms and conditions reasonably appropriate to a sales transaction on which Landlord is willing to sell the Property.

38.3 Response by Tenant. For a period of fifteen (15) days after receipt by Tenant of the Notice of Sale, and only during such period, Tenant shall have the right to accept the offer of sale set forth in the Notice of Sale only by doing all of the following prior to the expiration of said fifteen (15) day period: (i) giving written notice of acceptance to Landlord, which notice shall state that Tenant agrees to purchase the Property on the same terms, price and conditions as set forth in the Notice of Sale and (ii) delivering to Landlord at the same time the full amount of any reasonable earnest money deposit specified in the Notice of Sale.

38.4 No Response. In the event that Landlord does not receive written notice of Tenant's acceptance of the offer to sell and the earnest money deposit within said fifteen (15) day period, there shall be a conclusive presumption that Tenant has elected not to exercise Tenant's right to purchase the Property pursuant to this Section 38, and Landlord may sell the Property to a third party within six (6) months thereafter so long as the purchase price paid by the third party purchaser is not materially less (with any purchase price less than 98.5% of the purchase price set forth in the Notice of Sale deemed to be materially less) than the purchase price specified in the Notice of Sale and the other terms and conditions of the sale to the third party are the same as or more onerous to the purchaser than those specified in the Notice of Sale.

38.5 Termination. The foregoing right of first offer shall terminate:

(a) upon expiration or other termination of the term of this Lease; or

(b) subject to the provisions of Section 38.7 hereof, in the event Tenant fails to exercise its rights under this Section 38 and a sale to a person or entity consistent with the requirements of this Section 38 is thereafter consummated, then upon the date of the closing of such sale.

38.6 Continuation of Rights. Unless terminated in accordance with Section 38.5 above, Tenant's rights under this Section 38 shall continue in full force and effect (as to all future contemplated sales of the Property or any part thereof).

38.7 Exempted Sales. Notwithstanding the provisions of Section 38.1 above, in the event that Landlord offers to sell the Property or any part thereof to a Permitted Affiliate (as defined below) or as part of a package of three or more separate real properties (but only if the aggregate fair market value of all real properties contained in such package equals or exceeds an amount equal to twice the then fair market value of the Property) also owned by Landlord, then such offer to sell shall not be subject to Tenant's right of first offer as set forth

in Sections 38.1 through 38.4 of this Lease. Notwithstanding the provisions of Section 38.5 above, any transfer of title to the Property or any part thereof pursuant to the foregoing provisions of this Section 38.7 shall not cause Tenant's right of first offer under this Section 38 to terminate, and the right of first offer set forth in this Section 38 shall remain in full force and effect with respect to the Property following any such transfer. As used above, the term "Permitted Affiliate" means (i) any entity controlling, controlled by or under common control with Landlord; (ii) any (a) officer or director of or (b) member, partner, shareholder or other equity holder, in either such event with an equity interest of ten percent (10%) or more in, any of the foregoing entities or (ii) any combination of (i) and (ii).

39. Tenant's Consent to New Contract Affecting the Property. Landlord shall not, after the date of execution of this Lease, enter into or provide consent for any other party to enter into, without Tenant's written consent which shall not be unreasonably withheld or delayed, any contract or agreement pertaining to the Property which may be reasonably expected to adversely interfere with any of Tenant's rights under this Lease. In the event that any contract or agreement which interferes with any of Tenant's rights under this lease is entered into by Landlord, then Tenant shall have the unilateral right to terminate this Lease.

40. Landlord's Default.

40.1 Events of Default. A "Landlord Event of Default" under this Lease shall exist if any of the following events shall occur:

(a) Landlord shall have failed to pay any sum required to be paid hereunder within fifteen (15) days after receipt of written notice from Tenant that such amount is past due; or

(b) If Landlord shall have failed to perform any term, covenant or condition of this Lease, except those requiring the payment of money, and Landlord shall have failed to cure such breach within thirty (30)

days after written notice from Tenant where such breach could reasonably be cured within such thirty (30) day period; provided, however, that where such failure could not reasonably be cured within such thirty (30) day period, that Landlord shall not be in default if it has commenced such performance within the thirty (30) day period and diligently thereafter prosecutes the same to completion.

Tenant shall use commercially reasonable efforts to cause a copy of any notice of default delivered to Landlord as provided above likewise to be delivered to any Mortgagee, written notice of the name and address of which has then previously been provided to Tenant by Landlord, at approximately the same time that such notice of default is delivered to Landlord.

40.2 Tenant's Remedies. Upon a Landlord Event of Default, Tenant shall have the following remedies, in addition to all other rights and remedies provided by law (except to the extent waived by Tenant herein) or otherwise provided in this Lease, to which Tenant may resort cumulatively or in the alternative:

(a) Tenant may offset amounts owed by Landlord against Basic Rent and Additional Rent by giving Landlord written notice of such offset.

(b) Tenant may take such acts as it deems reasonably necessary to cure Landlord's default. It Tenant spends any funds in connection with such cure, Landlord shall pay to Tenant within fifteen (15) days after written request the amount of funds so spent by Tenant. Tenant shall be entitled to interest on the funds expended by Tenant at the Interest Rate from the end of Landlord's applicable cure period. If Landlord fails to make such payment within such fifteen (15) day period, Tenant may offset such funds and all interest accrued thereon from Basic Rent and Additional Rent by giving Landlord written notice of such offset.

41. Parking. Tenant shall be provided on an exclusive basis and at no additional cost with five hundred twenty-six (526) automobile parking spaces; fifty (50) of these spaces shall be covered. The location of these spaces is shown on the Site Plan attached hereto as Exhibit "B".

42. Signage. Landlord shall provide for prominent building exterior Tenant identification signs and a signage allowance of $20,000. The design and specifications of such signage shall be mutually acceptable to Landlord, Tenant and the City of Scottsdale.

43. Authority. The undersigned parties hereby warrant that they have proper authority and are empowered to execute this Lease on behalf of Landlord and Tenant, respectively.

44. Title. This Lease is made subject to all matters of public record affecting title to the Property as described in the 3rd Amended Commitment for Title Insurance dated February 26, 1997 prepared by Chicago Title Insurance Company, Order No. 9700394, a copy of which is attached hereto as Exhibit "D" (including all interlineated changed marked thereon, the Title Report), as shown on Schedule B-Section 1 thereof. Chicago Title Insurance Company (or another title insurance company reasonably acceptable to Tenant) shall be irrevocably committed to issue to Tenant a leasehold owner's ALTA Extended Coverage Policy of Title Insurance, together with such endorsements as Tenant may reasonably require, showing Tenant as the owner of the leasehold estate under this Lease, subject only to such exceptions to title as Tenant may approve, at standard premium rates, as a condition precedent to Tenant's obligations under this Lease. Landlord shall use due diligence to enforce all rights and easements which are appurtenant to the Property.

45. Non-Disturbance Agreement. If either at the time of execution of this Lease or the recording of a short form memorandum of this Lease pursuant to Section 33 hereof, there is then a Mortgage existing as a lien against title to the Property (hereinafter referred to as an "Existing Mortgage"), Landlord shall cause the Mortgagee under the Existing Mortgage to execute and deliver to Tenant within thirty (30) days after the date of execution of this Lease, a Non-Disturbance Agreement in form and content reasonably acceptable to both Tenant and the Mortgagee under the Existing Mortgage, pursuant to which the Mortgagee shall agree that in the

event of foreclosure of the Existing Mortgage, such Mortgagee (or any purchaser at any foreclosure sale) shall agree that so long as there is not then an uncured Event of Default on the part of Tenant under this Lease, as the same may be amended in the future, this Lease shall remain in full force and effect and such beneficiary (or any purchaser at any foreclosure sale) shall recognize the tenancy of Tenant on the terms and conditions contained in this Lease, including, without limitation, Tenant's right of first offer in Section 38 hereof, and shall further expressly acknowledge that absent an Event of Default by Tenant under this Lease or termination of this Lease, any insurance proceeds associated, with any damage or destruction. of the Property shall be made available for Restoration of the Property in accordance with the provisions of Section 20 of this Lease ("Non-Disturbance Agreement"). The recordation of such Non-Disturbance Agreement in the Office of the Recorder of Maricopa County, Arizona, shall be a condition precedent to Tenant's obligations under this Lease. In addition, this Lease, as it may be amended in the future, shall not be subordinate to any future Mortgage unless the Mortgagee under such future Mortgage shall execute a Non-Disturbance Agreement.

46. Holding Over. Tenant shall have the right to remain on the Property for up to three (3) months after expiration of the Lease Term on the same terms and conditions, including Basic Rent, as applicable upon the expiration. Tenant may terminate this holdover earlier than the expiration of such three (3) month period by providing at least sixty (60) days prior notice. At any time from and after the date that is three (3) months prior to the expiration of the Lease Term, Landlord may deliver written notice to Tenant asking whether Tenant will avail itself of its right to hold over as set forth above. Within twenty (20) days following Tenant's receipt of such written request from Landlord, Tenant shall deliver written notice to Landlord stating whether or not Tenant plans to avail itself of such right.

47. Definitions. As used in this Lease, the following terms shall have the following respective meanings, applicable both to the singular and plural forms of the terms so defined:

Additional Rent: the meaning specified in Section 4 hereof.

Award: the amount of any award made, consideration paid, or damages ordered as a result of a Taking.

Basic Rent: the meaning specified in Section 3 hereof.

Building: the meaning specified in Section I hereof.

Building Systems: HVAC, electrical, plumbing, mechanical and fire safety systems in or serving the Improvements.

Business Day: any day other than a day on which banking institutions in the State of Arizona are authorized by law to close.

CC&Rs: that certain Declaration of Easements, Covenants, Conditions and Restrictions for Scottsdale Airpark North dated as of September 14, 1994 by Broadmoor Enterprises, Inc., as declarant, as recorded in the Official Records of the Maricopa County Recorder on September 16, 1994, as Instrument No. 94-0684650.

Commencement Date: the meaning specified in Section 2 hereof.

Date of Taking: the date upon which the title to the Property, or a portion thereof, passes to and vests in the condemnor or the effective date of any order for possession if issued prior to the date title vests in the condemnor.

Estoppel Certificate: with respect to any corporation, a certificate of such corporation signed by an authorized officer of such corporation.

Event of Default: the meaning specified in Section 25 hereof.

Gross Building Area: the meaning specified in the Improvement Agreement.

Hazardous Materials: the meaning specified in Section 19 hereof.

Improvement Agreement: the improvement agreement attached to the Lease as Exhibit "C".

Improvements: the meaning specified in Section 1 hereof.

Indemnified Landlord Party: the meaning specified in Section 12 hereof.

Indemnified Party: the meaning specified in Section 12 hereof.

Indemnified Tenant Party: the meaning specified in Section 12 hereof.

Insurance Requirements: all terms of any insurance policy covering Tenant or covering or applicable to the Property or any part thereof, all requirements of the issuer of any such policy, and all orders, rules, regulations and other requirements of the national Board of First Underwriters (or any other body exercising similar functions) applicable to or affecting the Property or any part thereof or any use or condition of the Property or any part thereof.

Interest Rate: the lower of (i) the annual rate of interest as publicly announced from time to time by Banc One Corp. as its prime or reference rate plus two percent (2%) or (ii) the maximum rate of interest permitted by law.

Landlord: the party specified in the initial paragraph of this Lease, together with all permitted successors or assigns of such party.

Landlord's Agents: Landlord's authorized agents, together with any partners and any subsidiary, parent and affiliate corporations of Landlord, and any directors, officers, shareholders and employees of Landlord or of any such agents, parties, or subsidiary, parent or affiliate corporations.

Landlord Event of Default: the meaning specified in Section 40 hereof.

Landlord Work: the meaning specified in Section 1 hereof.

Lease Term: the meaning specified in Section 2 hereof.

Legal Requirements: all laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, the CC&Rs, directions and requirements of all governments, departments, commissions, boards, courts, authorities (including, without limitations, environmental protection, planning and zoning authorities), agencies (and other governmental or quasi-governmental units, whether Federal, state, county, district, municipal, city or other), and any officials and officers thereof, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to Tenant with respect to the Property or any part thereof (including any which may apply to the repair, use or maintenance of the Property or any part thereof), or any of the adjoining sidewalks, curbs, vaults and vault space, if any, streets or ways, or any use or condition of the Property or any part thereof.

Mortgage: any mortgage, deed of trust or other similar instrument from time to time providing for the assignment as security of Landlord's interest in the Property or this Lease by the holder thereof.

Mortgagee: the mortgagee or beneficiary under any Mortgage.

Option Term: the meaning specified in Section 36 hereof.

Parcels: the meaning specified in Section 1 hereof.

Person: a corporation, an association, a partnership, a limited liability company, an organization, a trust, an individual, a government or political subdivision thereof or a governmental agency.

Property: the meaning specified in Section 1 hereof.

Rental Commencement Date: the meaning specified in Section 2 hereof.

Restoration: in case of damage to or destruction of the Property or of the Improvements located thereon, the restoration, replacement or rebuilding of the Property or the Improvements as nearly as possible to its value, condition

and character immediately prior to

such damage, destruction or Taking, together with any temporary repairs and property protection which may be required pending completion of such work.

Site Plan: the site plan attached to the Lease as Exhibit "B".

Substantially Completed: the meaning specified in the Improvement Agreement.

Taking: a temporary or permanent taking by a government or political subdivision thereof or by a governmental agency during the term hereof of all or part of the Property, or any interest therein or right accruing thereto, as the result of or in lieu of or in anticipation of the exercise of the right of condemnation or eminent domain.

Target Commencement Date: the meaning specified in Section 2 hereof.

Taxes: the meaning specified in Section 14 hereof.

Tenant: the party specified in the initial paragraph of this Lease, together with any permitted successors or assigns of such party.

Tenant's Agents: Tenant's authorized agents together with any partners and any subsidiary, parent and affiliate corporations of Tenant and any employees, officers, directors, or shareholders of Tenant or of any such agents, partners or subsidiary, parent or affiliate corporations.

Tenant's Equipment: Tenant's furniture, fixtures, trade fixtures, equipment, appliances and personal property.

Total Destruction: the meaning specified in Section 20 hereof.

Total Taking: the meaning specified in Section 21 hereof.

48. CC&Rs Estoppel Certificate. A condition precedent to Tenant's obligations under this lease shall be Tenant's receipt of an estoppel certificate duly executed by

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the declarant under the CC&Rs in the form attached hereto as Exhibit "E" and dated within a period of time not more than thirty (30) days prior to the date of this Lease.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be duly executed as of the date first set forth above.

LANDLORD	TENANT
Ryan Companies, US Inc.,	The Dial Corporation,
a Minnesota corporation	a Delaware corporation
By: /s/ John Strittmatter	By: /s/ Malcolm Jozoff
John Strittmatter	Malcolm Jozoff
Its: VP	Its: Chairman, President and Chief Executive Officer

EXHIBIT 10.48

FIRST AMENDMENT TO LEASE AGREEMENT

FOR THE DIAL BUILDING

FIRST AMENDMENT TO LEASE

This First Amendment to Lease, dated as of August 23, 1999 (First Amendment), between Ryan Companies US, Inc., formerly before the name change known as Ryan Construction Company of Minnesota, Inc. (Landlord) and The Dial Corporation (Tenant).

WITNESSETH, that:

WHEREAS, Landlord and Tenant have entered into a Lease dated March 21, 1997 (Lease) for approximately 129,689 square feet of area, whereby Landlord has leased to Tenant certain Premises located in the City of Scottsdale, State of Arizona, consisting of the Premises, as such Premises are defined in the Lease; and

NOW, THEREFORE, Landlord and Tenant desire and intend hereby to amend the Lease as specifically hereinafter set forth and provided:

1. The Lease Term commenced on August 14, 1997.
2. The Lease Term shall expire on August 31, 2008.
3. The Rental Commencement Date shall commence on February 14, 1998.
4. The Annual Base Rent shall be for the period from February 14, 1998 through August 31, 2008 shall be One Million Three Hundred Eighty Seven Thousand Six Hundred Seventy Two and 30/100 Dollars ($1,387,672.30), payable in equal monthly installments of One Hundred Fifteen Thousand Six Hundred Thirty Nine and 36/100 Dollars ($115,639.36).

EXCEPT as expressly amended or supplemented herein, the Lease shall remain and continue in full force and effect in all respects.

IN WITNESS WHEREOF, the Lease Amendment is hereby executed and delivered effective as of the date and year first above written.

LANDLORD: RYAN COMPANIES US, INC.

BY: /s/ John Strittmatter

Its: VP

TENANT: THE DIAL CORPORATION

BY: /s/ Malcom Jozoff

Its:
_____

EXHIBIT 10.49

AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY

FOR THE ASML BUILDING

AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY

THIS AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY (the "Agreement"), is made and entered into as of the 23rd day of February, 2000, by and between RYAN COMPANIES US, INC., a Minnesota corporation ("Seller") and WELLS CAPITAL, INC., a Georgia corporation ("Purchaser").

W I T N E S S E T H:

WHEREAS, Seller desires to sell and Purchaser desires to purchase the Property (as hereinafter defined) subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements contained herein, the sum of Ten Dollars ($10.00) in hand paid by Purchaser to Seller at and before the sealing and delivery of these presents and for other good and valuable consideration, the receipt, adequacy, and sufficiency which are hereby expressly acknowledged by the parties hereto, the parties hereto do hereby covenant and agree as follows:

1. Purchase and Sale of Property. Subject to and in accordance with the terms and provisions of this Agreement, Seller hereby agrees to sell to Purchaser and Purchaser hereby agrees to purchase from Seller, the Property, which term "Property" shall mean and include the following:

(a) the tenant's interest under that certain ASU Research Park Lease dated August 22, 1997, as amended by First Amendment dated February 24, 1998, (the "Ground Lease") between Price-Elliot Research Park, Inc. ("Lessor"), as Landlord, and Seller, as Tenant in and to all that tract or parcel of land (the "Land") located in the Southeast quarter of Section 13, Township 1 South, Range 4 East of the Gila and Salt river Base and Meridian, Maricopa County, Arizona, containing approximately 9.507 acres, having an address of 8555 South River Parkway, Tempe, Arizona, and being more particularly described on Exhibit "A" hereto; and

(b) the tenant's interest under the Ground Lease in and to all rights, privileges, and easements appurtenant to the Land, including all water rights, mineral rights, reversions, or other appurtenances to said Land, and all right, title, and interest of Seller, if any, in and to any land lying in the bed of any street, road, alley, or right-of-way, open or proposed, adjacent to or abutting the Land; and

(c) the tenant's interest under the Ground Lease in and to all buildings, structures, and improvements situated on the Land, including, without limitation, that certain two story office building containing approximately 95,133 square feet of leasable space, the parking areas containing approximately 376 parking spaces and other amenities located on the Land, and all apparatus, built-in appliances, equipment, pumps, machinery, plumbing, heating, air conditioning, electrical and other fixtures located on the Land (all of which are herein collectively referred to as the "Improvements"); and

(d) all personal property now owned by Seller and located on or to be

located on or in, or used in connection with, the Land and Improvements ("Personal Property"); and

(e) all of Seller's right, title, and interest, as landlord or lessor, in and to that certain Lease Agreement with ASM LITHOGRAPHY, INC., a Delaware corporation (the "Tenant"), dated August 15, 1997, as amended by First Amendment to Lease dated January 6, 2000 (the"Lease"); and

(f) all of Seller's right, title, and interest in and to the plans and specifications with respect to the Improvements and any guarantees, trademarks, rights of copyright, warranties, or other rights related to the ownership of or use and operation of the Land, Personal Property, or Improvements, all governmental licenses and permits, and all intangibles associated with the Land, Personal Property, and Improvements, including the name of the Improvements and the logo therefor, if any.

2. Earnest Money. Within two (2) business days after the full execution of this Agreement, Purchaser shall deliver to Old Republic Title Agency ("Escrow Agent"), whose offices are at 3200 North Central Avenue, Suite 100, Phoenix, AZ 85012, Purchaser's check, payable to Escrow Agent, in the amount of $100,000 (the "Earnest Money"), which Earnest Money shall be held and disbursed by Escrow Agent in accordance with this Agreement. The Earnest Money shall be paid by Escrow Agent to Seller at Closing (as hereinafter defined) and shall be applied as a credit to the Purchase Price (as hereinafter defined), or shall otherwise be paid to Seller or refunded to Purchaser in accordance with the terms of this Agreement. All interest and other income from time to time earned on the Earnest Money shall belong to Purchaser and shall be disbursed to Purchaser at any time or from time to time as Purchaser shall direct Escrow Agent. In no event shall any such interest or other income be deemed a part of the Earnest Money.

3. Purchase Price. Subject to adjustment and credits as otherwise specified in this Agreement, the purchase price (the "Purchase Price") to be paid by Purchaser to Seller for the Property shall be SEVENTEEN MILLION FIVE HUNDRED THOUSAND AND 00/100 DOLLARS ($17,500,000.00). The Purchase Price shall be paid by Purchaser to Seller at the Closing (as hereinafter defined) by cashier's check or by wire transfer of immediately available federal funds, less the amount of Earnest Money and subject to prorations, adjustments and credits as otherwise specified in this Agreement.

4. Purchaser's Inspection and Review Rights. Subject to the rights of the Tenant, Purchaser and its agents, engineers, or representatives, with Seller's reasonable, good faith cooperation, shall have the privilege of going upon the Property as needed to inspect, examine, test, and survey the Property at all reasonable times and from time to time. Purchaser hereby agrees to hold Seller harmless from any liens, claims, liabilities, and damages incurred through the exercise of such privilege, and Purchaser further agrees to repair any damage to the Property caused by the exercise of such privilege. At all reasonable times prior to the Closing (as hereinafter defined), Seller shall make available to Purchaser, or Purchaser's agents and representatives, for review and copying, all books, records, and files in Seller's possession relating to the ownership and operation of the Property, including, without limitation, title matters, surveys, tenant files, service and maintenance agreements, and other contracts, books, records, operating statements, and other information relating to the Property.

Seller further agrees to in good faith assist and cooperate with Purchaser in coming to a thorough understanding of the books, records, and files relating to the Property. Seller further agrees to provide to Purchaser (to the extent the same have not previously been provided to Purchaser) prior to the date which is five (5) days after the effective date of this Agreement (a) the most current boundary and "as-built" surveys of the Land and Improvements and any title insurance policies, appraisals, occupancy permits, building inspection reports and environmental reports relating thereto and in the possession or under the

control of Seller, and (b) a statement setting forth all revenues from the Property and setting forth all costs and expenses of operating, maintaining, and repairing the Property (and the costs of replacing component parts thereof) incurred by Seller, in each case during the entire period from June 1, 1998, through January 31, 2000, which statement shall be certified by Seller to the best of Seller's knowledge after diligent inquiry and review of records, to be complete and accurate in all material respects. Seller acknowledges that Purchaser may be required by the Securities and Exchange Commission to file audited financial statements for one to three years with regard to the Property. At no cost or liability to Seller, Seller shall (i) cooperate with Purchaser, its counsel, accountants, agents, and representatives, provide them with access to Seller's books and records with respect to the ownership, management, maintenance, and operation of the Property for the applicable period, and permit them to copy the same, (ii) execute a form of "rep" letter in form and substance reasonably satisfactory to Seller, and (iii) furnish Purchaser with such additional information concerning the same as Purchaser shall reasonably request. Purchaser will pay the costs associated with any such audit.

5. Special Condition to Closing. Purchaser shall have thirty (30) days from the effective date of this Agreement (the "Inspection Period") to make investigations, examinations, inspections, market studies, feasibility studies, lease reviews, and tests relating to the Property and the operation thereof in order to determine, in Purchaser's sole opinion and discretion, the suitability of the Property for acquisition by Purchaser. Purchaser shall have the right to terminate this Agreement at any time prior to the expiration of the Inspection Period by giving written notice to Seller of such election to terminate. In the event Purchaser so elects to terminate this Agreement, Seller shall be entitled to receive and retain the sum of Twenty-Five Dollars ($25.00) of the Earnest Money, and the balance of the Earnest Money shall be promptly refunded by Escrow Agent to Purchaser, whereupon, except as expressly provided to the contrary in this Agreement, no party hereto shall have any other or further rights or obligations under this Agreement. Seller acknowledges that the sum of $25.00 is good and adequate consideration for the termination rights granted to Purchaser hereunder.

6. General Conditions Precedent to Purchaser's Obligations Regarding the Closing. In addition to the conditions to Purchaser's obligations set forth in Paragraph 5 above, the obligations and liabilities of Purchaser hereunder shall in all respects be conditioned upon the satisfaction of each of the following conditions, any of which may be waived by written notice from Purchaser to Seller:

(a) Seller shall have complied in all material respects with and otherwise performed in all material respects each of the covenants and obligations of Seller set forth in this Agreement, as of the date of Closing (as hereinafter defined).

(b) All representations and warranties of Seller as set forth in this Agreement shall be true and correct in all material respects as of the date of Closing.

(c) There shall have been no adverse change to the title to the Property which has not been cured and the Title Company (as hereinafter defined) shall have issued the Title Commitment (as hereinafter defined) on the Land and Improvements without exceptions other than as described in paragraph 7 and the Title Company shall be prepared to issue to Purchaser upon the Closing a leasehold owner's title insurance policy on the Land and Improvements pursuant to such Title Commitment.

(d) Purchaser shall have received the Tenant Estoppel Certificate referred to in Paragraph 9(c) hereof, duly executed by the Tenant at least five (5) days prior to the end of the Inspection Period.

(e) Purchaser shall have received the Lessor Estoppel Certificate referred to in Paragraph 9(d) hereof, duly executed by the Lessor at least five (5) days prior to the end of the Inspection Period.

7. Title and Survey. Seller covenants and agrees that Seller, at its sole cost and expense, shall, on or before ten (5) days after the Effective Date of this Agreement, cause Old Republic National Title Insurance Company, or such other such title insurance company acceptable to Purchaser (herein referred to as the "Title Company"), to deliver to Purchaser its commitment (herein referred to as the "Title Commitment") to issue to Purchaser, upon the recording of the Assignment and Assumption of ASU Research Park Lease, the payment of the Purchase Price, and the payment to the Title Company of the policy premium therefor, an owner's policy of title insurance, in the amount of the Purchase Price, insuring good and marketable record title to the Property to be in Purchaser subject only to the Permitted Exceptions (as hereinafter defined), with affirmative coverage over any mechanic's, materialman's and subcontractor's liens and with full extended coverage over all general exceptions, and containing the following endorsements: zoning (including affirmative coverage against any violations of recorded covenants and restrictions), survey, and access. Such Title Commitment shall not contain any exception for rights of parties in possession other than an exception for the right of the Tenant under the Lease. If the Title Commitment shall contain an exception for the state of facts which would be disclosed by a survey of the Property or an "area and boundaries" exception, the Title Commitment shall provide that such exception will be deleted upon the presentation of an ALTA/ASCM survey acceptable to Title Company, in which case the Title Commitment shall be amended to contain an exception only for the matters shown on the as-built survey which Seller shall obtain at its sole cost and expense for the benefit of Purchaser. Said survey shall include a certification that the Property is zoned in a classification which will permit the operating of the Property as an office building and any conditions to the granting of such zoning have been satisfied. Seller shall also cause to be delivered to Purchaser together with such Title Commitment, legible copies of all documents and instruments referred to therein. Purchaser, upon receipt of the Title Commitment and the copies of the documents and instruments referred to therein, shall then have ten (10) days during which to examine the same, after which Purchaser shall notify Seller of any defects or objections affecting the marketability of the title to the Property. Seller shall then have until the Closing to cure such defects and objections and shall, in good faith, exercise reasonable diligence to cure such defects and objections.

8. Representations and Warranties of Seller. Seller hereby makes the following representations and warranties to Purchaser, each of which shall be deemed material:

(a) Lease. Seller has delivered to Purchaser a true, correct and complete copy of the Lease, together with all modifications and amendments thereto herein referred. Seller is the "landlord" under the Lease and owns unencumbered legal and beneficial title to the Lease and the rents and other income thereunder, subject only to the collateral assignment of the Lease and the rents thereunder in favor of the holder of an existing mortgage or deed of trust encumbering the Property, which mortgage or deed of trust shall be canceled and satisfied by Seller at the Closing. The term of the Lease commenced on June 14, 1998, and expires on June 30, 2013. The Tenant currently leases and occupies 100% of the rentable area of the Improvements.

(b) Lease - Assignment. To the best of Seller's knowledge, the Tenant has not assigned its interest in the Lease or sublet any portion of the premises leased to the Tenant under the Lease.

(c) Lease - Default. (i) Seller has not received any notice of

termination or default under the Lease, (ii) there are no existing or uncured defaults by Seller or by the Tenant under the Lease, (iii) to the best of Seller's knowledge, there are no events which with the passage of time or notice, or both, would constitute a default by Seller or by the Tenant, and Seller has complied with each and every undertaking, covenant, and obligation of Seller under the Lease, and (iv) Tenant has not asserted any defense, set-off, or counterclaim with respect to its tenancy or its obligation to pay rent, additional rent, or other charges pursuant to the Lease.

(d) Lease - Rents and Special Consideration. Tenant: (i) has not prepaid rent for more than the current month under the Lease, (ii) has not received and is not entitled to receive any rent concession in connection with its tenancy under the Lease other than as described in the Lease, (iii) is not entitled to any special work (not yet performed), or consideration (not yet given) in connection with its tenancy under the Lease, and (iv) does not have any deed, option, or other evidence of any right or interest in or to the Property, except for the Tenant's tenancy as evidenced by the express terms of the Lease.

(e) Lease - Commissions. No rental, lease, or other commissions with respect to the Lease are payable to Seller, any partner of Seller, any party affiliated with or related to Seller or any partner of Seller or any third party whatsoever. All commissions payable under, relating to, or as a result of the Lease have been cashed-out and paid and satisfied in full by Seller or by Seller's predecessor in title to the Property.

(f) Lease - Acceptance of Premises. (i) Tenant has accepted its leased premises located within the Property, including any and all work performed therein or thereon pursuant to the Lease, (ii) Tenant is in full and complete possession of its premises under the Lease, and (iii) Seller has not received notice from the Tenant that the Tenant's

premises are not in full compliance with the terms and provisions of Tenant's Lease or are not satisfactory for Tenant's purposes.

(g) No Other Agreements. Other than the Lease and the Permitted Exceptions, there are no leases, service contracts, management agreements, or other agreements or instruments in force and effect, oral or written, to which Seller is a party and that grant to any person whomsoever or any entity whatsoever any right, title, interest or benefit in or to all or any part of the Property or any rights relating to the use, operation, management, maintenance, or repair of all or any part of the Property.

(h) No Litigation. There are no actions, suits, or proceedings pending, or, to the best of Seller's knowledge, threatened by any organization, person, individual, or governmental agency against Seller with respect to the Property or against the Property, nor does Seller know of any basis for such action. Seller has no knowledge of any pending or threatened application for changes in the zoning applicable to the Property or any portion thereof.

(i) Condemnation. No condemnation or other taking by eminent domain of the Property or any portion thereof has been instituted and, to the best of Seller's knowledge, there are no pending or threatened condemnation or eminent domain proceedings (or proceedings in the nature or in lieu thereof) affecting the Property or any portion thereof or its use.

(j) Proceedings Affecting Access. The Property is served by curb cuts for direct vehicular access to and from South River Parkway adjoining the

Property. Said street is a public street. There are no pending or, to the best of Seller's knowledge, threatened proceedings that could have the effect of impairing or restricting access between the Property and such adjacent public road.

(k) Intentionally Omitted.

(l) Conditions of Improvements. Seller is not aware of any structural or other defects, in the Improvements. The heating, ventilating, air conditioning, electrical, plumbing, water, elevator(s), roofing, storm drainage and sanitary sewer systems at or servicing the Land and Improvements are, to the best of the Seller's knowledge, in good condition and working order and Seller is not aware of any defects or deficiencies, latent or otherwise, therein. The Improvements have been constructed in compliance with applicable provisions of the Lease, Ground Lease, ABR Lease, City of Tempe building regulations, and any recorded covenants, conditions and restrictions.

(m) Certificates. To the best of Seller's knowledge, there are presently in effect permanent certificates of occupancy, licenses, and permits as may be required for the Property, and the present use and occupation of the Property is in compliance and conformity with the certificates of occupancy and all licenses and permits. There has been no notice or request of any municipal department, insurance company or board of fire underwriters (or organization exercising functions similar thereto), or mortgagee directed to Seller and requesting the performance of any work or alteration to the Property which has not been complied with.

(n) Violations. To the best of Seller's knowledge, there are no violations of law, municipal or county ordinances, or other legal requirements with respect to the Property, and the Improvements thereon comply with all applicable legal requirements with respect to the use, occupancy, and construction thereof. The Property is zoned in a classification which permits the use thereof in the present manner. The Property is not located in a flood hazard area.

(o) Underlying Leases. Seller has delivered to Purchaser a true, correct and complete copy of the Ground Lease and the Arizona State University Ground Lease between The Arizona Board of Regents acting for and on behalf of Arizona State University, as landlord, and Lessor, as tenant (the "ABR Lease", dated October 8, 1984, and all amendments thereto (the "Underlying Leases"). (i) Seller has not received any notice of termination or default under the Underlying Leases, (ii) to the best of Seller's knowledge, there are no existing or uncured defaults by any party to the Underlying Leases, (iii) Seller has no direct obligation under the ABR Lease, and (iv) Sellers only obligations under the Ground Lease are to pay (A) rent in the amount of $15,531.00 per month (increasing to $22,728.00 per month on January 1, 2012, and thereafter further increasing as provided therein), which amount is not passed through to the Tenant; (B) a Municipal Service Fee, currently estimated to be $741.56 per month, which amount is passed through to the Tenant; (c) Common Area Maintenance charges, currently estimated to be $3,001.09 per month, which amount is passed through to Tenant, and (d) insurance, the cost of which is passed through to Tenant.

(p) Bankruptcy. Seller is "solvent" as said term is defined by bankruptcy law and has not made a general assignment for the benefit of creditors nor been adjudicated a bankrupt or insolvent, nor has a receiver, liquidator, or trustee for any of Seller's properties (including the Property) been appointed or a petition filed by or against Seller for bankruptcy, reorganization, or arrangement pursuant to the Federal Bankruptcy Act or any similar Federal or state statute, or any proceeding

instituted for the dissolution or liquidation of Seller.

(q) Pre-existing Right to Acquire. No person or entity has any right or option to acquire the Property or any portion thereof which will have any force or effect after the execution of this Agreement, other than Purchaser.

(r) Effect of Certification. To the best of Seller's knowledge, neither this Agreement nor the transactions contemplated herein will constitute a breach or violation of, or default under, or will be modified, restricted, or precluded by the Lease or the Permitted Exceptions.

(s) Authorization. Seller is a duly organized and validly existing corporation under the laws of the State of Minnesota. This Agreement has been duly authorized and executed on behalf of Seller and constitutes the valid and binding agreement of Seller, enforceable in accordance with its terms, and all necessary action on the part of Seller to authorize the transactions herein contemplated has been taken, and no further action is necessary for such purpose.

(t) Seller Not a Foreign Person. Seller is not a "foreign person" which would subject Purchaser to the withholding tax provisions of Section 1445 of the Internal Revenue Code of 1986, as amended.

(u) Hazardous Substances. Seller hereby warrants and represents, to the best of Seller's knowledge, and except as otherwise disclosed in that certain Phase I Environmental Site Assessment of Lots 44, ASU Research Park, by Liesch Southwest, Inc., dated September 22, 1998, that (i) no "hazardous substances", as that term is defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et. seq., the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et. seq., and the rules and regulations promulgated pursuant to these acts, any so-called "super-fund" or "super-lien" laws or any applicable state or local laws, nor any other pollutants, toxic materials, or contaminants have been or shall prior to Closing be discharged, disbursed, released, stored, treated, generated, disposed of, or allowed to escape on the Property, (ii) no asbestos or asbestos containing materials have been installed, used, incorporated into, or disposed of on the Property, (iii) no polychlorinated biphenyls are located on or in the Property, in the form of electrical transformers, fluorescent light fixtures with ballasts, cooling oils, or any other device or form, (iv) no underground storage tanks are located on the Property or were located on the Property and subsequently removed or filled, (v) no investigation, administrative order, consent order and agreement, litigation, or settlement with respect to Hazardous Substances is proposed, threatened, anticipated or in existence with respect to the Property, and (vi) the Property has not previously been used as a landfill, cemetery, or as a dump for garbage or refuse. Seller hereby indemnifies Purchaser and holds Purchaser harmless from and against any loss, cost, damage, liability or expense due to or arising out of the breach of any representation or warranty contained in this Paragraph.

EXCEPT AS EXPRESSLY PROVIDED TO THE CONTRARY HEREIN, PURCHASER IS ACQUIRING THE PROPERTY IN ITS "AS IS" CONDITION AS OF THE DATE OF THE CLOSING.

9. Seller's Additional Covenants. Seller does hereby further covenant and agree as follows:

(a) Operation of Property. Seller hereby covenants that, from the

date of this Agreement up to and including the date of Closing, Seller shall: (i) not negotiate with any third party respecting the sale of the Property or any interest therein, (ii) not modify, amend, or terminate the Lease or Ground Lease, or enter into any new lease, contract, or other agreement respecting the Property, (iii) not grant or otherwise create or consent to the creation of any easement, restriction, lien, assessment, or encumbrance respecting the Property, and (iv) cause the Property to be operated, maintained, and repaired in the same manner as the Property is currently being operated, maintained, and repaired.

(b) Preservation of Lease and Ground Lease. Seller shall, from and after the date of this Agreement to the date of Closing, use its good faith efforts to perform and discharge all of the duties and obligations and shall otherwise comply with every covenant and agreement

of the landlord under the Lease and of the tenant under the Ground Lease, at Seller's expense, in the manner and within the time limits required thereunder. Furthermore, Seller shall, for the same period of time, use diligent and good faith efforts to cause the Tenant under the Lease to perform all of its duties and obligations and otherwise comply with each and every one of its covenants and agreements under such Lease and shall take such actions as are reasonably necessary to enforce the terms and provisions of the Lease.

(c) Tenant Estoppel Certificate. At least five (5) days prior to expiration of the Inspection Period, Seller shall obtain and deliver to Purchaser a fully completed estoppel certificate with respect to the Lease in substantially the form of Exhibit "B" (the "Tenant Estoppel Certificate"), duly executed by the Tenant thereunder. The Tenant Estoppel Certificate shall be executed as of a date not more than thirty (30) days prior to Closing.

(d) Lessor Estoppel Certificate. At least five (5) days prior to expiration of the Inspection Period, Seller shall obtain and deliver to Purchaser a fully completed estoppel certificate with respect to the Ground Lease in substantially the form of Exhibit "C" (the "Lessor Estoppel Certificate"), duly executed by the Lessor thereunder. The Lessor Estoppel Certificate shall be executed as of a date not more than thirty (30) days prior to Closing.

(e) Insurance. From and after the date of this Agreement to the date and time of Closing, Seller shall, at its expense, continue to maintain the all risk fire and extended coverage insurance policy covering the Property which is currently in force and effect.

10. Closing. Provided that all of the conditions set forth in this Agreement are theretofore fully satisfied or performed, it being fully understood and agreed, however, that Purchaser may expressly waive in writing, at or prior to Closing, any conditions that are unsatisfied or unperformed at such time, the consummation of the sale by Seller and purchase by Purchaser of the Property (herein referred to as the "Closing") shall be held at 2:00 p.m., local time, on the first business day which is at least five (5) days after the end of the Inspection Period, at the offices of Escrow Agent, or at such earlier time as shall be designated by Purchaser in a written notice to Seller not less than two (2) business days prior to Closing.

11. Seller's Closing Documents. For and in consideration of, and as a condition precedent to, Purchaser's delivery to Seller of the Purchase Price

described in Paragraph 3 hereof, Seller shall obtain or execute, at Seller's expense, and deliver to Purchaser at Closing the following documents (all of which shall be duly executed, acknowledged, and notarized where required and shall survive the Closing):

(a) Assignment and Assumption of Ground Lease. An Assignment and Assumption of Ground Lease in substantially the form of Exhibit "D";

(b) Bill of Sale. A Bill of Sale conveying to Purchaser marketable title to the Personal Property in the form and substance of Exhibit "E";

(c) Blanket Transfer. A Blanket Transfer and Assignment in the form and substance of Exhibit "F";

(d) Assignment and Assumption of Lease. An Assignment and Assumption of Lease in the form and substance of Exhibit "G", assigning to Purchaser all of Seller's right, title, and interest in and to the Lease and the rents thereunder (and which shall provide among other things that Seller shall remain liable for its environmental indemnity to Tenant under the Lease);

(e) Seller's Affidavit. A customary seller's affidavit in the form required by the Title Company to satisfy the requirements of its commitment and the endorsements contemplated by paragraph 7 hereof;

(f) FIRPTA Certificate. A FIRPTA Certificate in such form as Purchaser shall reasonably approve;

(g) Certificates of Occupancy. The original Certificates of occupancy for all space within the Improvements;

(h) Marked Title Commitment. The Title Commitment, marked to change the effective date thereof through the date and time of recording the Assignment and Assumption of Ground Lease, to reflect that Purchaser is vested with a subleasehold interest in the Land and the Improvements, and to reflect that all requirements for the issuance of the final title policy pursuant to such Title Commitment have been satisfied;

(i) Keys and Records. All of the keys to any doors or locks on the Property and the original tenant files and other books and records relating to the Property in Seller's possession;

(j) Tenant Notice. Notice from Seller to the Tenant of the sale of the Property to Purchaser in such form as Purchaser shall reasonably approve;

(k) Settlement Statement. A settlement statement setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement;

(l) Other Documents. Such other documents as shall be reasonably required by Purchaser's counsel.

12. Purchaser's Closing Documents. Purchaser shall obtain or execute and deliver to Seller at Closing the following documents, all of which shall be duly executed and acknowledged where required and shall survive the Closing:

(a) Assignment and Assumption of Ground Lease. The Assignment and Assumption of Ground Lease;

(b) Blanket Transfer. The Blanket Transfer and Assignment;

(c) Assignment and Assumption of Lease. The Assignment and Assumption of Lease;

(d) Settlement Statement. A settlement statement setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement; and

(e) Other Documents. Such other documents as shall be reasonably required by Seller's counsel.

13. Closing Costs. Seller shall pay the cost of the Title Commitment, including the cost of the examination of title to the Property made in connection therewith, the premium for the owner's policy of title insurance issued pursuant thereto, the cost of any transfer or documentary tax imposed by any jurisdiction in which the Property is located, the cost of the as-built survey, the attorneys' fees of Seller, and all other costs and expenses incurred by Seller in closing and consummating the purchase and sale of the Property pursuant hereto. Purchaser shall pay the attorneys' fees of Purchaser, and all other costs and expenses incurred by Purchaser in closing and consummating the purchase and sale of the Property pursuant hereto. Each party shall pay one-half of any escrow fees.

14. Prorations. The following items shall be prorated and/or credited between Seller and Purchaser as of Midnight preceding the date of Closing:

(a) Rents. Rents, additional rents, and other income of the Property (other than security deposits, which shall be assigned and paid over to Purchaser) collected by Seller from Tenant for the month of Closing. Purchaser shall also receive a credit against the Purchase Price payable by Purchaser to Seller at Closing for any rents or other sums (not including security deposits) prepaid by Tenant for any period following the month of Closing, or otherwise. All rents and other amounts paid by Seller pursuant to the Ground Lease for the month of Closing.

(b) Property Taxes. To the extent the same are not paid by Tenant, City, state, county, and school district ad valorem taxes based on the ad valorem tax bills for the Property, if then available, or if not, then on the basis of the latest available tax figures and information. Should such proration be based on such latest available tax figures and information and prove to be inaccurate upon receipt of the ad valorem tax bills for the Property for the year of Closing, either Seller or Purchaser, as the case may be, may demand at any time after Closing a payment from the other correcting such malapportionment. In addition, if after Closing there is an adjustment or reassessment by any governmental authority with respect to, or affecting, any ad valorem taxes for the Property for the year of Closing or any prior year, any additional tax payment for the Property required to

be paid with respect to the year of Closing shall be prorated between Purchaser and Seller and any such additional tax payment for the Property for any year prior to the year of Closing shall be paid by Seller. This agreement shall expressly survive the Closing.

(c) Utility Charges. Except for utilities which are the responsibility of Tenant, Seller shall pay all utility bills received prior to Closing and shall be responsible for utilities furnished to the Property prior to Closing. Purchaser shall be responsible for the payment of all bills for utilities furnished to the Property subsequent to the Closing. Seller and Purchaser hereby agree to prorate and pay

their respective shares of all utility bills received subsequent to Closing, which agreement shall survive Closing.

15. Purchaser's Default. In the event of default by Purchaser under the terms of this Agreement, Seller's sole and exclusive remedy shall be to receive the Earnest Money as liquidated damages and thereafter the parties hereto shall have no further rights or obligations hereunder whatsoever. It is hereby agreed that Seller's damages will be difficult to ascertain and that the Earnest Money constitutes a reasonable liquidation thereof and is intended not as a penalty, but as fully liquidated damages. Seller agrees that in the event of default by Purchaser, it shall not initiate any proceeding to recover damages from Purchaser, but shall limit its recovery to the retention of the Earnest Money.

Seller's Initial /s/ DB Purchaser's Initials /s/ LW

16. Seller's Default. In the event of default by Seller under the terms of this Agreement, including, without limitation, the failure of Seller to cure any title defects or objections, except as otherwise specifically set forth herein, at Purchaser's option: (i) if any such defects or objections arose by, through, or under Seller or if any such defects or objections consist of taxes, mortgages, deeds of trust, deeds to secure debt, mechanic's or materialman's liens, or other such monetary encumbrances, Purchaser shall have the right to cure such defects or objections, in which event the Purchase Price shall be reduced by an amount equal to the costs and expenses incurred by Purchaser in connection with the curing of such defects or objections, and upon such curing, the Closing hereof shall proceed in accordance with the terms of this Agreement; or (ii) Purchaser shall have the right to terminate this Agreement by giving written notice of such termination to Seller, whereupon Escrow Agent shall promptly refund all Earnest Money to Purchaser, and Purchaser and Seller shall have no further rights, obligations, or liabilities hereunder, except as may be expressly provided to the contrary herein; or (iii) Purchaser shall have the right to accept title to the Property subject to such defects and objections with no reduction in the Purchase Price, in which event such defects and objections shall be deemed "Permitted Exceptions"; or (iv) Purchaser may elect to seek specific performance of this Agreement.

17. Condemnation. If, prior to the Closing, all or any part of the Property is subjected to a bona fide threat of condemnation by a body having the power of eminent domain or is taken by eminent domain or condemnation (or sale in lieu thereof), or if Seller has received notice that any condemnation action or proceeding with respect to the Property is contemplated by a body having the power of eminent domain, Seller shall give Purchaser immediate written notice of such threatened or contemplated condemnation or of such taking or sale, and Purchaser may by written notice to Seller given within thirty (30) days of the receipt of such notice from Seller, elect to cancel this Agreement. If Purchaser chooses to cancel this Agreement in accordance with this Paragraph 17, then the Earnest Money shall be returned immediately to Purchaser by Escrow Agent and the rights, duties, obligations, and liabilities of the parties hereunder shall immediately terminate and be of no further force and effect. If Purchaser does not elect to cancel this Agreement in accordance herewith, this Agreement shall

remain in full force and effect and the sale of the Property contemplated by this Agreement, less any interest taken by eminent domain or condemnation, or sale in lieu thereof, shall be

effected with no further adjustment and without reduction of the Purchase Price, and at the Closing, Seller shall assign, transfer, and set over to Purchaser all of the right, title, and interest of Seller in and to any awards that have been or that may thereafter be made for such taking.

18. Damage or Destruction. If any of the Improvements shall be destroyed or damaged prior to the Closing, and the estimated cost of repair or replacement exceeds $100,000.00 or if the Lease shall terminate as a result of such damage, Purchaser may, by written notice given to Seller within twenty (20) days after receipt of written notice from Seller of such damage or destruction, elect to terminate this Agreement, in which event the Earnest Money shall immediately be returned by Escrow Agent to Purchaser and except as expressly provided herein to the contrary, the rights, duties, obligations, and liabilities of all parties hereunder shall immediately terminate and be of no further force or effect. If Purchaser does not elect to terminate this Agreement pursuant to this Paragraph 18, or has no right to terminate this Agreement (because the damage or destruction does not exceed $100,000.00 and the Lease remains in full force and effect), and the sale of the Property is consummated, Purchaser shall be entitled to receive all insurance proceeds paid or payable to Seller by reason of such destruction or damage under the insurance required to be maintained by Seller pursuant to Paragraph 9(d) hereof (less amounts of insurance theretofore received and applied by Seller to restoration). If the amount of said casualty or rent loss insurance proceeds is not settled by the date of Closing, Seller shall execute at Closing all proofs of loss, assignments of claim, and other similar instruments to ensure that Purchaser shall receive all of Seller's right, title, and interest in and under said insurance proceeds.

19. Assignment. Purchaser's rights and duties under this Agreement shall not be assignable except to an affiliate of Purchaser without the consent of Seller which consent shall not be unreasonably withheld.

20. Broker's Commission. Seller has by separate agreement agreed to pay a brokerage commission to CB Commercial Real Estate Group (the "Broker"). Purchaser and Seller hereby represent each to the other that they have not discussed this Agreement or the subject matter hereof with any real estate broker or agent other than Broker so as to create any legal right in any such broker or agent to claim a real estate commission with respect to the conveyance of the Property contemplated by this Agreement. Seller shall and does hereby indemnify and hold harmless Purchaser from and against any claim, whether or not meritorious, for any real estate sales commission, finder's fees, or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Seller, including any claim asserted by Brokers and any broker or agent claiming under Broker. Likewise, Purchaser shall and does hereby indemnify and hold harmless Seller from and against any claim, whether or not meritorious, for any real estate sales commission, finder's fees, or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Purchaser, except any such claim asserted by Broker and any broker or agent claiming under Broker. This Paragraph 21 shall survive the Closing or any termination of this Agreement.

21. 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 telecopy, overnight courier, by hand, or sent by U.S. registered or certified mail, return receipt requested, postage prepaid,

to the addresses set out below or at such other addresses as are specified by written notice delivered in accordance herewith:

PURCHASER: c/o Wells Capital, Inc.
6200 The Corners Parkway, Suite 250
Norcross, Georgia 30092
Attn: Chief Investment Officer

with a copy to: O'Callaghan & Stumm LLP
127 Peachtree Street, N. E., Suite 1330
Atlanta, Georgia 30303
Attn: William L. O'Callaghan, Esq.

SELLER: Ryan Companies US, Inc.
700 International Centre
900 Second Avenue South
Minneapolis, MN 55402-3387
Attn: Timothy M. Gray

with a copy to : Ryan Companies US, Inc.
700 International Centre
900 Second Avenue South
Minneapolis, MN 55402-3387
Attn: Dennis Buratti

Any notice or other communication mailed as herein above provided shall be deemed effectively given or received on the date of delivery, if delivered by telecopy, hand or by overnight courier, or otherwise on the third (3rd) business day following the postmark date of such notice or other communication.

22. Possession. Possession of the Property shall be granted by Seller to Purchaser on the date of Closing, subject only to the Lease and the Permitted Exceptions.

23. Time Periods. If the time period by which any right, option, or election provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a Saturday, Sunday, or holiday, then such time period shall be automatically extended through the close of business on the next regularly scheduled business day.

24. Survival of Provisions. All covenants, warranties, and agreements set forth in this Agreement shall survive the execution or delivery of any and all deeds and other documents at any time executed or delivered under, pursuant to, or by reason of this Agreement, and shall survive the payment of all monies made under, pursuant to, or by reason of this Agreement for a period of two years from Closing except with respect to paragraphs 8(u) and 32 which shall survive for an unlimited time.

25. Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules, and regulations. If any provision of this Agreement, or the application thereof to any person or circumstance, shall, for any reason and

to any extent be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby but rather shall be enforced to the greatest extent permitted by law.

26. Authorization. Purchaser represents to Seller that this Agreement has been duly authorized and executed on behalf of Purchaser and constitutes the valid and binding agreement of Purchaser, enforceable in accordance with its terms, and all necessary action on the part of Purchaser to authorize the transactions herein contemplated has been taken, and no further action is

necessary for such purpose.

27. General Provisions. No failure of either party to exercise any power given hereunder or to insist upon strict compliance with any obligation specified herein, and no custom or practice at variance with the terms hereof, shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. This Agreement contains the entire agreement of the parties hereto, and no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. Any amendment to this Agreement shall not be binding upon the parties hereto unless such amendment is in writing and executed by all parties hereto. The provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns. Time is of the essence of this Agreement. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement. The headings inserted at the beginning of each paragraph are for convenience only, and do not add to or subtract from the meaning of the contents of each paragraph. This Agreement shall be construed and interpreted under the laws of the State of Arizona. Except as otherwise provided herein, all rights, powers, and privileges conferred hereunder upon the parties shall be cumulative but not restrictive to those given by law. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender shall include all genders, and all references herein to the singular shall include the plural and vice versa.

29. Effective Date. The "effective date" of this Agreement shall be deemed to be the date set forth in the preamble of this Agreement.

30. Contingency Regarding Other Contracts. Simultaneously with the execution hereof, the parties have entered into other purchase agreements which are listed on Exhibit "H" hereto, and it shall be a condition of the parties obligations hereunder that the closings with respect to the properties described therein shall occur simultaneously with the closing herein.

31. Duties as Escrow Agent. In performing its duties hereunder, Escrow Agent shall not incur any liability to anyone for any damages, losses or expenses, except for its gross negligence or willful misconduct, and it shall accordingly not incur any such liability with respect to any action taken or omitted in good faith upon advice of its counsel or in reliance upon any instrument, including any written notice or instruction provided for in this Agreement, not only as to its due execution and the validity and effectiveness of its provision, but also as to the truth and accuracy of any information contained therein that Escrow Agent shall in good faith believe to be genuine, to have been signed or presented by a proper person and to conform to the provisions of this Agreement. Seller and Purchaser hereby agree to indemnify and hold harmless Escrow Agent against any and all losses, claims, damages, liabilities and expenses, including reasonable costs of investigation

and legal fees and disbursements, that may be imposed upon Escrow Agent or incurred by Escrow Agent in connection with its acceptance or performance of its duties hereunder as escrow agent, including without limitation, any litigation arising out of this Agreement. If any dispute shall arise between Seller and Purchaser sufficient in the discretion of Escrow Agent to justify its doing so, Escrow Agent shall be entitled to tender into the registry or custody of the clerk of the Court for the county in which the Property is located or the clerk for the United States District Court having jurisdiction over the county in which the Property is located, any or all money (less any sums required to pay Escrow Agent's attorneys' fees in filing such action), property or documents in its hands relating to this Agreement, together with such pleadings as it shall deem appropriate, and thereupon be discharged from all further duties under this Agreement. Seller and Purchaser shall bear all costs and expenses of any such

legal proceedings.

32. Expansion. If Buyer proposes to expand the building which is a part of the Property, it will negotiate in good faith with Seller to provide design/build services with respect to such expansion and will contract with Seller for such work if its proposal therefor is competitive and is otherwise approved by the Tenant.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day, month and year first above written.

"SELLER":

RYAN COMPANIES US, INC.

By: /s/ Dennis Buratti

Its: Vice President

"PURCHASER":

WELLS CAPITAL, INC.

By: /s/ Leo F. Wells

Its: President

"ESCROW AGENT":

OLD REPUBLIC TITLE AGENCY

By: /s/ Gary Johnson

Its: Vice President

EXHIBIT 10.50

FIRST AMENDMENT TO AGREEMENT FOR THE PURCHASE

AND SALE OF PROPERTY FOR THE ASML BUILDING

FIRST AMENDMENT TO
AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY

THIS FIRST AMENDMENT TO AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY (the "First Amendment"), is made and entered into as of the 21/st/ day of March, 2000 by and between Ryan Companies US, Inc. ("Seller") and Wells Capital, Inc. ("Purchaser").

W I T N E S S E T H:

WHEREAS, Seller and Purchaser entered into that certain Agreement for the Purchase and Sale of Property, dated February 23, 2000 (the "Purchase Agreement"), relating to property located at 8555 South river Parkway, Tempe, Arizona; and

WHEREAS, Seller and Purchaser desire to amend the Purchase Agreement as provided herein;

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements contained herein and for other good and valuable consideration, the receipt, adequacy, and sufficiency of which are hereby expressly acknowledged by the parties hereto, the parties hereto do hereby covenant and agree as follows:

1. Capitalized terms used herein shall have the meaning given to them in the Purchase Agreement, except as otherwise provided in this First Amendment.

2. The Purchase Price, as defined in paragraph 3 of the Agreement, shall be $17,355,000.00.

3. This First Amendment may be signed in counterparts, each of which shall be deemed an original and which taken together shall constitute one instrument.

4. All other terms and conditions of the Purchase Agreement not inconsistent with this First Amendment shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and their respective seals to be affixed hereunto as of the day, month and year first above written.

"SELLER":

Ryan Companies US, Inc.

By: /s/ Dennis Buratti

Name: Dennis Buratti

Title: Vice President

"PURCHASER":

Wells Capital, Inc.

By: /s/ Douglas P. Williams

Name: Douglas P. Williams

Title: Senior Vice President

EXHIBIT 10.51

LEASE AGREEMENT

FOR THE ASML BUILDING

LEASE AGREEMENT
(Single Tenant)

LEASE AGREEMENT (this "Lease"), made this 15TH day of August, 1997, between RYAN COMPANIES US, INC., a Minnesota corporation ("Landlord"), and ASM LITHOGRAPHY, INC., a Delaware corporation ("Tenant").

1. PREMISES:

Landlord, subject to the terms and conditions hereof, hereby leases to Tenant the premises (the "Premises") at Arizona State University Research Park, Lot 44, comprising approximately 97,963 square feet of area in the building with street address of 8555 South River Parkway, Tempe, Arizona (the "Building") to be used by Tenant for any use permitted under Article II of the Declaration of Covenants, Conditions and Restrictions for Arizona State University Research Park (the "Declaration"), which is attached hereto as Exhibit A, but excluding the specific illustrated uses permitted under Article II B(6), and for no other purpose. Without limiting the generality of the foregoing limitation on the permitted use of the Premises, Tenant shall not conduct any unlimited manufacturing operations in the Premises or conduct any activities which create the risk of a release of a Hazardous Material on, in, under or about the Premises or the Property or into the environment in violation of the Hazardous Material Laws or otherwise expose Landlord, Tenant, the Property or the Premises to action by any governmental authority or third parties under the Hazardous Materials Laws. The foregoing shall not be construed to prevent the use by Tenant of the Hazardous Materials described in Exhibit B, provided that use thereof is in full compliance with applicable Hazardous Materials Laws pursuant to any governmental or other regulatory permits or consents required by the Hazardous Materials Laws. The Building, the land underlying and contiguous thereto (which is described on Exhibit C), and all improvements thereon are hereinafter referred to as the "Property".

Tenant shall have the exclusive right to use and occupy the Leased Premises throughout the Lease Term (and any Renewal Terms), 24 hours each day.

2. TERM:

Tenant takes the Premises from Landlord, upon the terms and conditions herein contained, to have and to hold the same for the term ("Lease Term") of approximately one hundred eighty (180) months commencing on July 31, 1998, subject to the provisions of the next sentence and of paragraph 13, and ending on the last day of the one hundred eightieth (180th) calendar month thereafter, unless sooner terminated or extended as herein provided. The foregoing commencement date is a reasonable projection as of the date of this Lease, subject to change as set forth in the following paragraph.

Notwithstanding the foregoing projected date, the Lease Term will commence on the third (3rd) business day after Landlord notifies Tenant that all certificates of occupancy (or equivalent governmental approvals of completion) have been issued for the Building and the Tenant Improvements by the appropriate governmental agency, at which time the Premises will be deemed "ready for occupancy." The certificate of occupancy (or equivalent governmental approval

of completion) may contain stipulations and conditions to be fulfilled by Landlord so long as it permits Tenant to take occupancy of the Premises and to use the Premises for the purposes contemplated by this Lease. Tenant shall take possession of the Premises no later than three (3) business days after Landlord notifies Tenant that all certificates of occupancy (or equivalent governmental approvals of completion) have been issued. Within five (5) days after commencement of this Lease, Landlord and Tenant shall execute a written statement specifying (a) the commencement date and (b) the termination date of this Lease.

Notwithstanding the foregoing, Tenant shall be entitled to enter the Premises or portions thereof from time to time prior to commencement of the Lease Term, without the payment of rent or any other sums under this Lease, for the purpose of installing Tenant's furniture, fixtures and equipment. Tenant shall use reasonable care in connection with such entry, and shall not materially interfere with construction of the Tenant Improvements in connection with such entry.

3. BASE RENT:

Tenant shall pay to Landlord during the Lease Term without any set-off or deduction (except only as otherwise expressly provided in this Lease) annual base rent as follows:

For years one (1) through five (5) of the Lease Term, annual base rent shall be calculated as follows:

(Total Project Cost x Rental Constant) + Subground Lease Annual Payment

(a) Total Project Cost is defined as the total of the costs and expenses incurred by Landlord in the design, development and construction of the Building as described in paragraph 30 including the Allowance for the Tenant Improvements (but not any excess Tenant Improvements Cost if the actual cost of the Tenant Improvements exceeds the Allowance unless otherwise agreed by Landlord and Tenant as provided in paragraph 30.4) and a three percent (3%) real estate development fee and a six percent (6%) contractor's fee payable to Landlord. Total Project Cost shall include those items set forth in the pro forma statement dated June 19, 1997 showing Landlord's estimate as of that date of $15,954,295 as the Total Project Cost. The pro forma is for informational purposes and remains subject to adjustment.

(b) Rental Constant equals .105

(c) Subground Lease Annual Payment is defined as the applicable annual rent payable under the Subground Lease (as defined in paragraph 28 below) for the corresponding year of the Lease Term.

As an example of the calculation of annual base rent using the above formula, if the Total Project Cost is $15,954,295.00, then using the Rental Constant of .105 and a Subground Lease Annual Payment of $190,728.00, the annual base rent for each of years one (1) through five (5) of the Lease Term would be $1,865,928.98 for a monthly base rent of $155,494.08.

For each of years six (6) through ten (10) of the Lease Term, the annual base rent shall be calculated using the above formula but with a Rental Constant of .1172 (e.g., if the Total Project Cost is $15,954,295.00, then using the Rental Constant of .1172 and a Subground Lease Annual Payment of $190,728.00, the annual base rent for each of years six (6) through ten (10) of the Lease Term would be $2,060,571.37 for a monthly base rent of $171,714.28).

For each of years eleven (11) through fifteen (15) of the Lease Term, the annual base rent shall be calculated using the

above formula but with a Rental Constant of .1307 (e.g., if the Total Project Cost is $15,954,295.00, then using the Rental Constant of .1307 and a Subground Lease Annual Payment of $190,728.00, the annual base rent for each of years eleven (11) through fifteen (15) of the Lease Term would be $2,275,954.36 for a monthly base rent of $189,662.86).

Annual base rent shall be payable for each year of the Lease Term in twelve (12) equal installments, each monthly installment to be payable on the first day of each month in advance at the office of Landlord at 900 Second Avenue South, Suite 700, Minneapolis, Minnesota 55402, or at such other place as may from time to time be designated by Landlord.

Landlord and Tenant will memorialize each rental calculation in writing.

If the Lease Term commences on a day other than the first day of a calendar month, then the rental for such month shall be prorated on a daily basis, based on the number of days in effect during such month, and paid on or before the commencement of the Lease Term.

Prior to the date the Lease Term commences Landlord will notify Tenant in writing of the final square footage of the Premises. Tenant's written approval thereof shall not be unreasonably withheld or delayed.

Notwithstanding anything to the contrary herein, Tenant shall have the right, exercisable in Tenant's discretion, to begin operation of its business, prior to commencement of the Lease Term, in the informational technology space (the "IT Space") and/or the office space (the "Office Space") as shown, respectively, crosshatched and hatched on Exhibit D (whether one or both, the "Early Use Space") so long as lawful for Tenant to occupy and commence business within the Early Use Space. Landlord shall use its best, reasonable efforts to have the IT Space available for Tenant's early use by May 29, 1998 and the Office Space available by June 26, 1998. If Tenant so commences business in any portion of the Office Space, then base rent shall commence for the Office Space as of such time and Tenant shall with respect to the Office Space comply with all of the terms and conditions of this Lease. Rent for the early use of the Office Space shall be calculated using the above formula for annual base rent for years 1 through 5 of the Lease Term using Landlord's good faith estimate of the Total Project Cost and prorated based on the ratio of the square footage of the Office

Space to the total square footage of the Building (as estimated in good faith by Landlord if not then known); no rent shall be charged prior to commencement of the Lease Term for Tenant's early use of the IT Space. Rent for the early use of the Office Space shall subsequently be adjusted retroactively as necessary to reflect the final Total Project Cost and the Building and the Office Space square footages when known. Tenant shall use reasonable care in connection with Tenant's use of the Early Use Space so as not to materially interfere with Landlord's construction of the Tenant Improvements. Tenant's use of and the commencement of base rent on a pro rata basis for the early use of the Office Space shall not affect the date on which the Lease Term otherwise is determined to commence under paragraph 2 above.

4. OPERATING COSTS:

Tenant shall, for the entire Lease Term, pay to Landlord as additional rent, without any set-off or deduction therefrom (except as otherwise expressly provided in this Lease), one hundred percent (100%) of Operating Costs incurred by Landlord in maintaining and operating the Property. Operating Costs shall be based on a one hundred percent (100%)-occupied building, whether or not the entire Building is actually occupied.

"Operating Costs" are hereby defined to include, but shall not be limited to: (i) real estate taxes and assessments, general or special, (ii) insurance premiums and costs (including deductibles) for the all-risk property and casualty insurance that Landlord maintains pursuant to the provisions of this Lease (which may include rent loss and difference-in-conditions coverages), (iii) the yearly amortization of capital costs incurred by Landlord for improvements or structural repairs to the Property required to comply with any laws, rules or regulations of any governmental authority having jurisdiction over the Property which are enacted after the commencement date of this Lease, or with any changes in laws, rules or regulations of any governmental authority having jurisdiction over the Property which existed on the commencement date of this Lease, but which changes were enacted after the commencement date of this Lease, or the application of either, or for the purposes of reducing Operating Costs, which costs shall be amortized over the useful life of such improvements or repairs, as reasonably estimated by Landlord, (iv) regular painting of the exterior of the Building, (v) reasonable costs of routine and ordinary service and maintenance of the roof (including reasonable

preventive care, but excluding capital repairs/replacements), unless Landlord at its election transfers to Tenant responsibility for routine and ordinary service and maintenance of the roof (including reasonable preventive care) and the cost thereof, (vi) all fees, charges, and assessments including, without limitation, any common area maintenance charges levied or assessed against, or charged to, the Property or any part thereof, or to Landlord in respect to the Property or any part thereof, pursuant to the Ground Lease, the Subground Lease or the Declaration, including, without limitation, any fee, charge, or assessment arising out of the operation and maintenance of Arizona State University Research Park, together with any applicable transaction privilege or similar tax; and (vii) all Intergovernmental Agreement Service Fees payable to City of Tempe, together with any applicable transaction privilege or similar tax.

Notwithstanding the foregoing, Landlord, on request of Tenant, will outline Landlord's insurance program and be responsive to Tenant's input but Landlord's own good faith determination of the Property insurance needs will have precedence.

Painting of the exterior of the Building will be done at reasonable intervals, subject to any further requirement in the Ground Lease, the Subground Lease, or the Declaration.

Notwithstanding the foregoing, if the Property qualifies for a real estate tax abatement, and then only to the extent of the abatement, Operating Costs will not include any abated real estate tax. Landlord is making no representations or warranties or covenants to Tenant as to the nature or extent of any real estate tax abatement and this Lease is not contingent on any real estate tax abatement, nor are Tenant's obligations to Landlord under this Lease dependent on such an abatement.

In no event (except only as provided in the preceding subparagraph or in paragraph 8) will Operating Costs include, nor will Tenant be obligated to pay for, (A) any capital improvements, alterations or expenditures, except HVAC (including, without limitation, reroofing of the roof or resurfacing on the parking lot), (B) depreciation, (C) Landlord's overhead or management fees, (D) repairs, alterations, additions, improvements or replacements made to rectify or correct any defect in the design, materials or workmanship of the Building or the Property or to comply with any requirements of any governmental authority, (E) damage and

repairs attributable to fire or other casualty; (F) damage and repairs paid for under any insurance policy carried by Landlord in connection with the Property; (G) costs incurred due to violation by Landlord of the terms and conditions of this Lease; (H) legal fees, brokerage commissions, advertising costs or other

related expenses incurred in connection with leasing; (I) accountants' fees; (J) sculptures or artwork; (K) fees and costs incurred in connection with the defense of Landlord's title or interest in the Property or the Building or any part thereof; (L) rent and other costs payable under any ground lease; and (M) principal, interest and other amounts paid pursuant to any loan secured by the Property or the Building or any part thereof.

As soon as reasonably practicable prior to the commencement of each calendar year during the Lease Term, Landlord shall furnish to Tenant an estimate of Tenant's share of Operating Costs for the ensuing calendar year and Tenant shall pay, as additional rent hereunder together with each installment of monthly base rent, one-twelfth (1/12th) of its estimated annual share of such Operating Costs. As soon as reasonably practicable (but in no event later than forty-five (45) days) after the end of each calendar year during the Lease Term, Landlord shall furnish to Tenant a statement of the actual Operating Costs for the previous calendar year, including Tenant's share of such amount, and within thirty (30) days thereafter Tenant shall pay to Landlord, or Landlord to Tenant, as the case may be, the difference between such actual and estimated Operating Costs paid by Tenant. Tenant's share of such Operating Costs for the years in which this Lease commences and terminates shall be prorated based upon the dates of commencement and termination of the Lease Term.

The annual statement of actual Operating Costs shall be prepared in accordance with GAAP and shall be certified to be correct by Landlord. Landlord shall maintain full and accurate books and records with respect to all Operating Costs for a period of not less than one (1) year.

Tenant shall have the right at any time during normal business hours and upon reasonable prior notice to Landlord to inspect and audit Landlord's books and records with respect to Operating Costs. Tenant shall not have the right, however, to inspect and audit Landlord's books and records with respect to the Operating Costs of any given year following the first (1st) anniversary of Tenant's receipt of the statement of the actual Operating Costs for the year in question.

5. ADDITIONAL TAXES:

Tenant shall pay as additional rent to Landlord, together with each installment of monthly base rent, or within ten (10) days after demand, Tenant's share of Operating Costs and any other payment made by Tenant under this Lease, the amount of any gross receipts tax, transaction privilege or sales tax or similar tax (but excluding therefrom any income tax) payable, or which will be payable, by Landlord, by reason of the receipt of the monthly base rent, Tenant's share of Operating Costs and any other payment made by Tenant under this Lease, and adjustments thereto.

6. ASSIGNMENT, SUBLETTING:

Except for an assignment or subletting to an affiliate or a wholly owned subsidiary of Tenant (any such entity is referred to herein as a "Tenant Affiliate"), Tenant may not assign this Lease, or sublet all or any part of the Premises, without the Landlord's prior written consent, which consent shall not be unreasonably withheld, or delayed. Landlord reserves the right, should the Tenant request such assignment or subletting, to terminate this Lease and recapture the Premises and the Landlord shall have ten (10) days to make such determination. Should the Landlord exercise this "recapture" right in writing, Tenant's obligations under this Lease shall terminate thirty (30) days after Landlord gives Tenant written notice of recapture. Until such termination, the Tenant will, however, remain liable for the performance of all the terms and conditions hereof. Notwithstanding the foregoing, it shall be a condition to any assignment or subletting (including, without limitation, one to a Tenant Affiliate) that the assignee or sublessee shall assume in writing the obligations of Tenant under this Lease, and such assignment or subletting shall

not relieve Tenant of its obligations to Landlord under this Lease.

7. UTILITIES:

Landlord shall provide mains and conduits to supply phone, gas, water, electricity (including main panel with breakers) and sanitary sewage to the Premises. Landlord will also provide the conduit from the street to the Building to accommodate Fiber Optics. Tenant shall pay, when due, all charges for sewer usage or rental, garbage disposal, refuse removal, water, electricity, telephone and/or other utility services or energy source furnished to the Premises during the term of this Lease, or any renewal or extension thereof.

8. CARE AND REPAIR OF PREMISES:

Tenant shall, at all times throughout the terms of this Lease, including renewals and extensions, and at its sole expense, keep and maintain the interior of the Premises in good repair and in a clean, safe, orderly, sanitary and first class condition in compliance with all applicable laws, codes, ordinances, rules and regulations, free of any accumulation of dirt and rubbish, and Tenant shall arrange its own trash removal. Tenant's obligations extend to the entirety of the Property and shall also include but not be limited to the maintenance, repair, and replacement, if necessary, of all interior lighting, HVAC, parking lot, driveways located on the Property, sidewalks, loading docks and exterior light fixtures located on the Property, landscaping on the Property, electrical and plumbing systems including without limitation all sewer lines, fixtures and equipment, all restrooms, all interior walls and ceilings, partitions, and doors and windows, including the regular painting of the interior of the Building, and the replacement of all broken glass from doors and windows unless breakage is due to a defect in the design, materials or workmanship of the Building or the Property (excluding Tenant's design errors), to a breach of Landlord's own repair and maintenance obligations under this Lease, or to Landlord's negligence. When used in this provision, the term "repairs" shall include ordinary and customary replacements or renewals when necessary, and all such repairs made by the Tenant shall be equal in quality and class to the original work.

Tenant shall specifically not be required to perform or pay for any structural changes or capital expenditures on the Property in order to comply with (i) any law, ordinance, rule or regulation; or (ii) with any recommendation of Landlord's insurance rating organization, unless the same is required as the direct result of Tenant's particular use of the Premises (as opposed to Tenant's mere occupancy of the Premises or Tenant's conduct of business, generally), except to the extent that Tenant is required to pay to Landlord Tenant's pro rata share of certain amortized capital expenditures as provided in paragraph 4.

If Tenant fails, refuses or neglects to maintain or repair the Premises and the Property as required in this Lease for ten (10) days after notice shall have been given Tenant, Landlord may make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures or other property or to Tenant's business by reason thereof (except

that Landlord shall be liable for its own negligence or willful misconduct), and upon completion thereof, Tenant shall pay to Landlord all costs plus 5% for overhead incurred by Landlord in making such repairs within ten (10) days after Tenant receives from Landlord the bill therefor.

Landlord shall be responsible for maintenance, repair and replacement of the structural elements of the roof and shall keep the foundation (concrete slab

floor), exterior walls, and all other structural portions of the Property and the Building (not otherwise designated to be maintained and repaired by Tenant) in good repair and in a clean, safe, sanitary and first class condition and in compliance with all applicable laws, codes, ordinances, rules and regulations, and if necessary or required by proper governmental authority, make modifications or replacements thereof, except that Landlord shall not be required to make any such repairs, modifications or replacements which become necessary or desirable by reason of the negligence or willful misconduct of Tenant, its agents, servants or employees, by reason of anyone illegally entering or upon the Premises, which repairs, modifications or replacements shall be made by Tenant at its sole expense. Landlord shall also remedy, at Landlord's sole expense, any latent defects in the Building and the Tenant Improvements, as well as any damage to the Premises caused by the willful act or negligence of Landlord or its agents; Landlord shall also repair any defects or failures in building systems to the extent the same were not constructed in accordance with the terms of this Lease or applicable law. Notwithstanding the foregoing, Landlord shall have no liability under this paragraph for any repair, maintenance or replacement required because of Tenant's own design error, and nothing in this paragraph will alter Tenant's obligation to pay Operating Costs to Landlord under paragraph 4 even though this paragraph may impose on Landlord the obligation of performing the necessary maintenance, repair or replacement.

9. COVENANTS OF TENANT:

Tenant agrees that it shall:

(a) Observe such reasonable and customary rules and regulations as from time to time may be put in effect by Landlord, provided that Tenant has received reasonable prior notice of the same, for the general safety of Landlord and the occupants of the Building and for the integrity and reputation of the Property.

(b) Give Landlord access to the Premises at all reasonable times, and upon reasonable prior notice (but not less than one (1) business day, except in case of emergency) from Landlord, without change or diminution of rent so long as Landlord complies with the terms of this Lease, to enable Landlord to examine the same and to make such repairs, additions and alterations as Landlord is entitled or required to make under the terms of this Lease, and to exhibit the Premises to prospective purchaser of the Property or lenders thereon; and during the one hundred twenty (120) days prior to the expiration of the term, to exhibit the Premises to prospective tenants and to place upon the door or in the windows of the Premises any usual or ordinary "For Lease" signs. Landlord will schedule such entries with Tenant and will use reasonable efforts to minimize any disruption to Tenant's business caused by such entry and Landlord will comply with Tenant's reasonable security procedures in connection with such entry. All of Landlord's entries and the performance of Landlord's work shall be done during non-business hours of Tenant. Tenant will have the right to be present whenever Landlord comes on the Premises under this paragraph.

(c) Except in an emergency, Tenant may require reasonable verification of Landlord's or its agent's identity prior to allowing entry into the Premises. Tenant may designate certain portions of the Premises as "Security Areas" for the purpose of securing certain valuable property or confidential information. Landlord may only enter such Security Areas when accompanied by a representative of Tenant upon not less than two (2) business days' notice to Tenant, which notice shall specify the date and time of such entry by Landlord; provided, however, that Landlord may enter the Security Areas, without notice to Tenant, in the event of an emergency, in which case Landlord shall provide Tenant with notice of such entry promptly thereafter.

(d) Keep the Premises and the Property in good order and condition and replace all glass broken by Tenant with glass of the same quality as that broken, save only glass broken by fire or other casualty covered by standard all risk insurance, and commit no waste on the Premises.

(e) Pay for all electric lamps, starters and ballasts used in the Premises.

(f) Upon the termination of this Lease in any manner whatsoever, remove Tenant's furniture, fixtures and equipment, generators, computers, telephones and switches, and

telecommunications equipment (to the extent the same was installed by Tenant) and Tenant's other goods and effects and those of any other person claiming under Tenant, and quit and deliver the Premises and the Property to Landlord peaceably and quietly in as good order and condition as the same are now in or hereafter may be put in by Landlord or Tenant, reasonable use and wear thereof and repairs which are Landlord's obligation excepted. Furniture, fixtures, equipment, goods and effects not removed by Tenant at the termination of this Lease, however terminated, shall be considered abandoned and Landlord may dispose of the same as it deems expedient.

(g) Not place signs on or about the Premises or the Property without first obtaining Landlord's written consent thereto, which consent will not be unreasonably withheld or delayed. All signs must comply with applicable laws and ordinances, covenants, conditions and restrictions, and Landlord's reasonable sign criteria. Notwithstanding the foregoing, Landlord's consent will be deemed given to any sign that complies not only with City of Tempe requirements but also with the Declaration.

(h) Not overload, damage or deface the Premises or do any act which may make void or voidable any insurance on the Premises or the Building, or which may render an increased or extra premium payable for insurance.

(i) Not place any additional locks on any of Tenant's doors without the written consent of the Landlord, which consent shall not be unreasonably withheld or delayed.

(j) Not make any alterations or additions to the Property the cost of which would exceed Two Hundred Fifty Thousand Dollars ($250,000.00) for any single alteration or addition or Five Hundred Thousand Dollars ($500,000.00) cumulatively without obtaining the prior written approval of Landlord thereto, which consent shall not be unreasonably withheld or delayed. Tenant shall submit to Landlord with Tenant's request for Landlord's consent, or as soon thereafter as possible, copies of plans and specifications for the alteration or addition for which Tenant requests Landlord's consent. In addition, for any alteration or addition for which Landlord's consent is not required, Tenant shall still provide to Landlord notice of Tenant's intention to make the alteration or addition and, when available, copies of the plans and specifications for such alteration or addition. All alterations, additions or improvements (including carpeting or other floor covering which has been glued or otherwise

affixed to the floor) which may be made by Landlord or Tenant upon the Property, except movable office furniture, equipment and generators, computers, telephone and telecommunication systems, and other technology shall be the property of Landlord, and shall remain upon and be surrendered with the Premises, as a part thereof, at the termination of this Lease.

(k) Keep the Premises and the Property free from any mechanics', materialmen's, contractors' or other liens arising from, or any claims for damages growing out of, any work performed, materials furnished or obligations incurred by or on behalf of Tenant. Provided, however, that Tenant shall have the right to contest any such lien, in which event such lien shall not be considered a default under this Lease until the existence of the lien has been finally adjudicated and all appeal periods have expired. Tenant shall indemnify, defend, and hold harmless Landlord for, from and against any such lien, or claim or action thereon, reimburse Landlord within ten (10) business

days after demand therefor by Landlord for costs of suit and reasonable attorneys' fees incurred by Landlord in connection with any such lien, claim or action, and, upon written request of Landlord, provide Landlord with a bond in an amount and under circumstances necessary to obtain a release of the Premises or the Property from such lien. Notwithstanding the foregoing, Tenant will have no responsibility for the liens of contractors or others hired exclusively by and for Landlord.

(l) Cause to be performed by a competent service company, preventive maintenance of all HVAC units serving the Premises, as recommended by the equipment manufacturer.

(m) Indemnify, defend and hold Landlord harmless for, from and against all claims, obligations, liabilities, costs, expenses and reasonable attorneys' fees and court costs which Landlord may suffer or incur by reason of Tenant's breach of this Lease, or by reason of the negligence or willful misconduct of Tenant or its employees, agents, invitees or licensees on or about the Premises or the Property. Subject to the provisions of paragraph 8, Tenant shall comply with all applicable laws, regulations, ordinances and other legal requirements in connection with its particular use and occupancy of the Premises.

Tenant's obligations under this paragraph 9 to do or not to do a specified act shall extend to and include Tenant's obligations to see to it that Tenant's employees, agents and invitees shall do or shall not do such acts, as the case may be.

Landlord shall indemnify, defend and hold Tenant harmless for, from and against all claims, obligations, liabilities, costs, expenses and reasonable attorneys' fees and court costs which Tenant may suffer or incur by reason of Landlord's breach of this Lease, or by reason of the negligence or willful misconduct of Landlord or its employees, agents, invitees or licensees on or about the Premises or the Property. Landlord shall comply with all applicable laws, regulations, ordinances and other legal requirements in connection with performing its obligations under this Lease and its entry onto the Premises or the Property.

Landlord's obligations under this paragraph 9 to do or not to do a specified act shall extend to and include Landlord's obligations to see to it that Landlord's employees, agents and invitees shall do or shall not do such acts, as the case may be.

10. PARKING AND DRIVES:

Subject to the refinements, if any, in paragraph 1 of the Rider to this Lease, Tenant, its employees, and invitees shall have the exclusive right to use all interior driveways and parking lots located on the Property. The use of such driveways and parking facilities is subject to such customary and reasonable rules and regulations as Landlord may impose. Landlord will be under no obligation to police the driveways and parking lots. Tenant may employ all reasonable and lawful means to police these areas and prevent unauthorized visitors from using same including, without limitation, employees of businesses adjacent to the Property, which means may include towing to the extent lawful. The Tenant further agrees not to use, or permit the use by its employees, the driveways, parking or truck-loading areas for the overnight or any other storage, or for the maintenance or repair or cleaning, of automobiles or other vehicles without the written permission of Landlord. Tenant shall not place or store goods, materials, supplies, equipment, automobiles or other vehicles, or other property of Tenant in the driveways or parking lots or anywhere else in the Property or in the Building, excepting wholly within the Premises.

11. CASUALTY LOSS:

In case of damage to the Premises or the Building by fire or other

casualty, Tenant shall give immediate notice to Landlord, who shall thereupon cause the damage (including any damage to the Tenant Improvements) to be repaired with

reasonable speed, at the expense of the Landlord, subject to reasonable delays caused by force majeure events and other similar delays beyond the reasonable control of Landlord. All rent and other charges payable by Tenant hereunder shall abate proportionately during any period in which, by reason of such casualty, Tenant reasonably determines that there is interference with the operation of Tenant's business in the Premises. Such abatement shall continue for the period commencing with the date of such damage or destruction and ending with the date that business may be fully resumed on the Premises, as reasonably determined by Tenant. If Tenant determines that continuation of business is not practical or secure pending reconstruction, all rent and other charges due and payable hereunder shall be fully abated until business is resumed. In the event such damage resulted solely from the act, fault or neglect of Tenant, Tenant's employees or agents, there shall be no abatement of rent.

In the event the cost to repair the damage shall exceed twenty-five percent (25%) of the full replacement value of the Building, or if the damage shall be so extensive that repairs cannot be completed within one hundred twenty (120) days from the date of issuance of required permits (permitting to take no more than 60 days and Landlord to use diligent efforts to obtain same), then either Landlord or Tenant shall have the right to terminate this Lease, as of the date of such damage, by notice given to the other party within thirty (30) days following the casualty loss. If this Lease is terminated, the rent and Operating Costs shall be adjusted to the date of such damage and Tenant shall vacate the Premises within ninety (90) days after the date of such casualty. If neither party shall elect to terminate this Lease, then the provisions of the first paragraph of this paragraph 11 shall control. Tenant hereby waives any statutory right to terminate this Lease or to have a reduction of rent in the event of casualty loss or destruction, the rights of tenant in such instance to be determined by this paragraph. Notwithstanding the foregoing, Landlord shall have no obligation to repair or rebuild the Premises unless Landlord has received sufficient insurance proceeds for that purpose free of any claim by any lender on the Property.

12. CONDEMNATION:

If all or a portion or the Premises or the Property is taken by eminent domain or transferred under threat of such taking, this Lease shall automatically terminate as of the date of taking only with respect to the portion of the Premises or

Property so taken. If such portion of the Premises or the Property is taken by eminent domain, such that the Premises are no longer suitable for Tenant's intended use, in Tenant's good faith discretion, Tenant shall have the right to terminate this Lease as of the date of taking by giving written notice thereof to Landlord within ten (10) days after such date of taking. If Tenant does not elect to terminate this Lease, Landlord shall, at its expense, promptly restore the Premises and the Property (including the Tenant Improvements), exclusive of any improvements or other changes made therein by Tenant, to as near the condition which existed immediately prior to the date of taking as reasonably possible, and the rent and other charges payable under this Lease shall abate in the same manner as described in paragraph 11. All damages awarded for a taking of the Property under the power of eminent domain shall belong to and be the exclusive property of Landlord, whether such damages be awarded as compensation for diminution in value of the leasehold estate hereby created or to the fee of the Property; provided, however, that Landlord shall not be entitled to any separate award made to Tenant for the value and cost of Tenant's personal property, fixtures and moving expenses.

13. DELAY IN POSSESSION:

If the Premises shall, on the scheduled date of commencement of the Lease Term, not be ready for occupancy by the Tenant for any reason other than Tenant's default under this Lease, Landlord shall continue to use due diligence to complete such construction, building operations, repair or remodeling and to deliver possession of the Premises to Tenant. Notwithstanding any provision in this Lease to the contrary, but subject to the provisions of paragraph 30.3:

(a) If the Premises are not ready for occupancy by Tenant on or before July 31, 1998 (the "Delivery Date") for any reason other than solely as a result of Tenant's negligent or willful acts or as set forth below in this paragraph 13, then Tenant's sole and exclusive remedy will be to receive one (1) day of free rent for each day from the thirtieth (30th) day after the Delivery Date for ninety (90) days; provided, however, if Tenant has taken possession of and commenced business in any of the Early Use Space, then the free rent shall be prorated on a square footage basis so that Tenant receives free rent only for that portion of the Building not occupied and being used under the early use provisions of paragraph 3; and

(b) If the Premises are not ready for occupancy by Tenant on or before the one hundred twentieth (120th) day after the Delivery Date, then Tenant shall have the right to cancel this Lease as its sole and exclusive remedy, excepting an action for specific performance, by notice given to Landlord on or before ten (10) days thereafter.

14. MUTUAL RELEASE/WAIVER OF SUBROGATION:

Landlord and Tenant each hereby release the other from any and all liability or responsibility for any direct or consequential loss, injury or damage during the term of this Lease, to the extent such loss, injury or damage is covered by the terms of any insurance policy maintained by Landlord or Tenant. Inasmuch as the above mutual waivers will preclude the assignment of any claim by way of subrogation (or otherwise) to an insurance company (or any other person), each party hereto agrees if required by said policies to give to each insurance company which has issued to it all risk and other property insurance, written notice of the terms of said mutual waivers, and to have said insurance policies properly endorsed, if necessary, to prevent the invalidation of said insurance coverage by reason of said waivers.

Tenant shall not carry any stock of goods or do anything in or about said Premises which will increase insurance rates on said Premises or the Building in which the same are located. If Landlord shall consent to such use, Tenant agrees to pay as additional rental any increase in premiums for all risk insurance resulting from the business carried on in the Premises by Tenant. Tenant shall, at its own expense, comply with the requirements of insurance underwriters and insurance rating bureaus and governmental authorities having jurisdiction, except to the extent this Lease requires Landlord to comply with the same.

The Tenant shall maintain in full force and effect during the term hereof, a policy of public liability insurance under which Landlord and Tenant shall be named insureds. The minimum limits of liability of such insurance shall be $2,000,000.00 combined single limit as to bodily injury and property damage.

Tenant may provide any coverage required under this Lease through blanket policies.

Landlord shall, during the term hereof, keep in full force and effect the following insurance:

(a) Standard form property insurance insuring the Building and the Premises (including all installations and fixtures, but excluding Tenant's personal property) against loss or damage due to the perils of fire and other casualties covered within the classification of fire and extended coverage, vandalism, malicious mischief, special extended coverage (All Risk), sprinkler leakage and water damage. Such policy or policies shall provide for loss payable to Landlord. Such policies will include coverage equal to the full replacement cost of the Building, including the Premises (replacement cost new, including coverage for the cost of debris removal and coverage for the cost of complying with building, zoning, safety, land use and other laws as a result of any casualty or loss) and so as to prevent the application of co-insurance provisions.

Property insurance required to be carried by Landlord hereunder shall be obtained from companies maintaining at the commencement of the policy term a "General Policyholders Rating" of at least B+ and a financial rating of at least Class V, as set forth in the most current issue of "Best's Insurance Guide."

The party with a duty to maintain insurance hereunder (the "Insured Party") agrees to deliver to the other party certificates of insurance evidencing such coverage. Each such policy shall contain a provision requiring thirty (30) days written notice to both parties before cancellation of the policy can be effected. The Insured Party shall endeavor to provide the other party, at least 15 days prior to the expiration of such policies, with evidence of renewals or "insurance binders" evidencing renewal thereof.

15. HAZARDOUS MATERIALS:

(a) As used in this Lease, the term "Hazardous Material" means any explosives, radioactive materials or substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "infectious wastes", "hazardous materials" or "toxic substances" now or subsequently regulated under any federal, state or local laws or regulations or ordinances ("Hazardous Materials Laws") including, without limitation, oil, petroleum-based products, paints, solvents, lead, mercury, cyanide, DDT, acids, pesticides, asbestos, radon, PCBs and similar compounds.

(b) Except for ordinary office products in customary quantities, and those Hazardous Materials listed in Exhibit B attached hereto, which shall be used, stored, and disposed of in

full compliance with applicable Hazardous Materials Laws pursuant to any permit or consent required under the Hazardous Materials Laws or by other governmental or regulatory authority, Tenant shall not cause or permit any Hazardous Material to be generated, produced, brought upon, used, stored, treated, discharged, released, spilled or disposed of on, in, under or about the Premises or the Property, or into the groundwater or the environment, by Tenant, its affiliates, agents, employees, contractors, sublessees, assignees or invitees. Tenant shall and does hereby indemnify, defend and hold Landlord harmless for, from and against any and all actions (including, without limitation, remedial or enforcement actions of any kind, administrative or judicial proceedings, and orders or judgments arising out of or resulting therefrom), costs, claims, damages (but excluding consequential or punitive damages), expenses (including without limitation, attorneys', consultants' and experts' fees, court costs and amounts paid in settlement of any claims or actions), fines, forfeitures or other civil, administrative or criminal penalties, injunctive or other relief (whether or not based upon personal injury, property damage, or contamination of, or adverse effects upon, the environment, water tables or natural resources), liabilities or losses arising from a breach of this provision of the Lease.

(c) In the event that Hazardous Materials are discovered upon, in, or under the Property, and any governmental agency or entity having jurisdiction over the Property requires the removal or remediation of such Hazardous Materials, (i) Tenant shall be responsible for removing and remediating those Hazardous Materials arising out of or related to any breach of the provisions of clause (b) above, and (ii) in all other circumstances, Landlord shall be responsible for removing and remediating the Hazardous Materials, at Landlord's expense. Notwithstanding the foregoing, Tenant shall not take any remedial action in or about the Premises or the Property without first notifying Landlord of Tenant's intention to do so and affording Landlord the opportunity to protect Landlord's interest with respect thereto. Each party immediately shall notify the other party in writing of: (i) any spill, release, discharge or disposal of any Hazardous Material in, on or under the Premises, the Property or any portion thereof except from the use of ordinary office products or materials in the ordinary course of Tenant's business which is not otherwise a reportable event under applicable Hazardous Materials Laws; (ii) any enforcement, cleanup, removal or other governmental or regulatory action instituted, contemplated, or threatened (if Tenant has notice thereof) pursuant to any Hazardous Materials

Laws; (iii) any claim made or threatened by any person against Tenant, the Premises, or the Property relating to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials; and (iv) any reports made to any governmental agency or entity arising out of or in connection with any Hazardous Materials in, on, under or about or removed from the Premises or the Property, including any complaints, notices, warnings, reports or asserted violations in connection therewith. Tenant also shall supply to Landlord as promptly as possible, and in any event within five (5) business days after Tenant first receives or sends the same, copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Premises, the Property or Tenant's use or occupancy thereof.

(d) Without limiting the foregoing indemnity, Tenant shall be responsible to pay for, or reimburse Landlord for, the cost of any investigations, studies, cleanup or corrective action initiated or undertaken on account of any action or inaction of Tenant in violation of any Hazardous Materials Laws at or affecting the Premises and/or Property, or by reason of any other act or omission of Tenant in breach of this Lease.

(e) Landlord represents and warrants to Tenant that the Building and the Premises contain no significant amounts of asbestos or other Hazardous Materials as a result of Landlord's development of the Property, excepting insubstantial amounts thereof, if any, in quantities not having materially adverse effects on the environment or upon the health and safety of persons.

(f) The respective rights and obligations of Landlord and Tenant under this paragraph 15 shall survive the expiration or termination of this Lease or Tenant's non-occupancy of the Premises.

16. DEFAULT:

In the event Tenant fails to keep and perform any of the terms or conditions hereof (but excluding the payment of rental or other monetary sums due under this Lease) and such failure continues for thirty (30) days after written notice of default from Landlord (provided, however, that if such failure cannot reasonably be corrected, even by prompt and diligent action, within thirty (30) days, where Tenant fails to commence curing such failure within such 30-day period and thereafter diligently

pursue the same to completion), or in the event Tenant fails to pay any rental or other sum of money due hereunder and such failure continues for ten (10)

business days after notice thereof to Tenant, time being declared to be of the essence, and no further notice of default being required, Landlord may resort to any and all legal remedies or combination of remedies which Landlord may desire to assert including but not limited to one or more of the following: (1) re-enter the Premises in the manner provided by law, (2) declare the Lease at an end and terminated, (3) sue for the rent due and to become due under the Lease, and for any damages sustained by Landlord and (4) continue the Lease in effect and relet the Premises on such terms and conditions as Landlord may deem reasonably advisable with Tenant remaining liable for the monthly rent and all other sums payable under this Lease, plus the reasonable cost of obtaining possession of the Premises and of reletting the Premises, including broker's commissions, and of any repairs and alterations necessary to prepare the Premises for reletting, less the rentals actually received from such reletting, if any. Landlord shall use reasonable efforts to mitigate damages and relet the Premises. Any recovery of future rent from Tenant, will be discounted by applying the Federal Reserve rate of the Federal Reserve Bank in San Francisco at the time of award, plus three percent (3%). No action of Landlord shall be construed as an election to terminate the Lease or to accept a surrender of the Premises unless written notice of such intention be given to Tenant. Tenant agrees to pay as additional rental all reasonable attorneys' fees and other costs and expenses incurred by Landlord in enforcing any of Tenant's obligations under this Lease. The mention in this Lease of any remedies shall not be deemed to be a waiver by Landlord of any other or further remedies available at law or in equity from time to time, all of which are expressly preserved and shall be available to Landlord.

The prevailing party in any dispute arising under this Lease shall be entitled to recover from the other party all reasonable attorneys' fees and other costs and expenses incurred by the prevailing party, such fees to be set by a court and not a jury. Any amount due from either party hereunder which is not paid when due shall bear interest at the rate of 12% per annum from the due date until paid. The mention in this Lease of any remedies shall not be

deemed to be a waiver by Tenant of any other or further remedies available at law or in equity from time to time, all of which are expressly preserved and shall be available to Tenant.

Neither acceptance of rent by Landlord, with or without knowledge of breach, nor failure of Landlord to take action on account of any breach hereof or to enforce its rights hereunder shall be deemed a waiver of any breach, and absent written notice or consent, said breach shall be a continuing one.

If Landlord defaults under this Lease, Tenant shall give Landlord written notice of the default and Landlord shall have (a) ten (10) days to correct the same, if the default can be corrected by the payment of money, and (b) thirty (30) days to correct the same, if the default cannot be corrected by the payment of money, provided that if a non-monetary default cannot reasonably be cured within such 30-day period, and if Landlord is proceeding with due diligence to cure the default, Landlord will have such additional time as may be reasonably necessary to cure the default so long as Landlord promptly commences such cure within the 30-day period. The holder of any mortgage or deed of trust on the Property shall have the right to cure any default of Landlord with equal cure periods. Such lender's cure period will begin to run upon its receipt of written notice from Tenant setting forth the alleged default of Landlord, provided Landlord or such lender has given Tenant written notice of the lender's address. If Landlord or its lender fails to pay any amounts due Tenant within the applicable time period or to otherwise cure any default of Landlord within the time period specified above, then Tenant shall have as its exclusive remedy the right to cure any default at Landlord's expense and seek recovery of such sum from Landlord by an action at law. Nothing herein shall limit Tenant's right to equitable relief (including injunction or specific performance) in the event Landlord and its lender fail to cure within the applicable time period. Tenant shall have a qualified right of offset if neither Landlord nor its lender protests the claimed default of Landlord by sending Tenant written notice of protest within ten (10) days after receipt by Landlord and its lender of

Tenant's notice of default to Landlord, and if neither Landlord nor its lender thereafter cures the alleged default of Landlord within the applicable time period.

Tenant agrees to look solely to Landlord's interest in the Property for the recovery of any judgment from Landlord or the payment of any obligation, liability or claim under, arising out of, or relating to this Lease, it being hereby agreed that, except to the extent of Landlord's interest in the Property, Landlord, the assets of Landlord, or if Landlord is a partnership, its partners whether general or limited, or if Landlord is a corporation, Landlord, its directors, officers or

shareholders, or if Landlord is a limited liability company, Landlord and its members and managers shall never be liable for any judgments, claims, obligations or liabilities under, arising out of, or relating to this Lease. The foregoing will not apply to any claim of Tenant against Landlord based upon any misrepresentation or breach of warranty by Landlord under paragraph 30.6 for which Tenant gives Landlord written notice of the claimed misrepresentation or breach of warranty no later than the end of the five hundred fortieth (540th) day after the commencement date of the Lease Term. Thereafter, the above limitation on claims by Tenant shall apply to all claims of Tenant, including claims based upon a misrepresentation or breach of warranty by Landlord under paragraph 30.6.

17. NOTICES:

All bills, statements, notices or communications which Landlord may desire or be required to give to Tenant shall be deemed sufficiently given or rendered if in writing and either delivered to Tenant personally or sent by a nationally recognized overnight courier service, or sent by registered or certified U.S. mail, postage prepaid, return receipt requested, addressed to Tenant at the address set forth below and the time of rendition thereof of the giving of such notice or communication shall be deemed to be (i) the time when the same is delivered to Tenant, if delivered personally, (ii) the next business day, if sent by overnight courier, or (iii) three (3) business days after deposit in the mail as herein provided. Notices to Tenant shall be sent to the following address:

Tenant:

ASM Lithography, Inc.
8555 South River Parkway
Tempe, Arizona 85284
Attn: Controller

Landlord:

Ryan Companies US, Inc.
3200 East Camelback Road, Suite 129
Phoenix, Arizona 85018
Attn: John L. Strittmatter

Any notice by Tenant to Landlord must be given in the same manner, but addressed to Landlord at the address set forth

above, or in case of subsequent change upon notice given, to the latest address furnished.

18. HOLDING OVER:

Should Tenant continue to occupy the Premises after expiration of the Lease Term or any renewal or renewals thereof, such tenancy shall be from month to month, and basic monthly rent shall continue to be due at the monthly rent in effect for the last month of the Lease Term, prorated on a daily basis and based upon a thirty-day month. Either Landlord or Tenant may terminate such continued tenancy upon thirty (30) days' written notice to the other party.

19. SUBORDINATION:

This Lease and the rights of Tenant shall be and are subject and subordinate at all times to the lien of any first mortgage or deed of trust now or hereafter in force against the Property, provided, however, that (i) in the case of any mortgage or deed of trust encumbering the Property as of the date of this Lease, Landlord will obtain, prior to the commencement of the Lease Term, an agreement between the beneficiary or mortgagee thereof and Tenant that so long as no default exists hereunder and Tenant attorns to Landlord's successor pursuant to the provisions of this Lease, no termination of such encumbrance (or any proceeding in connection therewith) shall disturb Tenant's possession of the Premises and this Lease shall remain in full force and effect; and (ii) in the case of any first mortgage or deed of trust encumbering the Property after the date hereof, the beneficiary or mortgagee thereof agrees, either in such encumbrance or in a separate agreement with Tenant, that so long as no default exists under this Lease and Tenant attorns pursuant to Landlord's successor pursuant to the provisions of this Lease, no foreclosure of such encumbrance (or any proceeding in connection therewith) shall disturb Tenant's possession of the Premises and this Lease shall remain in full force and effect. Tenant shall execute such further instruments confirming the subordination of this Lease to the lien of any such first mortgage or deed of trust as shall be requested by Landlord.

20. ESTOPPEL CERTIFICATE:

Tenant shall at any time and from time to time, upon not less than fifteen (15) days prior written notice from Landlord, execute, acknowledge and deliver to Landlord and any other

parties designated by Landlord, a statement in writing certifying (a) that this Lease is in full force and effect and is unmodified and that Tenant has taken possession of the Premises and has accepted and approved the condition of the Premises and the Tenant Improvements (or, if modified, or disapproved, stating the nature of such modification or disapproval), (b) the date to which the rental and other charges payable hereunder have been paid in advance, if any, and (c) that there are, to Tenant's knowledge, no uncured defaults on the part of Landlord hereunder (or specifying such defaults if any are claimed). Any such statement may be furnished to and relied upon by any prospective purchaser, tenant or encumbrancer of all or any portion of the Property and shall include any further statement that a good faith purchaser, tenant or encumbrancer would reasonably require.

Landlord shall at any time and from time to time, upon not less than thirty (30) days prior written notice from Tenant, execute, acknowledge and deliver to Tenant and any other parties designated by Tenant, a statement in writing certifying (a) that this Lease is in full force and effect and is unmodified (or, if modified, stating the nature of such modification), (b) the date to which the rental and other charges payable hereunder have been paid in advance, if any, and (c) that there are, to Landlord's knowledge, no uncured defaults on the part of Tenant hereunder (or specifying such defaults if any are claimed). Any such statement may be furnished to and relied upon by any prospective sublessee, assignee or encumbrancer of all or any portion of Tenant's interest in the Property and shall include any further statement that a good faith sublessee, assignee or encumbrancer would reasonably require.

21. SERVICE CHARGE:

Tenant agrees to pay a service charge equal to one percent (1%) per month or any portion thereof of any payment of monthly base rent payable by Tenant hereunder which is not paid within ten (10) business days from the date due, or of $5.00 per month or portion thereof, whichever is greater. Such service charge shall only be assessed against Tenant if Tenant has failed to pay the monthly base rent within ten (10) business days of the date due more than twice in a 12-month period during the Lease Term, and Landlord has delivered to Tenant notice of such failure more than twice in such 12-month period.

22. BINDING EFFECT:

The word "Tenant", wherever used in this Lease, shall be construed to mean tenants in all cases where there is more than one tenant, and the necessary grammatical changes required to make the provisions hereof apply to corporations, partnerships, limited liability companies, or individuals, men or women, shall in all cases be assumed as though in each case fully expressed. Each provision hereof shall extend to and shall, as the case may require, bind and inure to the benefit of Landlord and Tenant and their respective heirs, legal representatives, successors and assigns, provided that this Lease shall not inure to the benefit of any heir, legal representative, transferee or successor of Tenant except as expressly provided in this Lease.

Landlord may assign its right, title, and interest in the Property and under this Lease, and such assignment shall thereupon automatically terminate Landlord's obligations under this Lease, provided that the assignee shall assume, in writing, the Landlord's obligations under this Lease arising from the date of assignment.

23. MEMORANDUM:

Landlord and Tenant shall execute and deliver a short form or memorandum of this Lease, satisfactory in form and substance to Landlord and Tenant, for recording in the proper office or offices in the county in which the Property is located.

24. QUIET ENJOYMENT:

So long as Tenant is not in default under this Lease (after expiration of any applicable notice and cure periods), Tenant (and any subtenant or assignee of Tenant permitted pursuant to the terms of this Lease) shall peaceably and quietly have, hold and enjoy the Premises 24 hours each day during the term hereof, subject to force majeure, casualty, condemnation and other similar events beyond Landlord's reasonable control (but subject to Landlord's obligations under this Lease). Notwithstanding the foregoing, defects in Landlord's title, or foreclosure or other enforcement of Landlord's lender's lien shall not be excluded from Landlord's covenant of Tenant's quiet enjoyment.

25. BROKER:

In connection with the lease of the Premises from Landlord to Tenant, Landlord shall pay brokers' commissions to CB

Commercial Real Estate Group, Inc. (Greg White) pursuant to a separate agreement. With the exception of such commission, Landlord and Tenant each represent to the other that it has not entered into any agreement or incurred any obligation which might result in the obligation to pay a leasing or

brokerage commission or finder's fee with respect to this transaction. Landlord and Tenant each agree to indemnify, defend, protect and hold the other harmless from and against any and all losses, claims, damages, costs or expenses (including reasonable attorneys' fees) which the other may incur as a result of any claim made by any person to a right to a leasing or brokerage commission or finder's fee in connection with this transaction to the extent such claim is based, or purportedly based, on the acts or omissions of Landlord or Tenant, as the case may be.

26. RIDER:

If a rider is attached to this Lease, the provisions therein shall be an integral part of this Lease.

IN WITNESS WHEREOF, the respective parties hereto have caused this Lease to be executed the day and year first above written.

RYAN COMPANIES US, INC.,
a Minnesota corporation

By: /s/ John Strittmatter
Its: VP

LANDLORD

ASM LITHOGRAPHY, INC., a
Delaware corporation

By: /s/ Christina Larson
Its: Secretary / Treasurer

TENANT

RIDER TO LEASE AGREEMENT
DATED AUGUST 15th, 1997
BETWEEN
RYAN COMPANIES US, INC., AS LANDLORD,
AND
ASM LITHOGRAPHY, INC., AS TENANT

THIS RIDER is an integral part of the attached Lease Agreement between Ryan Companies US, Inc., as Landlord, and ASM Lithography, Inc., as Tenant. In the event of any conflict between the two, the terms of this Rider will govern. This Rider and the attached Lease Agreement are called the "Lease."

27. PARKING:

At no additional charge to Tenant, Landlord will provide Tenant with three hundred forty-eight (348) employee and visitor vehicular parking spaces in the general parking areas appurtenant to the Building. Landlord has no obligation to provide covered parking. The parking spaces will be available to Tenant twenty-four (24) hours a day, during each day of the Term hereof, except that Landlord has no duty to police the parking spaces, and such availability will be subject to force majeure, casualty, condemnation and other similar events beyond

Landlord's reasonable control.

28. DECLARATION, GROUND LEASE, AND SUBGROUND LEASE:

The Property, the Building, and the Premises are subject to the terms and conditions of the Declaration attached hereto as Exhibit A. Tenant's use of the Property, the Building, and the Premises shall be in full compliance with the terms and conditions of the Declaration. Without limitation, Tenant acknowledges that Tenant's use of the Property, Building and Premises is strictly regulated by the Declaration. Tenant represents and warrants to Landlord that Tenant has reviewed, understands, and agrees to use the Property, Building and Premises in full compliance with the requirements of the Declaration at all times.

This Lease is also subject and subordinate to (a) the Arizona State University Research Park Ground Lease dated October 8, 1984 between the Arizona Board of Regents and Price-Elliott Research Park, Inc. (the "Ground Lease"), and (b)

the Subground Lease between Price-Elliott Research Park, Inc. and Landlord dated August ___, 1997 (the "Subground Lease").

29. FINANCIAL INFORMATION:

Tenant represents and warrants to Landlord that the financial information provided to Landlord before the execution of this Lease accurately states the financial condition of Tenant as set forth therein and that such information is true and accurate as presented. Tenant further represents and warrants to Landlord that there has been no material adverse change in the financial condition of Tenant between the effective date of the information delivered to Landlord and the date of this Lease. Tenant acknowledges that, but for the truth and completeness of the financial information given to Landlord, as well as the truth of the foregoing representations, Landlord would not have entered into this Lease with Tenant.

30. TENANT IMPROVEMENTS AND OTHER INCENTIVES:

30.1 Landlord shall provide, at Landlord's sole cost and expense, the base Building with parking lot, driveways, sidewalks, exterior lighting and landscaping. Landlord shall also provide an Allowance for the Tenant Improvements to the Building not to exceed $86.20 per square foot. The base Building and the other improvements described above will consist of the basic structure with no specific or particular improvements intended for Tenant.

30.2 Landlord will use reasonable efforts to cause the Building and related improvements and the Tenant Improvements to be constructed as economically as possible, and will use competitive bidding where practicable.

30.3 Landlord will construct the Tenant Improvements based upon specifications mutually agreed upon by Landlord and Tenant. Landlord and Tenant shall work together cooperatively to produce a preliminary site plan and floor plans by no later than August 22, 1997 (the "Preliminary Plan Approval Date") and final plans and specifications by no later than November 10, 1997 (the "Final Plan Approval Date"). If Landlord and Tenant are unable to determine either the preliminary site plan and floor plans by the Preliminary Plan Approval Date or the final plans and specifications by the Final Plan Approval Date, every day of delay will operate to extend the Delivery Date under paragraph 13 by one (1) day. Further, if all approvals required under the Declaration, the Ground Lease and the Subground Lease

are not obtained by September 21, 1997, every day of delay will operate to extend the Delivery Date under paragraph 13 by one (1) day. Additionally, if Landlord, acting diligently, is unable to obtain from the City of Tempe a site permit by October 1, 1997 and, subsequently, the shell building permit by October 31, 1997, then every day of delay thereafter in obtaining either permit will operate to extend the Delivery Date by one (1) additional day. The Building and the Tenant Improvements will be constructed in a good and workmanlike manner, free of mechanics' and materialmen's liens, in accordance with the terms of this Lease and all applicable laws, rules and regulations.

Landlord and Tenant will agree on the architect designing the Tenant Improvements. Landlord will be required to construct or provide no additional improvements, except as provided below. Landlord will commence and complete construction of the Tenant Improvements with all reasonable diligence subject, however, to the provisions of paragraph 30.1. The construction work for the Building and the Tenant Improvements will be done by an affiliate of Landlord, and Landlord shall cause such affiliate to solicit bids for each major subcontract from qualified, licensed subcontractors.

30.4 If the actual cost of the Tenant Improvements exceeds the Allowance, Tenant will pay the difference by a cash payment made to Landlord within ten (10) business days following the issuance of the certificates of occupancy for the Building and the Tenant Improvements unless Landlord and Tenant agree instead to include the excess Tenant Improvements costs in the Total Project Cost so as to amortize the excess by an increase in base rent through the Lease Term.

30.5 The Tenant Improvements will be the property of Landlord and upon expiration or termination of this Lease, Tenant will deliver the Building, including the Tenant Improvements, to Landlord in good condition, normal wear and tear excepted and except for damage to be repaired by Landlord pursuant to the provisions of this Lease.

30.6 Landlord hereby represents and warrants to Tenant the following with respect to the Premises, which shall be true and correct upon completion of the Building and the Tenant Improvements:

(a) the Building is structurally sound and mechanical and electrical systems of the Building are in good working order;

(b) the Property (including the Building) complies with all legal requirements (including without limitation the Americans With Disabilities Act of 1990), regulatory standards and codes for its current use and the current use of the Building and the Property is in conformance with all applicable ordinances and zoning, excepting Tenant's own design error;

(c) Landlord has no actual knowledge (without any investigation) of any requirements by any jurisdictional or environmental agency or department of any work which is required to be done at the Property;

(d) Landlord has no actual knowledge (without any investigation) that there is, or ever has been, any Hazardous Materials located on, in or around the Property, nor to Landlord's actual knowledge (without any investigation) has there occurred a violation of any Hazardous Materials Laws at the Property; and

(e) Landlord has no actual knowledge (without any investigation) of any claims, disputes or litigation of any kind, pending or threatened, with respect to the Property.

31. RENEWAL OPTION(S):

Provided that Tenant is not in default under this Lease either at the time it exercises the Renewal Options set forth below, or at the date a Renewal Term begins, Tenant will have the right to renew this Lease for two (2) successive

five-year terms (the "Renewal Terms") by giving notice of exercise of the Renewal Option to Landlord at least six (6) months before the end of the Lease Term and the first Renewal Term, as the case may be. If Tenant fails to deliver timely written notice of exercise of a Renewal Option to Landlord, the Renewal Options shall lapse and Tenant will have no further privilege to extend the term of this Lease.

Each Renewal Term shall be on the same terms and conditions of this Lease (unless by their very nature inapplicable), except that the base rent payable by Tenant to Landlord during each Renewal Term shall be based on the prevailing "market rental rate" for comparable space in competing buildings of similar size, type, quality and location as reasonably calculated by Landlord for each Renewal Term, but in no event less than the rate in force at the end of the preceding term.

In the event Landlord and Tenant are unable to mutually agree on the "market rental rate" to be applied to the Property, Landlord and Tenant shall mutually select an MAI commercial real estate appraiser, and the opinion of such appraiser shall be binding upon both Landlord and Tenant. If Landlord and Tenant fail to mutually select such an MAI appraiser, the president of the Arizona Chapter of the Appraisal Institute shall select the appraiser.

In addition to paying the base rent determined pursuant to this paragraph, Tenant will continue to pay all other sums required under the Lease.

If this Lease or Tenant's right to possession of the Building shall expire or terminate for any reason whatsoever before Tenant exercises the Renewal Options, or if Tenant has sublet or assigned all or any portion of the Building, other than to a Tenant Affiliate, then immediately upon such expiration or termination, subletting or assignment, the Renewal Options shall simultaneously terminate and become null and void. The Renewal Options are personal to Tenant. Under no circumstances shall a subtenant or an assignee have the right to exercise the Renewal Options, other than a Tenant Affiliate. Time is of the essence of this provision.

32. EXPANSION:

32.1 Although Tenant does not now wish to have constructed a larger facility, Tenant may in the future desire to expand the Building. Landlord is willing to permit the construction of additional space (the "Expansion Space") to the Building and will agree to construct, or to cause the construction of, the Expansion Space requested by Tenant, all in accordance with and subject to the following terms and conditions of this paragraph 32.

32.2 If Tenant decides it would like to have the Building expanded at any time prior to expiration of the Lease Term, Tenant shall deliver a written notice to Landlord not later than one (1) year before the Lease Term expires specifying the number of additional square feet requested, the general configuration of the Expansion Space, the tenant improvements requested by Tenant to be installed by Landlord in the Expansion Space and the target date for completion of the Expansion Space.

32.3 If Tenant's notice to Landlord is delivered within the first two (2) years of the Lease Term and if Ryan Companies US,

Inc. is still the Landlord, then within sixty (60) days following receipt of Tenant's written request for such expansion, Landlord will deliver to Tenant a written response which will either (A) set forth (i) Landlord's good faith estimate of the total cost to construct the Expansion Space in adherence to the same construction standards set forth in this Lease for the Building plus a 6%

fee to Landlord; (ii) Landlord's good faith estimate of the increase in monthly base rent expected to result from the Expansion Space, calculated using the applicable rental constant under paragraph 3; and (iii) the expected time to complete the Expansion Space, including the projected time to prepare and agree upon plans and specifications and the time to obtain necessary financing, permits, consents and approvals; or (B) advise Tenant that Landlord elects not to construct the Expansion Space for any of the reasons set forth in paragraph 32.5 below. If Landlord provides a response under subparagraph (A) above, then Tenant will notify Landlord within thirty (30) days of Tenant's receipt of Landlord's response whether Tenant desires to proceed with the expansion.

32.4 If Tenant's notice to Landlord is delivered after the first two (2) years of the Lease Term or if Ryan Companies US, Inc. is not still the Landlord, then within sixty (60) days following receipt of Tenant's written request for such expansion, Landlord will deliver to Tenant a written response which will either (A) set forth (i) Landlord's good faith estimate of the total cost to construct the Expansion Space in adherence to the same construction standards set forth in this Lease for the Building plus a 6% fee to Landlord; (ii) Landlord's good faith estimate of the increase in monthly base rent expected to result from the Expansion Space, calculated using the applicable rental constant under paragraph 3; and (iii) the expected time to complete the Expansion Space, including the projected time to prepare and agree upon plans and specifications and the time to obtain necessary financing, permits, consents and approvals; or (B) advise Tenant that Landlord elects not to construct the Expansion Space for any reason whatsoever, including without limitation, the reasons set forth in paragraph 32.5 below. If Landlord provides a response under subparagraph (A) above, then Tenant will notify Landlord within sixty (60) days of Tenant's receipt of Landlord's response whether Tenant desires Landlord to proceed with the expansion, during which time Tenant, in its sole discretion, may elect to obtain competitive bids.

32.5 Landlord may decline to construct the Expansion Space requested by Tenant if:

(a) Landlord is unable to obtain financing on terms and conditions satisfactory to Landlord.

(b) The Expansion Space is less than 30,000 square feet.

(c) The Expansion Space is not permitted by applicable law, the Ground Lease, the Subground Lease or any recorded covenants, conditions and restrictions (including without limitation, the Declaration).

(d) Tenant's financial condition has, in the sole opinion of Landlord, adversely changed since the date of the Lease so as to not be acceptable to Landlord.

(e) Tenant is, or has been during the Lease term, in default under this Lease or any event has occurred which with the giving of notice or passage of time, or both, would constitute an event of default on the part of Tenant.

32.6 If Landlord is to proceed with construction of the Expansion Space under either paragraph 32.3 or 32.4 above, then the parties will enter into a written amendment to the Lease setting forth the terms and conditions applicable to the Expansion Space, including without limitation the following:

(a) If the Expansion Space is "ready for occupancy" (as defined in paragraph 2 above) after the first five (5) years of the Lease Term, then the initial Lease Term for the Property (including the Expansion Space) will be extended so that it expires ten (10) years from the date the Expansion Space is "ready for occupancy". This extension is independent of and in addition to the Renewal Options set forth in paragraph 31.

(b) Base rent for the Expansion Space will be calculated using the applicable Rental Constant as set forth in paragraph 3 (but with the applicable Subground Lease Annual Payment included only once in calculating base rent in

the aggregate for both the original Building and the Expansion Space). If the initial Lease Term is extended as provided above, then (i) the Rental Constant for calculating annual base rent for years 16 through 20, or portion thereof, and, if applicable, for years 21 through 25, or portion thereof, shall be computed on the basis of a 2% yearly increase compounded annually in base rent over years 11 through 15 for calculating base rent for years 16 through 20 and then, if applicable, over years 16 through 20 for calculating base rent for years 21 through 25, and (ii) the Subground Lease Annual Payment shall be equal to the applicable annual rent payable under the Subground Lease for the corresponding year of the Lease Term.

The amendment will further state that, except as specifically provided to the contrary in this paragraph 32, all of the terms and conditions of the Lease shall apply to the Expansion Space. If the parties cannot agree upon the amendment in sufficient time for Landlord to commence and complete the Expansion Space by the target completion date, then Landlord shall not be obligated thereafter to proceed with construction of the Expansion Space.

32.7 If Landlord elects under subpart (B) of either paragraphs 32.3 or 32.4 not to construct or have constructed the Expansion Space, or if Tenant is not satisfied with Landlord's proposal for the Expansion Space, Tenant shall have the right to construct the Expansion Space at its own expense in accordance with the terms of this paragraph 32. If Tenant elects to construct the Expansion Space, all construction must be performed in accordance with plans mutually acceptable to Landlord and Tenant and complying with all applicable laws, rules and regulations, the Ground Lease, the Subground Lease and recorded covenants, conditions and restrictions (including without limitation, the Declaration). Tenant will be responsible for obtaining at Tenant's expense all necessary permits, consents and approvals, and Landlord shall cooperate with and assist Tenant as necessary to enable Tenant to complete the desired construction. Tenant agrees to carry insurance in commercially reasonable coverages and amounts with respect to the construction satisfactory to Landlord. Tenant shall also obtain payment and performance bonds to insure for the benefit of Landlord the completion and payment for the construction work and shall, prior to beginning construction, record a bond

satisfying the statutory requirements for keeping the Premises lien free with respect to Tenant's construction of the Expansion Space. If the construction is undertaken and paid for by Tenant, Tenant will not be required to pay base monthly rent with respect to the Expansion Space for any period during the Lease Term as extended, including during any Renewal Terms, but shall pay Operating Costs. Under no circumstances shall Landlord be required to obligate itself or encumber the Premises for financing to pay the costs for Tenant's construction of the Expansion Space.

32.8 The duties and obligations of Landlord under this paragraph 32 shall not be binding upon and need not be performed by any mortgagee, trust deed beneficiary or other holder of a financing lien on the Premises or their successors and assigns; provided, however, the foregoing shall not impair or otherwise prejudice Tenant's right under paragraph 32.7 to construct the Expansion Space.

33. AGENCY DISCLAIMER.

Landlord and Tenant acknowledge and agree that CB Commercial Real Estate Group, Inc. is representing Tenant (ASM Lithography, Inc.) in this build-to-suite lease transaction although CB Commercial Real Estate Group, Inc. is also representing Landlord (Ryan Companies US, Inc.) in the separate ground lease transaction between Price-Elliot Research Park, Inc., an Arizona nonprofit corporation, and Ryan Companies US, Inc.

34. PROVISIONS REGARDING GROUND LEASE AND SUBGROUND LEASE.

34.1 Landlord is the lessee and Price-Elliott Research Park, Inc. (Price-Elliott), is the lessor under the Subground Lease pursuant to which Landlord acquired (or shall acquire) its interest in the Premises. Price-Elliott is the lessee and The Arizona Board of Regents ("Regents") is the lessor under the Ground Lease pursuant to which Price-Elliott acquired its interest in the Premises. Regents, Price-Elliott and Landlord also have entered into (or shall enter into) a Recognition, Nondisturbance and Attornment Agreement (the "RNA Agreement") for the benefit of Landlord.

34.2 Landlord represents, warrants and covenants that:

(a) Landlord had (or shall have upon execution and delivery) full power, right and authority to

execute and deliver the Subground Lease and the RNA Agreement.

(b) Landlord shall maintain the Subground Lease in full force and effect and in good and current standing at all times during the Lease Term and any extensions of the Lease Term.

(c) Landlord shall perform and observe, in timely fashion, all covenants, conditions, obligations and agreements of Landlord under the Subground Lease and the RNA Agreement, except to the extent that Tenant is required under this Lease to perform such obligations.

(d) Landlord shall not waive, execute any agreement that would be interpreted as waiving, or in any manner release or discharge any covenants, conditions, obligations or agreements under or related to (1) the Subground Lease to be performed or observed by Price-Elliott or (2) the RNA Agreement to be performed or observed by Regents, or condone any nonperformance of either such agreement.

34.3 Landlord hereby authorized Tenant, upon the occurrence of any default under the Subground Lease, to: (i) enforce Landlord's rights under the Subground Lease and to receive any performance of Price-Elliott thereunder, and or (ii) pay or perform such obligations of Landlord under the Subground Lease in such manner and to such extent as it may deem necessary. If Tenant elects to take any action as set forth in the preceding sentence, Tenant shall notify Landlord and any lender of Landlord (but not more than one such lender) of the action it will undertake. Landlord hereby authorizes and directs Price-Elliott, upon such default by Landlord and election by Tenant, to make and render all acts and performances required of Price-Elliott under the Subground Lease directly to Tenant, and to accept from Tenant all acts and performances required of Landlord under the Subground Lease. Landlord hereby relieves Tenant and Price-Elliott from any liabilities to Landlord by virtue of their actions in accordance with this paragraph. The exercise of any right or authority herein granted shall not cure nor waive any default by Landlord nor invalidate any act done hereunder because of any default.

34.4 Landlord does hereby make, constitute and appoint Tenant and its successors and assigns Landlord's true and lawful attorney in fact, in Landlord's name, place and stead, or otherwise, upon the occurrence of any default by Landlord under this Subground Lease, and at any time while such default is continuing, to do all acts and to execute, acknowledge, obtain and deliver any and all instruments, documents, items or things necessary, proper or required as a term, condition or provision of the Subground Lease or in order to exercise any rights of Landlord under the Subground Lease or to receive and enforce any performance due Landlord under the Subground Lease. The power of attorney given herein is a power coupled with an interest and shall be irrevocable so long as this Lease remains in effect.

34.5 In addition to the rights set forth in paragraph 34.3 above, which are exercisable in the manner set forth therein, the occurrence of a default by Landlord under the Subground Lease shall constitute a default hereunder that shall entitle Tenant to exercise all of its other rights and remedies hereunder in the manner set forth herein.

34.6 No change, amendment or modification shall be made to the Subground Lease without the prior written approval of Tenant, which approval Tenant shall not unreasonably withhold. Notwithstanding the previous sentence, Landlord shall have the right without Tenant's consent to enter into modifications of the Subground Lease which would not (i) materially impair Landlord's rights or privileges under the Subground Lease, or (ii) materially increase Landlord's duties or obligations under the Subground Lease; provided that any increase in the rent or other monetary payments required by Landlord under the Subground Lease shall be deemed material.

34.7 Landlord shall immediately (i) notify Tenant in writing of any default or breach under the Subground Lease or of any failure of performance or other condition that would become an actual default or breach if notice was given and such failure of performance or other condition was not cured within the required time period, and (ii) deliver to Tenant true and complete copies of all communications respecting a default or breach, alleged default or breach, failure of performance, or other condition which with lapse of time or after additional notice, or both, could become a default or breach by Landlord under the Subground Lease, or otherwise relating to Landlord's good standing with respect to the Subground Lease.

[SIGNATURES ON NEXT PAGE]

RYAN COMPANIES US, INC.,
a Minnesota corporation

By: /s/ John Stritmatter

Its: VP

LANDLORD

ASM LITHOGRAPHY, INC.,
a Delaware corporation

By: /s/ Christina Larson

Its: SECRETARY/TREASURER

TENANT

EXHIBIT 10.52

FIRST AMENDMENT TO LEASE AGREEMENT

FOR THE ASML BUILDING

FIRST AMENDMENT TO LEASE

This First Amendment to Lease, dated as of January 6, 2000 ("First Amendment"), between Ryan Companies US, Inc. ("Landlord") and ASM Lithography, Inc. ("Tenant").

WITNESSETH, that:

WHEREAS, Landlord and Tenant have entered into a Lease dated August 15, 1997 ("Lease") for approximately 95,133 square feet of area, whereby Landlord has leased to Tenant certain Premises located in the City of Tempe, State of Arizona, consisting of the Premises, as such Premises are defined in the Lease; and

NOW, THEREFORE, Landlord and Tenant desire and intend hereby to amend the Lease as specifically hereinafter set forth and provided:

1. The Lease Term commences on June 4, 1998.
2. The Lease Term expires on June 30, 2013.
3. The Annual Base Rent, including the Subground Lease Payment of $186,372 annually, shall be: for the period beginning June 4, 1998 through June 30, 2003, the sum of One Million Nine Hundred Twenty Seven Thousand Seven Hundred Eighty Eight and 28/100 Dollars ($1,927,788.28), payable in equal monthly installments of One Hundred Sixty Thousand Six Hundred Forty Nine and 02/100 Dollars ($160,649.02);
   for the period from July 1, 2003 through June 30, 2008, the sum of Two Million One Hundred Thirty Thousand One Hundred Twenty Four and 27/100 Dollars ($2,130,124.27), payable in equal monthly installments of One Hundred Seventy Seven Thousand Five Hundred Ten and 36/100 Dollars ($177,510.36);
   the period from July 1, 2008 through June 30, 2013, the sum of Two Million Three Hundred Fifty Four Thousand Twenty and 65/100 Dollars ($2,354,020.65), payable in equal monthly installments of One Hundred Ninety Six Thousand One Hundred Sixty Eight and 39/100 Dollars ($196,168.39).

EXCEPT as expressly amended or supplemented herein, the Lease shall remain and continue in full force and effect in all respects.

IN WITNESS WHEREOF, the Lease Amendment is hereby executed and delivered effective as of the date and year first above written.

LANDLORD: RYAN COMPANIES US, INC.

BY: /s/ John Strittmatter

Its: VP

TENANT: ASM LITHOGRAPHY, INC.

BY: /s/ Christina Larson

Its: Secretary

EXHIBIT 10.53

GROUND LEASE AGREEMENT

FOR THE ASML BUILDING

ASU RESEARCH PARK
LEASE

FUNDAMENTAL LEASE PROVISIONS

DATE:	August 22, 1997
LANDLORD:	PRICE-ELLIOTT RESEARCH PARK, INC., an Arizona nonprofit corporation
TENANT:	RYAN COMPANIES US, INC.
DEMISED PREMISES:	Lot 44 containing approximately 9.5076 net, acres 14.3207 gross acres and 414,151 net square feet (623,810 gross square feet). See Exhibits A and A-1.
LEASE TERM:	From the date hereof through December 31, 2082 subject to Tenant's right to terminate the Term, as provided in Section 2.
RENT COMMENCEMENT DATE:	See Section 3.
ANNUAL RENT:	See Section 3.
MUNICIPAL SERVICE FEE:	$0.08337 per square foot of Floor Area constructed on the Demised Premises per year, payable in twelve equal monthly installments, subject to adjustments as provided in Section 6(d).
COMMON AREA EXPENSES:	Allocable Share payable monthly beginning on the Rent Commencement Date.
INFRASTRUCTURE ASSESSMENT:	Approximately $248,490.61 based upon $.60 per net square foot of land area.
SECURITY DEPOSIT:	None Required.
PERMITTED USES:	Those uses permitted under the Restrictions attached hereto as Exhibit F. Unlimited manufacturing is prohibited (A.R.S. (s)15-1636).
RESTRICTIONS:	Attached hereto as Exhibit F.
ADDRESS OF LANDLORD:	8750 South Science Drive, Tempe, Arizona 85284
ADDRESS OF TENANT:	3200 E. Camelback Road Suite 129 Phoenix, Arizona 85018 Attn: John L. Strittmatter

The foregoing Fundamental Lease Provisions are an integral part of this Lease, and each reference in the body of the Lease to any Fundamental Lease Provisions shall be construed to incorporate all of the terms set forth above with respect to such Provisions.

INDEX

ASU RESEARCH PARK
LEASE

1. DEMISED PREMISES

Subject to the covenants and conditions herein contained, Landlord hereby leases to Tenant, and Tenant leases from Landlord (this "Lease"), the land situated in the City of Tempe, Maricopa County, Arizona, legally described on Exhibit A attached hereto and graphically depicted on Exhibit A-1 attached hereto (the "Land"). Said Land and all buildings and other improvements to be constructed by or for Tenant thereon (the "Improvements") are hereinafter referred to collectively as the "Demised Premises". The Demised Premises is a part of an integrated research park development located within the City of Tempe, Arizona ("Research Park") which is graphically depicted on the Site Plan attached hereto as Exhibit B. It is acknowledged that Landlord has an interest in the Research Park as a ground lessee under that certain Ground Lease dated October 8, 1984, and all amendments thereto ("Ground Lease"), wherein the Arizona Board of Regents, acting for and on behalf of Arizona State University, appears as Lessor ("Ground Lessor"). This Lease is a sublease under the Ground Lease

2. TERM

(a) The term of this Lease ("Term") shall commence as of the date hereof and shall expire on December 31, 2082, unless the Term shall be sooner terminated as hereinafter provided.

(b) The term "year" as used in this Lease shall mean each period of twelve (12) consecutive months commencing on each January 1 and ending at midnight on the next succeeding December 31, except that any partial year at the beginning of the Term shall constitute the first year of the Lease, in which event the first year of the Term will be shorter than twelve months.

(c) Tenant shall have the right to terminate this Lease prior to expiration of the 30th year and prior to expiration of each subsequent 10-year period. In order to exercise the termination right, Tenant must provide Landlord with written notice of Tenant's termination election not more than 360 nor less than 180 days prior to the expiration of the 30th year. If this termination right is not exercised prior to the 30th year, the termination right shall then correspond to the expiration of each successive 10th year (i.e., the 40th, 50th, 60th, 70th and 80th years) subject to being exercised in the manner herein described.

3. RENT

(a) Upon the Rent Commencement Date (as defined below), Tenant agrees to pay Annual Rent to Landlord, without demand, in twelve (12) equal monthly installments in advance on the first day of each month, as follows:

Lease Years	Per Net Sq. Foot	Annual	Monthly
1-15	$0.45	$190,727	$15,894
16-25	$0.66	$279,733	$23,311
26-35	$0.86	$364,500	$30,375
36-85	See (b) below		

(b) During the 35th year and again during the 65th year, Landlord shall have the option, in each such case, to cause the fair market value of the Land (as an improved parcel of land but subject to the Restrictions) to be determined by appraisal as set forth below. In each such case, the Annual Rent applicable to the Demised Premises for the ensuing ten-year period shall be equal to 10% of the fair market value of the Land. Annual Rent so determined shall be in effect for the years 36-45. Annual Rent shall then be adjusted every ten years so that Annual Rent for the years 46-55 and 56-65 shall reflect cumulative non-compounded increases of three percent (3%) per

year over the Annual Rent in effect for the previous ten year period. Likewise, Annual Rent shall be established by appraisal as set forth herein during the 65th year for the years 66-75. Annual Rent shall then be adjusted after ten years so that Annual Rent for the years 76-85 shall reflect non-compounded cumulative increases of three percent (3%) per year over the Annual Rent in effect for the previous ten-year period.

In order to invoke the appraisal procedure, Landlord shall provide to Tenant at least 270 days but not more than 360 days prior to expiration of the 35th year (or 65th year as the case may be) an appraisal of the Land. Tenant shall have 30 days after receipt of Landlord's appraisal either to accept Landlord's appraisal or to submit to Landlord an appraisal of the Land establishing a different fair market value. Failure to provide Landlord with an appraisal before expiration of the 30 day period shall be deemed Tenant's acceptance of Landlord's appraisal. If Tenant submits its own appraisal, Landlord shall have 30 days within which to notify Tenant that it accepts or rejects Tenant's appraisal. Failure to provide such notice within the 30 day period shall constitute acceptance by Landlord of Tenant's appraisal.

If Landlord rejects Tenant's appraisal, then the appraisers previously selected by Landlord and Tenant shall select a third appraiser, except that if the valuations of the two appraisals are less than 10% apart, the valuations shall be averaged and the resulting amount shall be the fair market value. If the appraisers are unable to agree on a third appraiser within ten (10) days, either party, by giving ten (10) days notice to the other party may apply to the American Arbitration Association for the purpose of selecting a third appraiser.

Within 30 days after the selection of the third appraiser, the third appraiser shall submit to Landlord and Tenant an appraisal of the Land. A valuation agreed upon by two of the three appraisers shall be binding upon Landlord and Tenant If none of the appraisers agree, the values determined by the two appraisers whose valuations are closer (in absolute dollar terms, not percentage terms) shall be averaged and the resulting amount shall be the fair market value. If one valuation is equally close (in absolute dollar terms, not percentage terms) to the other two, the middle valuation shall be the fair market value.

Landlord and Tenant each shall bear the cost of its own appraiser and shall bear one-half of the cost of the third appraiser. All appraisers shall be members of the American Institute of Real Estate Appraisers (M.A.I.) or, if such Institute shall not then exist, members of its successor or a substantially equivalent organization.

(c) All sums to be paid by Tenant to Landlord pursuant to this Lease shall be paid in lawful money of the United States to Landlord at its address, or at such other place as Landlord may from time to time designate in writing.

(d) The "Rent Commencement Date" shall be the earlier to occur of (i) the first anniversary of the date of this Lease as set forth in the Fundamental Lease Provisions or (ii) the date Tenant obtains a certificate of occupancy for the Improvements.

(e) All payments of Annual Rent and "Additional Charges" (as defined in Section 4) shall be considered delinquent if not received by Landlord on or before the 10th day after the date any such payment originally became due. Tenant shall pay to Landlord a late charge equal to five percent (5%) of any amount of delinquent Annual Rent or Additional Charges. In addition, interest shall accrue on any amount of delinquent Annual Rent or Additional Charges at an annual rate equal to two (2) percentage points (2%) in excess of the annual interest rate published from time to time in the Wall Street Journal under the masthead "Money Rates" as the Prime Rate in effect as of the payment due date (or, if such Prime Rate ceases to be published, a reasonably equivalent index selected by Landlord) such interest to be adjusted quarterly and to accrue from

the date such amount was originally due until the date such amount is actually paid.

4. ADDITIONAL CHARGES

All taxes, assessments, insurance premiums, charges, costs and expenses which Tenant assumes or agrees to pay hereunder, together with all interest and penalties that may accrue thereon in the event of Tenant's failure to pay the same as herein provided, and all other damages, costs and expenses which Landlord may suffer or incur, and any and all other sums which may become due, by reason of any default of Tenant or failure on Tenant's part to comply with the agreements, terms, covenants and conditions of this Lease on Tenant's part to be performed shall be referred to herein as "Additional Charges," and, in the event of their nonpayment, Landlord shall have with respect thereto all rights and remedies herein provided the same as though Tenant failed to pay Annual Rent.

5. NO COUNTERCLAIM OR ABATEMENT OF ADDITIONAL CHARGES

Except to the extent expressly provided otherwise in this Lease, the Annual Rent and all Additional Charges payable by Tenant hereunder shall be paid without notice, demand, counterclaim, setoff, recoupment, deduction or defense of any kind or nature and without abatement, suspension, deferment, diminution or reduction, and, except to the extent expressly provided otherwise in this Lease, the obligations and liabilities of Tenant hereunder shall in no way be released, discharged or otherwise affected by reason of (i) any damage to or destruction of any buildings or improvements on the Demised Premises; (ii) any taking of the Demised Premises

or any part thereof, or (iii) any restriction or prevention of or interference with any use of the Demised Premises or any part thereof not the result of a breach of this Lease by Landlord.

6. RENTAL TAXES, UTILITIES, REAL ESTATE TAXES AND MANAGEMENT FEE

MANAGEMENT FEE

(a) Any excise, transaction privilege or rental occupancy tax now or hereafter actually Imposed by any government or governmental agency upon Landlord on account of, attributed to, or measured by rent or other charges payable by Tenant to Landlord shall be paid by Tenant to Landlord in addition to and along with the annual Rent and Additional Charges payable hereunder.

(b) Tenant shall not be required to pay, or reimburse Landlord for (i) any local, state or federal capital levy, franchise tax, revenue tax, income tax, or profits tax of Landlord unless and to the extent such levy, tax or impost is in lieu of or a substitute for any other levy, tax or impost now or later in existence upon or with respect to the Demised Premises which, if such other levy, tax or impost were in effect, would be payable by Tenant under the provisions hereof, or (ii) any estate, inheritance, devolution, succession or transfer tax which may be imposed upon or with respect to any transfer (other than taxes in connection with a conveyance by Landlord to Tenant) of Landlord's interest in the Demised Premises.

(c) During the Term, Tenant shall pay prior to delinquency all taxes assessed against and levied upon fixtures, furnishings, equipment and all other personal property of Tenant situated on or within the Demised Premises, and when possible Tenant shall cause said fixtures, furnishings, equipment and other personal property to be assessed and billed separately from the real property demised to Tenant. Tenant shall pay and discharge punctually, as and when the same shall become due and payable without penalty, all business, occupation and occupational license taxes.

(d) The City of Tempe requires that Tenant be assessed and pay a municipal service fee (the "Municipal Service Fee") as hereinafter provided to reimburse the City for the cost of providing municipal services to the Research Park. The annual amount of the Municipal Service Fee payable by Tenant shall be calculated by multiplying the aggregate number of square feet of Floor Area constructed, or to be constructed, on the Demised Premises from time to time by the "Multiplier" (determined as set forth below) in effect from time to time. With regard to new construction of Floor Area, assessment of the Municipal Service Fee shall commence at the beginning of the calendar quarter following issuance of a Building Permit. For the fiscal year beginning July 1, 1996, the Multiplier shall be the amount of $0.08337. Thereafter, the Multiplier shall be adjusted annually as of each July I ("Adjustment Date") to reflect the percentage of change in the Metropolitan Phoenix Consumer Price Index as published by Arizona State University, College of Business, Center for Business Research ("Index"), for the calendar year ended December 31 immediately preceding said Adjustment Date as compared to the Index for the calendar year ended December 31 one year earlier. Annual percentage changes shall be applied to the Multiplier in effect for the previous year. The Multiplier thus adjusted shall be rounded to the nearest tenth of a cent. So long as the City of Tempe requires the assessment of

the Municipal Service Fee, Tenant shall pay to Landlord on a monthly basis, on or before the first day of each month during the Term, a sum equal to one-twelfth (1/12th) of the then annual Municipal Service Fee due and payable to the City of Tempe calculated as set forth above for the Floor Area constructed, or to be constructed, on the Demised Premises. The term "Floor Area" as used in this Lease shall have the same meaning as provided in the City of Tempe Building Code in effect from time to time. The aggregate number of square feet of Floor Area constructed, or to be constructed, on the Demised Premises shall be the aggregate amount of Floor Area as set forth on building permits issued by the City of Tempe to Tenant.

(e) Landlord represents and warrants to Tenant that, to the extent of Landlord's actual knowledge, the fee estate of Ground Lessor is presently exempt from ad valorem taxes, and the leasehold interest of Landlord as lessee under the Ground Lease is not currently being taxed. In the event of a change in the law such that said ad valorem tax exempt status of Ground Lessor is no longer recognized by taxing authorities, or in the event of a change in the law such that Landlord's possessory interest shall be taxed, then Tenant shall fully pay and punctually discharge its proportionate share of all Impositions as and when they are due and payable, as provided in Section 6(g) below. "Impositions" shall include but are not limited to any and all ad valorem taxes, assessments (excluding special improvement district assessments) and other governmental taxes, impositions and charges of every kind and nature measured or calculated based on the value of the property involved, extraordinary or ordinary, general or special, unforeseen or foreseen, which at any time during the Term shall become due and payable by either Ground Lessor or Landlord.

(f) In the event any obligation to pay Impositions accrues under Section 6(e) above and if the Demised Premises constitute a separate tax parcel for purposes of assessing and levying such Impositions, Tenant shall have the right to contest the amount or validity of any Impositions by appropriate legal proceedings, diligently pursued, in the name of Landlord if required by any law, rule or regulation, provided that (i) Tenant shall first make all contested payments, under protest if it desires, but if payment under protest is not permitted by the taxing authority, such contested payment need not be made, (ii) neither the Demised Premises, any part thereof, nor any interest therein shall be in any danger of being sold, forfeited, lost or interfered with, (iii) Tenant shall have furnished such security, if any, as may be required in the proceedings or reasonably requested by Landlord, and (iv) all expenses incurred in connection with such proceedings shall be paid by Tenant.

(g) In the event any obligation to pay Impositions accrues under

Section 6(e) above and if the Demised Premises are not separately assessed, but are part of a larger tract or parcel for assessment purposes, then Tenant shall pay to Landlord Tenant's proportionate share of such Impositions determined as follows:

(i) With respect to any ad valorem taxes on the land area of the larger land parcel including the Demised Premises, but not with respect to special or extraordinary assessments, Tenant shall pay that portion of such taxes which the total number of square feet of land area within the Demised Premises bears to the number of square feet of land area within such larger land parcel.

(ii) With respect to any special or extraordinary assessments on the larger land parcel including the Demised Premises, Tenant shall pay only that portion of such assessments which would have been levied upon the Demised Premises had the Demised Premises been separately assessed based upon the methods of assessments utilized for such assessments.

Tenant shall pay such sums to Landlord within thirty (30) days of the receipt of a written statement from Landlord indicating the amount of such Impositions as so determined and showing in reasonable detail the manner in which such Impositions were determined. Landlord, upon Tenant's request, shall furnish Tenant, within twenty (20) days thereafter, proof of Landlord's payment of said Impositions. However, in no event shall Tenant be required to make such payments more than fifteen (15) days in advance of the date such payments would be delinquent if they were to be made directly to the taxing authorities. The right to contest Impositions attributable to the Demised Premises, if not a separate tax parcel, shall initially belong to Landlord but may be exercised by Tenant at its own expense if Landlord fails to contest any Imposition after written request from Tenant to do so.

(h) Landlord represents and warrants to Tenant that: (i) this Lease is issued on lands owned by the Arizona Board of Regents; and (ii) the Demised Premises is part of a "Research Park" as such term is now defined in A.R.S. (S) 35-701. In the event any existing or future property classification or assessment ratio which treats the Demised Premises and the Improvements to be constructed thereon more favorably for property tax purposes than they otherwise might be treated is lost or is no longer applicable due to the occurrence of an event or condition within the reasonable control of Landlord or Ground Lessor, then the Landlord shall be responsible for that portion of the Impositions (as defined in Section 6(e)) thereafter measured by the value of the Land, and Tenant shall be responsible for that portion of the Impositions measured by the value of the Improvements, and title to the Improvements shall automatically revert to Tenant unless Tenant, at its sole option exercisable within one hundred twenty (120) days after Tenant learns of the loss of the favorable property classification or assessment ratio, elects that title to the Improvements shall remain with the Ground Lessor. The parties agree that a change in the law regarding the taxation of interests in land or improvements located within the Research Park shall not be deemed to be an event or condition within the reasonable control of Landlord or Ground Lessor except as otherwise provided in the preceding paragraph.

(i) All entrance and exit areas, open space, landscaped space, easements, lighting, street furniture, water bodies, jogging paths, pedestrian walkways, bicycling paths, equestrian trails, parking areas, and other similar facilities furnished by Landlord in the Research Park (hereinafter referred to collectively as "Common Area") are dedicated public easements for said purposes and shall at all times be subject to the joint control and management of Landlord and the City of Tempe, and Landlord shall have the right from time to time to establish, modify and enforce reasonable non-discriminatory rules and regulations with respect to the same as long as they do not materially interfere with Tenant's normal conduct of its business on the Demised Premises. Landlord shall have the right to construct, maintain and operate lighting facilities on all said Common Area; to police the same; from time to time to change the area,

grade, location and arrangement thereof; to confine to the Demised Premises all parking by

Tenant, its officers, agents, customers and employees; to close temporarily all or any portion thereof, and to do and perform such other acts in and to said area as in Landlord's judgment is reasonably advisable as long as such does not unreasonably affect Tenant's use and enjoyment of the Demised Premises. Landlord is contractually bound to the City of Tempe to operate and maintain the Common Area and will do so in such a manner as the common areas in similar first-class business and industrial parks located in the southwestern United States are operated and maintained.

(j) Subject to the standards as provided in Section 6(i) above, the term "Common Area Expenses" as used herein shall mean all sums expended by Landlord and Ground Lessor in connection with the operation, maintenance, repair or replacement of the Common Area, including premiums paid for adequate public liability and property damage insurance (which insurance Landlord is hereby required to maintain throughout the Term); provided, however, that Common Area Expenses shall not include Landlord's overhead, administrative and general office expenses except as may be incurred relative to persons directly employed to perform Common Area operation, maintenance, repair or replacement services, expense for any work which Landlord performs for any other tenant of the Research Park, expenses for repairs or other work to correct original construction defects or occasioned by condemnation or by fire, windstorm, or other insurable casualty, expenses incurred in leasing or procuring new tenants for the Research Park, legal expenses incurred in enforcing the terms of any lease pertaining to the Research Park, interest or amortization payments on any mortgage or deed of trust pertaining to the Research Park, gross or net income taxes imposed on Landlord or on any rental revenue received by Landlord, expenses directly payable by any tenant of the Research Park, any costs, fines and the like due to Landlord's violation of any governmental rule or regulation; or the cost of any items for which Landlord is reimbursed by third parties, but only to the extent of such reimbursement. Any Common Area Expenses that are required to be capitalized, in accordance with generally accepted accounting principles, shall be amortized and charged in accordance with generally accepted accounting practices. Only the annual amortized amounts of any such expenses shall be included in Common Area Expenses. The cost of any capital improvements not in repair or replacement of existing improvements shall not be included in Common Area Expenses. Landlord may cause any or all of said operation and management responsibilities to be performed by an independent contractor or contractors. Tenant shall pay to Landlord Tenant's pro rata share of such Common Area Expenses in the following manner:

(1) Commencing on the Rent Commencement Date, and thereafter on the first day of each calendar month of the Term, Tenant shall pay to Landlord an amount estimated by Landlord to be Tenant's share of Common Area Expenses. Landlord may adjust the monthly Common Area charge of Tenant at the end of any calendar quarter on the basis of Landlord's experience and reasonably anticipated costs.

(2) Prior to the expiration of each year, Landlord shall deliver to Tenant a statement covering the fiscal year of Landlord just expired, certified as correct by an authorized but independent representative of Landlord, showing the Common Area Expenses for such fiscal year, the amount of Tenant's pro rata share of such expenses for

such fiscal year and the payments made by Tenant with respect to such fiscal year as set forth in subparagraph (1) immediately above. If Tenant's pro rata share of such Common Area Expenses exceeds Tenant's payments so made, Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of such statement. If said payments exceed Tenant's pro rata share of such Common Area Expenses, Landlord

shall refund the excess to Tenant within thirty (30) days following delivery of the aforesaid statement. If Landlord fails to furnish Tenant the required statement as provided herein, Landlord shall be deemed to have waived any right to payment from Tenant for any Common Area Expenses for the preceding fiscal year in excess of that previously paid by Tenant for such fiscal year.

(3) Tenant's pro rata share of the Common Area Expenses shall be that portion of all such expenses which the number of square feet of land area within the Demised Premises bears to the total number of square feet of leaseable land area within the Research Park (presently 9,010,380 square feet) which is from time to time under lease; provided, however, the latter number shall never be less than 90% (presently 8,109,342 square feet) of the total number of square feet of leaseable land area within the Research Park. There shall be an appropriate adjustment of Tenant's share of the Common Area Expenses as of the expiration of the Term of this Lease.

(k) Landlord shall save, hold harmless and indemnify Tenant from and against all liabilities, obligations, claims, suits, damages, penalties, causes of action, costs and expenses (including without limitation, reasonable attorneys' fees and expenses) imposed or asserted against Tenant by reason of any accident, injury to or death of persons, or loss or damage to property occurring on the Common Areas to the extent the same is a result of the negligence of Landlord or its agents, servants, contractors or employees.

(l) Tenant shall pay and discharge punctually all charges for utility services used by it.

7. USE OF DEMISED PREMISES

Landlord hereby consents to and Tenant may only use the Demised Premises for those uses described in the Fundamental Lease Provisions ("Permitted Uses"). Tenant represents, warrants and covenants to Landlord that the Demised Premises shall be used only for Permitted Uses.

8. CONSTRUCTION BY TENANT

(a) Tenant shall construct a building on the Demised Premises, consisting of approximately 97,963 square feet of Floor Area. Such construction, which is subject to Tenant's compliance with the Restrictions, shall commence within one (1) year from final Plan approval as set forth in said Restrictions. Submittals toward Plan approval shall promptly commence.

(b) Plan submittals as well as construction in connection with any Improvements, once commenced, and all required reviews by Landlord, shall be diligently pursued to substantial completion. Attached hereto as Exhibit C is a listing of documents constituting Tenant's "Preliminary Plan Package." All further plan or driveway submittals required by the Restrictions will be approved by Landlord so long as they are substantially consistent with the Preliminary Plan Package. Tenant, at its expense and subject to compliance with the Restrictions and all applicable building regulations, may from time to time remodel or demolish any Improvements, or construct other Improvements on the Demised Premises and remodel or demolish such other Improvements. Tenant may construct, remodel, or demolish the interior of the Improvements as it may desire from time to time and nothing in the Restrictions shall be construed to require any approval of Landlord with respect thereto.

9. INFRASTRUCTURE ASSESSMENT

Tenant shall pay to Landlord upon execution of this Lease an infrastructure assessment of $248,490.61 as Tenant's share of Landlord's cost of

constructing and installing on and off-site infrastructure facilities which serve or will serve the Demised Premises in common with other premises.

10. MAINTENANCE AND REPAIRS

Tenant shall at all times during the Term keep and maintain in good order and repair the Land as well as the exterior of all Improvements, howsoever the necessity or desirability of maintenance or repairs may occur. Tenant waives any right created by any law now or hereafter in force to maintain or make repairs to any portion of the Demised Premises at Landlord's expense, it being understood that neither Ground Lessor nor Landlord shall in any event be required to maintain or make any alterations, rebuildings, restorations, replacements, changes, additions, improvements or repairs to the Demised Premises. Nothing in the Lease shall be construed to require the Tenant to maintain the interior of the Improvements beyond the extent necessary to comply with applicable laws.

11. REGULATORY REQUIREMENTS

(a) Tenant shall promptly observe and comply with all present and future laws, ordinances, requirements, orders, directions, rules and regulations of all governmental authorities having or claiming jurisdiction over the Demised Premises or any part thereof and of all insurance companies writing policies covering the Demised Premises or any part thereof Without limiting the generality of the foregoing, Tenant shall also procure each and every permit, license, certificate or other authorization required in connection with the lawful and proper use of the Demised Premises or required in connection with any building or improvement now or hereafter erected thereon.

(b) Tenant covenants and agrees to pay all costs and expenses associated with enforcement, removal, remedial or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Hazardous Materials Laws, and all audits, tests, investigations, cleanup, reports and other such items incurred in

connection with any efforts to complete, satisfy or resolve any matters, issues or concerns, whether governmental or otherwise, arising out of or in any way related to the use, generation, release, management, treatment, manufacture, storage or disposal of, on, under or about, or transport to or from (any of the foregoing hereinafter a "Use") the Demised Premises of any Hazardous Materials in any amount by Tenant, its employees, agents, invitees, subtenants, licensees, assignees or contractors. For purposes of this Lease (1) the term "Hazardous Materials" shall include but not be limited to asbestos, urea formaldehyde, polychlorinated biphenyls, oil, petroleum products, pesticides, radioactive materials, hazardous wastes, toxic substances and any other related or dangerous, toxic or hazardous chemical, material or substance defined as hazardous or regulated or as a pollutant or contaminant in, or the Use of or exposure to which is prohibited, limited, governed or regulated by, any Hazardous Materials Laws; and (2) the term "Hazardous Materials Laws" shall mean any federal, state, county, municipal, local or other statute, law, ordinance or regulation now or hereafter enacted which may relate to or deal with the protection of human health or the environment, including but not limited to the Comprehensive Environment Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq.; the Federal Water Pollution Control Act, 33 U.S.C. Section 1251, et seq. the Toxic Substances Control Act of 1976, 15 U.S.C. Section 2601, et seq.; Ariz. Rev. Stat. Ann., Title 49 (the "Arizona

Environmental Quality Act of 1986"); and any rules, regulations or guidelines adopted or promulgated pursuant to any of the foregoing as they may be amended or replaced from time to time.

(c) Upon reasonable advance notice to Tenant, Landlord shall have the right, from time to time during Tenant's regular business hours, to enter upon and, as accompanied by a representative of Tenant, inspect the Demised Premises for purposes of satisfying itself as to whether Tenant is in compliance with the requirements of Section 11 (a) above.

(d) Tenant acknowledges that Landlord has provided to Tenant an environmental assessment report on the Research Park (excluding Lots 3, 4, 8, 9, 10, 11, 12, 19, 32, 39, 42 and 44) prepared by Foree & Vann, Inc., dated October 13, 1993 ("Report"). Except as otherwise disclosed in said Report, Landlord, to the extent of its current actual knowledge, knows of no Hazardous Materials contamination of the Research Park or the Demised Premises.

(e) Landlord covenants and agrees to pay all costs and expenses associated with enforcement, removal, remedial or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Hazardous Materials Laws, and all audits, tests, investigations, cleanup, reports and other such items incurred in connection with any efforts to complete, satisfy or resolve any matters, issues or concerns, whether governmental or otherwise, arising out of or in any way related to the Use of Hazardous Materials in any amount by Landlord, its employees, agents, invitees, predecessors in interest, licensees, assignees or contractors.

(f) Landlord covenants and agrees diligently to enforce against other tenants of the Research Park those provisions of applicable tenant leases which pertain to Hazardous Materials and Hazardous Materials Laws.

12. INDEMNIFICATION

(a) Except to the extent caused by the gross negligence of Ground Lessor or Landlord, or their agents, contractors, servants or employees, Tenant shall save, hold harmless and indemnify Ground Lessor, Landlord and their agents, employees and contractors performing management functions for the Research Park from and against all liabilities, obligations, claims, causes of action, suits, damages, penalties, assessments, taxes, fees, costs and expenses (including without limitation, reasonable attorneys' fees and expenses) imposed upon or asserted against Ground Lessor or Landlord by reason of (i) any use, nonuse or condition of the Demised Premises or any part thereof, (ii) any accident, injury to or death of persons (including workmen) or loss of or damage to property occurring on the Demised Premises or any part thereof, (iii) any failure on the part of Tenant to perform or comply with any of the terms of this Lease, (iv) performance of any labor or services or the furnishing of any materials or other property in respect of the Demised Premises or any part thereof by, on behalf of or at the request of Tenant, (v) any accident, injury to or death of persons (including workmen) or loss of or damage to property arising from or in any way related to construction of the Improvements, (vi) any failure on the part of Tenant to comply with any of the matters set forth in Section 7 and Section I 1; and (vii) any violation or breach by Tenant of the Restrictions or the Declaration of Height Limitations referred to in Section 48 below.

(b) Landlord shall save, hold harmless and indemnify Tenant and its agents, employees and contractors from and against all liabilities, obligations, claims, suits, damages, penalties, costs and expenses (including without limitation, reasonable attorneys' fees and expenses) imposed upon or asserted against Tenant by reason of (i) the gross negligence of Landlord or its agents, contractors, servants or employees, or (ii) any failure on the part of Landlord to perform or comply with any of the terms of this Lease including any failure on the part of Landlord to comply with any of the matters set forth in Section I1.

(c) In the event any indemnified party should be made a defendant in any action, suit or proceeding brought by reason of any act or omission of the indemnifying party, the indemnifying party shall at its own expense resist and defend such action, suit or proceeding by counsel reasonably approved by the indemnified party. If any such action, suit or proceeding should result in a final judgment against the indemnified party, the indemnifying party shall promptly satisfy and discharge such judgment or shall cause such judgment to be promptly satisfied and discharged. The obligations of the indemnifying party under this Section arising by reason of any such occurrence taking place while this Lease is in effect shall survive any termination of this Lease

13. INSURANCE

(a) Without limiting Tenant's indemnify obligations set forth in this Lease (but subject to the waiver of subrogation provided in Section 13(c) below), Tenant shall, at its sole cost and expense, procure and maintain throughout the Term commercial general liability insurance in the amount of $10,000,000 combined single limit (CSL).

(b) All policies of insurance required under Section 13 (a) above will name the Ground Lessor and Landlord and its managing agent(s) as additional insureds, and certificates thereof will be delivered to Landlord within ten (10) days after delivery of possession of the Demised Premises to Tenant and within 30 days prior to the expiration of the term of each policy. All policies of insurance required hereunder must contain a provision that the insurance carrier will notify in writing the insured and Landlord thirty (30) days in advance of any cancellation or lapse or the effective date of a reduction in the amount of insurance. All policies of insurance required hereunder shall be written as primary policies. The Tenant further covenants and agrees to increase liability insurance in additional amounts as Landlord may reasonably require. All policies of insurance required hereunder shall be issued by responsible insurance companies qualified to do business in the State of Arizona with a Best's Rating Guide rating of at least A-Class VIII.

(c) In the event any liability indemnified against under Section 12 or elsewhere in this Lease is also insured against under Section 13 or otherwise, the indemnification obligation shall only extend to the portion of the liability exceeding the amount of insurance proceeds, if any, received by the party being indemnified, the parties hereby waiving all rights of subrogation to the extent permitted by any applicable insurance policies.

(d) Tenant may procure, but shall not be required to procure, property damage and/or casualty insurance. In the event Tenant does so, Tenant shall be the sole owner thereof and Landlord shall have no interest or rights therein.

14. LIENS

(a) Tenant shall have no power to do any act or make any contract which may create or be the basis for any lien, mortgage or other encumbrance upon the interest of Landlord in the Demised Premises. Under no circumstances shall the interest of Ground Lessor in and to the Demised Premises be subject to any such lien, mortgage or other encumbrance.

(b) If, because of any act or omission or alleged act or omission of Tenant, any mechanics', materialmen's or other lien, charge or order for the payment of money shall be filed or recorded against Ground Lessor, Landlord or the Demised Premises (whether or not such lien, charge or order is valid or enforceable as such), Tenant shall, at its own expense, cause the same to be released and discharged of record within thirty (30) days after Tenant shall have received notice of the filing or recording thereof, or Tenant may, within said period, record a surety bond pursuant to Section 33-1004, Arizona

Revised Statutes, in the case of a mechanics' or materialmen's lien, or furnish to Landlord a bond satisfactory to Landlord against any other

lien, charge or order, in which case Tenant shall have the right in good faith to contest the validity or amount thereof

15. DAMAGE OR DESTRUCTION

In the event any portion of the Demised Premises is damaged by fire or any other peril, Tenant, at its election, either (a) shall promptly commence and proceed diligently with the work of restoring the same, or (b) shall raze all damaged Improvements and return the Demised Premises to their condition preceding execution of this Lease. If Tenant elects to do the latter, Tenant may terminate this Lease upon completion by Tenant of such work.

16. EMINENT DOMAIN

(a) If the whole of the Demised Premises shall be taken or condemned under the right of eminent domain or if such a substantial part of the Demised Premises shall be taken as shall result in the portion remaining being unsuitable for the use being made thereof at the time of such taking, then this Lease shall terminate as of the date upon which title shall vest in such condemning authority. The net awards or payments on account of any taking shall be apportioned as follows:

(i) Ground Lessor shall receive that portion of the award attributable to the value of the Land.

(ii) Tenant shall receive that portion of the award attributable to the value of the Improvements.

(b) If only a part of the Demised Premises shall be so taken or condemned and the part not so taken can, in Tenant's reasonable judgment, be adapted for the use then being made thereof, this Lease shall remain in full force and effect without any abatement or reduction in rent except as provided in Section 16(c), and Tenant, whether or not its portion of the awards or payments, if any, on account of such taking shall be sufficient for the purpose, at its own expense shall promptly commence and complete the restoration of the Improvements on the Demised Premises as nearly as possible to their value, condition and character immediately prior to such taking or condemnation. Tenant shall have no entitlement to any rent reduction for any taking or condemnation of Land which does not result in a reduction in the net square footage of the Demised Premises.

(c) In the event that a taking or condemnation results in a reduction of the net square footage of the Land, the Annual Rent and Additional Charges payable by Tenant hereunder shall be reduced, effective as of the date of Tenant's loss of use thereof, by a fraction the numerator of which shall be the total reduction in the net square footage of the Land and the denominator of which shall be the total net square footage of the Land as originally set forth in the Fundamental Lease Provisions.

(d) If the award or payments on account of any taking shall not be divided or apportioned by the court or the condemning authority into the portions set forth in

Section 16(a), and if Landlord and Tenant shall be unable to agree on such apportionment, then such apportionment shall be determined by appraisers. Landlord and Tenant shall each appoint an appraiser, and the two appraisers so appointed shall promptly appoint a third appraiser. Within thirty (30) days

after the appointment of the third appraiser, the two appraisers appointed by Landlord and Tenant shall each determine and report to the third appraiser the appropriate apportionment. Within ten (10) days thereafter, the third appraiser shall determine which of the two apportionments determined by the appraisers appointed by Landlord and Tenant is the more appropriate apportionment and the apportionment chosen by the third appraiser shall be binding upon the parties. All appraisers shall be members of the American Institute of Real Estate Appraisers (M.A.I.) or, if such Institute shall not then exist, members of its successor organization or an organization of substantially equivalent stature. The fees of the appraisers shall be borne equally by Landlord and Tenant.

17. DEFAULTS AND REMEDIES

(a) The occurrence of any one or more of the following events shall constitute a "Default" hereunder by Tenant:

(1) The failure by Tenant to make any payment of Annual Rent or any Additional Charges required to be paid by Tenant hereunder on the date such payment was due (and expiration if any applicable grace period), where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant.

(2) The failure by Tenant or any sublessee of Tenant to observe or perform the covenant set forth in Section 7 where such failure shall continue for a period of sixty (60) days after written notice thereof from Landlord to Tenant.

(3) The failure by Tenant to observe or perform any express or implied covenant or provision of this Lease to be observed or performed by Tenant, other than as specified in (1) and (3) above, where such failure shall continue for a period of sixty (60) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that it is capable of being cured but more than sixty (60) days are reasonably required for its cure, then Tenant shall not be deemed to be in Default if Tenant shall commence such cure within said sixty (60) day period and thereafter diligently prosecute such cure to completion.

(b) In the event of a Default by Tenant, in addition to any other remedies available to Landlord at law or in equity, Landlord may, without notice or demand of any kind to Tenant, have any one or more of the following described remedies:

(1) Landlord shall have the right, at its election, to reenter the Demised Premises, or any part thereof, either with or without process of law, and to expel, remove and put out Tenant and persons occupying the Demised Premises under Tenant, using such force as may be necessary in so doing, to take full possession of and control over the Demised Premises and to have, hold and enjoy the same and to receive all

rental income of and from the same. No reentry by Landlord shall be deemed an acceptance of a surrender of this Lease, nor shall it absolve or discharge Tenant from any liability under this Lease. No reentry by Landlord shall be deemed to effect a termination of this Lease unless so stated by Landlord in a written notice delivered to Tenant.

(2) Landlord shall have the right, at its election, with or without reentry as provided in subparagraph (1) immediately above, to give written notice to Tenant stating that this Lease and the Term hereby demised shall terminate on the date specified by such notice, and upon the date specified in such notice this Lease and the Term hereby demised and all rights of Tenant hereunder shall terminate. Upon such termination, Tenant shall quit and peacefully surrender to Landlord the Demised Premises and the Improvements then situated hereon.

(3) At any time and from time to time after such reentry, Landlord may relet the Demised Premises, or any part thereof, in the name of Landlord or otherwise, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term of this Lease), and on such conditions (which may include concessions or free rental) as Landlord, in its reasonable discretion, may determine and may collect and receive the rental therefor. However, in no event shall Landlord be under any obligation to relet the Demised Premises or any part thereof, and Landlord shall in no way be responsible or liable for any failure to relet or for any failure to collect any rental due upon any such reletting. Even though it may relet the Demised Premises, Landlord shall have the right thereafter to terminate this Lease and all of the fights of Tenant in or to the Demised Premises.

(4) Unless Landlord shall have notified Tenant in writing that it has elected to terminate this Lease, no such reentry or action in lawful detainer or otherwise to obtain possession of the Demised Premises shall relieve Tenant of its liability and obligations under this Lease; and all such liability and obligations shall survive any such reentry. In the event of any such reentry, whether or not the Demised Premises, or any part thereof, shall have been relet, Tenant shall pay to Landlord the entire rental and all other charges required to be paid by Tenant up to the time of such reentry of this Lease, and thereafter Tenant, until the end of what would have been the Term of this Lease in the absence of such reentry, shall be liable to Landlord, and shall pay to Landlord, as and for liquidated and agreed damages for Tenant's Default:

(i) The amount of Annual Rental and Additional Charges which would be payable under this lease by Tenant if this Lease were still in effect, less

(ii) The net proceeds of any reletting, after deducting all of Landlord's reasonable expenses in connection with such reletting, including without limitation all reasonable repossession costs, brokerage commissions, legal expenses, attorneys' fees, alteration and repair costs and expenses of preparation for such reletting.

Tenant shall pay such damages to Landlord monthly as and when payments of Annual Rent are due, and Landlord shall be entitled to recover from Tenant monthly as the same shall arise. Tenant shall be liable for such damages on a monthly basis, where or not in any prior year or years the net proceeds described in subparagraph (ii) above shall have exceeded the Annual Rent and Additional Charges described in subparagraph (i) above.

(5) In the event of any breach or threatened breach by Tenant of any of the terms, covenants or agreements contained in this Lease, Landlord shall have, in addition to any specific remedies provided in this Lease, the right to invoke any right or remedy allowed by law or in equity or by statute or otherwise, including the right to enjoin such breach or threatened breach.

(6) Each right and remedy of Landlord provided for in this Lease shall be cumulative and in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise; and the exercise or beginning of the exercise by Landlord of any one or more of such rights or remedies shall not preclude the simultaneous or later exercise by Landlord of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

(c) No waiver or breach of any term of this Lease shall be construed as a waiver of any succeeding breach of the same or any other term.

18. ASSIGNMENT AND SUBLETTING

(a) Tenant shall not, either voluntarily or by operation of law, sell, hypothecate or transfer this Lease, or sublet the Demised Premises or any part thereof, or permit the Demised Premises or any part thereof to be occupied by anyone other than Tenant or Tenant's employees or invitees (all of the foregoing collectively referred to in this Section 18 as an "Transfer"), without providing Landlord at least 30 days advance notice of such Assignment and without the prior written consent of Landlord, such consent not to be unreasonably withheld.

(b) No Transfer, even with the consent of Landlord, shall relieve Tenant of its obligation to pay the Annual Rent and the Additional Charges and to perform all the other obligations to be performed by Tenant hereunder. The acceptance by Landlord of any payment of Annual Rent or Additional Charges from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any Assignment.

(c) Each Transfer shall be by a written instrument executed by the assignor, sublessor or transferor, and by which the assignee, sublessee or transferee shall agree in writing for the benefit of Landlord: (i) if a sublessee, to abide by and in its use and occupancy of the Demised Premises to comply with the terms and conditions of this Lease, or (ii) if an assignee of Tenant's interest, to assume, to be bound by, and to perform the terms, covenants and conditions of this Lease to be done, kept and performed by Tenant. One executed copy of such written instrument shall be delivered to Landlord.

(d) Tenant has informed Landlord that Tenant is negotiating to sublet all or a portion of the Demised Premises to ASM Lithography, Inc. Tenant represents and warrants to Landlord that ASM Lithography, Inc. intends to use the Demised Premises for the following purposes: United States corporate headquarters, research and development and training facility. Based upon the foregoing representation, Landlord confirms that the foregoing described use is a "Permitted Use" under this Lease as well as a "Statutory Use" (as that term is defined in Article 38 below).

19. HYPOTHECATION OF LEASEHOLD ESTATE

(a) Tenant is hereby given the right, at any time and from time to time, to mortgage its leasehold estate in the Demised Premises (but in no event the fee or Landlord's leasehold estate), provided that any such leasehold mortgage shall be subject and subordinate to the rights of Landlord hereunder. As used in this Section and throughout this Lease, the noun "mortgage" shall include a deed of trust, the verb "mortgage" shall include the creation of a deed of trust, the word "mortgagee" shall include the beneficiary under a deed of trust, and the terms "foreclose" or "foreclosure" shall include a trustee's sale under a deed of trust as well as a foreclosure by judicial process.

(b) If a mortgagee shall have given Landlord, before any Default shall have occurred hereunder, a written notice specifying the name and mailing address of the mortgagee, then Landlord shall not terminate this Lease by reason of the occurrence of any Default hereunder unless Landlord shall have given the mortgagee a copy of its notice to Tenant of such Default addressed to the mailing address last furnished by the mortgagee, and such Default shall not have been cured by said mortgagee as provided in Sections 19 (c) or 19 (d) below.

(c) Tenant irrevocably directs that Landlord accept, and Landlord agrees to accept, performance by any such mortgagee of any term, covenant, agreement, provision, condition or limitation on Tenant's part to be performed or observed as though performed or observed by Tenant, provided such performance by said mortgagee shall occur within the time prescribed therefor in this Lease, plus an additional grace period of thirty (30) days thereafter or, if said Default is curable but not within said thirty (30) day period, then within such additional time as may be necessary to cure the same provided the

mortgagee commences the curing thereof within such thirty (30) day period and thereafter prosecutes the curing of such Default to completion with all due diligence; provided, however, with respect to any Default hereunder which cannot be cured by said mortgagee until it obtains possession of the Demised Premises, the provisions of Section 19 (d) shall apply.

(d) In the event of a Default by Tenant under this Lease which annot be cured by a mortgagee without first obtaining possession of the Demised Premises, then, and notwithstanding any other provision contained in this Lease, Landlord shall not terminate this Lease by reason of such Default if (i) said mortgagee, within the thirty (30) day grace period set forth in Section 19(c) shall have commenced, and thereafter diligently proceeds with, an appropriate proceeding to foreclose such mortgage or otherwise obtains possession of the

Demised Premises, and (ii) said mortgagee shall have cured such Default within 30 days following its obtaining possession of the Demised Premises (or, if said Default is curable but not within said thirty [30] day period, then within such additional time as may be necessary to cure the same provided the mortgagee commences the curing thereof within such thirty [30] day period and thereafter prosecutes the curing of such Default to completion with all due diligence).

(e) During the pendency of any foreclosure proceedings, mortgagee shall fully perform all the obligations of Tenant under this Lease that can be performed by such mortgagee without possession of the Demised Premises (including, but not limited to, payment of all Rent, all Additional Charges, and any and all other monies due and payable by Tenant hereunder)-provided, however, that if such mortgagee obtains possession of the Demised Premises during the time that it is enforcing its foreclosure remedy or as a result thereof, then such mortgagee shall perform fully all of Tenant's obligations under this Lease. In the event such mortgagee or any purchaser at a judicial or non-judicial foreclosure sale ("purchaser") acquires title to the leasehold estate through such a foreclosure proceeding, or otherwise, it shall thereupon become subrogated to all the rights of the Tenant under this Lease whereupon:

(i) Tenant shall have no further right hereunder; and

(ii) Such mortgagee or purchaser shall forthwith be obligated to assume and perform each and all of Tenant's obligations and covenants hereunder.

(f) In the event such mortgagee or purchaser acquires title to the leasehold estate of Tenant, then, at any time thereafter when said mortgagee or purchaser is not then in default under this Lease, Landlord shall, upon written request of mortgagee or purchaser deliver a new lease of the Demised Premises to mortgagee or purchaser. The new lease (whether it be granted to the mortgagee or purchaser) shall have a term equal to the remainder of the Term of this Lease and shall be upon the terms and conditions herein contained, except for requirements which are no longer applicable or have already been performed. Mortgagee or purchaser shall have the right to a new lease as set forth above provided that mortgagee or purchaser shall reimburse Landlord for all of Landlord's expenses, including reasonable attorneys' fees, incident to such efforts.

(g) Upon the written request of any mortgagee or prospective mortgagee, and for the benefit of said mortgagee or its nominee, Landlord will promptly deliver to said mortgagee a certificate setting forth the matters set forth in Section 21.

(h) Notwithstanding anything to the contrary contained in this Section 19, the mortgagee, on or after acquiring ownership of Tenant's leasehold estate, may assign this Lease without the necessity of obtaining Landlord's consent and, upon any such assignment, provided such assignee shall assume and agree to perform and be bound by all of the terms hereof, be released from all liability hereunder except for obligations occurring during its ownership of

said leasehold estate.

20. SUBORDINATION

(a) This Lease shall be subject and subordinate at all times to the Ground Lease, and to the lien of any mortgages or deeds of trust in any amount or amounts whatsoever now or hereafter placed on or against the Demised Premises, the Ground Lease, or Landlord's leasehold estate in this Lease without the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination; provided, however, that so long as no Default exists, the terms of this Lease shall not be affected by termination proceedings in respect to the Ground Lease or by foreclosure or other proceedings under such mortgages or deeds of trust, Tenant hereby agreeing, at the written request of the Ground Lessor, or the purchaser in such foreclosure or other proceedings, to attorn to the Ground Lessor, or to such purchaser, as applicable (provided the Ground Lessor or such purchaser agrees to recognize Tenant's leasehold estate and not disturb Tenant's tenancy so long as Tenant is not in Default under any of the terms, covenants or conditions of this Lease), or, at Ground Lessor's or such purchaser's option, as the case may be, to enter into a new lease for the balance of the term hereof upon the same terms and provisions as are contained in this Lease. Notwithstanding the foregoing, Tenant shall execute and deliver such further instrument or instruments evidencing such subordination of this Lease to the Ground Lease, or the lien of any such mortgage or mortgages or deeds of trust as may be requested by Landlord within twenty (20) days from Tenant's receipt of such request provided such instrument also evidences Tenant's rights of recognition and non-disturbance.

(b) Any transfer by Landlord of its leasehold estate under this Lease shall be subject to the rights and obligations of Tenant hereunder; and Tenant shall attorn to Landlord's transferee. Upon any such transfer and the assumption of liability therefor by Landlord's transferee, and written notice of such transfer to Tenant, Landlord shall be and is hereby entirely freed and released of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act or omission related to the Project or this Lease occurring after the consummation of such transfer.

(c) To evidence the agreements set forth in paragraphs (a) and (b) above, simultaneously with the execution of this Lease, Ground Lessor, Landlord and Tenant shall execute and record a Recognition, Non-Disturbance and Attornment Agreement in the form of Exhibit D attached hereto.

21. ESTOPPEL CERTIFICATE

(a) Upon receipt of a written request from the other, Landlord and Tenant shall each, from time to time, and within twenty (20) days from receipt of such request, execute, acknowledge and deliver a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified, is in full force and effect) and the dates to which the rental and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to its knowledge, any uncured defaults on the part of the other hereunder, or specifying such defaults

if any are claimed. Any such statement may be relied upon by a prospective purchaser or encumbrance of all or any portion of an estate in the Demised Premises.

(b) Failure to deliver such statement within such time shall be conclusive (i) that this lease is in full force and effect, without modification

except as may be represented by the party requesting the certificate, (ii) that there are no uncured defaults in performance by the party requesting the certificate, and (iii) that all Annual Rent and Additional Charges have been paid as of the date set forth in such certificate.

22. CONFLICT OF LAWS

The Lease shall be governed by and construed pursuant to the laws of the State of Arizona and it is agreed that the venue of any legal suit or action for enforcement of any obligation contained herein shall be Maricopa County, Arizona. This Lease shall not be construed either for or against Landlord or Tenant, but rather shall be interpreted in accordance with the general terms of the language in an effort to reach an equitable result.

23. STATUS OF TENANT

Tenant covenants that it is a valid and existing corporation under the laws of the State of Minnesota, that it is duly authorized to transact business in the State of Arizona, and that it has full right and authority to enter into this Lease.

24. SUCCESSORS AND ASSIGNS

Except as otherwise provided in this Lease, all of the covenants, conditions and provision of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

25. ATTORNEYS' FEES

In the event that either Landlord or Tenant bring suit against the other because of the breach of any provision of this Lease, then all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment.

26. PERFORMANCE BY TENANT

All covenants to be performed by Tenant shall be performed at Tenant's sole cost and expense and without any abatement of Annual Rent or Additional Charges. If Tenant shall fail to pay any sum of money, other than Annual Rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, without releasing Tenant from any obligations, but shall not be obligated to, make any such payment or perform any such other act

on Tenant's part to be made or performed. All sums so paid by Landlord, and all necessary incidental costs shall bear interest thereon at an annual rate of two (2) percentage points above the annual interest rate published from time to time by The Wall Street Journal under the masthead "Money Rates" as the Prime Rate in effect at the due date (and thereafter adjusted quarterly, but not more than the maximum contractual rate permissible by law), from the date of such payment by Landlord and shall be payable to Landlord on demand. In the event that The Wall Street Journal ceases to publish a Prime Rate, then interest shall be calculated with reference to a equivalent index selected by Landlord.

27. MORTGAGEE PROTECTION

In the event of any default on the part of Landlord, Tenant will give notice by registered or certified mail to any beneficiary of a deed of trust or mortgagee of a mortgage covering Landlord's leasehold estate under this Lease whose address shall have been furnished it, and shall offer such beneficiary or mortgagee a reasonable opportunity to cure the default, including time to obtain possession of the Demised Premises by power of sale or a judicial foreclosure, if such should prove necessary to effect a cure.

28. WAIVER

The waiver by either Landlord or Tenant of any breach of any term herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term herein contained, nor shall any custom or practice which may grow up between the parties in the administration of the terms hereof be deemed a waiver of, or in any way affect, the rights of either Landlord or Tenant to insist upon the performance by the other in strict accordance with said terms. The subsequent acceptance of Annual Rent or any Additional Charges by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term of this Lease, other than the failure of Tenant to pay the Annual Rent or Additional Charges so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Annual Rent or Additional Charges.

29. EXAMINATION OF LEASE

Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for Lease, and it is not effective as a Lease or otherwise until execution by and delivery to both Landlord and Tenant.

30. TIME

Time is of the essence with respect to the performance of every provision of this Lease in which time or performance is a factor.

31. PRIOR AGREEMENTS, AMENDMENTS

This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreement or understanding pertaining to

any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest.

32. SEVERABILITY

Any provision of this Lease which shall prove to be invalid, void or illegal in no way affects, impairs or invalidates any other provision hereof, and such other provision shall remain in full force and effect.

33. RECORDING

A Memorandum of Lease in the form attached hereto as Exhibit E shall be executed and recorded promptly after the full execution of this Lease.

34. LIMITATION ON LIABILITY

In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord, Tenant shall not have recourse against any of the assets of Landlord except Landlord's leasehold estate under this Lease and Landlord's leasehold estate under the Ground Sublease.

35. NONSUBORDINATED SUBLEASE

This is a nonsubordinated sublease. Neither Ground Lessor nor Landlord is obligated to subordinate its rights in the Demised Premises to any loan or money encumbrance that Tenant shall place against Tenant's subleasehold interest.

36. CONSENT OF LANDLORD AND TENANT

In the event of the failure of Landlord or Tenant to give any consent or approval required herein, if it is either provided herein or held to be that any such consent or approval shall not be unreasonably withheld or delayed, the requesting party shall be entitled to seek specific performance at law and shall have such other remedies as are reserved to it under this Lease, but in no event shall Landlord or Tenant be responsible for damages to anyone for such failure to give consent or approval.

37. DARK PERIOD

In the event the Demised Premises are not occupied with at least 25% of the Floor Area of the Demised Premises being actively used for a period of 730 consecutive days ("Dark Period"), then Landlord after notice to Tenant as provided below and to any trust deed beneficiary or mortgagee as provided in Section 27 above (a "Lender"), shall have the right, but not the obligation, to terminate this Lease and retake possession of the Demised Premises unless within (sixty) 60 days after the giving of Landlord's notice of intent to terminate:

a. The Demised Premises are occupied with at least 25% of the Floor Area of the Demised Premises being actively used, or

b. Tenant provides to Landlord reasonable evidence that Tenant is actively and diligently exercising such rights or remedies available to Tenant to cause a sublessee or sublessees approved by Landlord pursuant to Section 18 above (an "Approved Sublessee") to end the Park Period, or

C. Tenant or any Approved Sublessee provides to Landlord reasonable evidence that the Approved Sublessee is actively and diligently exercising commercially reasonable efforts to assign or sublease its interest in the Demised Premises and such efforts thereafter are diligently continued to end the Dark Period, or

d. Tenant or any Lender provides Landlord with reasonable evidence that the Lender is actively and diligently exercising its rights and remedies under its deed of trust or mortgage to cause Tenant pursuant to Section 18 above to end the Dark Period (the foregoing notice and cure rights provided to a Lender are not in limitation of the rights provided to a Lender under Section 27 above); and

e. At all times Tenant shall continue to maintain or cause the Demised Premises to be maintained in accordance with the standards prescribed in this Lease and in the Restrictions.

Upon such termination, Tenant shall have no further fights or obligations under

this Lease.

38. TITLE TO BUILDINGS AND IMPROVEMENTS

It being the intent of the parties that, at all times, Tenant shall have only a leasehold interest in the Demised Premises, including the Improvements, ownership of all Improvements shall automatically be vested in Ground Lessor. Notwithstanding the foregoing, neither Landlord nor Ground Lessor shall be entitled to claim depreciation on the Improvements for income taxation purposes. Landlord and Tenant agree that title to the Improvements shall remain vested in Ground Lessor only for so long as the Demised Premises are used for uses enumerated in A.R.S. (S). 15-1636 ("Statutory Uses") as now existing or as hereafter amended, or any successor provision. In the event Tenant or any sublessee of Tenant engages in a use of the Demised Premises which is not a Statutory Use, then, at Landlord's sole election, title to the Improvements shall be deemed vested in Tenant effective as of the date Tenant (or a sublessee of Tenant) engaged in a use which is not a Statutory Use and shall remain vested in Tenant for the remainder of the Term.

39. SURRENDER

Upon the expiration or other termination of the Term, Tenant shall quit and surrender to Landlord the Demised Premises, including all Improvements, buildings, replacements, changes, additions and other improvements thereon, with all non-trade fixtures and equipment in or appurtenant thereto in their then existing condition (but excluding any personal

property of Tenant) or, if requested by Landlord, shall clear the land, putting the same into the same condition as existed prior to the execution of this Lease.

40. RESTRICTIONS - AMENDMENTS

Tenant agrees that its construction, use, maintenance, ownership and operation of the Demised Premises are subject to the Restrictions. Subject to the limitations set forth in Section 6(I), Tenant specifically acknowledges and agrees that Landlord may effect amendments to the Restrictions without the prior written consent of Tenant so long as any such amendments (i) shall apply equally and without discrimination to all persons entitled to the use and occupancy of land within the Research Park, (ii) shall not prohibit or adversely affect the use then being made of the Demised Premises or any use of the Demised Premises permitted at the time of execution of this Lease, (iii) shall not permit uses within the Research Park which are not then common to first class research parks located within the southwestern United States, and (iv) do not, in Tenant's reasonable judgment, impose an excessive financial burden on Tenant. Tenant further agrees upon reasonable advance written notice to allow Landlord to enter upon and inspect the Demised Premises during Tenant's normal working hours for purposes of monitoring Tenant's compliance with said Restrictions.

41. QUIET POSSESSION

Landlord agrees that Tenant, upon paying the rent, Additional Charges and performing all other covenants and conditions of this Lease, may quietly have, hold and enjoy the Demised Premises during the Term hereof or any renewal thereof. It is further the intention of the parties hereto that the covenants of this Lease be independent of each other.

42. WATER RESOURCES

It is the announced policy of the State of Arizona, that groundwater

resources be conserved and therefore, with respect to any landscaped area of the Demised Premises as required by the Restrictions, Tenant will use only those plants and planting materials that have been approved for use in the Research Park by the Arizona Department of Water Resources. Upon request, Landlord will furnish Tenant with a listing of such approved plants and planting materials. Furthermore, Tenant will not allocate more than 15% of its landscaped area to turf. Furthermore, no more than 20% of the turned area developed by Tenant will be overseeded with any seed variety during the winter dormancy period for Bermuda grass. Furthermore, no outdoor water bodies such as fountains and reflecting ponds will be installed by Tenant. For purposes of this Section 42, "landscaped area" shall mean all areas of the Demised Premises not improved with Improvements, parking areas and driveways.

43. NOTICES

Any notice required or permitted to be given hereunder must be in writing and may be given by personal delivery or by mail, and if given by mail shall be deemed given if sent by registered or certified mail addressed to Tenant, or to Landlord at the addresses set forth in the

Fundamental Lease Provisions. Either may, by written notice to the other, specify a different address for notice purposes.

44. BROKERS

(a) Except as set forth in (b) and (c) below, each party warrants to the other party that the warranting party had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, and that it knows of no real estate broker or agent who is or might be entitled to a commission in connection with this Lease and agrees to hold the other party harmless from any claims of any brokers claiming a commission on account of any actions of the warranting party.

(b) Landlord and Tenant acknowledge that CB Commercial Real Estate Group, Inc. (Gregory S. White) ("Broker") has been retained, pursuant to a separate agreement, as a real estate broker in connection with this transaction. The commission payable to Broker shall be paid by Landlord upon completion of this transaction.

(c) Landlord has informed Tenant that Landlord is represented by P.C.I. Associates, Ltd., and by Sunbelt Holdings Management, Inc., pursuant to an asset management agreement with Landlord. Landlord shall be solely responsible for all fees payable to said entities as a result of the closing of this lease transaction.

45. NET LEASE

It is the intention of the parties hereto that, except as otherwise provided in this Lease, this Lease shall be a net lease and that Landlord shall receive the rents herein reserved and all sums which shall or may become payable hereunder by Tenant free from all taxes, charges and expenses of every kind or sort whatsoever (exclusive of rentals due under either the Ground Lease or the Ground Sublease) and that Tenant shall and will and hereby expressly agrees to pay all such sums which, except for the execution and delivery of this Lease, would have been chargeable against the Demised Premises and payable by Landlord.

46. TENANT'S TITLE INSURANCE

At Tenant's option and at Tenant's sole expense, Tenant may obtain a policy of title insurance insuring Tenant's subleasehold interest in the Demised Premises. Tenant's obligations under this Lease shall not be contingent upon

the form or content of any such policy of title insurance.

47. SHARED DRIVEWAYS

Tenant acknowledges that the driveways which provide access to the Demised Premises from River Parkway and from Science Drive are part of the Common Area and that Tenant may use such driveways on a non-exclusive basis with all other persons or entities entitled to the use of the Common Area.

48. HEIGHT RESTRICTIONS

Tenant acknowledges that it has received a copy of that certain Declaration of Height Limitations ("Declaration") recorded at Document No. 96-0774295, Official Records of Maricopa County, Arizona. Tenant agrees to comply with said Declaration.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first above written.

PRICE-ELLIOTT RESEARCH PARK, INC.,
an Arizona nonprofit corporation

By: /s/ A. J. Pfister
A. J. Pfister
Its: President

LANDLORD

RYAN COMPANIES US, INC.,
a Minnesota corporation

By: /s/ John Strittmatter
Name: John Strittmatter
Title: VP

TENANT

EXHIBIT 10.54

FIRST AMENDMENT TO GROUND LEASE AGREEMENT

FOR THE ASML BUILDING

FIRST AMENDMENT TO ASU RESEARCH PARK LEASE

THIS FIRST AMENDMENT TO ASU RESEARCH PARK LEASE (the "Amendment") is entered into as of February 24, 1998 by and between PRICE-ELLIOTT RESEARCH PARK, INC., as Landlord, and RYAN COMPANIES US, INC., as Tenant.

Recitals:

A. Landlord and Tenant entered into that certain ASU Research Park Lease dated August 22, 1997 (the "Lease") for the "Demised Premises" as defined in the Lease and generally referred to as Lot 44 of the ASU Research Park.

B. While the net square footage of the Demised Premises is correctly stated in the definition of the term "Demised Premises" as 414,151 net square feet, the calculation in Section 3(a) of the Lease of annual and monthly rent based on such net square footage is incorrect.

C. Landlord and Tenant now wish to correct the annual and the monthly rent figures in Section 3(a) of the Lease.

Covenants:

NOW, THEREFORE, for good and valuation consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. The annual and monthly rent figures set forth in Section 3(a) in the table at the top of page 2 are corrected and replaced by the following:

Lease Years	Per Net Sq. Foot	Annual	Monthly
1-15	$0.45	$186,368	$15,531
16-25	$0.66	$273,340	$22,778
26-35	$0.86	$356,170	$29,681
36-85	See (b) below		

2. Except as corrected and amended above, all other provisions of the Lease remain in full force and effect without change.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this First Amendment as of the day and year first above written.

PRICE-ELLIOTT RESEARCH PARK, INC.,
An Arizona nonprofit corporation

By: A.J. Pfister

A.J. Pfister
Its President

LANDLORD

RYAN COMPANIES US, INC.,
a Minnesota corporation

By: John Strittmatter

John Strittmatter
Its Vice President

TENANT

EXHIBIT 10.55

AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY

FOR THE MOTOROLA BUILDING

AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY

THIS AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY (the "Agreement"), is made and entered into as of the 23/rd/ day of February, 2000, by and between RYAN COMPANIES US, INC., a Minnesota corporation ("Seller") and WELLS CAPITAL, INC., a Georgia corporation ("Purchaser").

W I T N E S S E T H:

WHEREAS, Seller desires to sell and Purchaser desires to purchase the Property (as hereinafter defined) subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements contained herein, the sum of Ten Dollars ($10.00) in hand paid by Purchaser to Seller at and before the sealing and delivery of these presents and for other good and valuable consideration, the receipt, adequacy, and sufficiency which are hereby expressly acknowledged by the parties hereto, the parties hereto do hereby covenant and agree as follows:

1. Purchase and Sale of Property. Subject to and in accordance with the terms and provisions of this Agreement, Seller hereby agrees to sell to Purchaser and Purchaser hereby agrees to purchase from Seller, the Property, which term "Property" shall mean and include the following:

(a) the tenant's interest under that certain ASU Research Park Lease dated November 19, 1997, (the "Ground Lease")between Price-Elliot Research Park, Inc. ("Lessor"), as Landlord, and Seller, as Tenant in and to all that tract or parcel of land (the "Land") located in the Northeast quarter of Section 13, Township 1 South, Range 4 East of the Gila and Salt river Base and Meridian, Maricopa County, Arizona, containing approximately 12.44 acres, having an address of 8075 South River Parkway, Tempe, Arizona, and being more particularly described on Exhibit "A" hereto; and

(b) the tenant's interest under the Ground Lease in and to all rights, privileges, and easements appurtenant to the Land, including all water rights, mineral rights, reversions, or other appurtenances to said Land, and all right, title, and interest of Seller, if any, in and to any land lying in the bed of any street, road, alley, or right-of-way, open or proposed, adjacent to or abutting the Land; and

(c) the tenant's interest under the Ground Lease in and to all buildings, structures, and improvements situated on the Land, including, without limitation, that certain two story office building containing approximately 133,225 square feet of leasable space, the parking areas containing approximately 800 parking spaces and other amenities located on the Land, and all apparatus, built-in appliances, equipment, pumps, machinery, plumbing, heating, air conditioning, electrical and other fixtures located on the Land (all of which are herein collectively referred to as the "Improvements"); and

(d) all personal property now owned by Seller and located on or to be located on or in, or used in connection with, the Land and Improvements

("Personal Property"); and

(e) all of Seller's right, title, and interest, as landlord or lessor, in and to that certain lease agreement with Motorola, Inc., a Delaware corporation (the "Tenant"), dated November 17, 1997, as amended by First Amendment to Lease dated November 17, 1999 (the"Lease"); and

(f) all of Seller's right, title, and interest in and to the plans and specifications with respect to the Improvements and any guarantees, trademarks, rights of copyright, warranties, or other rights related to the ownership of or use and operation of the Land, Personal Property, or Improvements, all governmental licenses and permits, and all intangibles associated with the Land, Personal Property, and Improvements, including the name of the Improvements and the logo therefor, if any.

2. Earnest Money. Within two (2) business days after the full execution of this Agreement, Purchaser shall deliver to Old Republic Title Agency ("Escrow Agent"), whose offices are at 3200 North Central Avenue, Suite 100, Phoenix, AZ 85012, Purchaser's check, payable to Escrow Agent, in the amount of $100,000 (the "Earnest Money"), which Earnest Money shall be held and disbursed by Escrow Agent in accordance with this Agreement. The Earnest Money shall be paid by Escrow Agent to Seller at Closing (as hereinafter defined) and shall be applied as a credit to the Purchase Price (as hereinafter defined), or shall otherwise be paid to Seller or refunded to Purchaser in accordance with the terms of this Agreement. All interest and other income from time to time earned on the Earnest Money shall belong to Purchaser and shall be disbursed to Purchaser at any time or from time to time as Purchaser shall direct Escrow Agent. In no event shall any such interest or other income be deemed a part of the Earnest Money.

3. Purchase Price. Subject to adjustment and credits as otherwise specified in this Agreement, the purchase price (the "Purchase Price") to be paid by Purchaser to Seller for the Property shall be SIXTEEN MILLION AND 00/100 DOLLARS ($16,000,000.00). The Purchase Price shall be paid by Purchaser to Seller at the Closing (as hereinafter defined) by (a) the execution and delivery of a purchase money promissory note in the amount of $5,000,000.00, bearing interest at the rate of nine percent (9%) per annum, payable in installments of interest only beginning 30 days after Closing and on the same day of each month thereafter with the outstanding balance being due and payable on or before the first anniversary of Closing and allowing for prepayment at any time (the "Note") and (b) the balance by cashier's check or by wire transfer of immediately available federal funds, less the amount of Earnest Money and subject to prorations, adjustments and credits as otherwise specified in this Agreement. The Note shall be secured by a purchase money deed of trust (the "Mortgage"), which shall be a first lien on the Property. The parties shall agree upon the form of the Note and Mortgage on or before the end of the Inspection Period (as hereinafter defined).

4. Purchaser's Inspection and Review Rights. Subject to the rights of the Tenant, Purchaser and its agents, engineers, or representatives, with Seller's reasonable, good faith cooperation, shall have the privilege of going upon the Property as needed to inspect, examine, test, and survey the Property at all reasonable times and from time to time. Purchaser hereby agrees to hold Seller harmless from any liens, claims, liabilities, and damages incurred through the exercise of such privilege, and Purchaser further agrees to repair any damage to the Property caused by the exercise of such privilege. At all reasonable times prior to the Closing (as hereinafter defined), Seller shall

make available to Purchaser, or Purchaser's agents and representatives, for review and copying, all books, records, and files in Seller's possession relating to the ownership and operation of the Property, including, without limitation, title matters, surveys, tenant files, service and maintenance

agreements, and other contracts, books, records, operating statements, and other information relating to the Property. Seller further agrees to in good faith assist and cooperate with Purchaser in coming to a thorough understanding of the books, records, and files relating to the Property. Seller further agrees to provide to Purchaser (to the extent the same have not previously been provided to Purchaser) prior to the date which is five (5) days after the effective date of this Agreement (a) the most current boundary and "as-built" surveys of the Land and Improvements and any title insurance policies, appraisals, occupancy permits, building inspection reports and environmental reports relating thereto and in the possession or under the control of Seller, and (b) a statement setting forth all revenues from the Property and setting forth all costs and expenses of operating, maintaining, and repairing the Property (and the costs of replacing component parts thereof) incurred by Seller, in each case during the entire period from September 1, 1998, through January 31, 2000, which statement shall be certified by Seller to the best of Seller's knowledge after diligent inquiry and review of records, to be complete and accurate in all material respects. Seller acknowledges that Purchaser may be required by the Securities and Exchange Commission to file audited financial statements for one to three years with regard to the Property. At no cost or liability to Seller, Seller shall (i) cooperate with Purchaser, its counsel, accountants, agents, and representatives, provide them with access to Seller's books and records with respect to the ownership, management, maintenance, and operation of the Property for the applicable period, and permit them to copy the same, (ii) execute a form of "rep" letter in form and substance reasonably satisfactory to Seller, and (iii) furnish Purchaser with such additional information concerning the same as Purchaser shall reasonably request. Purchaser will pay the costs associated with any such audit.

5. Special Condition to Closing. Purchaser shall have thirty (30) days from the effective date of this Agreement (the "Inspection Period") to make investigations, examinations, inspections, market studies, feasibility studies, lease reviews, and tests relating to the Property and the operation thereof in order to determine, in Purchaser's sole opinion and discretion, the suitability of the Property for acquisition by Purchaser. Purchaser shall have the right to terminate this Agreement at any time prior to the expiration of the Inspection Period by giving written notice to Seller of such election to terminate. In the event Purchaser so elects to terminate this Agreement, Seller shall be entitled to receive and retain the sum of Twenty-Five Dollars ($25.00) of the Earnest Money, and the balance of the Earnest Money shall be promptly refunded by Escrow Agent to Purchaser, whereupon, except as expressly provided to the contrary in this Agreement, no party hereto shall have any other or further rights or obligations under this Agreement. Seller acknowledges that the sum of $25.00 is good and adequate consideration for the termination rights granted to Purchaser hereunder.

6. General Conditions Precedent to Purchaser's Obligations Regarding the Closing. In addition to the conditions to Purchaser's obligations set forth in Paragraph 5 above, the obligations and liabilities of Purchaser hereunder shall in all respects be conditioned upon the satisfaction of each of the following conditions, any of which may be waived by written notice from

Purchaser to Seller:

(a) Seller shall have complied in all material respects with and otherwise performed in all material respects each of the covenants and obligations of Seller set forth in this Agreement, as of the date of Closing (as hereinafter defined).

(b) All representations and warranties of Seller as set forth in this Agreement shall be true and correct in all material respects as of the date of Closing.

(c) There shall have been no adverse change to the title to the Property which has not been cured and the Title Company (as hereinafter defined) shall have issued the Title Commitment (as hereinafter defined) on the Land and Improvements without exceptions other than as described in paragraph 7 and the Title Company shall be prepared to issue to Purchaser upon the Closing a leasehold owner's title insurance policy on the Land and Improvements pursuant to such Title Commitment.

(d) Purchaser shall have received the Tenant Estoppel Certificate referred to in Paragraph 9(c) hereof, duly executed by the Tenant at least five (5) days prior to the end of the Inspection Period.

(e) Purchaser shall have received the Lessor Estoppel Certificate referred to in Paragraph 9(d) hereof, duly executed by the Lessor at least five (5) days prior to the end of the Inspection Period.

7. Title and Survey. Seller covenants and agrees that Seller, at its sole cost and expense, shall, on or before ten (5) days after the Effective Date of this Agreement, cause Old Republic National Title Insurance Company, or such other such title insurance company acceptable to Purchaser (herein referred to as the "Title Company"), to deliver to Purchaser its commitment (herein referred to as the "Title Commitment") to issue to Purchaser, upon the recording of the Assignment and Assumption of ASU Research Park Lease, the payment of the Purchase Price, and the payment to the Title Company of the policy premium therefor, an owner's policy of title insurance, in the amount of the Purchase Price, insuring good and marketable record title to the Property to be in Purchaser subject only to the Permitted Exceptions (as hereinafter defined), with affirmative coverage over any mechanic's, materialman's and subcontractor's liens and with full extended coverage over all general exceptions, and containing the following endorsements: zoning (including affirmative coverage against any violations of recorded covenants and restrictions), survey, and access. Such Title Commitment shall not contain any exception for rights of parties in possession other than an exception for the right of the Tenant under the Lease. If the Title Commitment shall contain an exception for the state of facts which would be disclosed by a survey of the Property or an "area and boundaries" exception, the Title Commitment shall provide that such exception will be deleted upon the presentation of an ALTA/ASCM survey acceptable to Title Company, in which case the Title Commitment shall be amended to contain an exception only for the matters shown on the as-built survey which Seller shall obtain at its sole cost and expense for the benefit of Purchaser. Said survey shall include a certification that the Property is zoned in a classification which will permit the operating of the Property as an office building and any conditions to the granting of such zoning have been satisfied. Seller shall also cause to be

delivered to Purchaser together with such Title Commitment, legible copies of all documents and instruments referred to therein. Purchaser, upon receipt of the Title Commitment and the copies of the documents and instruments referred to therein, shall then have ten (10) days during which to examine the same, after which Purchaser shall notify Seller of any defects or objections affecting the marketability of the title to the Property. Seller shall then have until the Closing to cure such defects and objections and shall, in good faith, exercise reasonable diligence to cure such defects and objections.

8. Representations and Warranties of Seller. Seller hereby makes the following representations and warranties to Purchaser, each of which shall be deemed material:

(a) Lease. Seller has delivered to Purchaser a true, correct and complete copy of the Lease, together with all modifications and amendments thereto herein referred. Seller is the "landlord" under the Lease and owns unencumbered legal and beneficial title to the Lease and the rents and

other income thereunder, subject only to the collateral assignment of the Lease and the rents thereunder in favor of the holder of an existing mortgage or deed of trust encumbering the Property, which mortgage or deed of trust shall be canceled and satisfied by Seller at the Closing. The term of the Lease commenced on August 17, 1998, and expires on August 31, 2005. The Tenant currently leases and occupies 100% of the rentable area of the Improvements.

(b) Lease - Assignment. To the best of Seller's knowledge, the Tenant has not assigned its interest in the Lease or sublet any portion of the premises leased to the Tenant under the Lease.

(c) Lease - Default. (i) Seller has not received any notice of termination or default under the Lease, (ii) there are no existing or uncured defaults by Seller or by the Tenant under the Lease, (iii) to the best of Seller's knowledge, there are no events which with the passage of time or notice, or both, would constitute a default by Seller or by the Tenant, and Seller has complied with each and every undertaking, covenant, and obligation of Seller under the Lease, and (iv) Tenant has not asserted any defense, set-off, or counterclaim with respect to its tenancy or its obligation to pay rent, additional rent, or other charges pursuant to the Lease.

(d) Lease - Rents and Special Consideration. Tenant: (i) has not prepaid rent for more than the current month under the Lease, (ii) has not received and is not entitled to receive any rent concession in connection with its tenancy under the Lease other than as described in the Lease, (iii) is not entitled to any special work (not yet performed), or consideration (not yet given) in connection with its tenancy under the Lease, and (iv) does not have any deed, option, or other evidence of any right or interest in or to the Property, except for the Tenant's tenancy as evidenced by the express terms of the Lease.

(e) Lease - Commissions. No rental, lease, or other commissions with respect to the Lease are payable to Seller, any partner of Seller, any party affiliated with or related to Seller or any partner of Seller or any third party whatsoever. All commissions payable under, relating to, or as a result of the Lease have been cashed-out and paid and

satisfied in full by Seller or by Seller's predecessor in title to the Property.

(f) Lease - Acceptance of Premises. (i) Tenant has accepted its leased premises located within the Property, including any and all work performed therein or thereon pursuant to the Lease, (ii) Tenant is in full and complete possession of its premises under the Lease, and (iii) Seller has not received notice from the Tenant that the Tenant's premises are not in full compliance with the terms and provisions of Tenant's Lease or are not satisfactory for Tenant's purposes.

(g) No Other Agreements. Other than the Lease and the Permitted Exceptions, there are no leases, service contracts, management agreements, or other agreements or instruments in force and effect, oral or written, to which Seller is a party and that grant to any person whomsoever or any entity whatsoever any right, title, interest or benefit in or to all or any part of the Property or any rights relating to the use, operation, management, maintenance, or repair of all or any part of the Property.

(h) No Litigation. There are no actions, suits, or proceedings

pending, or, to the best of Seller's knowledge, threatened by any organization, person, individual, or governmental agency against Seller with respect to the Property or against the Property, nor does Seller know of any basis for such action. Seller has no knowledge of any pending or threatened application for changes in the zoning applicable to the Property or any portion thereof.

(i) Condemnation. No condemnation or other taking by eminent domain of the Property or any portion thereof has been instituted and, to the best of Seller's knowledge, there are no pending or threatened condemnation or eminent domain proceedings (or proceedings in the nature or in lieu thereof) affecting the Property or any portion thereof or its use.

(j) Proceedings Affecting Access. The Property is served by curb cuts for direct vehicular access to and from Research Drive and South River Parkway adjoining the Property. Said street(s) are public streets. There are no pending or, to the best of Seller's knowledge, threatened proceedings that could have the effect of impairing or restricting access between the Property and either of such adjacent public roads.

(k) Intentionally Omitted.

(l) Conditions of Improvements. Seller is not aware of any structural or other defects, in the Improvements. The heating, ventilating, air conditioning, electrical, plumbing, water, elevator(s), roofing, storm drainage and sanitary sewer systems at or servicing the Land and Improvements are, to the best of the Seller's knowledge, in good condition and working order and Seller is not aware of any defects or deficiencies, latent or otherwise, therein. The Improvements have been constructed in compliance with applicable provisions of the Lease, Ground Lease, ABR Lease, City of Tempe building regulations, and any recorded covenants, conditions and restrictions.

(m) Certificates. To the best of Seller's knowledge, there are

presently in effect permanent certificates of occupancy,licenses, and permits as may be required for the Property, and the present use and occupation of the Property is in compliance and conformity with the certificates of occupancy and all licenses and permits. There has been no notice or request of any municipal department, insurance company or board of fire underwriters (or organization exercising functions similar thereto), or mortgagee directed to Seller and requesting the performance of any work or alteration to the Property which has not been complied with.

(n) Violations. To the best of Seller's knowledge, there are no violations of law, municipal or county ordinances, or other legal requirements with respect to the Property, and the Improvements thereon comply with all applicable legal requirements with respect to the use, occupancy, and construction thereof. The Property is zoned in a classification which permits the use thereof in the present manner. The Property is not located in a flood hazard area.

(o) Underlying Leases. Seller has delivered to Purchaser a true, correct and complete copy of the Ground Lease and the Arizona State University Ground Lease between The Arizona Board of Regents acting for and on behalf of Arizona State University, as landlord, and Lessor, as tenant

(the "ABR Lease", dated October 8, 1984, and all amendments thereto (the "Underlying Leases"). (i) Seller has not received any notice of termination or default under the Underlying Leases, (ii) to the best of Seller's knowledge, there are no existing or uncured defaults by any party to the Underlying Leases, (iii) Seller has no direct obligation under the ABR Lease, and (iv) Sellers only obligations under the Ground Lease are to pay (A) rent in the amount of $20,320.44 per month (increasing to $29,803.31 per month on January 1, 2012, and thereafter further increasing as provided therein), which amount is not passed through to the Tenant; (B) a Municipal Service Fee, currently estimated to be $977.04 per month, which amount is passed through to the Tenant; (c) Common Area Maintenance charges, currently estimated to be $3,925.71 per month, which amount is passed through to Tenant, and (d) insurance, the cost of which is passed through to Tenant.

(p) Bankruptcy. Seller is "solvent" as said term is defined by bankruptcy law and has not made a general assignment for the benefit of creditors nor been adjudicated a bankrupt or insolvent, nor has a receiver, liquidator, or trustee for any of Seller's properties (including the Property) been appointed or a petition filed by or against Seller for bankruptcy, reorganization, or arrangement pursuant to the Federal Bankruptcy Act or any similar Federal or state statute, or any proceeding instituted for the dissolution or liquidation of Seller.

(q) Pre-existing Right to Acquire. No person or entity has any right or option to acquire the Property or any portion thereof which will have any force or effect after the execution of this Agreement, other than Purchaser.

(r) Effect of Certification. To the best of Seller's knowledge, neither this Agreement nor the transactions contemplated herein will constitute a breach or violation of, or default under, or will be

modified, restricted, or precluded by the Lease or the Permitted Exceptions.

(s) Authorization. Seller is a duly organized and validly existing corporation under the laws of the State of Minnesota. This Agreement has been duly authorized and executed on behalf of Seller and constitutes the valid and binding agreement of Seller, enforceable in accordance with its terms, and all necessary action on the part of Seller to authorize the transactions herein contemplated has been taken, and no further action is necessary for such purpose.

(t) Seller Not a Foreign Person. Seller is not a "foreign person" which would subject Purchaser to the withholding tax provisions of Section 1445 of the Internal Revenue Code of 1986, as amended.

(u) Hazardous Substances. Seller hereby warrants and represents,

to the best of Seller's knowledge, and except as otherwise disclosed in that certain Phase I Environmental Site Assessment of Lots 35, 36 & 37, ASU Research Park, by Liesch Southwest, Inc., dated September 22, 1998, that (i) no "hazardous substances", as that term is defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et. seq., the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et. seq., and the rules and regulations promulgated pursuant to these acts, any so-called "super-fund"

or "super-lien" laws or any applicable state or local laws, nor any other pollutants, toxic materials, or contaminants have been or shall prior to Closing be discharged, disbursed, released, stored, treated, generated, disposed of, or allowed to escape on the Property, (ii) no asbestos or asbestos containing materials have been installed, used, incorporated into, or disposed of on the Property, (iii) no polychlorinated biphenyls are located on or in the Property, in the form of electrical transformers, fluorescent light fixtures with ballasts, cooling oils, or any other device or form, (iv) no underground storage tanks are located on the Property or were located on the Property and subsequently removed or filled, (v) no investigation, administrative order, consent order and agreement, litigation, or settlement with respect to Hazardous Substances is proposed, threatened, anticipated or in existence with respect to the Property, and (vi) the Property has not previously been used as a landfill, cemetery, or as a dump for garbage or refuse. Seller hereby indemnifies Purchaser and holds Purchaser harmless from and against any loss, cost, damage, liability or expense due to or arising out of the breach of any representation or warranty contained in this Paragraph.

EXCEPT AS EXPRESSLY PROVIDED TO THE CONTRARY HEREIN, PURCHASER IS ACQUIRING THE PROPERTY IN ITS "AS IS" CONDITION AS OF THE DATE OF THE CLOSING.

9. Seller's Additional Covenants. Seller does hereby further covenant and agree as follows:

(a) Operation of Property. Seller hereby covenants that, from the date of this Agreement up to and including the date of Closing, Seller shall: (i) not negotiate with any third party respecting the sale of the Property or any interest therein, (ii) not modify, amend, or terminate the Lease or Ground Lease, or enter into any new lease,

contract, or other agreement respecting the Property, (iii) not grant or otherwise create or consent to the creation of any easement, restriction, lien, assessment, or encumbrance respecting the Property, and (iv) cause the Property to be operated, maintained, and repaired in the same manner as the Property is currently being operated, maintained, and repaired.

(b) Preservation of Lease and Ground Lease. Seller shall, from and after the date of this Agreement to the date of Closing, use its good faith efforts to perform and discharge all of the duties and obligations and shall otherwise comply with every covenant and agreement of the landlord under the Lease and of the tenant under the Ground Lease, at Seller's expense, in the manner and within the time limits required thereunder. Furthermore, Seller shall, for the same period of time, use diligent and good faith efforts to cause the Tenant under the Lease to perform all of its duties and obligations and otherwise comply with each and every one of its covenants and agreements under such Lease and shall take such actions as are reasonably necessary to enforce the terms and provisions of the Lease.

(c) Tenant Estoppel Certificate. At least five (5) days prior to expiration of the Inspection Period, Seller shall obtain and deliver to Purchaser a fully completed estoppel certificate with respect to the Lease in substantially the form of Exhibit "B" (the "Tenant Estoppel Certificate"), duly executed by the Tenant thereunder. The Tenant Estoppel Certificate shall be executed as of a date not more than thirty (30) days prior to Closing.

(d) Lessor Estoppel Certificate. At least five (5) days prior

to expiration of the Inspection Period, Seller shall obtain and deliver to Purchaser a fully completed estoppel certificate with respect to the Ground Lease in substantially the form of Exhibit "C" (the "Lessor Estoppel Certificate"), duly executed by the Lessor thereunder. The Lessor Estoppel Certificate shall be executed as of a date not more than thirty (30) days prior to Closing.

(e) Insurance. From and after the date of this Agreement to the date and time of Closing, Seller shall, at its expense, continue to maintain the all risk fire and extended coverage insurance policy covering the Property which is currently in force and effect.

10. Closing. Provided that all of the conditions set forth in this Agreement are theretofore fully satisfied or performed, it being fully understood and agreed, however, that Purchaser may expressly waive in writing, at or prior to Closing, any conditions that are unsatisfied or unperformed at such time, the consummation of the sale by Seller and purchase by Purchaser of the Property (herein referred to as the "Closing") shall be held at 2:00 p.m., local time, on the first business day which is at least five (5) days after the end of the Inspection Period, at the offices of Escrow Agent, or at such earlier time as shall be designated by Purchaser in a written notice to Seller not less than two (2) business days prior to Closing.

11. Seller's Closing Documents. For and in consideration of, and as a condition precedent to, Purchaser's delivery to Seller of the Purchase Price described in Paragraph 3 hereof, Seller shall obtain or execute, at Seller's

expense, and deliver to Purchaser at Closing the following documents (all of which shall be duly executed, acknowledged, and notarized where required and shall survive the Closing):

(a) Assignment and Assumption of Ground Lease. An Assignment and Assumption of Ground Lease in substantially the form of Exhibit "D";

(b) Bill of Sale. A Bill of Sale conveying to Purchaser marketable title to the Personal Property in the form and substance of Exhibit "E";

(c) Blanket Transfer. A Blanket Transfer and Assignment in the form and substance of Exhibit "F";

(d) Assignment and Assumption of Lease. An Assignment and Assumption of Lease in the form and substance of Exhibit "G", assigning to Purchaser all of Seller's right, title, and interest in and to the Lease and the rents thereunder (and which shall provide among other things that Seller shall remain liable for its environmental indemnity to Tenant under the Lease);

(e) Seller's Affidavit. A customary seller's affidavit in the form required by the Title Company to satisfy the requirements of its commitment and the endorsements contemplated by paragraph 7 hereof;

(f) FIRPTA Certificate. A FIRPTA Certificate in such form as Purchaser shall reasonably approve;

(g) Certificates of Occupancy. The original Certificates of occupancy for all space within the Improvements;

(h) Marked Title Commitment. The Title Commitment, marked to change the effective date thereof through the date and time of recording the Assignment and Assumption of Ground Lease, to reflect that Purchaser is vested with a subleasehold interest in the Land and the Improvements, and to reflect that all requirements for the issuance of the final title policy pursuant to such Title Commitment have been satisfied;

(i) Keys and Records. All of the keys to any doors or locks on the Property and the original tenant files and other books and records relating to the Property in Seller's possession;

(j) Tenant Notice. Notice from Seller to the Tenant of the sale of the Property to Purchaser in such form as Purchaser shall reasonably approve;

(k) Settlement Statement. A settlement statement setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement;

(l) Other Documents. Such other documents as shall be reasonably required by Purchaser's counsel.

12. Purchaser's Closing Documents. Purchaser shall obtain or execute and deliver to Seller at Closing the following documents, all of which shall be duly executed and acknowledged where required and shall survive the

Closing:

(a) Assignment and Assumption of Ground Lease. The Assignment and Assumption of Ground Lease;

(b) Blanket Transfer. The Blanket Transfer and Assignment;

(c) Assignment and Assumption of Lease. The Assignment and Assumption of Lease;

(d) Settlement Statement. A settlement statement setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement;

(e) Note. The Note;

(f) Mortgage. The Mortgage; and

(g) Other Documents. Such other documents as shall be reasonably

required by Seller's counsel.

13. Closing Costs. Seller shall pay the cost of the Title Commitment, including the cost of the examination of title to the Property made in connection therewith, the premium for the owner's policy of title insurance issued pursuant thereto, the cost of any transfer or documentary tax imposed by any jurisdiction in which the Property is located, the cost of the as-built survey, the attorneys' fees of Seller, and all other costs and expenses incurred by Seller in closing and consummating the purchase and sale of the Property pursuant hereto. Purchaser shall pay the cost of recording the Mortgage, the attorneys' fees of Purchaser, and all other costs and expenses incurred by Purchaser in closing and consummating the purchase and sale of the Property pursuant hereto. Each party shall pay one-half of any escrow fees.

14. Prorations. The following items shall be prorated and/or credited between Seller and Purchaser as of Midnight preceding the date of Closing:

(a) Rents. Rents, additional rents, and other income of the Property (other than security deposits, which shall be assigned and paid over to Purchaser) collected by Seller from Tenant for the month of Closing. Purchaser shall also receive a credit against the Purchase Price payable by Purchaser to Seller at Closing for any rents or other sums (not including security deposits) prepaid by Tenant for any period following the month of Closing, or otherwise. All rents and other amounts paid by Seller pursuant to the Ground Lease for the month of Closing.

(b) Property Taxes. To the extent the same are not paid by Tenant, City, state, county, and school district ad valorem taxes based on the ad valorem tax bills for the Property, if then available, or if not, then on the basis of the latest available tax figures and information. Should such proration be based on such latest available tax figures and information and prove to be inaccurate upon receipt of the ad valorem tax bills for the Property for the year of Closing, either Seller or Purchaser, as the case may be, may demand at any time after Closing a payment from the other correcting such malapportionment. In

addition, if after Closing there is an adjustment or reassessment by any governmental authority with respect to, or affecting, any ad valorem taxes for the Property for the year of Closing or any prior year, any additional tax payment for the Property required to be paid with respect to the year of Closing shall be prorated between Purchaser and Seller and any such additional tax payment for the Property for any year prior to the year of Closing shall be paid by Seller. This agreement shall expressly survive the Closing.

(c) Utility Charges. Except for utilities which are the responsibility of Tenant, Seller shall pay all utility bills received prior to Closing and shall be responsible for utilities furnished to the Property prior to Closing. Purchaser shall be responsible for the payment of all bills for utilities furnished to the Property subsequent to the Closing. Seller and Purchaser hereby agree to prorate and pay their respective shares of all utility bills received subsequent to Closing, which agreement shall survive Closing.

15. Purchaser's Default. In the event of default by Purchaser under the terms of this Agreement, Seller's sole and exclusive remedy shall be to receive the Earnest Money as liquidated damages and thereafter the parties hereto shall have no further rights or obligations hereunder whatsoever. It is hereby agreed that Seller's damages will be difficult to ascertain and that the Earnest Money

constitutes a reasonable liquidation thereof and is intended not as a penalty, but as fully liquidated damages. Seller agrees that in the event of default by Purchaser, it shall not initiate any proceeding to recover damages from Purchaser, but shall limit its recovery to the retention of the Earnest Money.

Seller's Initial /s/ DB Purchaser's Initials /s/ LW

16. Seller's Default. In the event of default by Seller under the terms of this Agreement, including, without limitation, the failure of Seller to cure any title defects or objections, except as otherwise specifically set forth herein, at Purchaser's option: (i) if any such defects or objections arose by, through, or under Seller or if any such defects or objections consist of taxes, mortgages, deeds of trust, deeds to secure debt, mechanic's or materialman's liens, or other such monetary encumbrances, Purchaser shall have the right to cure such defects or objections, in which event the Purchase Price shall be reduced by an amount equal to the costs and expenses incurred by Purchaser in connection with the curing of such defects or objections, and upon such curing, the Closing hereof shall proceed in accordance with the terms of this Agreement; or (ii) Purchaser shall have the right to terminate this Agreement by giving written notice of such termination to Seller, whereupon Escrow Agent shall promptly refund all Earnest Money to Purchaser, and Purchaser and Seller shall have no further rights, obligations, or liabilities hereunder, except as may be expressly provided to the contrary herein; or (iii) Purchaser shall have the right to accept title to the Property subject to such defects and objections with no reduction in the Purchase Price, in which event such defects and objections shall be deemed "Permitted Exceptions"; or (iv) Purchaser may elect to seek specific performance of this Agreement.

17. Condemnation. If, prior to the Closing, all or any part of the Property is subjected to a bona fide threat of condemnation by a body having

the power of eminent domain or is taken by eminent domain or condemnation (or sale in lieu thereof), or if Seller has received notice that any condemnation action or proceeding with respect to the Property is contemplated by a body having the power of eminent domain, Seller shall give Purchaser immediate written notice of such threatened or contemplated condemnation or of such taking or sale, and Purchaser may by written notice to Seller given within thirty (30) days of the receipt of such notice from Seller, elect to cancel this Agreement. If Purchaser chooses to cancel this Agreement in accordance with this Paragraph 17, then the Earnest Money shall be returned immediately to Purchaser by Escrow Agent and the rights, duties, obligations, and liabilities of the parties hereunder shall immediately terminate and be of no further force and effect. If Purchaser does not elect to cancel this Agreement in accordance herewith, this Agreement shall remain in full force and effect and the sale of the Property contemplated by this Agreement, less any interest taken by eminent domain or condemnation, or sale in lieu thereof, shall be effected with no further adjustment and without reduction of the Purchase Price, and at the Closing, Seller shall assign, transfer, and set over to Purchaser all of the right, title, and interest of Seller in and to any awards that have been or that may thereafter be made for such taking.

18. Damage or Destruction. If any of the Improvements shall be destroyed or damaged prior to the Closing, and the estimated cost of repair or replacement exceeds $100,000.00 or if the Lease shall terminate as a result of such damage, Purchaser may, by written notice given to Seller within twenty (20) days after receipt of written notice from Seller of such damage or destruction, elect to terminate this Agreement, in which event the Earnest Money shall immediately be returned by Escrow Agent to Purchaser and except as expressly provided herein to the contrary, the rights, duties, obligations, and liabilities of all parties hereunder shall immediately terminate and be of no further force or effect. If Purchaser does not elect to terminate this Agreement pursuant to this Paragraph

18, or has no right to terminate this Agreement (because the damage or destruction does not exceed $100,000.00 and the Lease remains in full force and effect), and the sale of the Property is consummated, Purchaser shall be entitled to receive all insurance proceeds paid or payable to Seller by reason of such destruction or damage under the insurance required to be maintained by Seller pursuant to Paragraph 9(d) hereof (less amounts of insurance theretofore received and applied by Seller to restoration). If the amount of said casualty or rent loss insurance proceeds is not settled by the date of Closing, Seller shall execute at Closing all proofs of loss, assignments of claim, and other similar instruments to ensure that Purchaser shall receive all of Seller's right, title, and interest in and under said insurance proceeds.

19. Assignment. Purchaser's rights and duties under this Agreement shall not be assignable except to an affiliate of Purchaser without the consent of Seller which consent shall not be unreasonably withheld.

20. Broker's Commission. Seller has by separate agreement agreed to pay a brokerage commission to CB Commercial Real Estate Group (the "Broker"). Purchaser and Seller hereby represent each to the other that they have not discussed this Agreement or the subject matter hereof with any real estate broker or agent other than Broker so as to create any legal right in any such broker or agent to claim a real estate commission with respect to the conveyance of the Property contemplated by this Agreement. Seller shall and does hereby indemnify and hold harmless Purchaser from and against any claim,

whether or not meritorious, for any real estate sales commission, finder's fees, or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Seller, including any claim asserted by Brokers and any broker or agent claiming under Broker. Likewise, Purchaser shall and does hereby indemnify and hold harmless Seller from and against any claim, whether or not meritorious, for any real estate sales commission, finder's fees, or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Purchaser, except any such claim asserted by Broker and any broker or agent claiming under Broker. This Paragraph 21 shall survive the Closing or any termination of this Agreement.

21. 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 telecopy, overnight courier, by hand, or sent by U.S. registered or certified mail, return receipt requested, postage prepaid, to the addresses set out below or at such other addresses as are specified by written notice delivered in accordance herewith:

PURCHASER:	c/o Wells Capital, Inc. 6200 The Corners Parkway, Suite 250 Norcross, Georgia 30092 Attn: Chief Investment Officer
with a copy to:	O'Callaghan & Stumm LLP 127 Peachtree Street, N. E., Suite 1330 Atlanta, Georgia 30303 Attn: William L. O'Callaghan, Esq.
SELLER:	Ryan Companies US, Inc. 700 International Centre 900 Second Avenue South Minneapolis, MN 55402-3387 Attn: Timothy M. Gray
with a copy to :	Ryan Companies US, Inc. 700 International Centre

900 Second Avenue South
Minneapolis, MN 55402-3387
Attn: Dennis Buratti

Any notice or other communication mailed as herein above provided shall be deemed effectively given or received on the date of delivery, if delivered by telecopy, hand or by overnight courier, or otherwise on the third (3rd) business day following the postmark date of such notice or other communication.

22. Possession. Possession of the Property shall be granted by Seller to Purchaser on the date of Closing, subject only to the Lease and the Permitted Exceptions.

23. Time Periods. If the time period by which any right, option, or election provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a Saturday, Sunday, or holiday, then such time period shall

be automatically extended through the close of business on the next regularly scheduled business day.

24. Survival of Provisions. All covenants, warranties, and agreements set forth in this Agreement shall survive the execution or delivery of any and all deeds and other documents at any time executed or delivered under, pursuant to, or by reason of this Agreement, and shall survive the payment of all monies made under, pursuant to, or by reason of this Agreement for a period of two years from Closing except with respect to paragraphs 8(u) and 32 which shall survive for an unlimited time.

25. Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules, and regulations. If any provision of this Agreement, or the application thereof to any person or circumstance, shall, for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby but rather shall be enforced to the greatest extent permitted by law.

26. Authorization. Purchaser represents to Seller that this Agreement has been duly authorized and executed on behalf of Purchaser and constitutes the valid and binding agreement of Purchaser, enforceable in accordance with its terms, and all necessary action on the part of Purchaser to authorize the transactions herein contemplated has been taken, and no further action is necessary for such purpose.

27. General Provisions. No failure of either party to exercise any power given hereunder or to insist upon strict compliance with any obligation specified herein, and no custom or practice at variance with the terms hereof, shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. This Agreement contains the entire agreement of the parties hereto, and no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. Any amendment to this Agreement shall not be binding upon the parties hereto unless such amendment is in writing and executed by all parties hereto. The provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns. Time is of the essence of this Agreement. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and

the same agreement. The headings inserted at the beginning of each paragraph are for convenience only, and do not add to or subtract from the meaning of the contents of each paragraph. This Agreement shall be construed and interpreted under the laws of the State of Arizona. Except as otherwise provided herein, all rights, powers, and privileges conferred hereunder upon the parties shall be cumulative but not restrictive to those given by law. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender shall include all genders, and all references herein to the singular shall include the plural and vice versa.

29. Effective Date. The "effective date" of this Agreement shall be deemed to be the date set forth in the preamble of this Agreement.

30. Contingency Regarding Other Contracts. Simultaneously with the execution hereof, the parties have entered into other purchase agreements which are listed on Exhibit "H" hereto, and it shall be a condition of the parties obligations hereunder that the closings with respect to the properties

described therein shall occur simultaneously with the closing herein.

31. Duties as Escrow Agent. In performing its duties hereunder, Escrow Agent shall not incur any liability to anyone for any damages, losses or expenses, except for its gross negligence or willful misconduct, and it shall accordingly not incur any such liability with respect to any action taken or omitted in good faith upon advice of its counsel or in reliance upon any instrument, including any written notice or instruction provided for in this Agreement, not only as to its due execution and the validity and effectiveness of its provision, but also as to the truth and accuracy of any information contained therein that Escrow Agent shall in good faith believe to be genuine, to have been signed or presented by a proper person and to conform to the provisions of this Agreement. Seller and Purchaser hereby agree to indemnify and hold harmless Escrow Agent against any and all losses, claims, damages, liabilities and expenses, including reasonable costs of investigation and legal fees and disbursements, that may be imposed upon Escrow Agent or incurred by Escrow Agent in connection with its acceptance or performance of its duties hereunder as escrow agent, including without limitation, any litigation arising out of this Agreement. If any dispute shall arise between Seller and Purchaser sufficient in the discretion of Escrow Agent to justify its doing so, Escrow Agent shall be entitled to tender into the registry or custody of the clerk of the Court for the county in which the Property is located or the clerk for the United States District Court having jurisdiction over the county in which the Property is located, any or all money (less any sums required to pay Escrow Agent's attorneys' fees in filing such action), property or documents in its hands relating to this Agreement, together with such pleadings as it shall deem appropriate, and thereupon be discharged from all further duties under this Agreement. Seller and Purchaser shall bear all costs and expenses of any such legal proceedings.

32. Expansion. If Buyer proposes to expand the building which is a part of the Property, it will negotiate in good faith with Seller to provide design/build services with respect to such expansion and will contract with Seller for such work if its proposal therefor is competitive and is otherwise approved by the Tenant.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day, month and year first above written.

"SELLER":

RYAN COMPANIES US, INC.

By: /s/ Dennis Buratti
_____

Its: Vice President

"PURCHASER":

WELLS CAPITAL, INC.

By: /s/ Leo F. Wells
_____

Its: President

"ESCROW AGENT":

OLD REPUBLIC TITLE AGENCY

By: /s/ Gary Johnson
_____

Its: Vice President 2/24/00

EXHIBIT 10.56

LEASE AGREEMENT FOR THE MOTOROLA BUILDING

LEASE

BY AND BETWEEN

RYAN COMPANIES U.S., INC.,
a Minnesota corporation, as Landlord

and

MOTOROLA, INC.,
a Delaware corporation, as Tenant

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LEASE

THIS LEASE ("Lease"), is made and entered into as of this 17th day of November, 1997, by and between RYAN COMPANIES U.S., INC., a Minnesota corporation, having an address at 3200 East Camelback Road, Suite 129, Phoenix, Arizona, 85018 (herein called "Landlord") and MOTOROLA, INC., a Delaware corporation, having an office at 3102 North 56th Street, Phoenix, Arizona 85018, Attention: Asset Manager - Real Estate (herein called "Tenant").

1. Premises.

For and in consideration of the agreements contained herein and under and subject to the terms and conditions hereof, Landlord hereby leases and demises unto Tenant and Tenant hereby leases from Landlord that certain land located at the Arizona State University Research Park in the City of Tempe, County of Maricopa, State of Arizona and legally described in Exhibit A, attached hereto (the "Land") together with the building (the "Building") containing at least

125,000 usable square feet and approximately 133,754 rentable square to be constructed thereon and all other improvements located or to be constructed thereon. The Land, the Building and all such other improvements are hereinafter called the "Premises."

2. Term.

A. The term of this Lease shall be for a period of seven (7) years, which term shall commence on July 1, 1998 (the "Commencement Date") and end on June 30, 2005 (the "Termination Date") (such period herein referred to as the "Initial Term"), subject to extensions pursuant to agreement of the parties or any option hereinafter set forth (the Initial Term and all such extensions, if any, being hereafter referred to as the "Term").

B. In the event possession of the Premises is delivered to Tenant after the Commencement Date, the Initial Term shall be deemed to commence on the date possession is delivered to Tenant and the Termination Date shall be extended by the number of days between the Commencement Date and the date possession is delivered to Tenant, but in the event the new Termination Date would occur other than the last day of a calendar month, the Termination Date shall be on the last day of that month.

C. In the event the Premises are ready for occupancy prior to the Commencement Date, Tenant shall have the right, but not the obligation, to occupy the same. If Tenant does elect to so occupy the Premises, such occupancy shall be subject to all of the provisions of this Lease, and the Base Rent payable during the period of early occupancy shall be a rate equal to one hundred percent (100%) of the Base Rent provided for in Section 3.A of this Lease. Such early occupancy shall not advance the Termination Date.

3. Rent.

A. During the Term, on the first day of each month, Tenant will pay, without offset, deduction, or abatement, unless otherwise expressly permitted in this Lease, rent to Landlord at the office of Landlord or at such other place as Landlord from time to time may notify Tenant in writing a total monthly base rent ("Base Rent") equal to the actual number of rentable square feet in the Premises as measured an determined pursuant to Section 46 of this Lease (the "Actual Rentable Square Feet") multiplied by a monthly rental rate determined in accordance with Section 3.B of this Lease (the "Base Monthly Rental Rate"), with proration of rent on a daily basis if the Initial Term should commence on a date other than the first day of a calendar month or end on a date other than the last day of a calendar month and net of the Operating Costs payable under Section 47 of this Lease. Upon determination of the Actual Rentable Square Feet and the Base Monthly Rental Rate, Landlord and Tenant shall enter into an addendum to this Lease memorializing in writing the Actual Rentable Square Feet, the Base Monthly Rental Rate and the resulting dollar amount of the monthly Base Rent.

B. Provided the Building Shell Construction Cost, as determined pursuant to Section 4.B of this Lease, is Forty Eight Dollars ($48.00) per rentable square foot in the Premises as measured and determined pursuant to Section 46 of this Lease, then the Base Monthly Rental Rate shall be $1.0491667 per rentable square foot (equivalent to an annual rental rate of Twelve Dollars Fifty Nine Cents ($12.59) per rentable square foot), for the first through the fourth years of the Initial Term, of $1.180833 per rentable square (equivalent to an annual rental rate of Fourteen Dollars Seventeen Cents ($14.17) per rentable square foot), for the fifth through the seventh years of the Initial Term. If the Building Shell Construction Cost, as determined pursuant to Section 4.B of this Lease, is not Forty Eight Dollars ($48.00) per rental square foot, then the Base Monthly Rental Rate shall be adjusted, up or down, according to the following formula:

BMRR = (BSCC - $48.00) x 0.105 / 12

Where BMRR is the increase (if positive) or decrease (if negative) in the Base Monthly Rental Rate and BSCC is the actual Building Shell Construction Cost, as determined pursuant to Section 4.B, per rentable square foot in the Premises as measured and determined pursuant to Section 46 of this Lease.

C. Tenant also shall pay to Landlord, in conjunction with the payment of Base Rent, the payments in respect of Operating Costs as provided in Section 47 of this Lease, and all transaction privilege taxes or sales taxes on the Base Rent and other amounts payable to Landlord under this Lease.

4. Building Shell/Tenant Improvements and Allowances.

A. Building Shell Construction. Landlord shall construct a Building shell as provided in this Section 4.A and meeting the specification set forth in, and in accordance with, the Outline Specification for the Design and Construction of the Building Shell for the Motorola/Ryan - ASU Research Park Semiconductor Components Group facility attached hereto as Exhibit A (the "Building Shell Outline Specifications"). Landlord will provide six (6) parking spaces per 1,000 rentable square feet as part of the construction of the Building shell. (Tenant acknowledges that under current City of Tempe building regulations and no more than 835 parking spaces may be allowed for the Premises, including the Expansion Space referred to in Section 26 of this Lease). Fifteen percent (15%) of the parking spaces will be covered parking as part of the Building shell. Landlord shall use subcontractors to construct the Building shell and shall purchase the necessary materials from suppliers. For each portion of the work, Landlord shall make a good faith attempt to obtain bids from at least three subcontractors or suppliers which (i) are properly licensed (in the case of subcontractors) to construct the respective portion of the Building shell on which such subcontractors are bidding, (ii) are not affiliated with Landlord, and (ii) Landlord believes are reputable, competent and efficient. Landlord shall submit all such bids to Tenant for Tenant's review together with Landlord's recommendation as to which subcontractor or supplier should be selected to construct each portion of the Building shell or supply the necessary materials. Tenant shall designate which subcontractor or supplier is to construct each portion of the Building shell or supply the necessary materials (the "Designated Building Shell Subcontractor"). Landlord promptly shall employ the Designated Building Shell Subcontractor to do so. Thereafter, Landlord shall cause the Designated Building Shell Subcontractor to prosecute the construction of such Designated Building Shell Subcontractor's portion of the Building shell diligently to completion or furnish the materials to be supplied by such Designated Building Shell Subcontractor pursuant to the "Motorola Schedule" in Exhibit C, attached hereto (the "Schedule") and in conformance with the Building Shell Outline Specifications and in compliance with all applicable laws, statutes, orders, ordinances, rules and regulations.

B. Building Shell Construction Cost. By December 31, 1997, Landlord shall submit to Tenant a detailed itemization for the total development cost of constructing the Building shell (the "Building Shell Construction Cost"), which shall consist of (i) the costs and fees pertaining to the construction of the Building shell set forth on Exhibit D attached hereto (the "Building Shell Soft Costs and Fees"), (ii) the amount authorized by Tenant to be paid to the Designated Building Shell Subcontractors for construction of the Building shell or supply of materials, including, without limitation, labor, materials and equipment, (iii) Landlord's "general conditions" associated with such construction set forth on Exhibit E attached hereto (the "Building Shell General Conditions") and (iv) an amount equal to eight percent (8%) of the amount specified in the foregoing clause (ii) of this Section 4.B as Landlord's Building shell construction fee. If the Building Shell Construction Cost is other than Forty Eight Dollars ($48.00) per rentable square foot

in the Premises as measured and determined pursuant to the Section 46 of this Lease, then the Base Monthly Rental Rate shall be adjusted, up and down, as provided in Section 3 of this Lease.

C. Tenant Improvements Allowance. Landlord shall provide Tenant with an allowance (the "Tenant Improvements Allowance") equal to the Actual Rentable Square Feet multiplied by Thirty-Seven Dollars and Ten Cents ($37.10) per rentable square foot. The Tenant Improvements Allowance is to be used as an allowance towards the cost of the Tenant Improvements described in Section 4.D of this Lease and for moving expenses (not to exceed Two Dollars ($2.00) per rentable square foot) and for space planning expenses (not to exceed Ten Cents ($0.10) per rentable square foot).

D. Construction of Tenant Improvements. Within thirty (30) days after the execution this Lease, Tenant shall deliver to Landlord such drawings and specifications (the "Tenant Improvements Drawings and Specifications") as are reasonably necessary to describe the improvements to the Premises which Tenant desires to have made (the "Tenant Improvements"). The Tenant Improvements are subject to Landlord's approved, which approval shall not be unreasonably withheld or delayed. Landlord shall diligently proceed to have the Tenant Improvements constructed as set forth in this Section 4.D and to have issued all necessary certificates of occupancy and all other permits required to occupy the Premises (the "Occupancy Permits") pursuant to the Schedule. Landlord shall use subcontractors to construct the Tenant Improvements. For each portion of the work, Landlord shall make a good faith attempt to obtain bids from at least three subcontractors which (i) are properly licensed to construct the respective portion of the Tenant Improvements on which such subcontractors are bidding, (ii) are not affiliated with Landlord, and (ii) Landlord believes are reputable, competent and efficient. Landlord shall submit all such bids to Tenant for Tenant's review together with Landlord's recommendation as to which subcontractor should be selected to construct each portion of the Tenant Improvements. Tenant shall designate which subcontractor is to construct each portion of the Tenant Improvements (the "Designated Tenant Improvements Subcontractor"). Landlord promptly shall employ the Designated Tenant Improvements Subcontractor to do so. Thereafter, Landlord shall cause the Designated Tenant Improvements Subcontractor to prosecute the construction of such Designated Tenant Improvements diligently to completion in conformance with the Tenant Improvements Drawings and Specifications and in compliance with all applicable laws, statutes, orders, ordinances, rules and regulations. Subject to Section 4.F of this Lease, Landlord shall cause the Tenant Improvements to be so constructed and all Occupancy Permits to be issued in accordance with the Schedule.

E. Tenant Improvements Cost. Within thirty (30) days after completion of construction of the Tenant Improvements and issuance of all Occupancy Permits as provided in Section 4.D of this Lease, or as soon thereafter as reasonably possible,

Landlord shall submit to Tenant a detailed itemization of the total development cost of constructing the Tenant Improvements (the "Tenant Improvements Cost"), which shall consist of (i) the amount authorized by Tenant to be paid to the Designated Tenant Improvements Subcontractors for construction of the Tenant Improvements, including, without limitation, labor, materials and equipment, (ii) the reasonable expenses actually incurred by Landlord for its "general conditions" associated with such construction in the categories set forth on Exhibit F attached hereto (the "Tenant Improvements General Conditions") and (iii) an amount equal to eight percent (8%) of the amount specified in the foregoing clause (i) of this Section 4.E as Landlord's Tenant Improvements construction fee. If the Tenant Improvements Cost exceeds the Tenant Improvements Allowance, the difference shall be paid by Tenant to Landlord within thirty (30) days after submission of such detailed itemization. If the

Tenant Improvements Allowance exceeds the Tenant Improvements Cost, the difference shall be paid by Landlord to Tenant within thirty (30) days after submission of such detailed itemization, or, at Landlord's election, the difference will be credited to the first payments of Base Rent falling due on a dollar for dollar basis until the difference is exhausted.

F. Excusable Delay. Landlord shall maintain, or shall cause each of the Designated Building Shell Subcontractors and Designated Tenant Improvements Subcontractors (collectively "Designated Subcontractors") to maintain, adequate insurance for personal injury and for property damage which may occur as a result of construction of the Building shell and Tenant Improvements. In the event that Landlord or any of the Designated Subcontractors shall be delayed or hindered in or prevented from constructing the Building shell and Tenant Improvements by reason of (i) strikes, lockouts, or other labor troubles, (ii) war, whether declared or undeclared, (iii) riot or insurrection, (iv) acts of God, (v) embargoes, (vi) delays in transportation, (vii) inability to procure materials, labor, or the permits contemplated by the Schedule (viii) failure of power, (ix) restrictive governmental laws or regulations, whether valid or not, or (x) any other reason, other than financial, beyond the reasonable control of Landlord or the Designated Subcontractors, and not the fault of Landlord or the Designated Subcontractors, including, without limitation, any delay in the Schedule not the fault of Landlord, then the construction of the Building shell and Tenant Improvements shall be excused for the period of delay, and the period for the construction of the Building shell and Tenant Improvements shall be extended for a period equivalent to the period of such delay. Landlord shall promptly give written notice to Tenant of the cause and extent of such delay. Notwithstanding the foregoing, in the event the construction of the Tenant Improvements is not completed within ninety (90) days of the date specified in Section 4.D of this Lease, then, unless Tenant has caused such delayed completion, Tenant may, upon written notice to Landlord, terminate this Lease, as Tenant's sole and exclusive remedy on account of such delayed completion.

G. Unrestricted Allowance. On the date possession of the Premises is delivered to Tenant, Landlord shall pay to Tenant Fifty Thousand Dollars ($50,000)

in fulfillment of Landlord's obligation under that certain letter agreement dated August 27, 1997 between Landlord and CB Commercial Real Estate Group, Inc.

H. Ownership of Improvements/Possessory Interest. It is the intent of the parties that, at all times, Landlord and Tenant shall have only a possessory interest in the Premises in accordance with the provisions of Section 38 of the Subground Lease (as defined in Section 56 of this Lease). Ownership of the Building and all other improvements constructed on the Land shall automatically vest in the Board of Regents as and when constructed, subject to devolution as provided in Section 38 of the Subground Lease.

I. Open Book. Until fifteen (15) days after Landlord has delivered the detailed itemization required under Section 4.B of this Lease and until ninety (90) days after Landlord has delivered the detailed itemization required under Section 4.E of this Lease, all elements and components of the Building Shell Construction Cost and the Tenant Improvements Cost, respectively, incurred by Landlord shall be subject to examination, inspection and audit by Tenant at Tenant's sole cost and expense. Until the expiration of such periods, Landlord shall make its books and records freely and openly available to Tenant for such purposes upon reasonable advance notice and during normal business hours.

5. Permitted Uses.

Tenant shall have the right to use the Premises for any lawful purpose

permitted by applicable zoning ordinances, and without limiting the generality of the foregoing, for regional or national headquarters of Lessee or its subsidiaries, offices, laboratories and research and development facilities and activities associated with any of the foregoing, provided such use is permitted under Article II of the Declaration of Covenants, Conditions and Restrictions for Arizona State University Research Park (the "Declaration"), attached hereto as Exhibit G, but excluding the specific illustrated uses permitted under Article II B(6).

6. Condition.

Landlord represents and warrants that, as of the Commencement Date, the Premises will be properly constructed, will comply with all applicable laws, statutes, orders, ordinances, rules and regulations, and will be in good repair and condition, but excepting design defects in the Drawings and Specifications or which otherwise are caused by Tenant or its own architects, consultants or representatives.

7. Compliance.

Tenant shall confirm the use Tenant makes of the Premises to the Declaration and to all applicable laws, statutes, orders, ordinances, rules and regulations of all federal, state or political subdivisions having jurisdiction over the Premises, now in force or that may be enacted hereafter, provided that the

provisions of this Section 7 shall not require the Tenant to rebuild, repair or alter the Premises to make it comply with any such laws, statutes, orders, ordinances, rules or regulations.

8. No Waste or Damage.

Tenant shall not commit any waste upon or do any damage to the Premises. Tenant shall not use or permit the use of the Premises for any unlawful purpose. Tenant shall not permit any rubbish, refuse or garbage to accumulate or create a fire hazard in or about the Premises.

9. Changes, Alterations and Additions.

No material changes, alterations or additions shall be made to the Premises by Tenant without the prior approval of Landlord, which approval shall not be unreasonably withheld. Any structural change, alteration or addition will be deemed "material." Prior to making any such changes, alterations or additions, Tenant shall subject written plans and drawings respecting same to Landlord and Landlord shall approve or disapprove same within fifteen (15) days after receipt thereof, and if Landlord fails to disapprove such plans and drawings by notice in writing to Tenant within such time, they shall be deemed approved. All changes alterations and additions shall comply with all applicable laws, statues, orders, ordinances, rules and regulations. Landlord agrees, if necessary and at no cost to Landlord, to join in any applications to governmental authorities for such permits as may be required to do the work contemplated in this Section 9. Any permanent additions to or alterations of the Premises which cannot be removed without material damage to the Premises, except removable paneling and wall fixtures and furniture and trade fixtures (and further excluding all signs, and goods and materials used in the Tenant's business) shall become a part of the realty and belong to Landlord unless otherwise agreed by Landlord and Tenant. Tenant's removable paneling and wall fixtures and furniture, trade fixtures, signs, goods and materials used in Tenant's business shall at all times remain personal property and may be removed from time to time by Tenant or other occupants of the Premises, provided, however, that Tenant shall be responsible for the cost of repair of any physical

injury to the Premises caused by the removal of any such property, but not for any diminution in value of the Premises caused by the absence of the property removed or by any necessity for replacing such property.

10. Ingress and Egress.

Subject to the Declaration, the Ground Lease and the Sub-Ground Lease, Landlord grants to Tenant the nonexclusive right to ingress and egress to the Premises over all easements and rights of way providing a means of access from public streets and highways to the Premises. Landlord represents and warrants to Tenant that, based on Landlord's actual knowledge, without inquiry, Landlord has no reason to believe that Tenant will not have full and unimpaired access from

public streets and highways to the Premises at all times except as provided in Sections 12, 16 and 17 of this Lease. Landlord will not interrupt or disturb any entrances, and will use all reasonable means within Landlord's control to prevent any interruption, disturbance or deprivation by any third party. Tenant will rely on title insurance to be obtained at Tenant's own cost to provide assurance of legal access from the Premises to a public right of way.

11. Abandonment.

Tenant shall endeavor to continuously occupy the Premises and not vacate or abandon the Premises at any time during the Term for more than thirty (30) consecutive days unless required to do so by duly authorized legal authority or other cause beyond Tenant's reasonable control. Notwithstanding the foregoing, in the event Tenant fails to occupy the Premises for period of thirty (30) consecutive days or longer but is still making rent payments to Landlord as required under this Lease, Tenant's failure to occupy the Premises shall not be deemed to be an abandonment or vacation of the Premises or a default under the Lease.

12. Repairs and Maintenance.

A. Tenant, at all times throughout the Term, and at its sole expense, shall keep and maintain the Premises in good repair and in clean, safe, orderly, sanitary and first class condition in compliance with all applicable laws, codes, ordinances, rules and regulations, free of any accumulation of dirt and rubbish, and Tenant shall arrange its own trash removal. Tenant's obligations extend to the entirety of the Premises and shall also include but not be limited to the maintenance, repair, and replacement, if necessary, of all interior lighting, HVAC, parking lot, driveways located on the Premises, sidewalks, loading docks and exterior light fixtures located on the Premises, landscaping on the Premises, electrical and plumbing systems including without limitation all sewer lines, fixtures and equipment, all restrooms, all interior walls and ceilings, partitions, and doors and windows, including the regular painting of the interior of the Building, and the replacement of all broken glass from all doors and windows unless breakage is due to a defect in the design, materials or workmanship of the Building or the Premises (excluding Tenant's design errors), to a breach of Landlord's own repair and maintenance obligations under this Lease, or to Landlord's negligence. When used in this provision, the term "repairs" shall include ordinary and customary replacements or renewals when necessary, and all such repairs made by the Tenant shall be equal in quality and class to the original work.

B. Notwithstanding anything in Section 12.A of this Lease, Tenant shall specifically not be required to perform or pay for any structural changes or capital expenditures on the Premises in order to comply (i) any law, ordinance, rule or regulation; or (ii) with any recommendation of Landlord's insurance rating organization, unless the same is required as the direct result of Tenant's particular use of the Premises (as opposed to Tenant's mere occupancy

of the Premises or

Tenant's conduct of business, generally), except to the extent that Tenant is required to pay to Landlord Tenant's pro rata share of certain amortized capital expenditures as provided in Section 47 of this Lease.

C. If Tenant fails, refuses or neglects to maintain or repair the Premises as required in Section 12.A of this Lease for thirty (30) days after notice shall have been given Tenant, Landlord may make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures or other property or to Tenant's business by reason thereof (except that Landlord shall be liable for its own negligence or willful misconduct), and upon completion thereof, Tenant shall pay to Landlord all reasonable costs plus 10% for overhead incurred by Landlord in making such repairs within fifteen (15) business days after Tenant receives from Landlord the bill therefor with supporting documentation.

D. Landlord shall be responsible for maintenance, repair and replacement of the structural elements of the roof and shall keep the foundation (concrete slab floor), exterior walls, and all other structural portions of the Premises and the Building (not otherwise designated to be maintained and repaired by Tenant) in good repair and in a clean, safe, sanitary and first class condition and in compliance with all applicable laws, codes, ordinances, rules and regulations, and if necessary or required by proper governmental authority, make modifications or replacements thereof, except that Landlord shall not be required to make any such repairs, modifications or replacements which become necessary to desirable by reason of the negligence or willful misconduct of Tenant, its agents, servants or employees, or by reason of anyone illegally entering or upon the Premises, which repairs, modifications or replacements shall be made by Tenant at is sole expense. Landlord shall also remedy, at Landlord's sole expense, any latent defects in the Building and the Tenant Improvements, as well as any damage to the Premises caused by the willful act or negligence of Landlord or its agents. Landlord shall also repair any defects or failures in building systems to the extent the same were not constructed in accordance with the terms of this Lease or applicable law. Notwithstanding the foregoing, Landlord shall have no liability under this paragraph for any repair, maintenance or replacement required because of Tenant's own design error, and nothing in this Section 12.D will alter Tenant's obligation to pay Operating Costs to Landlord under Section 47 of this Lease even though this Section 12.D may impose on Landlord the obligation of performing the necessary maintenance, repair or replacement.

13. Interior Mechanical Equipment (HVAC System).

A. Landlord represents and warrants to Tenant that the heating and air conditioning equipment serving the Premises installed by Landlord shall meet Tenant's specifications for such equipment.

B. During the Term of this Lease, Tenant at its expense, shall provide proper, periodic and normal maintenance and inspection for all heating and air

conditioning equipment as exists upon the Premises. If this equipment requires repairs or replacement of parts, or both, of a major or substantial nature (i.e., in excess of proper, periodic and normal maintenance and inspection), these repairs or replacements, or both, shall be made by Tenant at its expense. If any heating and air conditioning equipment is installed as part of the Tenant Improvements, Landlord shall transfer to Tenant all warranties received from the manufacturers, dealers and/or installers of such heating and air conditioning and other mechanical equipment, and agrees to assist Tenant, to a reasonable degree, in enforcing any such warranty.

14. Utilities and Services.

Tenant shall pay for all sewer, water, heat, gas, fuel, electricity, telephone service and all other services in the nature of utility services supplied to the Premises for use by Tenant as well as services supplied to Tenant in the operation of its business, together with any taxes thereon. Tenant shall have the right to operate all electrical heating, ventilating, air conditioning and other systems which are part of the Premises twenty four hours per day every day during the Term.

15. Inspection.

Tenant will allow Landlord access to the Premises at reasonable times during normal working hours for the purpose of examining the same or making repairs Landlord is required to make and for exhibiting the Premises to any prospective purchaser of the Premises or lenders thereon, and, during the one hundred twenty (120) days prior to the expiration of the Term, to prospective tenants. During those times, Landlord may place "For Lease" or "For Sale" signs on the Premises.

16. Damage or Destruction of Premises.

A. In the event of damage to the Building by any cause which renders the Building untenantable in part but Tenant is able in its reasonable judgment to conduct its business therein and Tenant continues to occupy the Building in part ("Minor Damage"), the rent shall be apportioned and reduced from the date the damage occurs in the proportion that the unoccupied portion of the Building bears to the entire Building until the damage has been repaired. In the event of damage (including destruction) to the Building by any cause which renders the Building untenantable in whole or in such part that Tenant in its reasonable judgment deems it impracticable to conduct its business therein ("Major Damage"), the rent shall wholly abate and be apportioned by the date the damage occurs until the damage has been repaired.

B. In the event of damage to the Premises by any cause, Landlord (except as provided in Section 16.D of this Lease) shall commence, as soon as reasonable possible, but in any event within ten (10) days after Landlord obtains a building permit, to restore the damage portion of the Premises to its condition immediately

prior to such damage and shall pursue such restoration with diligence and dispatch to conclusion.

C. In the event that damage or destruction of the Premises shall (a) not be repaired by Landlord within sixty (60) days from the date the damage occurs in the case of Minor Damage (or, in the event a building permit is required prior to repair, within sixty (60) days from the date of issuance of the building permit, which Landlord shall pursue with diligence) or within one hundred twenty (120) days from the date the damage occurs in the case of Major Damage (or, in the event a building permit is required prior to repair, within one hundred twenty (120) days from the date the damage occurs in the case of Major Damage (or in the event a building permit is required prior to repair, within one hundred twenty (120) days from the date of issuance of the building permit, which Landlord shall pursue with diligence), or (b) occur during the last twelve (12) months of the Initial Term or during the last twelve (12) months of any extension term, Tenant shall have the right to terminate this Lease by giving Landlord, no later than thirty (30) days after such right to terminate arises, written notice of termination.

D. In the event of damage or destruction to the Premises by any cause (i) to such an extent that the cost of restoration, as reasonably estimated by Landlord, will equal or exceed fifty percent (50%) of the replacement cost of

the Building (excluding the foundations) in its condition as of the date of such damage or destruction, or (ii) during the last twelve (12) months of the Initial Term or during the last twelve (12) months of any extension term, Landlord shall have the right, in lieu of restoring the Premises, to terminate this Lease by giving Tenant written notice within sixty (60) days of such damage or destruction. In such event, this Lease shall terminate as of the date of such damage or destruction and Tenant shall surrender possession of the Premises within a reasonable time thereafter and the total monthly rent then payable under this Lease shall be apportioned as of the date of such termination and any such rent paid for any period beyond said date shall be refunded to Tenant. Notwithstanding the previous two sentences, if within thirty (30) days of receipt of such notice from Landlord, Tenant gives written notice to Landlord that Tenant elects to remain in the Premises, then this Lease shall not terminate, but Landlord shall be excused from its obligation to restore the Premises and the abatement of rent provided by Section 16.B of this Lease shall cease effective as of the date of such written notice from Tenant.

E. Tenant waives any statutory right to cancel this Lease or receive rent abatement because of damage to the Premises.

17. Condemnation.

A. If the whole or any substantial part of the Premises shall be taken or condemned by any competent authority for any public use or purpose, such that Tenant in its reasonable judgment deems it impracticable to conduct its business therein, the Term of this Lease shall end upon, and not before, the date when the possession of the part so taken shall actually be required for such use or purpose. Current rent shall thereupon be apportioned as of the date of such termination.

B. If only an insubstantial part of the Premises shall be taken or condemned, and Tenant is able, in its judgment, to continue to operate its business in the Premises, this Lease shall continue in full force and effect, and the rental due thereunder shall abate proportionately to the extent that Tenant is deprived of usable area either in the Premises or otherwise, and as of the date of such deprivation. If Tenant is not able, in its judgment, to continue normal business operation, Tenant may terminate this Lease immediately upon written notice to Landlord. In the event this Lease is not terminated under this Section 17.B, Landlord, to the extent practicable and at its sole cost and expense, shall (i) restore the remaining portion of the Premises to the extent necessary to render them reasonably suitable for the purposes for which they were leased, and (ii) make all repairs to the Premises to the extent necessary to constitute the premises a complete architectural unit.

C. In any such case, whether this Lease is terminated or not, all damages or restitution awarded for such taking or condemnation shall belong to Landlord, provided that Tenant shall be entitled to any separate aware made for the value of Tenant's personal property, fixtures and moving expenses (but not the value of the Tenant Improvements and the leasehold estate).

18. Landlord's Liability.

Landlord shall not be liable for damage to property to Tenant in the Premises or for injury to person unless such damage or injury is caused by (A) Landlord's failure to make repairs or perform any obligations which Landlord is obligated to make under this Lease or (B) is caused by the fault or negligence of Landlord, or Landlord's agents, employees, contractors, subcontractors or invitees.

19. Default.

A. Default by Tenant. Each of the following shall be deemed an event of

default by Tenant and a material breach of this Lease:

(1) Failure to pay all or any portion of any monthly Base Rent when due and such failure shall continue for ten (10) days after written notice to Tenant specifying such failure;

(2) Failure to pay any additional rent or other payments required under this Lease as the same shall become due and payable to Landlord and such failure shall continue for fifteen (15) days after written notice to Tenant specifying such failure;

(3) Failure to do so, observe, keep and perform any of the other terms, covenants, conditions, agreements and provisions of this Lease to be done observed, kept or performed by Tenant and such failure shall continues for thirty (30) days

after written notice to Tenant specifying such failure, unless such failure is one which cannot reasonably be cured within such period so long as Tenant has commenced to cure such failure within such period and thereafter continues its efforts to cure such failure with reasonable diligence;

(4) The filing by Tenant of a voluntary petition in bankruptcy or the making by Tenant of a general assignment for the benefit of its creditors;

(5) The taking by execution or judgment or other process or law of all or any part of the leasehold interest of Tenant, the adjudication of Tenant to be a bankrupt, the appointment of a receiver of all or any of Tenant's interest in the Premises in any action, suit or proceeding by or against Tenant, the filing against Tenant of an involuntary petition in bankruptcy, which, in any of the foregoing cases, is not dismissed, reversed or stayed within ninety (90) days of its occurrence.

B. Remedies of Landlord. In the event of a default by Tenant, Landlord, in addition to any other remedies available to it at law or in equity, at its option and, without further notice or demand of any kind to Tenant or any other person, may:

(1) Terminate the Lease and reenter the Premises and take possession thereof and remove all persons therefrom without liability therefore, and Tenant shall have no further claim thereon or under this Lease; or

(2) Without terminating the Lease, reenter the Premises and relet the whole or any part thereof for and on account of Tenant and collect any unpaid rentals, which have become payable, or which may thereafter become payable, together with the reasonable cost of obtaining possession of the Premises and of reletting the Premises, including any broker's commissions, and the cost of any repairs and alterations necessary to prepare the Premises for reletting, less the sum of any rentals actually received from such reletting; or

(3) Even though it may have initially reentered the Premises without termination of the Lease, thereafter elect to terminate the Lease and all of the rights of Tenant in or to the Premises.

Should Landlord reenter the Premises under the provisions of clause (2) of this Section 19.B, Landlord shall not be deemed to have terminated the Lease, or the liability of Tenant to pay any total monthly rental or additional rent thereafter accruing, or to have terminated Tenant's liability for damages under any of the provisions hereof, by any such reentry of the Premises or the exclusion of Tenant therefrom, unless Landlord shall have notified Tenant in writing that it has so elected to terminate the Lease. In the event of any entry or taking possession of the Premises as aforesaid, Landlord shall have the right, but not the obligation, to remove therefrom all or any part of the personal property located therein and may place the same in storage at public

warehouse at the expense and risk of Tenant. No action of Landlord shall be construed as an election to terminate the Lease or to

accept a surrender of the Premises unless written notice of such intention be given to Tenant. Tenant agrees to pay as additional rental all-reasonable attorneys' fees and other costs and expenses incurred by Landlord in enforcing any of Tenant's obligations under this Lease.

C. Default by Landlord. Each of the following shall be deemed an event of default by Landlord and a material breach of this Lease:

(1) Failure to pay any monies required under this Lease as the same shall become due and payable to Tenant and such failure shall continue for twenty (20) days after written notice to Landlord (and any mortgagee identified pursuant to Section 19.H of this Lease) specifying such failure;

(2) Failure to do, observe, keep and perform any of the other terms, covenants, conditions, agreements and provisions of this Lease to be done observed, kept or performed by Landlord and such failure shall continues for thirty (30) days after written notice to Landlord (and any mortgagee identified pursuant to Section 19.H of this Lease) specifying such failure, unless such failure is one which cannot reasonably be cured within such period so long as Landlord has commenced to cure such failure within such period and thereafter continues its efforts to cure such failure with reasonable diligence.

D. Remedies of Tenant. In the event of a default by Landlord, Tenant, in addition to any other remedies available to it at law or in equity or by this Lease (other than the remedy of termination of this Lease, except where expressly provided otherwise in this Lease), at its option and, without further notice or demand of any kind to Landlord or any other person, may:

(1) Withhold rent equal to the amount due from Landlord to Tenant and offset the same against any amounts due from Tenant to Landlord under this Lease;

(2) Obtain damages or injunctive relief.

E. Self Help. Should either of the parties at any time fail or omit to do any act or thing provided under this Lease to be done by such party, then the other party may, in its sole discretion, itself do or cause to be done such act or thing after the giving of any applicable notice and the expiration of any applicable grace period. Any monies paid in connection with the performance of such act or thing shall, if paid by Landlord, constitute so much additional rent due under this Lease to be due and payable upon notice given by Landlord of the nature and amount thereof, with the next monthly installment of rent, and if paid by Tenant, shall constitute advance rent and shall, upon notice given by Tenant of the nature and amount thereof, be credited against the next monthly installment of rent and subsequent installments until credited in full or recovered by Tenant from Landlord as damages.

F. Non-Waiver. Landlord or Tenant may restrain by any judicial means any breach or threatened breach of any covenant, agreement, term, provision or condition of this Lease. The mention herein of any particular remedy shall not preclude Landlord or Tenant from any other remedy it might have either at law, in equity or otherwise. All the rights or remedies of Landlord or Tenant pursuant to the terms of this Lease, or any other rights or remedies that Landlord or Tenant may have at law, in equity or otherwise upon breach of any covenant, agreement, term, provision or condition of this Lease shall be

distinct, separate and cumulative rights or remedies, and no one of them, whether exercised by Landlord or Tenant or not, shall be deemed to be in exclusion of any other. Neither acceptance of rent by Landlord, payment of rent or other sum by Tenant, nor failure by Landlord or Tenant to complain of any action, non-action or default of the other, or to declare the other in default, whether singular or repetitive, shall constitute a waiver of any of Landlord's or Tenant's, as the case my be, rights under this Lease. Waiver by Landlord or Tenant of any right upon any default of the other shall not constitute a waiver of any right for either a subsequent default of the same obligation or any other default. Time is the essence with respect to the performance of every provisions of this Lease in which time of performance is a factor.

G. Prevailing Party's Right to Costs. In the event of a dispute between the parties which requires a party hereto to seek redress through an action at law or in equity the losing party shall pay, upon demand, all of the prevailing party's costs, charges and expenses, including reasonable attorneys' fees, incurred by such prevailing party in connection with the resolution of such dispute; provided, however, attorneys' fees shall be due and payable only if the prevailing party is required to file suit due to default by the losing party. For purposes of this Section 19-G, the term "losing party" shall mean the party which obtains substantially less relief than originally sought by such party in the legal or equitable action and the term "prevailing party" shall mean the party which obtained substantially the relief sought by such party in the legal or equitable action.

H. Notice to Mortgagee and Right to Cure. If there is any mortgagee or beneficiary of a deed of trust on Landlord's estate or its interest in this Lease (a "mortgagee"), and provided that Landlord has given Tenant, in accordance with the notice provisions of Section 33 of this Lease, the name and address of any such mortgagee, Tenant may not exercise its remedies under this Section 19 unless Tenant gave the required notice to the mortgagee and no mortgagee elected to cure Landlord's default within the same time period as Landlord is allowed to cure the default. Upon receipt of the required notice, any mortgagee may, but is not obligated to, enter the Premises and cure Landlord's default.

20. Indemnification.

Tenant shall indemnify, defend and hold Landlord harmless from and against all loss, damage, cost, expense or liability (including reasonable attorneys' fees, expenses and disbursements) incurred by Landlord arising out of or in

connection with any injury to, or death of, any person, or damage to, or destruction of, property occurring in, on, or about the Premises which injury, death, damage or destruction is caused by the acts or omissions of Tenant or Tenant's employees, agents, contractors or invitees or by Tenant's breach of this Lease. Landlord shall indemnify, defend and hold Tenant harmless from and against all loss, damage, cost, expense or liability (including reasonable attorneys' fees, expenses and disbursements) incurred by Tenant arising out of or in connection with any injury to, or death of, any person, or damage to, or destruction of, property occurring in, on, or about the Premises which injury, death, damage or destruction is caused by the acts or omissions of Landlord or Landlord's employees, agents, contractors or invitees or by Landlord's breach of this Lease. A party's obligation under this Section 20 to indemnify and hold the other party harmless shall be limited to the sum that exceeds the amount of insurance proceeds, if any, received by the party being indemnified.

21. Insurance.

A. Landlord's Insurance. Landlord shall obtain at competitive rates and

shall maintain during the Term property damage insurance against damage to the Building by fire and other risks now or hereafter embraced in all risk coverage property damage insurance, in amounts sufficient to prevent Landlord from becoming a co-insurer, but in no event less than eighty percent (80%) of the Building's then replacement value (exclusive of the cost of excavations, foundations and footings). Landlord shall obtain at competitive rates and shall maintain during the Term public liability insurance against liability arising as a result of bodily injury to or death of any person or damage to other person's property now or hereafter embraced in comprehensive general public liability insurance, in amounts of at least $2,000,000 combined single limit.

B. Tenant's Insurance. Tenant shall obtain, at Tenant's sole cost and expense, and shall maintain during the Term public liability insurance against liability arising as a result of bodily injury to or death of any person or damage to other person's property now or hereafter embraced in comprehensive general public liability insurance, in amounts of at least $2,000,000 combined single limit.

C. All policies of insurance required to be maintained by Landlord and Tenant pursuant to this Lease, shall name the other party as an additional insured as their respective interests may appear (and if requested by Landlord shall bear appropriate endorsements to protect Landlord's mortgagee, if any) and shall be for the mutual and joint benefit and protection of Landlord and Tenant. Certificates of such insurance shall be delivered by the party obtaining such insurance to the other party within ten (10) days after execution of this Lease. All such certificates shall provide that termination of the insurance evidenced by the certificate shall be effective only after thirty (30) days prior written notice to Landlord and Tenant.

D. The parties release each other, and their respective employees and agents, from any claims for damage to any person or to the Premises and to the fixtures, personal property, Tenant's improvements, and alterations of either Landlord or Tenant in or on the Premises that are caused by or result from risks insured against under any insurance policies carried by the parties and in force at the time of any such damage.

F. Each party shall cause each insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation against either party in connection with any damage covered by any policy. Neither party shall be liable to the other for any damage caused by fire or any of the risks insured against under any insurance policy required by this Lease.

22. Mechanic's Liens.

Tenant will not permit any mechanic's or materialmen's or other liens to stand against the Premises for any labor or material furnished Tenant in connection with work of any character performed on the Premises by or at the direction of Tenant. Landlord will not permit any mechanic's or materialmen's or other liens to stand against the Premises for any labor or material furnished Landlord in connection with work of any character performed on the Premises by or at the direction of Landlord. However, Landlord and Tenant shall respectively have the right to contest the validity or amount of any such lien, but upon the final determination of such questions shall immediately pay any adverse judgment rendered with all proper costs and charges and shall have the lien released at the contestant's own expense. If Landlord or Tenant desires to contest any such lien, then prior to commencing such contest it will furnish the other party with a bond, if requested, to secure the payment of such obligation, per the requirements of the applicable Arizona statutes.

23. Assignment or Subletting.

A. Assignment or Subletting by Tenant. Upon the prior written consent of

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Landlord, which shall not be unreasonably withheld or delayed, Tenant may assign this Lease or sublease the Premises or any part thereof or mortgage, pledge or hypothecate its leasehold interest (collectively, "transfer"). Notwithstanding the previous sentence, Tenant may transfer this Lease without Landlord's consent to any person which is the parent or subsidiary of or controls or is controlled by Tenant, or to a person resulting from any reorganization or merger to which Tenant or its parent or any of its subsidiaries or any person controlled by it is a party, provided that the transferee expressly assumes the obligations of Tenant under this Lease. Any attempt to transfer this Lease without Landlord's consent, where such consent is required, shall be void. Tenant shall notify Landlord in writing of any proposed transfer requiring Landlord's consent, and Landlord shall have ten (10) business days following receipt of such notice and financial statements of the proposed transferee to disapprove of such transfer or Landlord's consent to such

transfer shall be deemed given. Notwithstanding any transfer by Tenant or any consent which may be granted by Landlord, Tenant shall remain liable for all sums and obligations due hereunder, unless Landlord agrees in writing to release Tenant from such liability. Consent by Landlord to a particular transfer shall not be deemed a consent to any other or subsequent transfer.

B. Assignment by Landlord. Landlord shall have the right to transfer, in
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whole or in part, its interest in this Lease or the Premises. No such transfer shall require Tenant to deal with more than one person as Landlord under this Lease and, in the event of any transfer by Landlord resulting in more than one person being a Landlord, such persons shall appoint a single person to exercise all the powers of Landlord under this Lease. In the event of any such transfer by Landlord, Tenant shall attorn to Landlord's transferee and such transferee shall assume and agree to perform all Landlord's obligations under this Lease and recognize and not disturb Tenant's estate. Landlord shall notify Tenant of any transfer of Landlord's interest in the Premises. Upon such transfer by Landlord, Landlord shall be released from the obligations to be performed by Landlord after the transfer.

24. Run With The Land.

The covenants and conditions herein contained shall be construed as running with the land, apply to and bind the parties hereto, and their respective heirs, representatives, executors, administrators, successors and assigns.

25. Option to Extend.

A. If Tenant is not currently in default in the performance of any of its obligations under this Lease, Tenant shall have the right to extend the Term for four (4) consecutive five (5) year terms (the "Option Periods") commencing at the expiration of the Initial Term in the case of the first Option Period and at the expiration of the previous Option Period in the case of each succeeding Option Period. The Lease of the Premises during any Option Period shall be upon the same terms and conditions as set forth in this Lease, excepting the Base Rent which shall be determined as set forth in Section 25.B of this Lease. If Tenant does not exercise such option by giving written notice to Landlord of Tenant's exercise of the option (the "Option Notice") by the date at least one hundred eighty (180) days prior to the expiration of (i) the Initial Term in the case of the first Option Period, or (ii) the previous Option Period in the case of each succeeding Option Period, then all rights of Tenant under this Section 25 shall automatically terminate. If this Lease or Tenant's right to possession of the Premises shall expire or terminate for any reason whatsoever before Tenant exercises its options, then, immediately upon such expiration or termination, these options shall simultaneously terminate and become null and void.

B. The Base Rent payable by Tenant to Landlord during each Option Period shall be equal to the Actual Rentable Square Feet multiplied by the then-

current "Market Rate" for the Premises, defined as the then-current fair market rental value (expressed as a per rentable square foot-monthly rental rate) for comparable space in competing buildings of similar size, type, quality and location, but in no event less than the Base Rent payable during (i) the Initial Term in the case of the first Option Period or (ii) the previous Option Period in the case of each succeeding Option Period. The Base Rent and/or Market Rate shall be determined as follows:

1. Promptly following receipt by Landlord the Option Notice, Landlord and Tenant shall attempt to reach agreement on the Base Rent for the Option Period. If Landlord and Tenant are able to agree on the Base Rent for the Option Period, Landlord and Tenant shall execute an amendment to this Lease stating the agreed upon Base Rent.

2. If the parties are unable to agree on the Base Rent for the Option Period within thirty (30) days following the Option Notice, then each party, at its cost and by giving notice to the other party, shall have ten (10) days within which to appoint an MAI full-time commercial real estate appraiser with at least five (5) years experience to appraise and determine the Market Rate for the Premises during the Option Period. Within sixty (60) days following the Option Notice, each appraiser shall appraise and determine the Market Rate for the Option Period. The appraisers shall arrange for (a) the simultaneous exchange of each appraiser's determination of the Market Rate for the other appraiser's determination of the Market Rate and (b) the communication of both determinations of Market Rate to Landlord and Tenant. If the difference between the two determinations of Market Rate is less than or equal to ten percent (10%) of the higher of the two determinations of Market Rate, then the Market Rate shall be the average of the two determinations of Market Rate and the appraisers shall notify Landlord and Tenant of the Market Rate so determined. If the difference between the two determinations of Market Rate is more than ten percent (10%) of the higher of the two determinations of Market Rate, then the Market Rate shall be determined as set forth in Section 25.B.3 of this Lease. If a party does not appoint an appraiser within such ten (10) day period or the appraiser appointed by a party does not appraise and determine the Market Rate within such sixty (60) day period, the determination of the Market Rate by the single appraiser appointed by the other party shall be the Market Rate for the Option Period. Each of the parties shall bear the cost of its own appraiser.

3. In the event the operation of Section 25.B.2 of this Lease results in the Market Rate being determined by this Section 25.B.3, then, within seventy (70) days following the Option Notice, the two appraisers appointed by the parties shall meet to select a third appraiser. Each appraiser shall nominate no more than three such appraisers (with qualifications as described Section 25.B.2 of this Lease and with the added qualification that each such nominee shall be a person who has not within the previous three years acted in any capacity for either party). The two appraisers shall either agree on the third appraiser from among the nominees or, if they are unable to agree, select the third appraiser by lot from among the nominees

and notify Landlord and Tenant of the third appraiser so selected. Within eighty-five (85) days following the Option Notice, the third appraiser shall review the work product of the two appraisers appointed by the parties and determine which of the two determinations of Market Rate made by such appraisers is, in the judgment of the third appraiser, the more accurate determination of Market Rate and shall notify Landlord and Tenant of such determination. The third appraiser may select only one of the two determinations of Market Rate made by the two appraisers appointed by the parties and may not select another rate. Each of the parties shall bear one-half (1/2) of the cost of the third appraiser.

26. Expansion.

A. Expansion Option. If Tenant is not currently in default in the performance of any of its obligations under this Lease, Tenant shall have the right (the "Expansion Option") to have Landlord expand the Building to add a minimum of an additional fifteen thousand (15,000) usable square feet and a maximum of an additional forty thousand (40,000) usable square feet (the "Expansion Space") and additional parking spaces. If Tenant does not exercise the Expansion Option by giving written notice to Landlord of Tenant's exercise of the Expansion Option (the "Expansion Option Notice") on or before the third anniversary of the Commencement Date, then all rights of Tenant under this Section 26 shall automatically terminate.

B. Effect on Term. If the Expansion Option Notice is given on or before the first anniversary of the Commencement Date, there shall be no adjustment to the Initial Term. If the Expansion Option Notice is given after the first anniversary of the Commencement Date but on or before the second anniversary of the Commencement Date, the Initial Term shall be extended by one year, unless Tenant elects not to give a Notice to Proceed as provided in Section 26.C. If the Expansion Option Notice is given after the second anniversary of the Commencement Date but on or before the third anniversary of the Commencement Date, the Initial Term shall be extended by two years, unless Tenant elects not to give a Notice to Proceed as provided in Section 26.C. The Base Rent applicable during the Initial Term shall continue to be applicable during any extension of the Initial Term resulting from the operation of this Section 26.B.

C. Notice to Proceed. In addition to exercising the Expansion Option in the Expansion Option Notice, Tenant shall also specify in the Expansion Option Notice the number of additional usable square feet desired, the general configuration of the Expansion Space, and the target date for completion of the Expansion Space. Within thirty (30) days of receipt of the Expansion Option Notice, Landlord shall deliver to Tenant a written response which shall either (i) set forth Landlord's good faith estimates of the total cost of construction of the Expansion Space (including Landlord's "soft costs" and "general conditions" as described in Sections 26.G and 26.H of this Lease), the increase in the Base Rent and the schedule for the construction of the Expansion Space (the "Expansion Schedule") or (ii) notify

Tenant that construction of the Expansion Space is not permitted by applicable law or regulations or the Declaration. If Landlord provides a- response under clause (i), then, within fifteen (15) days of receipt of Landlord's response, Tenant will notify Landlord whether Tenant elects to proceed with construction of the Expansion Space (the "Notice to Proceed"). If Landlord provides a response under clause (ii), then Landlord and Tenant shall meet with one another and confer in good faith to determine what, if anything, can be done to permit the construction of the Expansion Space and, if a solution is found, for Landlord to advise Tenant of the estimated cost, increase in Base Rent and time to complete construction after which, if Tenant elects to proceed, Tenant shall issue a Notice to Proceed to Landlord.

D. Expansion Plans. Upon receipt of the Notice to Proceed, Landlord promptly shall have an architect prepare drawings and specifications for the construction of the additional Building shell to contain the Expansion Space (the "Building Shell Expansion") and additional parking spaces at the ratio of six parking space per 1000 rentable square feet of the Expansion Space with 15% of such spaces being covered parking (the "Building Shell Expansion Plans and Additional Parking Spaces Plans") and shall submit them to Tenant within thirty (30) days of receipt of the Notice to Proceed. (Tenant acknowledges that under current City of Tempe building regulations no more than 835 parking spaces may

be allowed for the Premises, including the Expansion Space.) The Building Shell Expansion shall meet the same specifications as that set forth in the Building Shell Outline Specifications, Exhibit B hereto. Within ten (10) days of receipt, Tenant shall review and approve the Building Shell Expansion Plans and Additional Parking Spaces Plans or advise Landlord of the specific changes reasonably necessary to the Building Shell Expansion Plans and Additional Parking Spaces Plans to make the Expansion Space and additional parking suitable for Tenant.

E. Construction of Building Shell Expansion and Additional Parking.

After revising the Building Shell Expansion Plans and Additional Parking Spaces Plans to the extent necessary, Landlord shall promptly seek all necessary permits for the construction of the Building Shell Expansion and the additional parking and shall pursue the construction thereof with all due diligence and dispatch. Landlord shall use subcontractors to construct the Building Shell Expansion and the additional parking and shall purchase the necessary materials from suppliers. For each portion of the work, Landlord shall make a good faith attempt to obtain bids from at least three subcontractors or suppliers which (i) are properly licensed (in the case of subcontractors) to construct the respective portion of the Building Shell Expansion and the additional parking on which such subcontractors are bidding, (ii) are not affiliated with Landlord, and (ii) Landlord believes are reputable, competent and efficient. Landlord shall submit all such bids to Tenant for Tenant's review together with Landlord's recommendation as to which subcontractor or supplier should be selected to construct each portion of the Building Shell Expansion and the additional parking or supply the necessary materials. Tenant shall designate which subcontractor or supplier is to construct each portion of the Building Shell Expansion and the additional parking or supply the necessary materials (the

"Designated Building Shell Expansion Subcontractor"). Landlord promptly shall employ the Designated Building Shell Expansion Subcontractor to do so. Thereafter, Landlord shall cause the Designated Building Shell Expansion Subcontractor to prosecute the construction of such Designated Building Shell Expansion Subcontractor's portion of the Building Shell Expansion and the additional parking diligently to completion or furnish the materials to be supplied by such Designated Building Shell Expansion Subcontractor pursuant to the Expansion Schedule and in conformance with the Building Shell Outline Specifications and in compliance with all applicable laws, statutes, orders, ordinances, rules and regulations. The first three sentences of Section 4.F of this Lease and all of Section 4.H of this Lease shall apply to the construction of the Building Shell Expansion and additional parking.

F. Construction of Expansion Space Tenant Improvements. Landlord shall

provide Tenant with an allowance (the "Expansion Space Tenant Improvements Allowance") equal to the actual rentable square feet of the Expansion Space, measured in accordance with Section 46 of this Lease, multiplied by Thirty-Seven Dollars and Ten Cents ($37.10) per rentable square foot. The Expansion Space Tenant Improvements Allowance is to be used as an allowance towards the cost of the Expansion Space Tenant Improvements described in this Section 26.F and for space planning expenses (not to exceed Ten Cents ($0.10) per rentable square foot). Within thirty (30) days after finalization by Landlord of the Building Shell Expansion Plans and Additional Parking Spaces Plans, Tenant shall deliver to Landlord such drawings and specifications (the "Expansion Space Tenant Improvements Drawings and Specifications") as are reasonably necessary to describe the improvements which Tenant desires to have made to the Expansion Space (the "Expansion Space Tenant Improvements"). The Expansion Space Tenant Improvements are subject to Landlord's approval, which approval shall not be unreasonably withheld or delayed. Landlord shall diligently proceed to have the Expansion Space Tenant Improvements constructed as set forth in this Section 26.F and to have issued all necessary certificates of occupancy and all other permits required to occupy the Expansion Space and use the additional parking (the "Expansion Space Occupancy Permits") pursuant to the Expansion Schedule.

Landlord shall use subcontractors to construct the Expansion Space Tenant Improvements. For each portion of the work, Landlord shall make a good faith attempt to obtain bids from at least three subcontractors which (i) are properly licensed to construct the respective portion of the Expansion Space Tenant Improvements on which such subcontractors are bidding, (ii) are not affiliated with Landlord, and (ii) Landlord believes are reputable, competent and efficient. Landlord shall submit all such bids to Tenant for Tenant's review together with Landlord's recommendation as to which subcontractor should be selected to construct each portion of the Expansion Space Tenant Improvements. Tenant shall designate which subcontractor is to construct each portion of the Expansion Space Tenant Improvements (the "Designated Expansion Space Tenant Improvements Subcontractor"). Landlord promptly shall employ the Designated Expansion Space Tenant Improvements Subcontractor to do so. Thereafter, Landlord shall cause the Designated Expansion Space Tenant Improvements Subcontractor to prosecute the

construction of such Designated Expansion Space Tenant Improvements Subcontractor's portion of the Expansion Space Tenant Improvements diligently to completion in conformance with the Expansion Space Tenant Improvements Drawings and Specifications and in compliance with all applicable laws, statutes, orders, ordinances, rules and regulations. The first three sentences of Section 4.F of this Lease and all of Section 4.H of this Lease shall apply to the construction of the Expansion Space Tenant Improvements.

G. Increase in Base Rent. Within forty-five (45) days after receipt of the Notice to Proceed, Landlord shall submit to Tenant a detailed itemization of the total development cost of constructing the Expansion Space (the "Expansion Space Construction Cost"), which shall consist of (i) the reasonable costs actually incurred by Landlord and the reasonable Landlord fees pertaining to the construction of the Building Shell Expansion and the additional parking in the categories set forth on Exhibit H attached hereto (the "Building Shell Expansion Soft Costs and Fees"), (ii) the amount authorized by Tenant to be paid to the Designated Building Shell Expansion Subcontractors for construction of the Building Shell Expansion and the additional parking or supply of materials, including, without limitation, labor, materials and equipment, (iii) the reasonable expenses actually incurred by Landlord for its "general conditions" associated with such construction in the categories set forth on Exhibit I attached hereto (the "Building Shell Expansion General Conditions"), (iv) an amount equal to eight percent (8%) of the amount specified in the foregoing clause (ii) of this Section 4.B as Landlord's Building Shell Expansion construction fee, and (v) the Expansion Space Tenant Improvements Allowance. Upon issuance of the Expansion Space Occupancy Permits the Base Rent shall increase by an amount determined by the following formula:

IBR = ESCC x 0.105 / 12

Where IBR is the increase in the monthly Base Rent and ESCC is the Expansion Space Construction Cost, as defined above. No additional land costs shall be included in ESCC. The parties shall promptly enter into a written amendment to this Lease memorializing the increase in the Base Rent and, if applicable, the extension of the Initial Term. Until fifteen (15) days after Landlord has delivered the detailed itemization required under this Section 26.G, all elements and components of ESCC shall be subject to examination, inspection and audit by Tenant at Tenant's sole cost and expense. Until the expiration of such period, Landlord shall make its books and records freely and openly available to Tenant for such purposes upon reasonable advance notice and during normal business hours.

H. Expansion Space Tenant Improvements Cost. Within thirty (30) days after completion of construction of the Expansion Space Tenant Improvements as provided in Section 26-F of this Lease and issuance of all Expansion Space Occupancy Permits, or as soon thereafter as reasonably possible, Landlord shall submit to Tenant a detailed itemization of the total development cost of

constructing the Expansion Space Tenant Improvements (the "Expansion Space Tenant

Improvements Cost"), which shall consist of (i) the amount authorized by Tenant to be paid to the Designated Expansion Space Tenant Improvements Subcontractors for construction of the Expansion Space Tenant Improvements, including, without limitation, labor, materials and equipment, (ii) the reasonable expenses actually incurred by Landlord for its "general conditions" associated with such construction in the categories set forth on Exhibit J attached hereto (the "Expansion Space Tenant Improvements General Conditions") and (iii) an amount equal to eight percent (8%) of the amount specified in the foregoing clause (i) of this Section 26.H as Landlord's Expansion Space Tenant Improvements construction fee. If the Expansion Space Tenant Improvements Cost exceeds the Expansion Space Tenant Improvements Allowance, the difference shall be paid by Tenant to Landlord within thirty (30) days after submission of such detailed itemization. If the Expansion Space Tenant Improvements Allowance exceeds the Expansion Space Tenant Improvements Cost, the difference shall be paid by Landlord to Tenant within thirty (30) days after submission of such detailed itemization, or, at Landlord's election, the difference will be credited to the first payments of Base Rent falling due on a dollar for dollar basis until the difference is exhausted. Until ninety (90) days after Landlord has delivered the detailed itemization required under this Section 26.H, all elements and components of the Expansion Space Tenant Improvements Cost shall be subject to examination, inspection and audit by Tenant at Tenant's sole cost and expense. Until the expiration of such period, Landlord shall make its books and records freely and openly available to Tenant for such purposes upon reasonable advance notice and during normal business hours.

I. Successor Liability. The obligations of Landlord under this Section 26 shall be binding on any successor of Landlord or Landlord's interest in the Premises or this Lease, except (i) any person who is a successor as the result of foreclosure of a mortgage or deed of trust, exercise of the trustee's power of sale under a deed of trust encumbering any such interest of Landlord, or conveyance in lieu of foreclosure or (ii) the Regents, Price-Elliott or any of their successors who are successors to any such interest of Landlord as the result of termination of the Subground Lease (as such terms are defined in Section 57 of this Lease).

J. Construction by Tenant. If Landlord (or any successor to Landlord, including a successor referred to in clause (i) or (ii) of Section 26.1) fails to construct the Expansion Space, Tenant, in addition to all its other rights and remedies including damages and specific performance (but excluding any right to terminate this Lease), may do so through a licensed contractor and there shall be no increase in Base Rent.

27. Tri-Party Agreement.

Contemporaneously with the execution and delivery of this Lease, Landlord and Tenant shall execute and deliver, and Landlord shall cause Price-Elliott to execute and deliver the Tri-Party Agreement substantially in the form attached hereto as Exhibit K.

28. Holdover.

Any holding over after the expiration of the Term of this Lease or any extension thereof, with the consent of Landlord, shall be construed to be a tenancy from month-to-month, at the same Base Rent as paid during the last month of the Term and shall otherwise be on the terms and conditions herein specified

so far as applicable. Any holding over after the expiration of the Term of this Lease or any extension thereof, without the consent of Landlord, shall be terminable immediately and Tenant shall be liable to Landlord for rent at the rate of one hundred twenty five percent (125%) of the Base Rent payable during the last month of the Term.

29. Intentionally Omitted.

[This section intentionally omitted.]

30. Alternative Dispute Resolution.

Landlord and Tenant shall attempt to settle any claim or controversy arising out of this Lease, but excepting Tenant's failure to pay Base Rent, through consultation and negotiation in the spirit of mutual friendship and cooperation. If such attempts fail, then the dispute shall first be submitted to a mutually acceptable neutral advisor for mediation, fact-finding or other form of alternate dispute resolution. Neither of the parties may unreasonably withhold acceptance of such an advisor, and his or her selection will be made within thirty (30) days after notice by the other party demanding such mediation. Cost of such mediation or any other alternate dispute resolution agreed upon by the parties shall be shared equally by Landlord and Tenant. Any dispute which cannot be so resolved between the parties within ninety (90) days of the date of the initial demand by either party for such mediation, shall be finally determined by the courts. The use of such a procedure shall not be construed to affect adversely the rights of either party under the doctrines of laches, waiver or estoppel. Nothing in this Section 30 shall prevent either party from pursuing judicial proceedings if (a) good faith efforts to resolve a dispute under these procedures have been unsuccessful or (b) interim resort to a court is necessary to prevent serious and irreparable injury to a party, to others, to the Premises, or to the environment.

31. Environmental.

A. As used herein, the following terms shall have the following meanings: (1) "Hazardous Substances" shall be as defined in the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9601 et seq.) (CERCLA), and any regulations promulgated pursuant thereto; (2) "Hazardous Wastes" shall be as defined in the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.) (RCRA), and any regulations promulgated pursuant thereto; (3) "Pollutants" shall be as defined in the Clean Water Act (33 U.S.C. Section 1251 et seq.), and any regulations promulgated pursuant thereto; (4) "Environmental Hazards" shall mean Hazardous Substances, Hazardous Wastes, Pollutants, asbestos, polychlorinated biphenyls (PCBs), petroleum or other fuels (including crude oil or any fraction or derivative thereof) and underground storage tanks; (5) "Indemnified Events" shall mean: (a) any governmental action, order, directive, administrative proceeding or ruling; (b) personal or bodily injuries (including death) or damage (including loss of use) to any property (public or private); (c) cleanup, remediation, investigation or monitoring of any pollution or contamination of or adverse effects on human health or the environment; or (d) any violation or alleged violation of laws, statutes, ordinances, orders, rules or regulations of any governmental entity or agency; and (6) "Liabilities" shall mean any and all liabilities, penalties, fines, forfeitures, demands, damages, losses, claims, causes of action, suits, judgments, and costs and expenses incidental thereto (including cost of defense, settlement, reasonable attorney's fees, reasonable consultant's fees and reasonable expert fees).

B. Landlord agrees to defend, indemnify and hold harmless Tenant,

Tenant's successors and assigns and Tenant's present and future officers, directors, employees and agents (collectively "Tenant Indemnitees") from and against Liabilities which Tenant or any or all of the Tenant Indemnitees may hereafter suffer, incur, be responsible for or disburse as a result of any Indemnified Event directly or indirectly caused by or arising out of any Environmental Hazards existing on or about the Premises prior to the date Tenant takes occupancy of the Premises except to the extent that any such existence is caused by the activities of Tenant, or its agents, contractors, employees, or invitees on the Premises. This provision shall survive termination of the Lease.

C. Tenant agrees to defend, indemnify and hold harmless Landlord, Landlord's successors and assigns and Landlord's present and future officers, directors, employees and agents (collectively "Landlord Indemnitees") from and against Liabilities which Landlord or any or all of the Landlord Indemnitees may hereafter suffer, incur, be responsible for or disburse as a result of any Indemnified Event directly or indirectly caused by or arising out of any Environmental Hazards existing on or about the Premises but only to the extent that any such existence is caused by the activities of Tenant, or Tenant's assignees or sublessees, or their agents, contractors, employees, or invitees on the Premises. This provision shall survive termination of the Lease.

D. Tenant and Landlord each acknowledge receipt of a copy of the Phase I Environmental Site Assessment dated October 13, 1993 prepared for the Regents and Price-Elliott, as defined in Section 56 of this Lease, by Foree & Vann, Inc. covering a portion of the Research Park, including the Land and a copy of the Phase One/Limited Phase Two Environmental Site Assessment dated October 17, 1997 prepared for Landlord by B. A. Liesch Associates, Inc. covering the Land. Except as otherwise disclosed in such assessments, Landlord, to the extent of its current actual knowledge, knows of no Hazardous Materials contamination of the Land.

32. Brokers.

The parties agree that CB Commercial Real Estate Group, Inc. ("Broker") is the sole broker who brought about this Lease. Landlord shall pay the commission of Broker pursuant to the terms of a separate agreement, including any additional commission payable in the event the Expansion Space is constructed by Landlord under Section 26 of this Lease. Tenant represents and warrants that Tenant has not dealt with any other real estate broker in connection with the leasing of the Premises, and Tenant shall indemnify, defend and hold Landlord harmless against any and all claims of any other brokers with whom Tenant has had any such dealings. Landlord represents and warrants that Landlord has not dealt with any other real estate broker in connection with the leasing of the Premises, and Landlord shall indemnify, defend and hold Tenant harmless against any and all claims of any other brokers with whom Landlord has had any such dealings.

33. Notices.

All notices, approvals or requests in connection with this Lease shall be sent by certified mail, telephone facsimile transmission, personal delivery, or via overnight carrier with delivery charges prepaid or with delivery not conditioned upon payment of charges, except notices concerning repairs and replacements which may be given orally or by any other means which might reasonably be expected to give the other party notice; provided, however, that no notice other than by personal delivery, certified mail or overnight carrier shall constitute a notice of default. The date notice is effective shall be the date on which the notice is delivered if notice is given by personal delivery, the date on which the notice is received, if notice is given by facsimile transmission or commercial air courier service, or three (3) days following deposit in the mail, if notice is sent through the United States mail. Notices to the Landlord shall be addressed to Landlord at the address of the Landlord set forth on the first page of this Lease, or, in the event Landlord is no

longer the Landlord under this Lease and the new Landlord has failed to specify an address for notices, then to the person to whom the rent was last paid at the address to which such payment was sent in accordance with Section 3 of this Lease. Notices to the Tenant shall be addressed to Motorola, Inc., 3102 North 56th Street, Phoenix, Arizona 85018, Attention: Asset Manager - Real Estate. Either party may at any time designate by written notice to the other a change of address.

34. Waiver.

Failure or delay on the part of Landlord or Tenant to exercise any right, remedy, power or privilege under this Lease shall not operate as a waiver thereof. A waiver, to be effective, must be in writing and must be signed by the party making the waiver. A written waiver of a default shall not operate as a waiver of any other default or of the same type of default on a future occasion.

35. Amendments.

No revision of this Lease shall be valid unless made in writing and signed by duly authorized representatives of both parties.

36. Quiet Enjoyment.

If Tenant performs the terms of this Lease, Landlord will warrant and defend Tenant in the quiet and peaceful enjoyment and possession of the Premises during the Term hereof and any extension without interruption by Landlord or any person claiming under Landlord. Landlord represents and warrants to Tenant, based on Landlord's actual knowledge, without inquiry, that subleasehold title to the Premises is vested in Landlord subject to no liens or encumbrances except those of record.

37. Intentionally Omitted.

[This Section intentionally omitted.]

38. Short Form Lease.

The parties will at any time at the request of either one, promptly execute duplicate originals of an instrument, in recordable form, which will constitute a short form or memorandum of lease setting forth a description of the Premises, the Term of this Lease and any other portions hereof, excepting the rental provisions, as either party may request.

39. Construction of Language.

The terms Lease, lease agreement or agreement shall be inclusive of each other, and include renewals, extensions or modifications of the Lease. Words of any gender used in this Lease shall be held to include any other gender, and words in the singular shall be held to include the plural and the plural to include the singular, when the sense requires. Paragraph and section headings and titles in this Lease are used only for convenience in finding the subject matters and shall have no effect upon the construction or interpretation of any part hereof.

40. Entire Agreement.

This Lease constitutes the final expression of the agreement of the parties. It is intended as a complete and exclusive statement of their agreement, and it supersedes all prior and concurrent promises, representations, negotiations, discussions and agreements that may have been made with respect to the subject matter hereof.

41. Severability.

If any provision of this Lease, or the application thereof to any person or circumstance, shall be held invalid or unenforceable by any court of competent jurisdiction, the remainder of this Lease or the application of such provisions to persons or circumstances, other than those as to which it is held invalid or unenforceable, shall not be affected thereby.

42. Estoppel Certificate.

Either party shall, from time to time upon not less than fifteen (15) days' prior written request by the other party, deliver to the requesting party a statement in writing stating upon the receiving party's knowledge and belief: (a) that this Lease is unmodified and in full force and effect or, that there have been modifications, that the Lease as modified is in full force and effect; (b) the dates to which Base Rent and other charges have been paid; and (c) that the requesting party is not in default under any provision of this Lease or, if in default, a detailed description thereof. Failure to deliver the certificate within fifteen (15) days shall be conclusive upon the receiving party, for the benefit of the requesting party and its successors, that this Lease is in full force and effect and has not been modified except as may be represented by the requesting party.

43. Signs.

Tenant shall not exhibit, inscribe, paint or affix any sign on the exterior of the Building or in any window of the Building without Landlord's prior written consent, which shall not be unreasonably withheld or delayed. Landlord shall provide to Tenant, at Landlord's sole cost and expense, signage on terms and conditions reasonably acceptable to Tenant, which shall satisfy City of Tempe signage regulations and the provisions of the Declaration.

44. Warranties.

Tenant's continuing possession of the Premises shall not constitute a waiver of any warranty or of any defect in regard to workmanship or material of the Premises (a "Defect"). Tenant shall have one year after the commencement date within which to notify Landlord of any Defect. Landlord shall have thirty (30) days

after the notification in which to commence correction of any Defect and shall thereafter pursue such work diligently to completion.

45. Tenant's Operations.

Tenant agrees for itself, its employees, agents, clients, customers, invitees and guests, to comply fully with the following:

A. Except for service animals, no animals or pets shall be brought or permitted to be in the Building or on the Premises.

B. Upon termination of this Lease or of Tenant's possession of the Premises, Tenant shall surrender all keys for door locks and other locks in or

about the Premises and shall make known to Landlord the combination of all locks, safes, cabinets and vaults which are not removed by Tenant.

C. Tenant assumes full responsibility for protecting the Building from theft, robbery and pilferage. Except during Tenant's normal business hours, Tenant shall keep all doors to the Building locked and other means of entry to the Building closed and secured.

D. Tenant shall not install or operate any machinery or mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises and shall keep all such machinery free of vibration, noise and air waves which may be transmitted beyond the Premises.

E. Tenant shall not overload any driveway, parking area or any floor and shall not install any heavy objects, safes, machines or other equipment without having received Landlord's prior written consent as to size, maximum weight, routing and location thereof.

F. Tenant shall not in any manner deface or damage the Building.

G. Tenant shall not bring into the Premises any Environmental Hazards in violation of any environmental laws.

H. Tenant shall ascertain from Landlord the maximum amount of electrical current which can safely be used in the Building, taking into account the capacity of the electric wiring in the Building and shall not use more than such safe capacity. Landlord's consent to the installation of electric equipment shall not relieve Tenant from the obligation not to use more electricity than such safe capacity.

I. Tenant shall not burn any trash or refuse in the Building or on the Premises.

Tenant shall be responsible for the observance of all of the foregoing by Tenant's employees, agents, clients, customers, invitees and guests. Landlord and Tenant agree that Landlord's remedy for violation of any of the foregoing by Tenant (or any person or entity under Tenant's authority or control) shall be a payment by Tenant to Landlord an amount equal to the reasonably substantiated actual damages suffered or incurred by Landlord on account of such violation.

46. Measurement to Determine Rentable Area.

The rentable area of the Building shall be determined by measurement from the outside face of the exterior walls of the Building.

47. Additional Rent-Operating Costs.

A. Tenant shall, for the entire Term, pay to Landlord as additional rent, without any set-off or deduction therefrom (except as otherwise expressly provided in this Lease), one hundred percent (100%) of Operating Costs incurred by Landlord in maintaining and operating the Premises. Operating Costs shall be based on a one hundred percent (100%)-occupied building, whether or not the entire Building is actually occupied.

B. "Operating Costs" are hereby defined to include, but shall not be limited to: (i) real estate taxes and assessments, general or special, (ii) insurance premiums and costs (including deductibles) for the all-risk property and casualty insurance (which may include differences in conditions coverage, and rent loss coverage) that Landlord maintains pursuant to Section 21-A of this Lease, (iii) the yearly amortization of capital costs incurred by Landlord for improvements or structural repairs to the Premises required to comply with any laws, rules or regulations of any governmental authority having jurisdiction over the Premises which are enacted after the commencement date of this Lease,

or with any changes in laws, rules or regulations of any governmental authority having jurisdiction over the Premises which existed on the commencement date of this Lease, but which changes were enacted after the, commencement date of this Lease, or the application of either, or for the purposes of reducing Operating Costs, which costs shall be amortized over the useful life of such improvements or repairs, as reasonably estimated by Landlord, (iv) regular painting of the exterior of the Building, (v) reasonable costs of routine and ordinary service and maintenance of the roof (including reasonable preventive care, but excluding capital repairs/replacements), unless Landlord at its election transfers to Tenant responsibility for routine and ordinary service and maintenance of the roof (including reasonable preventive care) and the cost thereof, (vi) all fees, charges, and assessments including, without limitation, any common area maintenance charges levied or assessed against, or charged to, the Premises or any part thereof, or to Landlord in respect to the Premises or any part thereof, pursuant to the Ground Lease, the Subground Lease or the Declaration, including, without limitation, any fee, charge, or assessment arising out of the operation and maintenance of Arizona

State University Research Park, together with any applicable transaction privilege or similar tax; and (vii) all Intergovernmental Agreement Service Fees payable to City of Tempe, together with any applicable transaction privilege or similar tax. Painting of the exterior of the Building will be done at reasonable intervals, subject to any further requirement in the Ground Lease, the Subground Lease, or the Declaration.

C. Notwithstanding Sections 47.A and 47.B of this Lease, if the Premises qualifies for a real estate tax abatement, and then only to the extent of the abatement, Operating Costs will not include any abated real estate tax. Except as set forth below, Landlord is making no representations or warranties or covenants to Tenant as to the nature or extent of any real estate tax abatement and this Lease is not contingent on any real estate tax abatement, nor are Tenant's obligations to Landlord under this Lease dependent on such an abatement. Notwithstanding the foregoing, the parties contemplate that the Premises will enjoy the real estate tax abatement afforded by Ariz. Rev. Stat. Sections 15-1636, 35-701 and 42-162(A)(11)(e). Landlord represents and warrants to Tenant that pursuant to Section 38 of the Subground Lease, ownership of the Building and all other improvements constructed on the Land shall automatically vest in the Regents as and when constructed. The terms Regents, Price-Elliott, Ground Lease and Subground Lease are defined in Section 56 of this Lease. As set forth in Section 56.D of this Lease, Landlord shall refrain from taking the actions specified therein which could result in subjection of the Premises to ad valorem taxes or the loss of the current real estate tax abatement applicable to the Premises.

D. Notwithstanding Sections 47.A and 47.B of this Lease, in no event will Operating Costs include, nor will Tenant be obligated to pay for, (i) any capital improvements (except only as provided in Section 47.B(iii) of this Lease), alterations or expenditures, except HVAC (including, without limitation, reroofing of the roof or resurfacing on the parking lot), (ii) depreciation, (iii) Landlord's overhead or management fees, (iv) repairs, alterations, additions, improvements or replacements made to rectify or correct any defect in the design, materials or workmanship of the Building or the Premises or to comply with any requirements of any governmental authority, (v) damage and repairs attributable to fire or other casualty; (vi) damage and repairs paid for under any insurance policy carried by Landlord in connection with the Premises; (vii) costs incurred due to violation by Landlord of the terms and conditions of this Lease; (viii) legal fees, brokerage commissions, advertising costs or other related expenses incurred in connection with leasing; (ix) accountants' fees; (x) sculptures or artwork; (xi) fees and costs incurred in connection with the defense of Landlord's title or interest in the Premises or the Building or any part thereof; (xii) rent and other costs payable under any ground lease; and (xiii) principal, interest and other amounts paid pursuant to any loan secured by the Premises or the- Building or any part thereof.

E. As soon as reasonably practicable prior to the commencement of each

calendar year during the Term, Landlord shall furnish to Tenant an estimate of Tenant's share of Operating Costs for the ensuing calendar year and Tenant shall

pay, as additional rent hereunder together with each installment of monthly base rent, one-twelfth (1/12th) of its estimated annual share of such Operating Costs. As soon as reasonably practicable (but in no event later than sixty (60) days) after the end of each calendar year during the Term, Landlord shall furnish to Tenant a statement of the actual Operating Costs for the previous calendar year, including Tenant's share of such amount, and within thirty (30) days thereafter Tenant shall pay to Landlord, or Landlord shall pay to Tenant, as the case may be, the difference between such actual and estimated Operating Costs paid by Tenant. Tenant's share of such Operating Costs for the years in which this Lease commences and terminates shall be prorated based upon the dates of commencement and termination of the Term. The annual statement of actual Operating Costs shall be prepared in accordance with GAAP and shall be certified to be correct by Landlord. Landlord shall maintain full and accurate books and records with respect to all Operating Costs for a period of not less than one (1) year. Tenant shall have the right at any time during normal business hours and upon reasonable prior notice to Landlord to inspect and audit Landlord's books and records with respect to Operating Costs. Tenant shall not have the right, however, to inspect and audit Landlord's books and records with respect to the Operating Costs of any given year following the first (lst) anniversary of Tenant's receipt of the statement of the actual Operating Costs for the year in question.

F. Within ten (10) days after Landlord receives any notice of assessment of property value or any other similar notice pertaining to the Premises from any governmental authority which levies real estate taxes, Landlord shall send a copy of such notice to Tenant. Tenant shall have the right to contest at its expense the amount or validity of any real estate taxes or assessments against the Premises by appropriate proceedings, in the name of Landlord if required by law, rule or regulation and paying such taxes under protest.

48. Tenant Expense Waiver.

In the event Landlord fails to submit to Tenant the statement of the actual Operating Costs within the time specified in Section 47.E, and in the event Landlord still fails to submit to Tenant such statement within fifteen (15) days after Tenant notifies Landlord in writing that Landlord has failed to submit to Tenant the statement of the actual Operating Costs, Tenant shall not be liable for payment of any such additional expenses or charges, it being expressly agreed by the parties that Landlord shall be deemed to have waived its right to collect such expenses or charges from Tenant for such calendar year.

49. Landlord's Compliance With Federal Laws.

Notwithstanding anything to the contrary contained in this Lease, Landlord is and shall be solely responsible for ensuring that the Premises at all times complies in full with Title III of the Americans With Disabilities Act (42 U.S.C. (S) 12101 et seq. - hereinafter the "ADA"), as now or hereafter amended, and all regulations now or

hereafter promulgated pursuant thereto (the "Regulations"). Except for remodeling or alterations done to the Premises after the Commencement Date of the Lease by Tenant or Tenant's representatives due to Tenant's election to remodel (as opposed to any requirement pursuant to this Lease for Tenant to remodel), Landlord is and shall be solely responsible for all costs and expenses associated with ADA compliance, and Landlord shall not charge for, or seek reimbursement from Tenant for any expenditures, capital or otherwise, associated

with conforming the Premises to the requirements of the ADA and/or the Regulations. Landlord agrees to indemnify and saves and hold harmless Tenant from and against any and all claims, demands, causes of action, suits, losses, costs and expenses (including, without limitation, attorney's fees and litigation costs), damages, penalties and fines asserted against, suffered or incurred by Tenant in any way relating to or arising from, in whole or in part, an actual or asserted claim that any portion of the Premises for which Landlord is responsible pursuant to this Section 49, is in violation of the ADA or the Regulations. Notwithstanding the foregoing, Landlord shall have no responsibility under this Section 49 for the acts or omissions of Tenant, any assignee or sublessee of Tenant, or the employees, agents, invitees, licensees or representatives of the foregoing, including, without limitation, any noncompliance with ADA for any design, construction, alteration, improvement, or remodeling by Tenant, or by the employees, agents, invitees, licensees or representatives of Tenant.

50. Intentionally Omitted.

[This Section intentionally omitted.]

51. No Party To Be Deemed Drafter.

Landlord and Tenant have both had the opportunity to have counsel examine this Lease and to propose changes to clarify any ambiguities. Accordingly, in any interpretation of this Lease, an ambiguity shall not be resolved by interpreting the Lease against the drafter. The language of this Lease shall be interpreted according to the fair meaning and not for or against either party.

52. No Intended Third Party Beneficiary.

Landlord and Tenant may each, separately, deal with other persons in connection with the Premises or with other matters that may also relate to or be the subject of this Lease. Landlord and Tenant do not intend to make any such third person with whom each of them may deal an intended third party beneficiary under this Lease. There is no third person who is an intended third party beneficiary under this Lease. No incidental beneficiary (whatever relationship such person may have with Landlord or Tenant) shall have any right to bring an action or suit, or to assert any claim against Landlord or Tenant under this Lease.

53. Counterparts.

This Lease may be executed in one or more counterparts, all of which, taken together, shall constitute one and the same instrument.

54. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the state in which the Premises is located.

55. Subordination.

This Lease and the rights of Tenant shall be and are subject and subordinate at all times to the lien of any first mortgage or deed of trust now or hereafter in force against the Premises, provided, however, that (i) in the case of any mortgage or deed of trust encumbering the Premises as of the date of this Lease, Landlord will obtain, prior to the commencement of the Term, an agreement between the beneficiary or mortgagee thereof and Tenant that so long

as no default exists hereunder and Tenant attorns to Landlord's successor pursuant to the provisions of this Lease, no termination of such encumbrance (or any proceeding in connection therewith) shall disturb Tenant's possession of the Premises and this Lease shall remain in full force and effect; and (ii) in the case of any first mortgage or deed of trust encumbering the Premises after the date hereof, the beneficiary or mortgagee thereof agrees, either in such encumbrance or in a separate agreement with Tenant, that so long as no default exists under this Lease and Tenant attorns pursuant to Landlord's successor pursuant to the provisions of this Lease, no foreclosure of such encumbrance (or any proceeding in connection therewith) shall disturb Tenant's possession of the Premises and this Lease shall remain in full force and effect. Tenant shall execute such further instruments confirming the subordination of this Lease to the lien of any such first mortgage or deed of trust as shall be reasonably requested by Landlord.

56. Declaration, Ground Lease and Subground Lease.

A. The Premises are subject to the terms and conditions of the Declaration attached hereto as Exhibit G. Tenant's use of the Premises shall be in full compliance with the terms and conditions of the Declaration. Without limitation, Tenant acknowledges that Tenant's use of the Premises is strictly regulated by the Declaration. Tenant represents and warrants to Landlord that Tenant has reviewed, understands, and agrees to use the Premises in full compliance with the requirements of the Declaration at all times.

B. This Lease is also subject and subordinate to (a) the Arizona State University Research Park Ground Lease dated October 8, 1984 between the Arizona Board of Regents ("Regents") and Price-Elliott Research Park, Inc. ("Price-Elliott") the "Ground Lease"), and (b) the Subground Lease between Price-Elliott Research Park, Inc. and Landlord of substantially even date herewith (the "Subground

Lease"). Regents, Price-Elliott and Landlord also have entered into (or shall enter into) a Recognition, Nondisturbance and Attornment Agreement (the "RNA Agreement") for the benefit of Landlord.

C. Landlord represents, warrants and covenants that:

(i) Landlord had (or shall have upon execution and delivery) full power, right and authority to execute and deliver the Subground Lease and the RNA Agreement.

(ii) Landlord shall maintain the Subground Lease in full force and effect and in good and current standing at all times during this Term and any extensions of the Term.

(iii) Landlord shall perform and observe, ii-i timely fashion, all covenants, conditions, obligations and agreements of Landlord tinder the Subground Lease and the RNA Agreement, except to the extent that Tenant is required under this Lease to perform such obligations.

(iv) Landlord shall not waive, execute any agreement that would be interpreted as waiving, or in any manner release or discharge any covenants, conditions, obligations or agreements under or related to (1) the Subground Lease to be performed or observed by Price-Elliott or (2) the RNA Agreement to be performed or observed by Regents, or condone any nonperformance of either such agreement.

D. Landlord shall not agree (i) to any amendment to Sections 7 or 38 of the Subground Lease or to any amendment to Section 6 of the Subground Lease which could reasonably have the effect of increasing Operating Costs, (ii) to any other modification to the Subground Lease which would have the effect of overriding Sections 6, 7 or 38 of the Subground Lease, or (iii) to any modification to the Subground Lease which would vest title to the improvements

constructed on the Land to any person other than the Regents.

E. Landlord hereby assigns to Tenant (i) the representation and warranties made to Landlord by Price-Elliott pursuant to Sections 6(e) and 6(h) of the Subground Lease and (ii) Landlord's rights under Section 6(f) and 6(g) of the Subground Lease.

F. Landlord shall faithfully observe and perform all of its obligations (as tenant) under the Subground Lease. Any default by Landlord of any of its obligations (as tenant) under the Subground Lease shall be a default by Landlord under this Lease. Landlord hereby grants Tenant the right to cure any of Landlord's defaults (as tenant) under the Subground Lease. Tenant may effect such cure without waiting for the expiration of any period under the Subground Lease which Landlord has for effecting such cure. Any monies spent by Tenant in effecting such cure may be deemed by Tenant to be advance payments of rent.

G. Landlord shall furnish to Tenant a complete copy of the Subground Lease and all exhibits thereto promptly after it is executed and delivered by Landlord and Price-Elliott.

IN WITNESS WHEREOF, the parties hereto have executed these presents, in duplicate, the day and year first above-written.

LANDLORD	TENANT
RYAN COMPANIES U.S., INC., a Minnesota corporation	MOTOROLA, INC., a Delaware corporation
By: /s/ John Strittmatter ----------	By: /s/ James Heironimus ----------
Print Name: John Strittmatter Its: Vice President	Name: James Heironimus Its: Vice President and Director Sector Services

EXHIBIT 10.57

FIRST AMENDMENT TO LEASE AGREEMENT

FOR THE MOTOROLA BUILDING

FIRST AMENDMENT TO LEASE

This First Amendment to Lease, dated as of November 17, 1999 (First Amendment), between Ryan Companies US, Inc. (Landlord) and Motorola, Inc. (Tenant).

WITNESSETH, that:

WHEREAS, Landlord and Tenant have entered into a Lease dated November 17, 1997 (Lease) for approximately 133,754 square feet of area, whereby Landlord has leased to Tenant certain Premises located in the City of Tempe, State of Arizona, consisting of the Premises, as such Premises are defined in the Lease; and

NOW, THEREFORE, Landlord and Tenant desire and intend hereby to amend Lease as specifically hereinafter set forth and provided:

1. The Premises contains 133,225 square feet.
2. The Lease Term commenced on August 17, 1998.
3. The Lease Term shall expire on August 31, 2005.
4. The Annual Base Rent shall be:
   the period from August 17, 1998 through August 31, 2002 the sum of One Million Eight Hundred Forty Three Thousand Eight Hundred Thirty Four and 00/100 Dollars ($1,843,834.75), payable in equal monthly installments of One Hundred Fifty Three Thousand Six Hundred Fifty two and 83/100 Dollars ($153,652.83);
   the period from September 1, 2002 through August 31, 2005, the sum of Two Million Fifty Four Thousand Three Hundred Twenty Nine and 50/100 Dollars ($2,054,329.50) payable in equal monthly installments of One Hundred Seventy One Thousand One Hundred Ninety Four and 13/100 Dollars ($171,194.13).

EXCEPT as expressly amended or supplemented herein, the Lease shall remain and continue in full force and effect in all respects.

IN WITNESS WHEREOF, the Lease Amendment is hereby executed and delivered effective as of the date and year first above written.

LANDLORD: RYAN COMPANIES US, INC.

by: John Strittmatter

Its: VP

TENANT: MOTOROLA, INC.

by: Rick Kriva

Its: Rick Kriva, Director

CE REAL ESTATE & DEVELOPMENT

EXHIBIT 10.58

GROUND LEASE AGREEMENT

FOR THE MOTOROLA BUILDING

ASU RESEARCH PARK

LEASE

BETWEEN

PRICE-ELLIOT RESEARCH PARK, INC. ("LANDLORD")

AND

RYAN COMPANIES US, INC. ("TENANT")

ASU RESEARCH PARK
LEASE

FUNDAMENTAL LEASE PROVISIONS

DATE:	November 19, 1997
LANDLORD:	PRICE-ELLIOTT RESEARCH PARK, INC., an Arizona nonprofit corporation
TENANT:	RYAN COMPANIES US, INC.
DEMISED PREMISES:	Lots 35, 36, and 37, containing approximately 12.44 net acres (19.115 gross acres), 541,878.4 net square feet (832,673.7 gross square feet). See Exhibits A and A-1.
LEASE TERM:	From the date hereof through December 31, 2082, subject to Tenant's right to terminate the Term, as provided in Section 2.
RENT COMMENCEMENT DATE:	See Section 3.
ANNUAL RENT:	See Section 3.

MUNICIPAL SERVICE FEE:	$0.08337 per square foot of Floor Area constructed on the Demised Premises per year, payable in twelve equal monthly installments, subject to adjustments as provided in Section 6(d).
COMMON AREA EXPENSES:	Allocable Share payable monthly beginning on the Rent Commencement Date.
INFRASTRUCTURE ASSESSMENT:	Approximately $325,127.04 based upon $.60 per net square foot of land area.

SECURITY DEPOSIT:	None Required.
PERMITTED USES:	Those uses permitted under the Restrictions attached hereto as Exhibit F. Unlimited manufacturing is prohibited (A.R.S. (S)15-1636).
RESTRICTIONS:	Attached hereto as Exhibit F.
ADDRESS OF LANDLORD:	8750 South Science Drive Tempe, Arizona 85284
ADDRESS OF TENANT:	3200 E. Camelback Road Suite 129 Phoenix, Arizona 85018 Attn: John L. Strittmatter

The foregoing Fundamental Lease Provisions are an integral part of this Lease, and each reference in the body of the Lease to any Fundamental Lease Provisions shall be construed to incorporate all of the terms set forth above with respect to such Provisions.

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ASU RESEARCH PARK
LEASE

1. DEMISED PREMISES

Subject to the covenants and conditions herein contained, Landlord hereby leases to Tenant, and Tenant leases from Landlord (this "Lease"), the land situated in the City of Tempe, Maricopa County, Arizona, legally described on Exhibit A attached hereto and graphically depicted on Exhibit A-1 attached hereto (the "Land"). Said Land and all buildings and other improvements to be constructed by or for Tenant thereon (the "Improvements") are hereinafter referred to collectively as the "Demised Premises." The Demised Premises is a part of an integrated research park development located within the City of Tempe, Arizona ("Research Park") which is graphically depicted on the Site Plan attached hereto as Exhibit B. It is acknowledged that Landlord has an interest in the Research Park as a ground lessee under that certain Ground Lease dated October 8, 1984, and all amendments thereto ("Ground Lease"), wherein the Arizona Board of Regents, acting for and on behalf of Arizona State University, appears as Lessor ("Ground Lessor"). This Lease is a sublease under the Ground Lease.

2. TERM

(a) The term of this Lease ("Term") shall commence as of the date hereof and shall expire on December 31, 2082, unless the Term shall be sooner terminated as hereinafter provided.

(b) The term "year" as used in this Lease shall mean each period of twelve (12) consecutive months commencing on each January 1 and ending at

midnight on the next succeeding December 31, except that any partial year at the beginning of the Term shall constitute the first year of the Lease, in which event the first year of the Term will be shorter than twelve months.

(c) Tenant shall have the right to terminate this Lease prior to expiration of the 30th year and prior to expiration of each subsequent 10-year period. In order to exercise the termination right, Tenant must provide Landlord with written notice of Tenant's termination election not more than 360 nor less than 180 days prior to the expiration of the 30th year. If this termination right is not exercised prior to the 30th year, the termination right shall then correspond to the expiration of each successive 10th year (i.e., the 40th, 50th, 60th, 70th and 80th years) subject to being exercised in the manner herein described.

3. RENT

(a) Upon the Rent Commencement Date (as defined below), Tenant agrees to pay Annual Rent to Landlord, without demand, in twelve (12) equal monthly installments in advance on the first day of each month, as follows:

Lease Years	Per Net Sq. Foot	Annual	Monthly
1-15	$0.45	[$243,825.28]	[$20,320.44]
16-25	$0.66	[$357,639.74]	[$29,803.31]
26-35	$0.86	[$466,015.42]	[$38,834.62]
36-85	See (b) below		

(b) During the 35th year and again during the 65th year, Landlord shall have the option, in each such case, to cause the fair market value of the Land (as an improved parcel of land but subject to the Restrictions) to be determined by appraisal as set forth below. In each such case, the Annual Rent applicable to the Demised Premises for the ensuing ten-year period shall be equal to 10% of the fair market value of the Land. Annual Rent so determined shall be in effect for the years 36-45. Annual Rent shall then be adjusted every ten years so that Annual Rent for the years 46-55 and 56-65 shall reflect cumulative non-compounded increases of three percent (3%) per year over the Annual Rent in effect for the previous ten-year period. Likewise, Annual Rent shall be established by appraisal as set forth herein during the 65th year for the years 66-75. Annual Rent shall then be adjusted after ten years so that Annual Rent for the years 76-85 shall reflect non-compounded cumulative increases of three percent (3%) per year over the Annual Rent in effect for the previous ten-year period.

In order to invoke the appraisal procedure, Landlord shall provide to Tenant at least 270 days but not more than 360 days prior to expiration of the 35th year (or 65th year as the case may be) an appraisal of the Land. Tenant shall have 30 days after receipt of Landlord's appraisal either to accept Landlord's appraisal or to submit to Landlord an appraisal of the Land establishing a different fair market value. Failure to provide Landlord with an appraisal before expiration of the 30-day period shall be deemed Tenant's acceptance of Landlord's appraisal. If Tenant submits its own appraisal, Landlord shall have 30 days within which to notify Tenant that it accepts or rejects Tenant's appraisal. Failure to provide such notice within the 30-day period shall constitute acceptance by Landlord of Tenant's appraisal.

If Landlord rejects Tenant's appraisal, then the appraisers previously selected by Landlord and Tenant shall select a third appraiser, except that if the valuations of the two appraisals are less than 10% apart, the valuations shall be averaged and the resulting amount shall be the fair market value. If

the appraisers are unable to agree on a third appraiser within ten (10) days, either party, by giving ten (10) days notice to the other party may apply to the American Arbitration Association for the purpose of selecting a third appraiser.

Within 30 days after the selection of the third appraiser, the third appraiser shall submit to Landlord and Tenant an appraisal of the Land. A valuation agreed upon by two of the three appraisers shall be binding upon Landlord and Tenant If none of the appraisers agree, the values determined by the two appraisers whose valuations are closer (in absolute dollar terms, not percentage terms) shall be averaged and the resulting amount shall be the fair market

value. If one valuation is equally close (in absolute dollar terms, not percentage terms) to the other two, the middle valuation shall be the fair market value.

Landlord and Tenant each shall bear the cost of its own appraiser and shall bear one-half of the cost of the third appraiser. All appraisers shall be members of the American Institute of Real Estate Appraisers (M.A.I.) or, if such Institute shall not then exist, members of its successor or a substantially equivalent organization.

(c) All sums to be paid by Tenant to Landlord pursuant to this Lease shall be paid in lawful money of the United States to Landlord at its address, or at such other place as Landlord may from time to time designate in writing.

(d) The "Rent Commencement Date" shall be the earlier to occur of (i) the first anniversary of the date of this Lease as set forth in the Fundamental Lease Provisions or (ii) the date Tenant obtains a certificate of occupancy for the Improvements.

(e) All payments of Annual Rent and "Additional Charges" (as defined in Section 4) shall be considered delinquent if not received by Landlord on or before the 10th day after the date any such payment originally became due. Tenant shall pay to Landlord a late charge equal to five percent (5%) of any amount of delinquent Annual Rent or Additional Charges. In addition, interest shall accrue on any amount of delinquent Annual Rent or Additional Charges at an annual rate equal to two (2) percentage points (2%) in excess of the annual interest rate published from time to time in the Wall Street Journal under the masthead "Money Rates" as the Prime Rate in effect as of the payment due date (or, if such Prime Rate ceases to be published, a reasonably equivalent index selected by Landlord) such interest to be adjusted quarterly and to accrue from the date such amount was originally due until the date such amount is actually paid.

4. ADDITIONAL CHARGES

All taxes, assessments, insurance premiums, charges, costs and expenses which Tenant assumes or agrees to pay hereunder, together with all interest and penalties that may accrue thereon in the event of Tenant's failure to pay the same as herein provided, and all other damages, costs and expenses which Landlord may suffer or incur, and any and all other sums which may become due, by reason of any default of Tenant or failure on Tenant's part to comply with the agreements, terms, covenants and conditions of this Lease on Tenant's part to be performed shall be referred to herein as "Additional Charges," and, in the event of their nonpayment, Landlord shall have with respect thereto all rights and remedies herein provided the same as though Tenant failed to pay Annual Rent.

5. NO COUNTERCLAIM OR ABATEMENT OF ADDITIONAL CHARGES

Except to the extent expressly provided otherwise in this Lease, the Annual Rent, and all Additional Charges payable by Tenant hereunder shall be

paid without notice, demand,

counterclaim, setoff, recoupment, deduction or defense of any kind or nature and without abatement, suspension, deferment, diminution or reduction, and, except to the extent expressly provided otherwise in this Lease, the obligations and liabilities of Tenant hereunder shall in no way be released, discharged or otherwise affected by reason of (i) any damage to or destruction of any buildings or improvements on the Demised Premises; (ii) any taking of the Demised Premises or any part thereof, or (iii) any restriction or prevention of or interference with any use of the Demised Premises or any part thereof not the result of a breach of this Lease by Landlord.

6. RENTAL TAXES, UTILITIES, REAL ESTATE TAXES AND MANAGEMENT FEE

(a) Any excise, transaction privilege or rental occupancy tax now or hereafter actually imposed by any government or governmental agency upon Landlord on account of, attributed to, or measured by rent or other charges payable by Tenant to Landlord shall be paid by Tenant to Landlord in addition to and along with the Annual Rent and Additional Charges payable hereunder.

(b) Tenant shall not be required to pay, or reimburse Landlord for (i) any local, state or federal capital levy, franchise tax, revenue tax, income tax, or profits tax of Landlord unless and to the extent such levy, tax or impost is in lieu of or a substitute for any other levy, tax or impost now or later in existence upon or with respect to the Demised Premises which, if such other levy, tax or impost were in effect, would be payable by Tenant under the provisions hereof, or (ii) any estate, inheritance, devolution, succession or transfer tax which may be imposed upon or with respect to any transfer (other than taxes in connection with a conveyance by Landlord to Tenant) of Landlord's interest in the Demised Premises.

(c) During the Term, Tenant shall pay prior to delinquency all taxes assessed against and levied upon fixtures, furnishings, equipment and all other personal property of Tenant situated on or within the Demised Premises, and when possible Tenant shall cause said fixtures, furnishings, equipment and other personal property to be assessed and billed separately from the real property demised to Tenant. Tenant shall pay and discharge punctually, as and when the same shall become due and payable without penalty, all business, occupation and occupational license taxes.

(d) The City of Tempe requires that Tenant be assessed and pay a municipal service fee (the "Municipal Service Fee") as hereinafter provided to reimburse the City for the cost of providing municipal services to the Research Park. The annual amount of the Municipal Service Fee payable by Tenant shall be calculated by multiplying the aggregate number of square feet of Floor Area constructed, or to be constructed, on the Demised Premises from time to time by the "Multiplier" (determined as set forth below) in effect from time to time. With regard to new construction of Floor Area, assessment of the Municipal Service Fee shall commence at the beginning of the calendar quarter following issuance of a Building Permit. For the fiscal year beginning July 1, 1996, the Multiplier shall be the amount of $0.08337. Thereafter, the Multiplier shall be adjusted annually as of each July I ("Adjustment Date") to reflect the percentage of change in the Metropolitan Phoenix Consumer Price Index as published

by Arizona State University, College of Business, Center for Business Research ("Index"), for the calendar year ended December 31 immediately preceding said Adjustment Date as compared to the Index for the calendar year ended December 31 one year earlier. Annual percentage changes shall be applied to the Multiplier in effect for the previous year. The Multiplier thus adjusted shall be rounded to the nearest tenth of a cent. So long as the City of Tempe requires the

assessment of the Municipal Service Fee, Tenant shall pay to Landlord on a monthly basis, on or before the first day of each month during the Term, a sum equal to one-twelfth (1/12th) of the then annual Municipal Service Fee due and payable to the City of Tempe calculated as set forth above for the Floor Area constructed, or to be constructed, on the Demised Premises. The term "Floor Area" as used in this Lease shall have the same meaning as provided in the City of Tempe Building Code in effect from time to time. The aggregate number of square feet of Floor Area constructed, or to be constructed, on the Demised Premises shall be the aggregate amount of Floor Area as set forth on building pen-nits issued by the City of Tempe to Tenant.

(e) Landlord represents and warrants to Tenant that, to the extent of Landlord's actual knowledge, the fee estate of Ground Lessor is presently exempt from ad valorem taxes, and the leasehold interest of Landlord as lessee under the Ground Lease is not currently being taxed. In the event of a change in the law such that said ad valorem tax exempt status of Ground Lessor is no longer recognized by taxing authorities, or in the event of a change in the law such that Landlord's leasehold interest shall be taxed, then Tenant shall fully pay and punctually discharge its proportionate share of all Impositions as and when they are due and payable, as provided in Section 6(g) below. "Impositions" shall include but are not limited to any and all ad valorem taxes, assessments (excluding special improvement district assessments) and other governmental taxes, impositions and charges of every kind and nature measured or calculated based on the value of the property involved, extraordinary or ordinary, general or special, unforeseen or foreseen, which at any time during the Term shall become due and payable by either Ground Lessor or Landlord.

(f) In the event any obligation to pay Impositions accrues under Section 6(e) above and if the Demised Premises constitute a separate tax parcel for purposes of assessing and levying such Impositions, Tenant shall have the right to contest the amount or validity of any Impositions by appropriate legal proceedings, diligently pursued, in the name of Landlord if required by any law, rule or regulation, provided that (1) Tenant shall first make all contested payments, under protest if it desires, but if payment under protest is not permitted by the taxing authority, such contested payment need not be made, (ii) neither the Demised Premises, any part thereof, nor any interest therein shall be in any danger of being sold, forfeited, lost or interfered with, (iii) Tenant shall have furnished such security, if any, as may be required in the proceedings or reasonably requested by Landlord, and (iv) all expenses incurred in connection with such proceedings shall be paid by Tenant.

(g) In the event any obligation to pay Impositions accrues under Section 6(e) above and if the Demised Premises are not separately assessed, but are part of a larger tract or parcel for assessment purposes, then Tenant shall pay to Landlord Tenant's proportionate share of such Impositions determined as follows:

(i) With respect to any ad valorem taxes on the land area of the larger land parcel including the Demised Premises, but not with respect to special or extraordinary assessments, Tenant shall pay that portion of such taxes which the total number of square feet of land area within the Demised Premises bears to the number of square feet of land area within such larger land parcel.

(ii) With respect to any special or extraordinary assessments on the larger land parcel including the Demised Premises, Tenant shall pay only that portion of such assessments which would have been levied upon the Demised Premises had the Demised Premises been separately assessed based upon the methods of assessments utilized for such assessments.

Tenant shall pay such sums to Landlord within thirty (30) days of the receipt of a written statement from Landlord indicating the amount of such Impositions as so determined and showing in reasonable detail the manner in which such Impositions were determined. Landlord, upon Tenant's request, shall furnish Tenant, within twenty (20) days thereafter, proof of Landlord's payment of said

Impositions. However, in no event shall Tenant be required to make such payments more than fifteen (15) days in advance of the date such payments would be delinquent if they were to be made directly to the taxing authorities. The right to contest Impositions attributable to the Demised Premises, if not a separate tax parcel, shall initially belong to Landlord but may be exercised by Tenant at its own expense if Landlord fails to contest any Imposition after written request from Tenant to do so.

(h) Landlord represents and warrants to Tenant that: (1) this Lease is issued on lands owned by the Arizona Board of Regents; and (ii) the Demised Premises is part of a "Research Park" as such term is now defined in A.R.S. (S) 35-701. In the event any existing or future property classification or assessment ratio which treats the Demised Premises and the Improvements to be constructed thereon more favorably for property tax purposes than they otherwise might be treated is lost or is no longer applicable due to the occurrence of an event or condition within the reasonable control of Landlord or Ground Lessor, then the Landlord shall be responsible for that portion of the Impositions (as defined in Section 6(e)) thereafter measured by the value of the Land, and Tenant shall be responsible for that portion of the Impositions measured by the value of the Improvements, and title to the Improvements shall automatically revert to Tenant unless Tenant, at its sole option exercisable within one hundred twenty (120) days after Tenant learns of the loss of the favorable property classification or assessment ratio, elects that title to the Improvements shall remain with the Ground Lessor. The parties agree that a change in the law regarding the taxation of interests in land or improvements located within the Research Park shall not be deemed to be an event or condition within the reasonable control of Landlord or Ground Lessor except as otherwise provided in the preceding paragraph.

(i) All entrance and exit areas, open space, landscaped space, easements, lighting, street furniture, water bodies, jogging paths, pedestrian walkways, bicycling paths, equestrian trails, parking areas, and other similar facilities furnished by Landlord in the Research Park (hereinafter referred to collectively as "Common Area") are dedicated public

easements for said purposes and shall at all times be subject to the joint control and management of Landlord and the City of Tempe, and Landlord shall have the right from time to time to establish, modify and enforce reasonable non-discriminatory rules and regulations with respect to the same as long as they do not materially interfere with Tenant's normal conduct of its business on the Demised Premises. Landlord shall have the right to construct, maintain and operate lighting facilities on all said Common Area; to police the same; from time to time to change the area, grade, location and arrangement thereof-, to confine to the Demised Premises all parking by Tenant, its officers, agents, customers and employees; to close temporarily all or any portion thereof, and to do and perform such other acts in and to said area as in Landlord's judgment is reasonably advisable as long as such does not unreasonably affect Tenant's use and enjoyment of the Demised Premises. Landlord is contractually bound to the City of Tempe to operate and maintain the Common Area and will do so in such a manner as the common areas in similar first-class business and industrial parks located in the southwestern United States are operated and maintained.

(j) Subject to the standards as provided in Section 6(i) above, the term "Common Area Expenses" as used herein shall mean all sums expended by Landlord and Ground Lessor in connection with the operation, maintenance, repair or replacement of the Common Area, including premiums paid for adequate public liability and property damage insurance (which insurance Landlord is hereby required to maintain throughout the Term); provided, however, that Common Area Expenses shall not include Landlord's overhead, administrative and general office expenses except as may be incurred relative to persons directly employed to perform Common Area operation, maintenance, repair or replacement services, expense for any work which Landlord performs for any other tenant of the Research Park, expenses for repairs or other work to correct original construction defects or occasioned by condemnation or by fire, windstorm, or other insurable casualty, expenses incurred in leasing or procuring new tenants

for the Research Park, legal expenses incurred in enforcing the terms of any lease pertaining to the Research Park, interest or amortization payments on any mortgage or deed of trust pertaining to the Research Park, gross or net income taxes imposed on Landlord or on any rental revenue received by Landlord, expenses directly payable by any tenant of the Research Park, any costs, fines and the like due to Landlord's violation of any governmental rule or regulation; or the cost of any items for which Landlord is reimbursed by third parties, but only to the extent of such reimbursement. Any Common Area Expenses that are required to be capitalized, in accordance with generally accepted accounting principles, shall be amortized and charged in accordance with generally accepted accounting practices. Only the annual amortized amounts of any such expenses shall be included in Common Area Expenses. The cost of any capital improvements not in repair or replacement of existing improvements shall not be included in Common Area Expenses. Landlord may cause any or all of said operation and management responsibilities to be performed by an independent contractor or contractors. Tenant shall pay to Landlord Tenant's pro rata share of such Common Area Expenses in the following manner:

(1) Commencing on the Rent Commencement Date, and thereafter on the first day of each calendar month of the Term, Tenant shall pay to Landlord an amount estimated by Landlord to be Tenant's share of Common Area

Expenses. Landlord may adjust the monthly Common Area charge of Tenant at the end of any calendar quarter on the basis of Landlord's experience and reasonably anticipated costs.

(2) Prior to the expiration of each year, Landlord shall deliver to Tenant a statement covering the fiscal year of Landlord just expired, certified as correct by an authorized but independent representative of Landlord, showing the Common Area Expenses for such fiscal year, the amount of Tenant's pro rata share of such expenses for such fiscal year and the payments made by Tenant with respect to such fiscal year as set forth in subparagraph (1) immediately above. If Tenant's pro rata share of such Common Area Expenses exceeds Tenant's payments so made, Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of such statement. If said payments exceed Tenant's pro rata share of such Common Area Expenses, Landlord shall refund the excess to Tenant within thirty (30) days following delivery of the aforesaid statement. If Landlord falls to furnish Tenant the required statement as provided herein, Landlord shall be deemed to have waived any right to payment from Tenant for any Common Area Expenses for the preceding fiscal year in excess of that previously paid by Tenant for such fiscal year.

(3) Tenant's pro rata share of the Common Area Expenses shall be that portion of all such expenses which the number of square feet of land area within the Demised Premises bears to the total number of square feet of leaseable land area within the Research Park (presently 9,010,380 square feet) which is from time to time under lease; provided, however, the latter number shall never be less than 90% (presently 8,109,342 square feet) of the total number of square feet of leaseable land area within the Research Park. There shall be an appropriate adjustment of Tenant's share of the Common Area Expenses as of the expiration of the Term of this Lease.

(k) Landlord shall save, hold harmless and indemnify Tenant from and against all liabilities, obligations, claims, suits, damages, penalties, causes of action, costs and expenses (including without limitation, reasonable attorneys' fees and expenses) imposed or asserted against Tenant by reason of any accident, injury to or death of persons, or loss or damage to property occurring on the Common Areas to the extent the same is a result of the negligence of Landlord or its agents, servants, contractors or employees.

(l) Tenant shall pay and discharge punctually all charges for utility services used by it.

7. USE OF DEMISED PREMISES

Landlord hereby consents to and Tenant may only use the Demised Premises for those uses described in the Fundamental Lease Provisions ("Permitted Uses"). Tenant represents, warrants and covenants to Landlord that the Demised Premises shall be used only for Permitted Uses.

8. CONSTRUCTION BY TENANT

(a) Tenant shall construct a building on the Demised Premises, consisting of approximately _____ Square feet of Floor Area. Such construction, which is subject to Tenant's compliance with the Restrictions, shall commence within one (1) year from final Plan approval as set forth in said Restrictions. Submittals toward Plan approval shall promptly commence.

(b) Plan submittals as well as construction in connection with any Improvements, once commenced, and all required reviews by Landlord, shall be diligently pursued to substantial completion. Attached hereto, as Exhibit C is a listing of documents constituting Tenant's "Preliminary Plan Package." All further plan or driveway submittals required by the Restrictions will be approved by Landlord so long as they are substantially consistent with the Preliminary Plan Package. Tenant, at its expense and subject to compliance with the Restrictions and all applicable building regulations, may from time to time remodel or demolish any Improvements, or construct other Improvements on the Demised Premises and remodel or demolish such other Improvements. Tenant may construct, remodel, or demolish the interior of the Improvements as it may desire from time to time and nothing in the Restrictions shall be construed to require any approval of Landlord with respect thereto.

9. INFRASTRUCTURE ASSESSMENT

Tenant shall pay to Landlord upon execution of this Lease an infrastructure assessment of $325,127.04 as Tenant's share of Landlord's cost of constructing and installing on and off-site infrastructure facilities which serve or will serve the Demised Premises in common with other premises.

10. MAINTENANCE AND REPAIRS

Tenant shall at all times during the Term keep and maintain in good order and repair the Land as well as the exterior of all Improvements, howsoever the necessity or desirability of maintenance or repairs may occur. Tenant waives any right created by any law now or hereafter in force to maintain or make repairs to any portion of the Demised Premises at Landlord's expense, it being understood that neither Ground Lessor nor Landlord shall in any event be required to maintain or make any alterations, rebuildings, restorations, replacements, changes, additions, improvements or repairs to the Demised Premises. Nothing in the Lease shall be construed to require the Tenant to maintain the interior of the Improvements beyond the extent necessary to comply with applicable laws.

11. REGULATORY REQUIREMENTS

(a) Tenant shall promptly observe and comply with all present and future laws, ordinances, requirements, orders, directions, rules and regulations of all governmental authorities having or claiming jurisdiction over the Demised Premises or any part thereof and of all insurance companies writing policies covering the Demised Premises or any

part thereof. Without limiting the generality of the foregoing, Tenant shall also procure each and every permit, license, certificate or other authorization required in connection with the lawful and proper use of the Demised Premises or required in connection with any building or improvement now or hereafter erected thereon.

(b) Tenant covenants and agrees to pay all costs and expenses associated with enforcement, removal, remedial or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Hazardous Materials Laws, and all audits, tests, investigations, cleanup, reports and other such items incurred in connection with any efforts to complete, satisfy or resolve any matters, issues or concerns, whether governmental or otherwise, arising out of or in any way related to the use, generation, release, management, treatment, manufacture, storage or disposal of, on, under or about, or transport to or from (any of the foregoing hereinafter a "Use") the Demised Premises of any Hazardous Materials in any amount by Tenant, its employees, agents, invitees, subtenants, licensees, assignees or contractors. For purposes of this Lease (1) the term "Hazardous Materials" shall include but not be limited to asbestos, urea formaldehyde, polychlorinated biphenyls, oil, petroleum products, pesticides, radioactive materials, hazardous wastes, toxic substances and any other related or dangerous, toxic or hazardous chemical, material or substance defined as hazardous or regulated or as a pollutant or contaminant in, or the Use of or exposure to which is prohibited, limited, governed or regulated by, any Hazardous Materials Laws; and (2) the term "Hazardous Materials Laws" shall mean any federal, state, county, municipal, local or other statute, law, ordinance or regulation now or hereafter enacted which may relate to or deal with the protection of human health or the environment, including but not limited to the Comprehensive Environment Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq.; the Federal Water Pollution Control Act, 33 U.S.C. Section 1251, et seq.; the Toxic Substances Control Act of 1976, 15 U.S.C. Section 2601, et seq.; Ariz. Rev. Stat. Ann., Title 49 (the "Arizona Environmental Quality Act of 1986"); and any rules, regulations or guidelines adopted or promulgated pursuant to any of the foregoing as they may be amended or replaced from time to time.

(c) Upon reasonable advance notice to Tenant, Landlord shall have the right, from time to time during Tenant's regular business hours, to enter upon and, as accompanied by a representative of Tenant, inspect the Demised Premises for purposes of satisfying itself as to whether Tenant is in compliance with the requirements of Section I1.1 (a) above.

(d) Tenant acknowledges that Landlord has provided to Tenant an environmental assessment report on the Research Park (excluding Lots 3, 4, 8, 9, 10, 11, 12, 19, 32, 39, 42 and 44) prepared by Foree & Vann, Inc., dated October 13, 1993 ("Report"). Except as otherwise disclosed in said Report, Landlord, to the extent of its current actual knowledge, knows of no Hazardous Materials contamination of the Research Park or the Demised Premises.

(e) Landlord covenants and agrees to pay all costs and expenses associated with enforcement, removal, remedial or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Hazardous Materials Laws, and all audits, tests, investigations, cleanup, reports and other such items incurred in connection with any efforts to complete, satisfy or resolve any matters, issues or concerns, whether governmental or otherwise, arising out of or in any way related to the Use of Hazardous Materials in any amount by Landlord, its employees, agents, invitees, predecessors in interest, licensees, assignees or contractors.

(f) Landlord covenants and agrees diligently to enforce against other tenants of the Research Park those provisions of applicable tenant leases which pertain to Hazardous Materials and Hazardous Materials Laws.

12. INDEMNIFICATION

(a) Except to the extent caused by the gross negligence of Ground Lessor or Landlord, or their agents, contractors, servants or employees, Tenant shall save, hold harmless and indemnify Ground Lessor, Landlord and their agents, employees and contractors performing management functions for the Research Park from and against all liabilities, obligations, claims, causes of action, suits, damages, penalties, assessments, taxes, fees, costs and expenses (including without limitation, reasonable attorneys' fees and expenses) imposed upon or asserted against Ground Lessor or Landlord by reason of (i) any use, nonuse or condition of the Demised Premises or any part thereof, (ii) any accident, injury to or death of persons (including workmen) or loss of or damage to property occurring on the Demised Premises or any part thereof, (iii) any failure on the part of Tenant to perform or comply with any of the terms of this Lease, (iv) performance of any labor or services or the furnishing of any materials or other property in respect of the Demised Premises or any part thereof by, on behalf of or at the request of Tenant, (v) any accident, injury to or death of persons (including workmen) or loss of or damage to property arising from or in any way related to construction of the Improvements, (vi) any failure on the part of Tenant to comply with any of the matters set forth in Section 7 and Section I1; and (vii) any violation or breach by Tenant of the Restrictions or the Declaration of Height Limitations referred to in Section 48 below.

(b) Landlord shall save, hold harmless and indemnify Tenant and its agents, employees and contractors from and against all liabilities, obligations, claims, suits, damages, penalties, costs and expenses (including without limitation, reasonable attorneys' fees and expenses) imposed upon or asserted against Tenant by reason of (i) the gross negligence of Landlord or its agents, contractors, servants or employees, or (ii) any failure on the part of Landlord to perform or comply with any of the terms of this Lease including any failure on the part of Landlord to comply with any of the matters set forth in Section 11.

(c) In the event any indemnified party should be made a defendant in any action, suit or proceeding brought by reason of any act or omission of the indemnifying party, the indemnifying party shall at its own expense resist and defend such action, suit or

proceeding by counsel reasonably approved by the indemnified party. If any such action, suit or proceeding should result in a final judgment against the indemnified party, the indemnifying party shall promptly satisfy and discharge such judgment or shall cause such judgment to be promptly satisfied and discharged. The obligations of the indemnifying party under this Section arising by reason of any such occurrence-taking place while this Lease is in effect shall survive any termination of this Lease.

13. INSURANCE

(a) Without limiting Tenant's indemnify obligations set forth in this Lease (but subject to the waiver of subrogation provided in Section 13(c) below), Tenant shall, at its sole cost and expense, procure and maintain throughout the Term commercial general liability insurance in the amount of $10,000,000 combined single limit (CSL).

(b) All policies of insurance required under Section 13 (a) above will name the Ground Lessor and Landlord and its managing agent(s) as additional insureds, and certificates thereof will be delivered to Landlord

within ten (10) days after delivery of possession of the Demised Premises to Tenant and within 30 days prior to the expiration of the term of each policy. All policies of insurance required hereunder must contain a provision that the insurance carrier will notify in writing the insured and Landlord thirty (30) days in advance of any cancellation or lapse or the effective date of a reduction in the amount of insurance. All policies of insurance required hereunder shall be written as primary policies. The Tenant further covenants and agrees to increase liability insurance in additional amounts as Landlord may reasonably require. All policies of insurance required hereunder shall be issued by responsible insurance companies qualified to do business in the State of Arizona with a Best's Rating Guide rating of at least A-Class VIII.

(c) In the event any liability indemnified against under Section 12 or elsewhere in this Lease is also insured against under Section 13 or otherwise, the indemnification obligation shall only extend to the portion of the liability exceeding the amount of insurance proceeds, if any, received by the party being indemnified, the parties hereby waiving all rights of subrogation to the extent permitted by any applicable insurance policies.

(d) Tenant may procure, but shall not be required to procure, property damage and/or casualty insurance. In the event Tenant does so, Tenant shall be the sole owner thereof and Landlord shall have no interest or rights therein.

14. LIENS

(a) Tenant shall have no power to do any act or make any contract which may create or be the basis for any lien, mortgage or other encumbrance upon the interest of Landlord in the Demised Premises. Under no circumstances shall the interest of Ground Lessor in and to the Demised Premises be subject to any such lien, mortgage or other encumbrance.

(b) If, because of any act or omission or alleged act or omission of Tenant, any mechanics', materialmen's or other lien, charge or order for the payment of money shall be filed or recorded against Ground Lessor, Landlord or the Demised Premises (whether or not such lien, charge or order is valid or enforceable as such), Tenant shall, at its own expense, cause the same to be released and discharged of record within thirty (30) days after Tenant shall have received notice of the filing or recording thereof, or Tenant may, within said period, record a surety bond pursuant to Section 33-1004, Arizona Revised Statutes, in the case of a mechanics' or materialmen's lien, or furnish to Landlord a bond satisfactory to Landlord against any other lien, charge or order, in which case Tenant shall have the right in good faith to contest the validity or amount thereof

15. DAMAGE OR DESTRUCTION

In the event any portion of the Demised Premises is damaged by fire or any other peril, Tenant, at its election, either (a) shall promptly commence and proceed diligently with the work of restoring the same, or (b) shall raze all damaged Improvements and return the Demised Premises to their condition preceding execution of this Lease. If Tenant elects to do the latter, Tenant may terminate this Lease upon completion by Tenant of such work.

16. EMINENT DOMAIN

(a) If the whole of the Demised Premises shall be taken or condemned under the right of eminent domain or if such a substantial part of the Demised Premises shall be taken as shall result in the portion remaining being unsuitable for the use being made thereof at the time of such taking, then this Lease shall terminate as of the date upon which title shall vest in such condemning authority. The net awards or payments on account of any taking shall

be apportioned as follows:

(i) Ground Lessor shall receive that portion of the award attributable to the value of the Land.

(ii) Tenant shall receive that portion of the award attributable to the value of the Improvements.

(b) If only a part of the Demised Premises shall be so taken or condemned and the part not so taken can, in Tenant's reasonable judgment, be adapted for the use then being made thereof, this Lease shall remain in full force and effect without any abatement or reduction in rent except as provided in Section 16(c), and Tenant, whether or not its portion of the awards or payments, if any, on account of such taking shall be sufficient for the purpose, at its own expense shall promptly commence and complete the restoration of the Improvements on the Demised Premises as nearly as possible to their value, condition and character immediately prior to such taking or condemnation. Tenant shall have no entitlement to any rent reduction for any taking or condemnation of Land which does not result in a reduction in the net square footage of the Demised Premises.

(c) In the event that a taking or condemnation results in a reduction of the net square footage of the Land, the Annual Rent and Additional Charges payable by Tenant hereunder shall be reduced, effective as of the date of Tenant's loss of use thereof, by a fraction the numerator of which shall be the total reduction in the net square footage of the Land and the denominator of which shall be the total net square footage of the Land as originally set forth in the Fundamental Lease Provisions.

(d) If the award or payments on account of any taking shall not be divided or apportioned by the court or the condemning authority into the portions set forth in Section 16(a), and if Landlord and Tenant shall be unable to agree on such apportionment, then such apportionment shall be determined by appraisers. Landlord and Tenant shall each appoint an appraiser, and the two appraisers so appointed shall promptly appoint a third appraiser. Within thirty (30) days after the appointment of the third appraiser, the two appraisers appointed by Landlord and Tenant shall each determine and report to the third appraiser the appropriate apportionment. Within ten (10) days thereafter, the third appraiser shall determine which of the two apportionments determined by the appraisers appointed by Landlord and Tenant is the more appropriate apportionment and the apportionment chosen by the third appraiser shall be binding upon the parties. All appraisers shall be members of the American Institute of Real Estate Appraisers (M.A.I.) or, if such Institute shall not then exist, members of its successor organization or an organization of substantially equivalent stature. The fees of the appraisers shall be borne equally by Landlord and Tenant.

17. DEFAULTS AND REMEDIES

(a) The occurrence of any one or more of the following events shall constitute a "Default" hereunder by Tenant:

(1) The failure by Tenant to make any payment of Annual Rent or any Additional Charges required to be paid by Tenant hereunder on the date such payment was due (and expiration if any applicable grace period), where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant.

(2) The failure by Tenant or any sublessee of Tenant to observe or perform the covenant set forth in Section 7 where such failure shall continue for a period of sixty (60) days after written notice thereof from Landlord to Tenant.

(3) The failure by Tenant to observe or perform any

express or implied covenant or provision of this Lease to be observed or performed by Tenant, other than as specified in (1) and (3) above, where such failure shall continue for a period of sixty (60) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that it is capable of being cured but more than sixty (60) days are reasonably required for its cure, then Tenant shall not be deemed to be in Default if Tenant shall commence such cure within said sixty (60) day period and thereafter diligently prosecute such cure to completion.

(b) In the event of a Default by Tenant, in addition to any other remedies available to Landlord at law or in equity, Landlord may, without notice or demand of any kind to Tenant, have any one or more of the following described remedies:

(1) Landlord shall have the right, at its election, to reenter the Demised Premises, or any part thereof, either with or without process of law, and to expel, remove and put out Tenant and persons occupying the Demised Premises under Tenant, using such force as may be necessary in so doing, to take full possession of and control over the Demised Premises and to have, hold and enjoy the same and to receive all rental income of and from the same. No reentry by Landlord shall be deemed an acceptance of a surrender of this Lease, nor shall it absolve or discharge Tenant from any liability under this Lease. No reentry by Landlord shall be deemed to effect a termination of this Lease unless so stated by Landlord in a written notice delivered to Tenant.

(2) Landlord shall have the right, at its election, with or without reentry as provided in subparagraph (1) immediately above, to give written notice to Tenant stating that this Lease and the Term hereby demised shall terminate on the date specified by such notice, and upon the date specified in such notice this Lease and the Term hereby demised and all rights of Tenant hereunder shall terminate. Upon such termination, Tenant shall quit and peacefully surrender to Landlord the Demised Premises and the Improvements then situated hereon.

(3) At any time and from time to time after such reentry, Landlord may rent the Demised Premises, or any part thereof, in the name of Landlord or otherwise, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term of this Lease), and on such conditions (which may include concessions or free rental) as Landlord, in its reasonable discretion, may determine and may collect and receive the rental therefor. However, in no event shall Landlord be under any obligation to relet the Demised Premises or any part thereof, and Landlord shall in no way be responsible or liable for any failure to relet or for any failure to collect any rental due upon any such reletting. Even though it may relet the Demised Premises, Landlord shall have the right thereafter to terminate this Lease and all of the rights of Tenant in or to the Demised Premises.

(4) Unless Landlord shall have notified Tenant in writing that it has elected to terminate this Lease, no such reentry or action in lawful detainer or otherwise to obtain possession of the Demised Premises shall relieve Tenant of its liability and obligations under this Lease; and all such liability and obligations shall survive any such reentry. In the event of any such reentry, whether or not the Demised Premises, or any part thereof, shall have been relet, Tenant shall pay to Landlord the entire rental and all other charges required to be paid by Tenant up to the time of such reentry of this Lease, and thereafter Tenant, until the end of what would have been the Term of this Lease in the absence of such reentry, shall be liable to Landlord, and shall pay to Landlord, as and for liquidated and agreed damages for Tenant's Default:

(i) The amount of Annual Rental and Additional Charges which would be payable under this Lease by Tenant if this Lease were still in effect, less

(ii) The net proceeds of any reletting, after deducting all of Landlord's reasonable expenses in connection with such reletting, including without limitation all reasonable repossession costs, brokerage commissions, legal expenses, attorneys' fees, alteration and repair costs and expenses of preparation for such reletting.

Tenant shall pay such damages to Landlord monthly as and when payments of Annual Rent are due, and Landlord shall be entitled to recover from Tenant monthly as the same shall arise. Tenant shall be liable for such damages on a monthly basis, where or not in any prior year or years the net proceeds described in subparagraph (ii) above shall have exceeded the Annual Rent and Additional Charges described in subparagraph (i) above.

(5) In the event of any breach or threatened breach by Tenant of any of the terms, covenants or agreements contained in this Lease, Landlord shall have, in addition to any specific remedies provided in this Lease, the right to invoke any right or remedy allowed by law or in equity or by statute or otherwise, including the right to enjoin such breach or threatened breach.

(6) Each right and remedy of Landlord provided for in this Lease shall be cumulative and in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise; and the exercise or beginning of the exercise by Landlord of any one or more of such rights or remedies shall not preclude the simultaneous or later exercise by Landlord of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

(c) No waiver or breach of any term of this Lease shall be construed as a waiver of any succeeding breach of the same or any other term.

18. ASSIGNMENT AND SUBLETTING

(a) Tenant shall not, either voluntarily or by operation of law, sell, hypothecate or transfer this Lease, or sublet the Demised Premises or any part thereof, or permit the Demised Premises or any part thereof to be occupied by anyone other than Tenant or Tenant's employees or invitees (all of the foregoing collectively referred to in this Section 18 as an "Transfer"), without providing Landlord at least 30 days advance notice of such Transfer and without the prior written consent of Landlord, such consent not to be unreasonably withheld.

(b) No Transfer, even with the consent of Landlord, shall relieve Tenant of its obligation to pay the Annual Rent and the Additional Charges and to perform all the other obligations to be performed by Tenant hereunder. The acceptance by Landlord of any

payment of Annual Rent or Additional Charges from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any Assignment.

(c) Each Transfer shall be by a written instrument executed by the assignor, successor or transferor, and by which the assignee, sublessee or transferee shall agree in writing for the benefit of Landlord: (i) if a sublessee, to abide by and in its use and occupancy of the Demised Premises to comply with the terms and conditions of this Lease, or (ii) if an assignee of

Tenant's interest, to assume, to be bound by, and to perform the terms, covenants and conditions of this Lease to be done, kept and performed by Tenant. One executed copy of such written instrument shall be delivered to Landlord.

(d) Tenant has informed Landlord that Tenant is negotiating to sublet all or a portion of the Demised Premises to Motorola, Inc. Tenant represents and warrants to Landlord that Motorola, Inc. intends to use the Demised Premises for the following purposes: Regional headquarters for Motorola, Inc.'s semi-conductor components group and related research and development activities. Based upon the foregoing representation, Landlord confirms that the foregoing described use is a "Permitted Use" under this Lease as well as a "Statutory Use" (as that term is defined in Article 38 below). Landlord hereby consents to the sublease to Motorola, Inc. and, subject to the provisions of subparagraph (b) above, to any assignment by Tenant to Motorola, Inc. of Tenant's right, title and interest under the Lease, provided that Tenant provides prior written notice to Landlord of such assignment and provided Tenant and Motorola, Inc. shall comply with subparagraph (c) above.

19. HYPOTHECATION OF LEASEHOLD ESTATE

(a) Tenant is hereby given the right, at any time and from time to time, to mortgage its leasehold estate in the Demised Premises (but in no event the fee or Landlord's leasehold estate), provided that any such leasehold mortgage shall be subject and subordinate to the rights of Landlord hereunder. As used in this Section and throughout this Lease, the noun 4.4 mortgage" shall include a deed of trust, the verb "mortgage" shall include the creation of a deed of trust, the word "mortgagee" shall include the beneficiary under a deed of trust, and the terms "foreclose" or "foreclosure" shall include a trustee's sale under a deed of trust as well as a foreclosure by judicial process.

(b) If a mortgagee shall have given Landlord, before any Default shall have occurred hereunder, a written notice specifying the name and mailing address of the mortgagee, then Landlord shall not terminate this Lease by reason of the occurrence of any Default hereunder unless Landlord shall have given the mortgagee a copy of its notice to Tenant of such Default addressed to the mailing address last furnished by the mortgagee, and such Default shall not have been cured by said mortgagee as provided in Sections 19 (c) or 19 (d) below.

(c) Tenant irrevocably directs that Landlord accept, and Landlord agrees to accept, performance by any such mortgagee of any term, covenant, agreement, provision, condition or limitation on Tenant's part to be performed or observed as though

performed or observed by Tenant, provided such performance by said mortgagee shall occur within the time prescribed therefor in this Lease, plus an additional grace period of thirty (30) days thereafter or, if said Default is curable but not within said thirty (30) day period, then within such additional time as may be necessary to cure the same provided the mortgagee commences the curing thereof within such thirty (30) day period and thereafter prosecutes the curing of such Default to completion with all due diligence; provided, however, with respect to any Default hereunder which cannot be cured by said mortgagee until it obtains possession of the Demised Premises, the provisions of Section 19 (d) shall apply.

(d) In the event of a Default by Tenant under this Lease which cannot be cured by a mortgagee without first obtaining possession of the Demised Premises, then, and notwithstanding any other provision contained in this Lease, Landlord shall not terminate this Lease by reason of such Default if (i) said mortgagee, within the thirty (30) day grace period set forth in Section 19(c) shall have commenced, and thereafter diligently proceeds with, an appropriate proceeding to foreclose such mortgage or otherwise obtains possession of the Demised Premises, and (ii) said mortgagee shall have cured such Default within 30 days following its obtaining possession of the Demised Premises (or, if said Default is curable but not within said thirty [30] day period, then within such

additional time as may be necessary to cure the same provided the mortgagee commences the curing thereof within such thirty [30] day period and thereafter prosecutes the curing of such Default to completion with all due diligence).

(e) During the pendency of any foreclosure proceedings, mortgagee shall fully perform all the obligations of Tenant under this Lease that can be performed by such mortgagee without possession of the Demised Premises (including, but not limited to, payment of all Rent, all Additional Charges, and any and all other monies due and payable by Tenant hereunder); provided, however, that if such mortgagee obtains possession of the Demised Premises during the time that it is enforcing its foreclosure remedy or as a result thereof, then such mortgagee shall perform fully all of Tenant's obligations under this Lease. In the event such mortgagee or any purchaser at a judicial or non-judicial foreclosure sale ("purchaser") acquires title to the leasehold estate through such a foreclosure proceeding, or otherwise, it shall thereupon become subrogated to all the rights of the Tenant under this Lease whereupon:

(i) Tenant shall have no further right hereunder; and

(ii) Such mortgagee or purchaser shall forthwith be obligated to assume and perform each and all of Tenant's obligations and covenants hereunder.

(f) In the event such mortgagee or purchaser acquires title to the leasehold estate of Tenant, then, at any time thereafter when said mortgagee or purchaser is not then in default under this Lease, Landlord shall, upon written request of mortgagee or purchaser deliver a new lease of the Demised Premises to mortgagee or purchaser. The new lease (whether it be granted to the mortgagee or purchaser) shall have a term equal to the remainder of the Term of this Lease and shall be upon the terms and conditions herein contained, except for requirements which are no longer applicable or have already been performed. Mortgagee or

purchaser shall have the right to a new lease as set forth above provided that mortgagee or purchaser shall reimburse Landlord for all of Landlord's expenses, including reasonable attorneys' fees, incident to such efforts.

(g) Upon the written request of any mortgagee or prospective mortgagee, and for the benefit of said mortgagee or its nominee, Landlord will promptly deliver to said mortgagee a certificate setting forth the matters set forth in Section 21.

(h) Notwithstanding anything to the contrary contained in this Section 19, the mortgagee, on or after acquiring ownership of Tenant's leasehold estate, may assign this Lease without the necessity of obtaining Landlord's consent and, upon any such assignment, provided such assignee shall assume and agree to perform and be bound by all of the terms hereof, be released from all liability hereunder except for obligations occurring during its ownership of said leasehold estate.

20. SUBORDINATION

(a) This Lease shall be subject and subordinate at all times to the Ground Lease, and to the lien of any mortgages or deeds of trust in any amount or amounts whatsoever now or hereafter placed on or against the Demised Premises, the Ground Lease, or Landlord's leasehold estate in this Lease without the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination; provided, however, that so long as no Default exists, the terms of this Lease shall not be affected by termination proceedings in respect to the Ground Lease or by foreclosure or other proceedings under such mortgages or deeds of trust, Tenant hereby agreeing, at the written request of the Ground Lessor, or the purchaser in such foreclosure or other proceedings, to attorn to the Ground Lessor, or to such

purchaser, as applicable (provided the Ground Lessor or such purchaser agrees to recognize Tenant's leasehold estate and not disturb Tenant's tenancy so long as Tenant is not in Default under any of the terms, covenants or conditions of this Lease), or, at Ground Lessor's or such purchaser's option, as the case may be, to enter into a new lease for the balance of the term hereof upon the same terms and provisions as are contained in this Lease. Notwithstanding the foregoing, Tenant shall execute and deliver such further instrument or instruments evidencing such subordination of this Lease to the Ground Lease, or the lien of any such mortgage or mortgages or deeds of trust as may be requested by Landlord within twenty (20) days from Tenant's receipt of such request provided such instrument also evidences Tenant's rights of recognition and non-disturbance.

(b) Any transfer by Landlord of its leasehold estate under this Lease shall be subject to the rights and obligations of Tenant hereunder; and Tenant shall attorn to Landlord's transferee. Upon any such transfer and the assumption of liability therefor by Landlord's transferee, and written notice of such transfer to Tenant, Landlord shall be and is hereby entirely freed and released of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act or omission related to the Project or this Lease occurring after the consummation of such transfer.

(c) To evidence the agreements set forth in paragraphs (a) and (b) above, simultaneously with the execution of this Lease, Ground Lessor, Landlord and Tenant shall execute and record a Recognition, Non-Disturbance and Attornment Agreement in the form of Exhibit D attached hereto.

21. ESTOPPEL CERTIFICATE

(a) Upon receipt of a written request from the other, Landlord and Tenant shall each, from time to time, and within twenty (20) days from receipt of such request, execute, acknowledge and deliver a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified, is in full force and effect) and the dates to which the rental and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to its knowledge, any uncured defaults on the part of the other hereunder, or specifying such defaults if any are claimed. Any such statement may be relied upon by a prospective purchaser or encumbrancer of all or any portion of an estate in the Demised Premises.

(b) Failure to deliver such statement within such time shall be conclusive (i) that this lease is in full force and effect, without modification except as may be represented by the party requesting the certificate, (ii) that there are no uncured defaults in performance by the party requesting the certificate, and (iii) that all Annual Rent and Additional Charges have been paid as of the date set forth in such certificate.

22. CONFLICT OF LAWS

The Lease shall be governed by and construed pursuant to the laws of the State of Arizona and it is agreed that the venue of any legal suit or action for enforcement of any obligation contained herein shall be Maricopa County, Arizona. This Lease shall not be construed either for or against Landlord or Tenant, but rather shall be interpreted in accordance with the general terms of the language in an effort to reach an equitable result.

23. STATUS OF TENANT

Tenant covenants that it is a valid and existing corporation under the laws of the State of Minnesota, that it is duly authorized to transact business in the State of Arizona, and that it has full right and authority to enter into

this Lease.

24. SUCCESSORS AND ASSIGNS

Except as otherwise provided in this Lease, all of the covenants, conditions and provision of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

25. ATTORNEYS' FEES

In the event that either Landlord or Tenant bring suit against the other because of the breach of any provision of this Lease, then all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment.

26. PERFORMANCE BY TENANT

All covenants to be performed by Tenant shall be performed at Tenant's sole cost and expense and without any abatement of Annual Rent or Additional Charges. If Tenant shall fail to pay any sum of money, other than Annual Rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, without releasing Tenant from any obligations, but shall not be obligated to, make any such payment or perform any such other act on Tenant's part to be made or performed. All sums so paid by Landlord, and all necessary incidental costs shall bear interest thereon at an annual rate of two (2) percentage points above the annual interest rate published from time to time by The Wall Street Journal under the masthead "Money Rates" as the Prime Rate in effect at the due date (and thereafter adjusted quarterly, but not more than the maximum contractual rate permissible by law), from the date of such payment by Landlord and shall be payable to Landlord on demand. In the event that The Wall Street Journal ceases to publish a Prime Rate, then interest shall be calculated with reference to an equivalent index selected by Landlord.

27. MORTGAGEE PROTECTION

In the event of any default on the part of Landlord, Tenant will give notice by registered or certified mail to any beneficiary of a deed of trust or mortgagee of a mortgage covering Landlord's leasehold estate under this Lease whose address shall have been furnished it, and shall offer such beneficiary or mortgagee a reasonable opportunity to cure the default, including time to obtain possession of the Demised Premises by power of sale or a judicial foreclosure, if such should prove necessary to effect a cure.

28. WAIVER

The waiver by either Landlord or Tenant of any breach of any term herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term herein contained, nor shall any custom or practice which may grow up between the parties in the administration of the terms hereof be deemed a waiver of, or in any way affect, the rights of either Landlord or Tenant to insist upon the performance by the other in strict accordance with said terms. The subsequent acceptance of Annual Rent or any Additional Charges by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term of this Lease, other than the failure of Tenant to pay the Annual

Rent or Additional Charges so accepted,

regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Annual Rent or Additional Charges.

29. EXAMINATION OF LEASE

Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for Lease, and it is not effective as a Lease or otherwise until execution by and delivery to both Landlord and Tenant.

30. TIME

Time is of the essence with respect to the performance of every provision of this Lease in which time or performance is a factor.

31. PRIOR AGREEMENTS, AMENDMENTS

This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest.

32. SEVERABILITY

Any provision of this Lease which shall prove to be invalid, void or illegal in no way affects, impairs or invalidates any other provision hereof, and such other provision shall remain in full force and effect.

33. RECORDING

A Memorandum of Lease in the form attached hereto as Exhibit E shall be executed and recorded promptly after the full execution of this Lease.

34. LIMITATION ON LIABILITY

In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord, Tenant shall not have recourse against any of the assets of Landlord except Landlord's leasehold estate under this Lease and Landlord's leasehold estate under the Ground Lease.

35. NONSUBORDINATED SUBLEASE

This is a nonsubordinated sublease. Neither Ground Lessor nor Landlord is obligated to subordinate its rights in the Demised Premises to any loan or money encumbrance that Tenant shall place against Tenant's subleasehold interest.

36. CONSENT OF LANDLORD AND TENANT

In the event of the failure of Landlord or Tenant to give any consent or approval required herein, if it is either provided herein or held to be that any such consent or approval shall not be unreasonably withheld or delayed, the requesting party shall be entitled to seek specific performance at law and shall have such other remedies as are reserved to it under this Lease, but in no event shall Landlord or Tenant be responsible for damages to anyone for such failure to give consent or approval.

37. DARK PERIOD

In the event the Demised Premises are not occupied with at least 25% of the Floor Area of the Demised Premises being actively used for a period of 730 consecutive days ("Dark Period"), then Landlord after notice to Tenant as provided below and to any trust deed beneficiary or mortgagee as provided in Section 27 above (a "Lender"), shall have the right, but not the obligation, to terminate this Lease and retake possession of the Demised Premises unless within (sixty) 60 days after the giving of Landlord's notice of intent to terminate:

a. The Demised Premises are occupied with at least 25% of the Floor Area of the Demised Premises being actively used, or

b. Tenant provides to Landlord reasonable evidence that Tenant is actively and diligently exercising such rights or remedies available to Tenant to cause a sublessee or sublessees approved by Landlord pursuant to Section 18 above (an "Approved Sublessee") to end the Park Period, or

c. Tenant or any Approved Sublessee provides to Landlord reasonable evidence that the Approved Sublessee is actively and diligently exercising commercially reasonable efforts to assign or sublease its interest in the Demised Premises and such efforts thereafter are diligently continued to end the Dark Period, or

d. Tenant or any Lender provides Landlord with reasonable evidence that the Lender is actively and diligently exercising its rights and remedies under its deed of trust or mortgage to cause Tenant pursuant to Section 18 above to end the Dark Period (the foregoing notice and cure rights provided to a Lender are not in limitation of the rights provided to a Lender under Section 27 above); and

e. At all times Tenant shall continue to maintain or cause the Demised Premises to be maintained in accordance with the standards prescribed in this Lease and in the Restrictions.

Upon such termination, Tenant shall have no further rights or obligations under this Lease.

38. TITLE TO BUILDINGS AND IMPROVEMENTS

It being the intent of the parties that, at all times, Tenant shall have only a leasehold interest in the Demised Premises, including the Improvements, ownership of all Improvements shall automatically be vested in Ground Lessor. Notwithstanding the foregoing, neither Landlord nor Ground Lessor shall be entitled to claim depreciation on the Improvements for income taxation purposes. Landlord and Tenant agree that title to the Improvements shall remain vested in Ground Lessor only for so long as the Demised Premises are used for uses enumerated in A.R.S. (S) 15-1636 ("Statutory Uses") as now existing or as hereafter amended, or any successor provision. In the event Tenant or any sublessee of Tenant engages in a use of the Demised Premises which is not a Statutory Use, then, at Landlord's sole election, title to the Improvements shall be deemed vested in Tenant effective as of the date Tenant (or a sublessee of Tenant) engaged in a use which is not a Statutory Use and shall remain vested in Tenant for the remainder of the Term.

39. SURRENDER

Upon the expiration or other termination of the Term, Tenant shall quit and surrender to Landlord the Demised Premises, including all Improvements, buildings, replacements, changes, additions and other improvements thereon, with all non-trade fixtures and equipment in or appurtenant thereto in their then existing condition (but excluding any personal property of Tenant) or, if requested by Landlord, shall clear the land, putting the same into the same condition as existed prior to the execution of this Lease.

40. RESTRICTIONS - AMENDMENTS

Tenant agrees that its construction, use, maintenance, ownership and operation of the Demised Premises are subject to the Restrictions. Subject to the limitations set forth in Section 6(i), Tenant specifically acknowledges and agrees that Landlord may effect amendments to the Restrictions without the prior written consent of Tenant so long as any such amendments (i) shall apply equally and without discrimination to all persons entitled to the use and occupancy of land within the Research Park, (ii) shall not prohibit or adversely affect the use then being made of the Demised Premises or any use of the Demised Premises permitted at the time of execution of this Lease, (iii) shall not permit uses within the Research Park which are not then common to first class research parks located within the southwestern United States, and (iv) do not, in Tenant's reasonable judgment, impose an excessive financial burden on Tenant. Tenant further agrees upon reasonable advance written notice to allow Landlord to enter upon and inspect the Demised Premises during Tenant's normal working hours for purposes of monitoring Tenant's compliance with said Restrictions.

41. QUIET POSSESSION

Landlord agrees that Tenant, upon paying the rent, Additional Charges and performing all other covenants and conditions of this Lease, may quietly have, hold and enjoy

the Demised Premises during the Term hereof or any renewal thereof. It is further the intention of the parties hereto that the covenants of this Lease be independent of each other.

42. WATER RESOURCES

It is the announced policy of the State of Arizona, that groundwater resources be conserved and therefore, with respect to any landscaped area of the Demised Premises as required by the Restrictions, Tenant will use only those plants and planting materials that have been approved for use in the Research Park by the Arizona Department of Water Resources. Upon request, Landlord will furnish Tenant with a listing of such approved plants and planting materials. Furthermore, Tenant will not allocate more than 15% of its landscaped area to turf. Furthermore, no more than 20% of the turfed area developed by Tenant will be overseeded with any seed variety during the winter dormancy period for Bermuda grass. Furthermore, no outdoor water bodies such as fountains and reflecting ponds will be installed by Tenant. For purposes of this Section 42, "landscaped area" shall mean all areas of the Demised Premises not improved with Improvements, parking areas and driveways.

43. NOTICES

Any notice required or permitted to be given hereunder must be in writing and may be given by personal delivery or by mail, and if given by mail shall be deemed given if sent by registered or certified mail addressed to Tenant, or to Landlord at the addresses set forth in the Fundamental Lease

Provisions. Either may, by written notice to the other, specify a different address for notice purposes.

44. BROKERS

(a) Except as set forth in (b) below, each party warrants to the other party that the warranting party had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, and that it knows of no real estate broker or agent who is or might be entitled to a commission in connection with this Lease and agrees to hold the other party harmless from any claims of any brokers claiming a commission on account of any actions of the warranting party.

(b) Landlord has informed Tenant that Landlord is represented by P.C.I. Associates, Ltd., and by Sunbelt Holdings Management, Inc., pursuant to an asset management agreement with Landlord. Landlord shall be solely responsible for all fees payable to said entities as a result of the closing of this lease transaction.

45. NET LEASE

It is the intention of the parties hereto that, except as otherwise provided in this Lease, this Lease shall be a net lease and that Landlord shall receive the rents herein reserved and all sums which shall or may become payable hereunder by Tenant free from all taxes, charges and expenses of every kind or sort whatsoever (exclusive of rentals due under either the Ground

Lease or the Ground Sublease) and that Tenant shall and will and hereby expressly agrees to pay all such sums which, except for the execution and delivery of this Lease, would have been chargeable against the Demised Premises and payable by Landlord.

46. TENANT'S TITLE INSURANCE

At Tenant's option and at Tenant's sole expense, Tenant may obtain a policy of title insurance insuring Tenant's subleasehold interest in the Demised Premises. Tenant's obligations under this Lease shall not be contingent upon the form or content of any such policy of title insurance.

47. HEIGHT RESTRICTIONS

Tenant acknowledges that it has received a copy of that certain Declaration of Height Limitations ("Declaration") recorded at Document No. 96-0774295, Official Records of Maricopa County, Arizona. Tenant agrees to comply with said Declaration.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first above written.

PRICE-ELLIOTT RESEARCH PARK,
INC., an Arizona nonprofit corporation

By: /s/ A. J. Pfister

A. J. Pfister

Its: President

LANDLORD

RYAN COMPANIES US, INC.
a Minnesota corporation

By: /s/ John Strittmatter

Name: John Strittmatter

Title: VP

TENANT

EXHIBIT 10.59

PROMISSORY NOTE FOR $5,000,000 TO RYAN COMPANIES US, INC.

RELATING TO THE MOTOROLA BUILDING

PROMISSORY NOTE

$5,000,000.00 March 29, 2000

FOR VALUE RECEIVED, the undersigned, WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Borrower"), promises to pay to the order of RYAN COMPANIES US, INC., a Minnesota corporation ("Lender"), at its offices at 700 International Centre, 900 Second Avenue South, Minneapolis, Minnesota 55402, or at such other place as the holder hereof may from time to time designate in writing, in lawful money of the United States of America, the principal sum of Five Million and No/100 Dollars ($5,000,000.00), together with interest on the unpaid principal balance thereof from and after the date hereof at the rate of nine percent (9%) per annum. Accrued interest shall be paid on May 1, 2000 and on the first day of each month thereafter until April 1, 2001, on which date the entire unpaid principal balance and all accrued but unpaid interest thereon shall be due and payable. If a monthly interest payment is not made within five (5) days of the date when due, Borrower shall pay to the holder hereof a late payment charge of four percent (4%) of the amount of the overdue payment. All payments made hereon shall be applied first to accrued late payment charges, then to accrued interest and then to reduction of the principal balance. Borrower may prepay the unpaid balance of the indebtedness evidenced hereby at any time, without premium or penalty.

This Promissory Note is secured by a Purchase Money Deed of Trust, Assignment of Lease and Rents, Fixture Filing and Security Agreement of even date herewith made by Borrower in favor of Lender pertaining to property located in Maricopa County, Arizona ("Deed of Trust"). Upon the occurrence of an Event of Default, as defined in the Deed of Trust, the entire unpaid principal sum evidenced by this Promissory Note, together with all accrued and unpaid interest thereon, shall at the option of the holder hereof become immediately due and payable. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. Borrower further agrees to pay all costs incurred by the holder hereof to collect the amounts due hereunder, including court costs and reasonable attorneys' fees.

Borrower waives presentment, protest and demand, notice of protest, demand and of dishonor and nonpayment of this Promissory Note and any lack of diligence or delays in collection or enforcement of this Promissory Note. This Promissory Note shall be governed by and construed in accordance with the laws of the State of Minnesota.

IN TESTIMONY WHEREOF, Borrower has caused this Promissory Note to be duly executed and delivered as of the date first above written.

WELLS OPERATING PARTNERSHIP, L.P.
By: Wells Real Estate Investment Trust, Inc.,
Its General Partner

By: /s/ Douglas P. Williams

Its: Executive Vice President

EXHIBIT 10.60

PURCHASE MONEY DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS,

FIXTURE FILING AND SECURITY AGREEMENT

SECURING THE MOTOROLA BUILDING

WHEN RECORDED MAIL TO:

Old Republic Title Agency
3200 North Central Avenue
Suite 100
Phoenix, Arizona 85012

PURCHASE MONEY
DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS,
FIXTURE FILING AND SECURITY AGREEMENT

THIS PURCHASE MONEY DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, FIXTURE FILING AND SECURITY AGREEMENT ("Deed of Trust") dated as of March 29, 2000, is made among WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, whose address is 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092 ("Borrower"), as Trustor, OLD REPUBLIC TITLE AGENCY, INC., an Arizona corporation ("Trustee"), as Trustee, whose address is 3200 North Central Avenue, Suite 100, Phoenix, Arizona 85012 and RYAN COMPANIES US, INC., a Minnesota corporation ("Lender"), as Beneficiary, whose address is 700 International Centre, 900 Second Avenue South, Minneapolis, Minnesota 55402.

WITNESSETH:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, BORROWER IRREVOCABLY GRANTS, BARGAINS, SELLS AND CONVEYS TO TRUSTEE, ITS SUCCESSORS AND ASSIGNS, IN TRUST, WITH POWER OF SALE AND RIGHT OF ENTRY AND POSSESSION, the leasehold estate created by that certain ASU Research Park Lease dated November 19, 1997, by and between Price-Elliott Research Park, Inc., as Landlord, and Lender, as Tenant, a Memorandum of Lease with respect to which was recorded in the office of the Maricopa County Recorder on December 10, 1997, as Document No. 97-0867851 (the "Lease"), pertaining to that certain real property (the "Real Property") located in the, County of Maricopa, State of Arizona, which is described on the attached Exhibit "A" which is made a part of and incorporated into this Deed of Trust by this reference as though fully set forth herein.

TOGETHER WITH all right, title and interest of Borrower in and to all of the following, whether now owned or hereafter acquired:

a. all buildings and other improvements erected or hereafter erected on the Real Property (collectively, the "Improvements"); and

b. all fixtures, appliances, machinery and equipment of any nature whatsoever, and other articles of personal property owned by Borrower and now or at any time hereafter installed in, attached to or situated in or upon the Real Property or any Improvements now or hereafter erected thereon, or used or intended to be used in connection with the Real Property, or in the

operation of any Improvements now or hereafter erected thereon, or in the operation or maintenance of any such Improvement, plant or business situate thereon, whether or not the personal property is or shall be affixed thereto, except that the foregoing shall not apply to personal property owned by any tenant or to any furniture, furnishings, accessories and equipment not owned but

leased by Borrower for use in a management office, or otherwise in the management and operation of the Improvements constructed on the Real Property; and

c. all building materials, fixtures, building machinery and building equipment owned by Borrower and delivered on-site to the Real Property during the course of, or in connection with, construction of, or reconstruction of, or remodeling of any building and improvement from time to time during the term hereof; and

d. all of Borrower's interest in (a) all service contracts relating to the Real Property, (b) all trade names used in connection with the Real Property, and solely for use in connection with operation of the Real Property, and (c) all guaranties and warranties from manufacturers, materialmen and contractors for work done on or to the Real Property; and

e. all awards or payments, including interest thereon, which may be made with respect to the Real Property, whether from the exercise of the right of eminent domain (including any transfer made in lieu thereof) or for any other injury to or decrease in the value of the Real Property, including, without limitation, all awards or payments or just compensation, all damages to the Real Property resulting from any taking, all relocation or dislocation payments and all out-of-pocket expenses; and

f. all insurance policies covering the Real Property and all proceeds of any unearned premiums on any such insurance policies including, without limitation, the right to receive and apply the proceeds of any insurance, judgment, or settlements made in lieu thereof, for damage to the Real Property; and

g. any and all tenements, hereditaments and appurtenances belonging to the Real Property or any part thereof including any water rights, mineral rights, development rights and strips and gores, or in any way appertaining thereto, and all streets, alleys, passages, ways, water courses, and all easements and covenants now existing or hereafter created which relate to the Real Property for the benefit of Borrower or any subsequent owner or tenant of the Real Property and all rights to enforce the maintenance thereof, and all other rights, liberties and privileges of whatsoever kind or character, and the reversions and remainders, income, rents, issues and profits arising therefrom, and all the estate, right, title, interest, property, possession, claim and demand whatsoever, at law or in equity, of Borrower in and to the Real Property or any part thereof; and

h. all leasehold estates, rights, title and interest of Borrower as landlord in and to all leases or subleases covering any portion of the Real Property or Improvements now or hereafter existing or entered into, and all right, title and interest of Borrower thereunder, including without limitation, all security deposits (subject to applicable legal restrictions and leases of tenants), advance rentals, and deposits or payments of similar nature; and

i. all the rents, issues and profits thereof, and also all the estate, right, title, interest and all claims and demands whatsoever, as well in law as in equity, of Borrower in and to the Real Property, now owned or hereafter acquired, and every item, part and parcel thereof.

All of the above-mentioned Real Property, Improvements, fixtures, machinery, furniture, equipment, rights, tenements, hereditaments and appurtenances and other property interests are sometimes collectively referred to herein as the "Secured Property."

This Deed of Trust also constitutes a "Security Agreement" as that term is defined in the Uniform Commercial Code as enacted in the State of Arizona with respect to all of the personal property as identified above appropriated to the use of the Secured Property and the Improvements owned by Borrower subject to the lien of this Deed of Trust including, but not limited to, all of the

furniture, furnishings, machinery, apparatus, equipment, fittings, fixtures and other articles of personal property (excluding any and all personal property leased by Borrower from any third party) whether affixed or annexed or not, which shall for purposes of this Deed of Trust, to the extent permitted by law, be considered as annexed to and forming a part of the Secured Property and the Improvements; and with respect to any award in eminent domain proceedings for a taking or loss of value with respect to the Secured Property and the Improvements; and in all future leases and rents. This Deed of Trust creates a security interest in Lender, and Borrower does hereby grant to Lender a security interest in all of the personal property of the Borrower as described above subject to the lien of this Deed of Trust. With respect to Borrower's interest in the fixtures described above, this Deed of Trust shall constitute a security agreement and financing statement between Borrower and Lender and shall be effective as a financing statement recorded as a fixture filing under the Uniform Commercial Code, as adopted in the State of Arizona, from the date of its recordation in the real estate records of the county or counties in which the real property is located. This security agreement and financing statement covers the above described fixtures and cumulative of all other rights of Lender hereunder, Lender shall have all of the rights conferred on secured parties by the Uniform Commercial Code with respect to such fixtures.

Any reproduction of this Deed of Trust or of any other security agreement or financing statement shall be sufficient as a financing statement to the extent permitted by law. In addition, Borrower agrees to execute and deliver to Lender, upon Lender's request, any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Deed of Trust in such form as Lender may require to perfect a security interest with respect to said items. Borrower shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Lender may reasonably require. Without the prior written consent of Lender, Borrower shall not create or suffer to be created pursuant to the Uniform Commercial Code or otherwise any other security interest in said items, including replacements and additions thereto. Upon Borrower's breach of any covenant or agreement of Borrower contained in this Deed of Trust, Lender shall have the remedies of a secured party under the Uniform Commercial Code and, at Lender's option, may also invoke the remedies provided in this Deed of Trust as to such items, and it is expressly agreed that if, upon default, Lender should proceed to dispose of the collateral in accordance with the provisions of the Uniform Commercial Code, ten (10) days

notice by Lender to Borrower shall be deemed to be reasonable notice under any provisions of the Uniform Commercial Code requiring such notice. In exercising any of said remedies, Lender may proceed against the items of real property and any items of personal property specified above as part of the Secured Property separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies under the Uniform Commercial Code or of the remedies provided in this Deed of Trust.

TO HAVE AND TO HOLD all of the above granted and described Secured Property with the appurtenances and any after-acquired title Borrower may subsequently have obtained therein, unto Lender, its successor or successors, forever; and Borrower warrants generally its title to the Secured Property free of all liens and encumbrances, and agrees to execute such further assurances of title as Lender may reasonably require.

PROVIDED, ALWAYS, and these presents are upon this express condition, that if Borrower or its successors or assigns, shall well and truly pay unto Lender the principal amount of that certain Note (as defined below) and the interest and other fees and charges, if any, thereof, at the time and in the manner mentioned in the Note as well as any other indebtedness secured hereby, and shall well and truly abide by and comply with each and every covenant and condition set forth herein or in the Note, then these presents and the estate hereby granted shall cease, determine and be void; and provided, further, that until the happening of any Event of Default as set forth in this Deed of Trust, Borrower shall have the

right to possess and enjoy the Secured Property and a license to receive and retain the rents, issues and profits thereof; and provided further, that on full payment of the amounts advanced pursuant to the Note secured by this Deed of Trust and all property costs, charges, expenses, prepayment charges, and commissions incurred at any time before the sale hereinafter provided for, Lender shall release and reconvey the premises unto and at the cost of Borrower without covenant or warranty to the person or persons legally entitled thereto.

FOR THE PURPOSE OF SECURING:

A. Payment of the indebtedness evidenced by the Promissory Note (the "Note"), given by Borrower to Lender in the amount of $5,000,000.00, dated of even date herewith, and together with any interest and all other charges under the Note, and any renewals, extensions, supplements and modifications of the Note.

B. Payment of such additional sums and interest thereon which may now or hereafter be loaned to Borrower, or its successors or assigns, by Lender, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

C. Payment of all other sums, including without limitation, any advances made by Lender or Trustee for or on account of Borrower, becoming due or payable under this Deed of Trust, or any other agreement or instrument securing or pertaining to the Note or the indebtedness (the "Indebtedness") evidenced by the Note, together with interest thereon at the rate or rates specified in such instruments.

BORROWER AND LENDER AGREE AS FOLLOWS:

1. Promise to Defend Title. Borrower is lawfully seized of the estate conveyed and has the right to grant and convey the Secured Property; the Secured Property is unencumbered by Borrower; and Borrower will warrant and defend generally the title to the Secured Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in the mortgagee title insurance policy insuring Lender's interest in the Secured Property.

2. Obligation to Pay. Borrower will pay all amounts under the Note when due.

3. Performance of Lease. Borrower shall promptly pay when due all rents, charges, expenses and other sums or amounts required to be paid by the Tenant under the Lease and shall faithfully keep and perform each and all of the terms, covenants, provisions and agreements to be kept and performed by the Tenant under the Lease and shall do all things necessary to preserve and keep unimpaired the rights and interests of Borrower, as Tenant, under the Lease. Upon receipt by Lender from the Landlord of any written notice of default or failure to perform any of the terms, covenants, provisions or agreements of the Lease to be paid, observed or performed by Borrower, Lender may rely thereon and may pay any amount and take any action necessary to cure such breach or default, even though the existence of such breach or default may be questioned or denied by Borrower. Borrower shall reimburse Lender on demand for all amounts expended by Lender in effecting such cure, together with interest thereon from the date of demand at the rate provided in the Note.

4. [Intentionally Omitted]

5. Charges; Liens.

(a) Borrower will pay, prior to delinquency, all taxes, assessments and other charges, fines and impositions attributed to the Secured Property which create or may create a lien on any of the Secured Property, and leasehold payments or ground rents, if any, as provided under Paragraph 3.

(b) Borrower covenants and agrees to and with Lender that if the Secured Property or any part thereof is encumbered, mortgaged or pledged by Borrower, whether voluntarily or involuntarily or by operation of law, in either or any case without the prior written consent of Lender, Lender may, at Lender's option, declare all of the sums secured by this Deed of Trust to be immediately due and payable, and Lender may invoke any remedies permitted by this Deed of Trust.

6. Fire and Other Hazard Insurance; Liability Insurance.

(a) Borrower shall keep the Secured Property and the Improvements insured for its full replacement value against loss by fire, vandalism and malicious mischief, perils of extended coverage and other risks as required by Lender in its reasonable discretion. In addition, Borrower shall provide flood insurance, if required, in an amount satisfactory to Lender, where

the Secured Property is now, or in the future is declared to be in a Special Flood Hazard Area as described in the National Disaster Protection Act of 1973, as amended. The insurance carrier providing the required coverage will be chosen by Borrower subject to approval by Lender. All insurance policies and renewals will include a standard mortgage clause in favor of and in form acceptable to Lender, including without limitation a clause giving Lender a minimum of thirty (30) days' notice prior to cancellation. Borrower shall furnish to Lender originals of all policies of insurance required hereunder. If Borrower fails to provide Lender with evidence of the required insurance during the term of the Loan, Lender is authorized, but not obligated, to obtain insurance protecting Lender's interest only. Borrower will be required to pay Lender the insurance premium upon request, or the premium may be added to the principal balance of the Note and accrue interest at the rate specified in the Note. Any sums Lender may expend for insurance premiums will be secured by this Deed of Trust.

(b) When any hazard loss occurs, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may submit notice of claim and/or make proof of loss if not made promptly by Borrower. All insurance proceeds shall be paid to Lender. Lender agrees that the insurance proceeds shall be applied to restoration or repair of the Secured Property provided that (i) no Event of Default exists hereunder, (ii) the restoration or repair will be completed prior to April 1, 2001, (iii) Borrower first pays all costs in excess of available insurance proceeds, and (iv) the lease to Motorola, Inc. will remain in full force and effect. Otherwise, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, with excess, if any, paid to Borrower. If the Secured Property is abandoned by Borrower, or if Borrower fails to respond to Lender within thirty (30) days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds, at Lender's option, either to the restoration or repair of the Secured Property or to the sums secured by this Deed of Trust.

(c) Unless Lender and Borrower agree in writing, any application of proceeds to principal will not extend or postpone the due date of the payments or change the amount of the payments. If title to the Secured Property is acquired by Lender, all rights, title and interest of Borrower in any insurance policies will pass to Lender.

(d) Borrower shall at all times procure and maintain at its sole expense a policy or policies of liability insurance with respect to activities on the Secured Property affording coverage not less than $2,000,000 combined single limit for death or injury to one or more persons or property damage naming Lender as additional insured. Upon the date of this Deed of Trust and from time to time before the expiration of any policy shown in the prior certificate, Borrower shall deliver to Lender certificates (i) evidencing the required coverage and (ii) obligating the insurer to provide at least 30 days prior notice to Lender of any cancellation, non-renewal or reduction in limits of any policy shown on the certificate. Upon request, Borrower shall deliver to Lender the original or a copy of each policy. All such policies shall be issued

by a responsible insurer licensed to do business in Arizona. Borrower shall obtain such endorsements and coverage as Lender may reasonably request.

(e) Borrower shall defend, indemnify and hold Lender harmless from all claims and liabilities, insured or uninsured, arising on the Secured Property or resulting from any act or omission of Borrower.

7. Preservation and Maintenance of Property. Borrower will keep the Secured Property in good repair and will not commit waste or permit impairment or deterioration of the Secured Property. No Improvements or other property (except trade fixtures belonging to any tenant) now or hereafter covered by the lien of this Deed of Trust shall be removed, demolished or materially altered or enlarged, nor shall any new Improvements be constructed, without the prior written consent of Lender, except that Borrower shall have the right, without such consent, to remove and dispose of, free from the lien of this Deed of Trust, such personal property as from time to time may become worn out or obsolete, provided that simultaneously with or prior to such removal any such personal property shall be replaced with other personal property of a value at least equal to that of the replaced personal property and free from any title retention or other security agreement or other encumbrance and from any reservation of title, and by such removal and replacement the Borrower shall be deemed to have subjected such new personal property to the lien of this Deed of Trust and the security interest of Lender created hereby shall be the first priority security interest in said new personal property.

8. Compliance with Laws. Borrower covenants and agrees that it will comply with or cause to be complied with all present and future laws, statutes, ordinances, rulings, regulations, covenants, conditions and restrictions, orders and requirements of all federal, state, municipal, county, and other governmental agencies and authorities relating to the Secured Property, as well as all covenants, conditions, and restrictions affecting same and shall pay all fees or charges of any kind in connection therewith. Borrower further covenants that it (i) shall not join in the amendment or rescission of any covenants, conditions and restrictions now or hereafter affecting the Secured Property or the operation thereof, without the prior written consent of Lender; (ii) shall give Lender written notice of any request, and, if in writing, a copy of such request, received by Borrower and requesting Borrower to join in the amendment of any covenants, conditions or restrictions now or hereafter affecting the Secured Property or the operation thereof; and (iii) shall give Lender telephonic notice within one (1) day and written notice (which shall include a copy of any notice received by Borrower) within three (3) days of Borrower's receipt of any notice received by or on behalf of Borrower with respect to Borrower's noncompliance with any of the provisions of covenants, conditions or restrictions now or hereafter affecting the Secured Property or the operation thereof. If Borrower fails to correct the conditions specified in the notice to it, Lender may do so at the sole cost and expense of Borrower, and Borrower shall reimburse Lender for such cost and expense upon demand. Any amounts so expended by Lender shall bear interest at the default rate (as defined in the Note) from the date of expenditure and shall be secured by this Deed of Trust.

9. [Intentionally Omitted]

10. Assignment of Leases and Rents. Borrower, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby conveys, transfers, assigns, sells, sets over and delivers, irrevocably and absolutely, unto Lender, its

successors and assigns, all the rights, interest and privileges, which Borrower, as lessor, has and may have in the leases now existing or hereafter made and affecting the Real Property, or any part thereof, as such leases may have been, or may from time to time be hereafter, modified, extended and renewed, with all rents, income and profits (including tenant security deposits) due and becoming

due therefrom. Borrower will, on request of Lender, execute assignments of any specific leases affecting any part of the Real Property. Borrower will not modify or amend the existing lease to Motorola, Inc. without the written approval of Lender.

11. Protection of Lender's Security. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Secured Property, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a debtor in bankruptcy or decedent, then Lender, at Lender's option, upon notice to Borrower, may make such appearances, disburse such sums and take such action as is necessary to protect Lender's interest, including, but not limited to, disbursement of reasonable attorneys' fees and entry upon the Secured Property to make repairs. Any amounts disbursed by Lender pursuant to this Paragraph 11, with interest thereon, will become an additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts will be payable upon notice from Lender to Borrower requesting payment, and will bear interest from the dates of disbursement at the rate payable from time to time on the outstanding principal balance under the Note. Nothing contained in this Paragraph 11 shall impose upon Lender an affirmative duty to incur any expense or take any action.

12. Inspection. Lender may make or cause to be made reasonable entries upon and inspections of the Secured Property.

13. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Secured Property, or any part of the Secured Property, or for conveyance in lieu of condemnation are irrevocably assigned and will be paid to Lender; provided that Lender shall receive only those amounts necessary to satisfy the outstanding principal balance of the loan and any other additional amounts owed by Borrower. Any application of proceeds to principal will not affect the due date or scheduled payments under the Note.

14. Events of Default. The unpaid principal balance of the indebtedness evidenced by the Note and interest thereon, together with all other applicable fees and charges evidenced thereby or secured hereby shall become due at the option of Lender upon the occurrence of an Event of Default (as defined below). The following shall constitute an "Event of Default" or "Events of Default" hereunder.

(a) Any failure to pay, within ten (10) days after the dates when due as provided in the Note, all amounts due and owing under the Note.

(b) Any default in the payment of any other sum due under this Deed of Trust which is not cured ten (10) days following receipt of written notice from Lender.

(c) Unless otherwise provided herein, any non-monetary default which is not cured within thirty (30) days following receipt of written notice from Lender.

(d) The imposition of any voluntary or involuntary lien or encumbrance upon the Secured Property, except as permitted by this Deed of Trust or approved by Lender.

(e) Borrower assigns, transfers or conveys any interest in all or any part of the Secured Property.

15. Acceleration; Remedies. Upon the happening of an Event of Default, Lender, at Lender's option, may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may use the power of sale and any other remedies provided for herein or permitted by applicable law, including without limitation, the rights and remedies afforded

by Arizona Revised Statutes (S)33-702(B), without regard to the adequacy of the security or to the solvency of Borrower or whether Trustee or Lender has commenced to exercise any other right or remedy provided herein or permitted by applicable law. Lender will be entitled to collect all reasonable costs and expenses incurred including, but not limited to, reasonable attorneys' fees in pursuing the remedies provided in this Deed of Trust.

If Lender uses the power of sale, Trustee will give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, will sell the Secured Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Secured Property in the manner provided by law. Lender or Lender's designee may purchase the Secured Property at any sale.

Trustee will deliver to the purchaser a Trustee's Deed conveying the Secured Property sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's Deed will be prima facie evidence of the truth of the statements made. Trustee will apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the persons legally entitled.

16. Appointment of Receiver; Lender in Possession. Upon the occurrence of any Event of Default, Lender, in person, by agent, or by judicially appointed receiver may enter upon, take possession of and manage the Secured Property and collect the rents from the Secured Property including those past due. All rents collected by Lender or the receiver will be applied first to payment of the costs of management of the Secured Property and collection of rent, including receiver's fees, premiums on receiver's bonds and reasonable attorneys' fees, and then to the sums secured by this Deed of Trust. Lender and the receiver will only be liable to account for those rents actually received.

17. Borrower Not Released. Extension of the time for payment or modification or amortization of the sums secured by this Deed of Trust granted by Lender to any successor in interest of Borrower will not operate to release, in any manner, the liability of the original

Borrower and the original Borrower's successors in interest. Lender will not be required to commence proceedings against any successor or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower and the original Borrower's successors in interest.

18. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy contained in this Deed of Trust, or otherwise afforded by applicable law, will not be a waiver of, or preclude the exercise of, any such right or remedy. The procurement of insurance, or the payment of taxes, or other liens or charges by Lender will not be a waiver of Lender's right to accelerate the maturity of the Note or any additional advances.

19. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or under any other Loan Document or afforded by law or equity, and may be exercised concurrently, independently or successively.

20. Successors and Assigns Bound; Joint and Several Liability. The covenants and agreements contained in this Deed of Trust will bind, and the rights under this Deed of Trust will inure to, the respective successors and assigns of Lender and Borrower. All covenants and agreements of Borrower will be joint and several.

21. Notice. Except for any notice required under applicable law to be given in another manner, all written notices or demands required or permitted under this Deed of Trust, shall be in writing, delivered in person or sent by certified mail, return receipt requested, to the address shown on the first page or to such other address as either party may designate from time to time by notice to the other. Mailed notices shall be effective upon deposit in the mail, and personally delivered notices shall be effective upon receipt.

22. Waiver of Rights by Borrower. Borrower waives all the rights and benefit of all laws now existing or that hereafter may be enacted providing for (a) any appraisement before sale of any portion of the Secured Property, or (b) extension of the time for the enforcement or collection of the Note or the indebtedness evidenced thereby, or (c) creation of an extension of the period of redemption from or a moratorium on any sale made pursuant to this Deed of Trust. To the full extent Borrower may do so, Borrower agrees that Borrower will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisement, valuation, stay, extension, redemption or moratorium, and Borrower, for Borrower, Borrower's successors and assigns, and for any and all persons ever claiming any interest in the Secured Property, to the extent permitted by law, hereby waives and releases all rights of redemption, valuation, appraisement, moratorium, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness and marshaling in the event of foreclosure of the liens hereby created. If any law referred to in this Paragraph and now in force, of which Borrower, Borrower's successors and assigns or other person might take advantage despite this Paragraph, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this Paragraph. Borrower expressly waives

and relinquishes any and all rights and remedies which Borrower may have or be able to assert by reason of the laws pertaining to the rights and remedies of sureties, including without limitation Arizona Revised Statutes, Sections 12-1641, et seq. and 16 Arizona Revised Statutes, Rules of Civil Procedure, Rule 17(f). Borrower waives, to the full extent permitted by law, all statutes of limitations as a defense to this Deed of Trust and any obligation secured by this Deed of Trust.

23. Severability; Governing Law. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict will not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision, and to this end the provisions of this Deed of Trust and the Note are declared to be severable. This Deed of Trust shall be governed by, construed and enforced according to the laws of the State of Arizona and construction shall be without regard to any legal principles involving which party caused this instrument to be prepared.

24. Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender will request Trustee to reconvey the Secured Property and surrender this Deed of Trust and all notes secured by this Deed of Trust to Trustee. Trustee will reconvey the Secured Property without warranty to the person legally entitled, and that person will pay all costs of the reconveyance.

25. Substitute Trustee. Lender may appoint a new Trustee in the manner provided by law. The new Trustee will succeed to all the title, power and duties conferred upon the Trustee.

26. No Merger. The estate granted to Lender hereunder shall not merge with any other estate that Lender may have in the Secured Property, present or future.

27. Time is of the Essence. Time is of the essence with respect to each and every covenant, agreement and obligation of Borrower under this Deed of Trust, the Note and any and all other instruments now or hereafter evidencing, securing or otherwise relating to the indebtedness.

28. Captions. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions of this Deed of Trust.

BY SIGNING BELOW, BORROWER ACKNOWLEDGES HAVING READ THIS DEED OF TRUST AND REQUESTS THAT A COPY OF ANY NOTICE OF SALE BE MAILED TO BORROWER AT THE ADDRESS SPECIFIED HEREIN FOR IT.

IN WITNESS WHEREOF, Borrower has executed this Purchase Money Deed of Trust, Assignment of Leases and Rents, Fixture Filing and Security Agreement as of the date first above written.

WELLS OPERATING PARTNERSHIP, L.P.
By: Wells Real Estate Investment Trust, Inc.,
Its General Partner

By: /s/ Douglas P. Williams

Its Executive Vice President

STATE OF GEORGIA)
) ss.
COUNTY OF GWINNETT)

The foregoing instrument was acknowledged before me, a Notary Public, this 28th day of March, 2000, by Douglas P. Williams, the Executive Vice President of Wells Real Estate Investment Trust, Inc., the General Partner of Wells Operating Partnership, L.P., a Delaware limited partnership.

/s/ Martha Jean Cory

Notary Public

My Commission Expires:
Notary Public, Gwinnett County, Georgia

My Commission Expires June 24, 2000

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made a part of this registration statement.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
June 8, 2000

EXHIBIT 24.1

POWER OF ATTORNEY

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Leo F. Wells, III and Douglas P. Williams, or either of them acting singly, as his true and lawful attorney-in-fact, for him and in his name, place and stead, to execute and sign any and all amendments, including any post-effective amendments, to the Registration Statement on Form S-11 of Wells Real Estate Investment Trust, Inc. or any additional Registration Statement filed pursuant to Rule 462 and to cause the same to be filed with the Securities and Exchange Commission hereby granting to said attorneys-in-fact and each of them full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things that said attorneys-in-fact or either of them may do or cause to be done by virtue of these presents.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Power of Attorney has been signed below, effective as of July 30, 1999, 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 (Principal Financial and Accounting Officer)
/s/ John L. Bell John L. Bell	Director
/s/ Richard W. Carpenter Richard W. Carpenter	Director
/s/ Bud Carter Bud Carter	Director
/s/ William H. Keogler, Jr. William H. Keogler, Jr.	Director
/s/ Donald S. Moss Donald S. Moss	Director
/s/ Walter W. Sessoms	Director

Walter W. Sessoms

/s/ Neil H. Strickland Director

Neil H. Strickland